

Annual Financial Report

Fiscal Year Ended June 30, 2014

BARTOW COUNTY BOARD OF EDUCATION

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BARTOW COUNTY BOARD OF EDUCATION

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SECTION II

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SECTION I
FINANCIAL



DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

October 22, 2015

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
Bartow 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 of the Bartow 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also

includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Bartow County Board of Education, as of June 30, 2014, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund 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 Bartow County Board of Education adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

As described in Note 15 to the financial statements, 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 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 \$86 million at June 30, 2015.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bartow County Board of Education's basic financial statements. The accompanying supplementary information is presented for the purposes of additional analysis 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.

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", with a stylized flourish at the end.

Greg S. Griffin
State Auditor

GSG:jt
2014ARL-11

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

INTRODUCTION

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

FINANCIAL HIGHLIGHTS

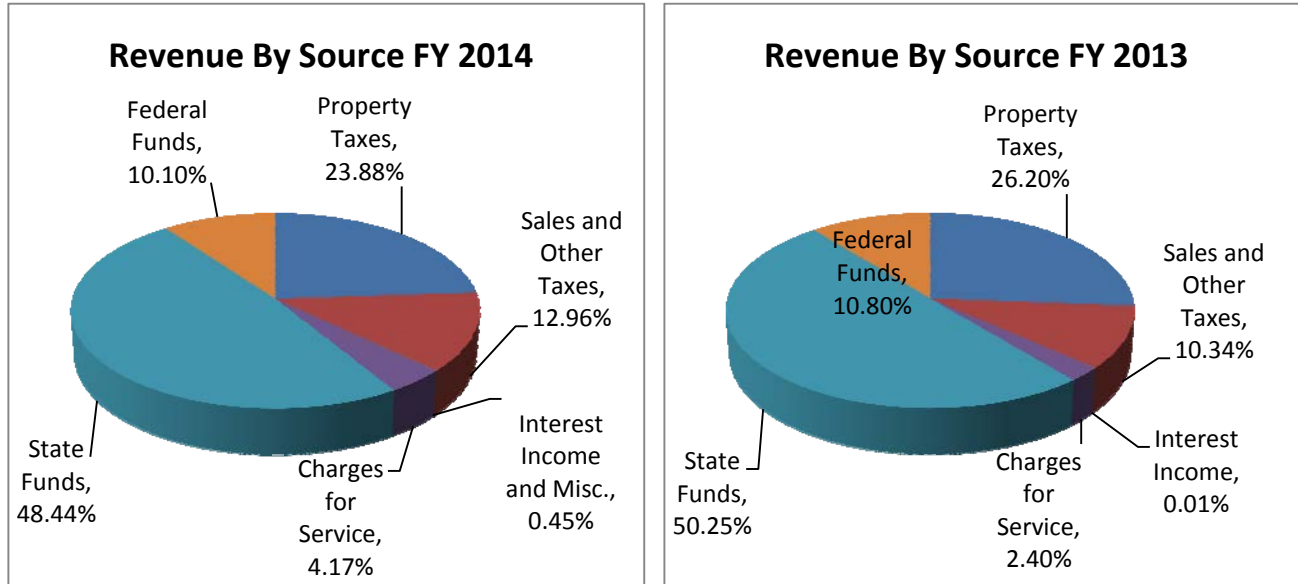
Key financial highlights for fiscal year 2014 are as follows:

In total, net position decreased \$1.9 million which represents a .75% decrease from the prior year.

- Combined general revenues for governmental activities accounted for \$58.4 million or 41.4% of all revenues. Program specific revenues – charges for services, grants and contributions accounted for \$82.9 million or 58.7% of total revenues of \$141.4 million. Total combined revenues were \$7.8 million less than the prior year.
- Combined general and program revenues for the year were from Federal, State, and Local sources, with the State QBE appropriation, proceeds from the Educational Local Option Sales Tax, and local property tax assessments providing the bulk of the resources. The percentage breakdown by source is as follows: Property Taxes 23.88%; Sales and Other Taxes 12.96%; State funds 48.44%; Federal funds 10.1% Charges for services 4.17%; Investment earnings .02% and Miscellaneous .43%.
- The School District had \$139.3 million in expenses related to governmental activities and \$82.9 million of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$58.5 million provided the remaining support for these programs.
- Among major funds, the General Fund had \$123.6 million in revenues and \$129.3 million in expenditures and the capital project fund had \$17.3 million in revenues and \$19.0 million in expenditures (excluding proceeds from the sale of capital assets and transfers to debt service fund). Fund balance decreased for the General Fund by \$6.3 million and the fund balance decreased for capital projects by \$13.4 million.

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

The following charts show the source of governmental activities revenue for the current and prior fiscal years.



OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include a series of statements and notes to the statements. These statements are presented so the reader can understand the School District as a financial whole or its individual fund level.

The system-wide financial statements include the statement of net positions and statement of activities and the supporting notes to these statements. These statements provide aggregated information about the activities of the School District, presenting both short-term and long-term information about the School District's overall financial status.

At the next level, the fund financial statements focus on individual parts of the School District, reporting operation's in more detail and includes the supporting notes to these statements. The governmental funds statements disclose how basic services are financed in the short-term as well as what remains for future spending. The fiduciary fund statements provide information about the financial relationships in which the School District acts solely as a trustee or agent for the benefit of others. The fund financial statements reflect the School District's most significant funds with all other non-major funds presented in total in one column. In the case of the Bartow County School System, the General Fund, District-Wide Capital Project Fund, and Debt Service Fund are the most significant funds. These funds are reported as major funds and therefore are not non-major funds.

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

The notes to the financial statements provide additional detailed information that is essential to understanding data provided in the system-wide and fund level statements. The notes can be found on pages 25-43 of this report.

System-Wide Statements

The District-wide statements are designed to provide readers with a broad overview of the finances. This view of the School District as a whole looks at financial transactions and asks these questions, "How did we do financially in fiscal year 2014 and are we in a better financial position this year than last?"

The statement of net position and statement of activities provide the basis for answering this question. These statements are presented using the accrual basis of accounting, similar to the accounting used by most private-sector businesses. This basis of accounting includes all of the current year's revenues and expenditures regardless of when cash is received or paid.

The statement of net position presents information on all of the School District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether our financial position is improving or deteriorating.

The statement of activities presents information showing how the School District's net position changed during the fiscal year. The causes of this change may be the result of many factors, including those not under the School District's control, such as the property tax base, facility conditions, required educational programs, and other factors.

In the statements of net position and statement of activities the School District has one type of activity-governmental. Governmental activities includes all programs of instruction, support services, operating and maintenance of plant, administration, pupil transportation, school nutrition, after school and school activity accounts.

Fund Financial Statements

The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds.

Governmental Funds – Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the modified accrual method of accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental funds statements provide a detailed short-term view of the School District's general operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The differences between governmental

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

activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are reconciled in the financial statements.

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

FINANCIAL ANALYSIS OF THE SCHOOL SYSTEM AS A WHOLE

Recall that the statement of net position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net positions for the current and prior fiscal years:

**Table 1
Condensed Statement of Net Position
June 30**

	Governmental Activities	
	<u>2014</u>	<u>2013</u>
Assets and Deferred Outflows of Resources		
Current and Other Assets	\$ 57,624,018	\$ 81,476,824
Capital Assets	270,056,247	264,261,124
Unamortized Loss on Bond Refunding	<u>--</u>	<u>18,352</u>
Total Assets and Deferred Outflows of Resources	<u>327,680,265</u>	<u>345,756,300</u>
Liabilities		
Current and Other Liabilities	21,996,322	22,791,014
Long-term Liabilities	<u>60,460,145</u>	<u>75,880,695</u>
Total Liabilities	<u>82,456,467</u>	<u>98,671,709</u>
Net Position		
Net Investment in Capital Assets	223,072,605	189,574,415
Restricted	11,434,629	37,050,824
Unrestricted	<u>10,716,564</u>	<u>20,459,352</u>
Total Net Position	<u>\$ 245,223,798</u>	<u>\$ 247,084,591</u>

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

Table 2 shows the changes in net position for the current and prior fiscal years:

**Table 2
Changes in Net Position
June 30**

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Revenues		
Program Revenues:		
Charges for Services and Sales	\$ 5,869,027	\$ 4,517,158
Operating Grants and Contributions	74,836,743	90,445,142
Capital Grants and Contributions	2,183,995	739,049
Total Program Revenues	<u>82,889,765</u>	<u>95,701,349</u>
General Revenues:		
Taxes		
Property Taxes	33,606,136	36,278,400
Sales Taxes	15,547,203	15,269,529
Other Taxes	2,692,507	674,332
Grants and Contributions not Restricted to		
Specific Programs	5,983,910	1,151,494
Investment Earnings	28,069	44,456
Miscellaneous	605,588	-
Special Items		
Loss on Disposal of Capital Assets	(3,940,881)	-
Total General Revenues and Special Items	<u>54,522,532</u>	<u>53,418,211</u>
Total Revenues and Special Items	<u>137,412,297</u>	<u>149,119,560</u>
Program Expenses		
Instruction	92,994,902	99,108,348
Support Services		
Pupil Services	4,113,495	4,248,987
Improvement of Instructional Services	1,012,862	1,227,983
Educational Media Services	1,754,055	1,876,235
General Administration	1,351,613	1,460,192
School Administration	7,532,203	7,906,328
Business Administration	1,309,123	1,826,453
Maintenance and Operations of Plant	9,906,180	9,882,192
Student Transportation Services	7,591,578	7,236,417
Central Support Services	2,525,062	2,195,798
Other Support Services	184,933	183,811
Operations of Non-Instructional Services		
Food Services	7,721,311	8,042,119
Interest on Long-Term Debt	<u>1,275,773</u>	<u>1,010,638</u>
Total Expenses	<u>139,273,090</u>	<u>146,205,501</u>
Change in Net Position	(1,860,793)	2,914,059
Net Position, Beginning of Year	247,084,591	244,170,532
Net Position, End of Year	<u>\$ 245,223,798</u>	<u>\$ 247,084,591</u>

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

Governmental Activities

As reported in the statement of activities, the cost of all our governmental activities this year was \$139,273,090. Instructional program expenses of \$92,994,903 represent 66.8% of the total. Interest expense was attributable to the various outstanding bond issues and represents less than 1% of total expenses.

Although program revenues make up a majority (64.1%) of the combined revenues, the School District is dependent upon general revenues (property tax, sales tax and other non-restricted revenues) to cover the net cost of services. For 2014, general revenues represented 41.4% or \$58,463,413 of total revenues in the amount of \$141,353,178.

The statement of activities, on page 17, shows the cost of program services and the charges for services and grants offsetting these services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted federal and state entitlements.

**Table 3
Statement of Activities
June 30**

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Instruction	\$92,994,902	\$ 99,108,348	\$(30,797,324)	\$(27,208,493)
Support Services				
Pupil Services	4,113,495	4,248,987	(3,845,750)	(4,008,949)
Improvement of				
Instructional Services	1,012,862	1,227,983	(764,823)	(741,357)
Educational Media Services	1,754,055	1,876,235	12,194	(224,096)
General Administration	1,351,613	1,460,192	(1,093,500)	(1,382,393)
School Administration	7,532,203	7,906,328	(4,023,199)	(4,426,456)
Business Administration	1,309,123	1,826,453	(1,309,123)	(1,722,860)
Maintenance and Operation				
of Plant	9,906,180	9,882,192	(5,772,028)	(5,760,424)
Student Transportation				
Services	7,591,578	7,236,417	(5,890,597)	(5,064,611)
Central Support Services	2,525,062	2,195,798	(617,696)	(272,698)
Other Support Services	184,933	183,811	(184,933)	(183,811)
Food Services	7,721,311	8,042,119	(820,774)	(282,550)
Misc. Non-Instructional Svcs.	-	-	-	1,783,182
Interest on Short-term and				
Long-term Debt	1,275,773	1,010,638	(1,275,773)	(1,010,638)
Total Program Expenses	<u>\$139,273,090</u>	<u>\$146,205,501</u>	<u>\$(56,383,325)</u>	<u>\$(50,504,152)</u>

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

FINANCIAL ANALYSIS OF THE SCHOOL SYSTEM'S FUNDS

The School District's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues and other financing sources (excluding transfers) of \$142,131,784 and expenditures and other financing uses (excluding transfers) of \$165,179,076 for a \$(23,047,292) decrease in fund balance. The total governmental fund balance for 2014 is comprised of the following:

**Table 4
Governmental Fund Balances
June 30**

	<u>2014</u>	<u>2013</u>
General Fund	\$ 14,793,923	\$ 21,045,418
Capital Projects Fund	15,172,830	28,719,995
Debt Service Fund	<u>5,706,446</u>	<u>8,955,078</u>
Total Fund Balance	<u>\$ 35,673,199</u>	<u>\$ 58,720,491</u>

The \$6.3 million decrease for the fund balance in the General Fund was the result of expenditures exceeding revenues. The revenues decreased due to a reduced tax digest along with expenditures for healthcare and retirement benefits increasing significantly.

The \$13.5 million decrease for District-Wide Capital Project Fund balance reflected the use of bond proceeds to complete the construction projects at Adairsville Middle School and Emerson Elementary School. SPLOST collections increased approximately 1.8% from the previous year.

General Fund Budgeting Highlights

The School District's budget is prepared according to Georgia Law.

- The most significant budgeted fund is the General Fund. During 2014, the School District amended its General Fund budget as needed.
- For the General Fund, the final actual revenues and other financing sources on the budgetary basis of \$123,726,558 were greater than the original budgeted amount of \$121,567,616 by \$2,158,942. This difference was due largely to the prior year carryover of State Special revenue funds.
- The final actual budgetary basis expenditures of \$129,021,799 were more than the original budgeted amount of \$128,650,601 by \$371,198.

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

- Overall, the 2014 actual general fund expenditures exceeded the actual general fund revenues by \$5,744,871, excluding the effects of other financing sources and uses.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year June 30, 2014, the School System had \$270,056,247 invested in capital assets, all in governmental activities. Additional information about capital assets can be found in the notes to the financial statements. Table 5 reflects these balances.

**Table 5
Capital Assets (net of depreciation)
June 30**

	<u>2014</u>	<u>2013</u>
Land	\$ 16,704,242	\$ 16,712,842
Construction in Progress	21,085,879	32,211,341
Land Improvements	4,366,830	4,442,192
Buildings	219,747,309	203,712,892
Equipment	<u>8,151,987</u>	<u>7,181,857</u>
Total Capital Assets	<u><u>\$ 270,056,247</u></u>	<u><u>\$ 264,261,124</u></u>

Construction in progress at year end includes final construction in progress cost to Emerson Elementary in the amount of \$13,609,519, the costs for Adairsville Middle School Demolition in the amount of \$334,655, \$994,792 for the renovations at Bartow County College and Career Academy, and the balance for renovations at White Elementary for \$3,215,550, Hamilton Crossing for \$2,917,900 and Woodland High School for \$13,460.

Debt

At the end of fiscal year June 30, 2014, the School System had \$57,575,000 in general obligation bonds outstanding, with \$12,615,000 due within one year. Debt service payments are made from the proceeds of the Educational Local Option Sales Tax. Table 6 summarizes general obligation bonds outstanding. Additional information about long-term debt can be found in the notes to the financial statements.

Compensated absences outstanding at June 30, 2014 were \$637,062 compared to \$706,759 in the prior year.

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

**Table 6
General Obligation Debt
June 30**

	<u>2014</u>	<u>2013</u>
Series 2009 G. O. Bonds	\$ --	\$ 2,025,000
Series 2010A G. O. Bonds	34,575,000	46,960,000
Series 2010B G. O. Bonds	<u>23,000,000</u>	<u>23,000,000</u>
Total General Obligation bonds	<u>\$ 57,575,000</u>	<u>\$ 71,985,000</u>

At June 30, 2014, the School District's legal debt margin was \$144,144,273. The School District maintains an "AA+" bond rating as determined by the Standard and Poor's Ratings Services.

CURRENT ISSUES

- The School District's gross tax digest experienced approximately a one percent decrease and is expected to have leveled off and begin stabilizing the effect on General Fund fund balance.
- Capital Improvements – The School District has completed a new replacement facility for Emerson Elementary. The demolition of the old Adairsville Middle School property is also complete. Renovations are set to be complete for the additions at White Elementary School and Hamilton Crossing Elementary School in FY15.
- Beginning in fiscal 2015, in accordance with the implementation of GASB 68, Accounting and Reporting for Pensions, the School System will be required to present its proportionate share of the net pension liability associated with the Teachers Retirement System of Georgia and the Employer Retirement System of Georgia.

CONTACTING THE SCHOOL SYSTEM'S FINANCIAL MANAGEMENT

This financial report is designed to provide our taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact the business office at Bartow County Schools, 65 Gilreath Road, Cartersville, GA 30120, or 770-606-5800.

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BASIC FINANCIAL STATEMENTS



BARTOW COUNTY BOARD OF EDUCATION

Statement of Net Position

June 30, 2014

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 28,718,633
Restricted Cash	9,231,414
Investments	4,469,470
Receivables	
Taxes	2,315,215
State Government	8,815,538
Federal Government	2,556,444
Other	804,050
Inventory	352,256
Prepaid Assets	360,998
Capital Assets, Nondepreciable	37,790,121
Capital Assets, Net	<u>232,266,126</u>
Total Assets	<u>327,680,265</u>
Liabilities	
Accounts Payable	4,650,455
Salaries and Benefits Payable	15,537,703
Accrued Interest Payable	522,957
Retainage Payable	1,285,207
Long-term Liabilities	
Due Within One Year	13,745,145
Due in More Than One Year	<u>46,715,000</u>
Total Liabilities	<u>82,456,467</u>
Net Position	
Net Investment in Capital Assets	223,072,605
Restricted For:	
Capital Projects	2,910,517
Debt Service	5,183,489
Federal Programs	3,340,623
Unrestricted	<u>10,716,564</u>
Total Net Position	<u>\$ 245,223,798</u>

The accompanying notes are an integral part of this financial statement.

BARTOW COUNTY BOARD OF EDUCATION

Statement of Activities For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities :					
Instruction	\$ 92,994,902	\$ 4,076,143	\$ 56,360,348	\$ 1,761,088	\$ (30,797,323)
Support Services					
Pupil Services	4,113,495	-	267,745	-	(3,845,750)
Improvement of Instruction Services	1,012,862	-	248,039	-	(764,823)
Educational Media Services	1,754,055	-	1,766,249	-	12,194
General Administration	1,351,613	-	258,113	-	(1,093,500)
School Administration	7,532,203	-	3,509,004	-	(4,023,199)
Business Administration	1,309,123	-	-	-	(1,309,123)
Maintenance and Operations	9,906,180	-	4,134,152	-	(5,772,028)
Student Transportation Services	7,591,578	-	1,469,321	231,660	(5,890,597)
Central Support Services	2,525,062	-	1,907,366	-	(617,696)
Other Support Services	184,933	-	-	-	(184,933)
Operations of Noninstructional Services:					
Food Services Operations	7,721,311	1,792,884	4,916,406	191,247	(820,774)
Interest on Long-term Debt	1,275,773	-	-	-	(1,275,773)
Total Governmental Activities	<u>\$ 139,273,090</u>	<u>\$ 5,869,027</u>	<u>\$ 74,836,743</u>	<u>\$ 2,183,995</u>	<u>(56,383,325)</u>
General Revenues:					
Taxes:					
Property Tax, Levied for General Purposes					33,606,136
Educational Special Local Option Sales Tax					15,547,203
Intangible Tax					431,236
Other Taxes					2,261,271
Miscellaneous Revenues					605,588
Grants and Contributions Not Restricted to Specific Programs					5,983,910
Restricted Investment Earnings					7,442
Unrestricted Investment Earnings					20,627
Special Item					
Loss on Disposal of Capital Assets					(3,940,881)
Total General Revenues and Special Items					<u>54,522,532</u>
Change in Net Position					(1,860,793)
Net Position - Beginning of Year					<u>247,084,591</u>
Net Position - End of Year					<u>\$ 245,223,798</u>

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

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BARTOW COUNTY BOARD OF EDUCATION

Balance Sheet Governmental Funds June 30, 2014

	General Fund	District-Wide Capital Projects	Debt Service	Total Governmental Funds
Assets				
Cash and Cash Equivalents	\$ 19,381,530	\$ 9,337,103	\$ -	\$ 28,718,633
Restricted Cash	-	3,524,968	5,706,446	9,231,414
Investments	-	4,469,470	-	4,469,470
Receivables				
Taxes	889,016	1,426,199	-	2,315,215
State Government	8,495,073	320,465	-	8,815,538
Federal Government	2,556,444	-	-	2,556,444
Other	625,320	178,730	-	804,050
Inventory	352,256	-	-	352,256
Prepaid Assets	-	360,998	-	360,998
Due From Other Funds	-	374,226	-	374,226
Total Assets	<u>\$ 32,299,639</u>	<u>\$ 19,992,159</u>	<u>\$ 5,706,446</u>	<u>\$ 57,998,244</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts Payable	\$ 1,116,333	\$ 3,534,122	\$ -	\$ 4,650,455
Salaries and Benefits Payable	15,537,703	-	-	15,537,703
Retainage Payable	-	1,285,207	-	1,285,207
Due To Other Funds	374,226	-	-	374,226
Total Liabilities	<u>17,028,262</u>	<u>4,819,329</u>	<u>-</u>	<u>21,847,591</u>
Deferred Inflows of Resources				
Unavailable Income	477,454	-	-	477,454
Total Deferred Inflows of Resources	<u>477,454</u>	<u>-</u>	<u>-</u>	<u>477,454</u>
Fund Balances				
Nonspendable				
Inventory	352,256	-	-	352,256
Restricted				
Continuation of Federal Programs	2,988,367	-	-	2,988,367
Bus Replacement	-	-	-	-
Debt Service	-	-	5,706,446	5,706,446
Capital Projects	-	15,172,830	-	15,172,830
Committed				
School Activity Accounts	886,333	-	-	886,333
Unassigned	10,566,967	-	-	10,566,967
Total Fund Balances	<u>14,793,923</u>	<u>15,172,830</u>	<u>5,706,446</u>	<u>35,673,199</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 32,299,639</u>	<u>\$ 19,992,159</u>	<u>\$ 5,706,446</u>	<u>\$ 57,998,244</u>
Total Fund Balances Governmental Funds				\$ 35,673,199
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 in the funds.				
Cost		351,259,354		
Less Accumulated Depreciation		<u>(81,203,107)</u>		270,056,247
Other long-term assets are not available to pay for current period expenditures and therefore, are deferred in the funds.				
Property Taxes				477,454
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.				
Bonds		(57,575,000)		
Bond Premium, Net of Amortization		(1,670,954)		
Long Term Portion of Claims Payable		(577,129)		
Accrued Interest		(522,957)		
Compensated Absences		<u>(637,062)</u>		<u>(60,983,102)</u>
Net Position Of Governmental Activities				<u>\$ 245,223,798</u>

The accompanying notes are an integral part of this financial statement.

BARTOW COUNTY BOARD OF EDUCATION
Statement of Revenues, Expenditure and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014

	General Fund	District Wide Capital Projects	Debt Service	Total Governmental Funds
Revenues				
Local Sources	\$ 38,090,994	\$ 15,547,203	\$ -	\$ 53,638,197
State Funds	66,446,234	1,729,410	-	68,175,644
Federal Funds	14,215,030	-	-	14,215,030
Charges for Services	4,809,648	-	-	4,809,648
Investment Earnings	20,627	31,678	7,442	59,747
Miscellaneous	-	-	605,588	605,588
Total Revenues	123,582,533	17,308,291	613,030	141,503,854
Expenditures				
Current				
Instruction	86,679,849	614,129	-	87,293,978
Support Services:				
Pupil Services	4,062,466	-	-	4,062,466
Improvement of Instructional Services	1,011,731	-	-	1,011,731
Educational Media Services	1,704,493	42,948	-	1,747,441
General Administration	1,241,991	-	-	1,241,991
School Administration	7,274,867	-	-	7,274,867
Business Administration	1,309,506	-	-	1,309,506
Maintenance and Operations	9,755,006	33,702	-	9,788,708
Student Transportation Services	6,474,157	326,544	-	6,800,701
Central Supports Services	2,100,113	213,969	-	2,314,082
Other Support Services	181,488	-	-	181,488
Food Services Operation	7,531,737	-	-	7,531,737
Capital Outlay	-	17,782,356	-	17,782,356
Debt Service				
Principal Retirement	-	-	14,410,000	14,410,000
Interest and Fees	-	-	2,428,024	2,428,024
Total Expenditures	129,327,404	19,013,648	16,838,024	165,179,076
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,744,871)	(1,705,357)	(16,224,994)	(23,675,222)
Other Financing Sources (Uses)				
Proceeds From Sale of Capital Assets	449,630	178,300	-	627,930
Transfers In	-	-	12,976,362	12,976,362
Transfers Out	(956,254)	(12,020,108)	-	(12,976,362)
Total Other Financing Sources (Uses)	(506,624)	(11,841,808)	12,976,362	627,930
Net Change in Fund Balances	(6,251,495)	(13,547,165)	(3,248,632)	(23,047,292)
Fund Balance, Beginning of Year	21,045,418	28,719,995	8,955,078	58,720,491
Fund Balance, End of Year	\$ 14,793,923	\$ 15,172,830	\$ 5,706,446	\$ 35,673,199

The accompanying notes are an integral part of this financial statement.

BARTOW COUNTY BOARD OF EDUCATION
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2014

Net Change in Fund Balances - Total Governmental Funds \$ (23,047,292)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which capital outlays exceeded depreciation expense is as follows:

Capital Outlay	\$ 17,918,339	
Depreciation Expense	<u>(7,497,708)</u>	10,420,631

The net effect of various miscellaneous transactions involving capital assets is a decrease in net position. (4,625,508)

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

Property Taxes (150,670)

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

Principal Payments - Bonds 14,410,000

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

Change in Compensated Absences	69,694	
Amortization of Bond Premium	1,030,755	
Amortization of Deferred Loss on Refunding	(18,352)	
Change in Long-term Claims Payable	(89,899)	
Change in Accrued Interest	<u>139,848</u>	<u>1,132,046</u>

Change in Net Position of Governmental Activities \$ (1,860,793)

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

BARTOW COUNTY BOARD OF EDUCATION**General Fund**

Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Budgetary Basis For the Fiscal Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Local Sources	\$ 37,083,287	\$ 36,763,964	\$ 38,090,994	\$ 1,327,030
State Funds	65,383,531	65,979,072	66,140,629	161,557
Federal Funds	16,901,628	15,831,843	14,215,030	(1,616,813)
Charges for Services	2,171,170	2,156,230	4,809,648	2,653,418
Investment Earnings	28,000	36,400	20,627	(15,773)
Total Revenues	<u>121,567,616</u>	<u>120,767,509</u>	<u>123,276,928</u>	<u>2,509,419</u>
Expenditures				
Instruction	85,042,535	84,311,085	86,679,847	(2,368,762)
Support Services:				
Pupil Services	3,651,262	3,910,013	4,062,466	(152,453)
Improvement of Instructional Services	1,441,625	1,931,444	1,011,731	919,713
Educational Media Services	1,730,358	1,750,484	1,704,494	45,990
General Administration	1,553,801	1,577,706	1,241,834	335,872
School Administration	7,351,490	7,412,602	7,274,867	137,735
Business Administration	1,059,352	992,418	1,298,789	(306,371)
Maintenance and Operations	9,546,659	9,444,363	9,658,984	(214,621)
Student Transportation Services	6,665,513	7,164,372	6,372,877	791,495
Central Supports Services	1,943,674	1,890,617	2,080,880	(190,263)
Other Support Services	185,460	198,034	181,489	16,545
Food Services Operation	<u>8,478,872</u>	<u>8,478,872</u>	<u>7,453,541</u>	<u>1,025,331</u>
Total Expenditures	<u>128,650,601</u>	<u>129,062,010</u>	<u>129,021,799</u>	<u>40,211</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(7,082,985)</u>	<u>(8,294,501)</u>	<u>(5,744,871)</u>	<u>2,549,630</u>
Other Financing Sources (Uses)				
Proceeds From Sale of Capital Assets	-	400,000	449,630	49,630
Transfers Out	-	-	(956,254)	(956,254)
Total Other Financing Sources	<u>-</u>	<u>400,000</u>	<u>(506,624)</u>	<u>(906,624)</u>
Net Change in Fund Balance	(7,082,985)	(7,894,501)	(6,251,495)	1,643,006
Fund Balance, Beginning of Year	<u>21,045,418</u>	<u>21,045,418</u>	<u>21,045,418</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 13,962,433</u>	<u>\$ 13,150,917</u>	<u>\$ 14,793,923</u>	<u>\$ 1,643,006</u>

The accompanying notes are an integral part of this financial statement.

BARTOW COUNTY BOARD OF EDUCATION

Agency Fund

Statement of Fiduciary Net Position

June 30, 2014

	Agency Fund
<hr/>	
Assets	
Cash	<u>\$ 158,773</u>
Total Assets	<u>\$ 158,773</u>
Liabilities	
Due to Others	<u>\$ 158,773</u>
Total Liabilities	<u>\$ 158,773</u>

The accompanying notes are an integral part of this financial statement.

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BARTOW COUNTY BOARD OF EDUCATION

Notes to the Financial Statements

June 30, 2014

Note 1 – Description of School District and Reporting Entity

Reporting Entity

The Bartow County Board of Education (the "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 the notes to the basic financial statements of the Bartow 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.

BARTOW COUNTY BOARD OF EDUCATION

Notes to the Financial Statements

June 30, 2014

The School District reports the following major governmental funds:

- The General Fund is the School District's primary operating fund. It accounts for and reports all financial resources not accounted for and reported in another fund.
- The District-wide Capital Projects Fund accounts for and reports financial resources including Educational Special Local Option Sales Tax (ESPLOST), bond proceeds, and grants from the Georgia State Financing and Investment Commission that are restricted to be used for the acquisition, construction, or renovation of major capital facilities.
- The Debt Service Fund accounts for transactions and resources for the payment of general long-term principal, interest, and paying agent's fees.

The School District reports the following fiduciary fund type:

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

Basis of Accounting

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

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. 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, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

BARTOW COUNTY BOARD OF EDUCATION

Notes to the Financial Statements

June 30, 2014

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

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 §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 deposits) 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 §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:

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

The School System does not have a formal policy regarding investments that addresses 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.

BARTOW COUNTY BOARD OF EDUCATION

Notes to the Financial Statements

June 30, 2014

Property Taxes

The Bartow County Board of Commissioners adopted the property tax levy for the 2013 tax digest year (calendar year) on September 15, 2013 (levy date) based on property values as of January 1, 2013. Taxes were due on November 15, 2013 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2013 tax digest are reported as revenue in the governmental funds for fiscal year 2014. The Bartow 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 \$33,756,812.

Tax millage rates levied for the 2013 tax year for the Bartow County Board of Education were as follows (a mil equals \$1 per thousand dollars of assessed value):

School Operations	<u>17.90 mils</u>
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Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to \$2,081,487 during the fiscal year ended June 30, 2014.

Sales Taxes

Education Special Local Option Sales Tax, at the fund reporting level, during the year amounted to \$15,547,203 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 (weighted average). 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

BARTOW COUNTY BOARD OF EDUCATION

Notes to the Financial Statements

June 30, 2014

materially extend the useful lives of the assets is not capitalized. Depreciation is computed using the straight-line method. The School District does not capitalize book collections or works of art. During the fiscal year under review, no events or changes in circumstances affecting a capital asset that may indicate impairment were known to the School District.

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

<u>Description</u>	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
Land	Any Amount	N/A
Land Improvements	\$ 5,000	20-30 Years
Buildings and Improvements	5,000	15-60 Years
Equipment	5,000	5-20 Years
Intangible Assets	5,000	5-20 Years

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

Deferred Outflows/Inflows of Resources

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

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

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 10 days is awarded on a fiscal year basis to all full time personnel employed on a twelve month basis. 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. Vacation leave of 15 days is awarded on a fiscal year basis to the Superintendent and there are no limits on the amount that may be carried over.

BARTOW COUNTY BOARD OF EDUCATION

Notes to the Financial Statements

June 30, 2014

General Obligation Bonds

The School System 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, as well as the gain or loss on bond refundings are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are recognized as an outflow of resources in the fiscal year in which the bonds are issued. Bonds payable are reported net of the applicable bond premium or discount and the loss on bond refunding.

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

Service Concession Arrangements

Service concession arrangements are between a government (transferor) and a third party (operator) in which all of the following criteria are met:

- The School District conveys to the operator the right and obligation to provide public services through the use and operation of a capital asset in exchange for significant consideration. Significant consideration could be in the form of up-front payments, installment payments, a new facility or improvements to existing facility.
- The operator collects and is compensated by fees from third parties.
- The School District has the ability to modify or approve what services the operator is required to provide, to whom services are provided, and prices or rates that can be charged for those services.
- The School District is entitled to significant residual interest in the service utility of the asset at the end of the arrangement.

As of June 30, 2014, the School District was not a party to any service concession arrangements.

Net Position

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

Net Investment in Capital Assets - This represents the School District's total investment in capital assets, net of accumulated depreciation less 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 - These represent resources for which the School District is legally or contractually obligated to spend for bus replacement, continuation of Federal programs, debt service and capital projects in accordance with restrictions imposed by external third parties.

BARTOW COUNTY BOARD OF EDUCATION

Notes to the Financial Statements

June 30, 2014

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

Fund Balances

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

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

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

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

Assigned – Amounts that are constrained by the School District's *intent* to be used for specific purposes, but are neither restricted nor committed. The intent should be expressed by (1) the Board of Education or (2) the budget or finance committee, or (3) 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 have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the General Fund.

It is the goal of the School District to achieve and maintain a committed, assigned, and unassigned fund balance in the General Fund at fiscal year end of not less than 5% of budgeted expenditures not to exceed 15% of the total budget of the subsequent fiscal year, in compliance with Official Code of Georgia Annotated §20-2-167(a)5. If the unassigned fund balance at fiscal year-end falls below the goal, the School District shall develop a restoration plan to achieve and maintain the minimum fund balance.

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.

BARTOW COUNTY BOARD OF EDUCATION

Notes to the Financial Statements

June 30, 2014

Note 2 – Budgetary Data

The School District adopts an annual budget for its General Fund and Debt Service Fund. The budget is prepared in accordance with the provision of the Official Code of Georgia Annotated §20-2-167 and in accordance with generally accepted accounting principles. After the Board has tentatively adopted the budget, the budget is advertised at least once in the local newspaper of general circulation. At the next regularly scheduled meeting after advertisement, the Board receives comment, makes revisions as necessary, and adopts the final budget. The approved budget is then submitted to the Georgia Department of Education.

In the General Fund, accounting principles used in developing budgets on a budgetary basis differ from those used in preparing financial statements in conformity with generally accepted accounting principles (GAAP).

The primary differences between the budget basis and GAAP basis are:

- Payments made by the State of Georgia for school district employee benefits are recognized as revenues and expenditures under GAAP and are not recognized on the budget basis.

Thus, there is an accounting basis difference between the budget and actual Statement of Revenues, Expenditures and Changes in Fund Balances in the General Fund that is reconciled as follows:

Actual Revenues, GAAP Basis	\$ 123,582,533
On-Behalf Contribution	<u>305,605</u>
Actual Revenues, Budgetary Basis	\$ <u>123,276,928</u>
Actual Expenditures, GAAP Basis	\$ 129,327,404
On-Behalf Benefits Expenditure	<u>305,605</u>
Actual Expenditures, Budgetary Basis	\$ <u>129,021,799</u>
Other Financing Sources (Uses), Net	\$ <u>(506,624)</u>
Revenues Over Expenditures and Other Financing Sources (Uses), Budgetary Basis	\$ <u>(6,251,495)</u>
Revenues Over Expenditures and Other Financing Sources (Uses), GAAP Basis	\$ <u>(6,251,495)</u>

Note 3 - Deposits and Investments

Collateralization of Deposits

Official Code of Georgia Annotated §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

BARTOW COUNTY BOARD OF EDUCATION

Notes to the Financial Statements

June 30, 2014

insurance. If a depository elects the pooled method (O.C.G.A. §45-8-13.1) the aggregate of the market value of the securities pledged to secure a pool of public funds shall not be less than 110 percent of the daily pool balance. As of June 30, 2014, the School District's deposits were secured by surety bond, insurance, or collateral.

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

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

Categorization of Deposits

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At June 30, 2014, the School District had deposits with a carrying amount of \$38,108,752 and a bank balance of \$40,517,141. The bank balances insured by Federal depository insurance were \$2,063,188, and the bank balances collateralized with securities held by the pledging institution or by the pledging financial institution's trust department or agent in the School District's name were \$2,861,820.

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

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.

BARTOW COUNTY BOARD OF EDUCATION
Notes to the Financial Statements
June 30, 2014

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

<u>Credit Risk Category</u>	<u>Bank Balance</u>
1	\$ -
2	-
3	<u>35,592,133</u>
Total	<u>\$ 35,592,133</u>

Categorization of Investments

At June 30, 2014, the carrying value of the School District's total investments was \$4,469,470 which is materially the same as fair value. This investment consisted entirely of funds invested in the Georgia Fund 1 (local government investment pool), administered by the State of Georgia, Office of the State Treasurer which is not required to be categorized since the School District did not own any specific identifiable securities in the pool. The investment policy of the State of Georgia, Office of the State Treasurer for the Georgia Fund 1 (Primary Liquidity Portfolio) does not provide for investment in derivatives or similar investments. Additional information on the Georgia Fund 1 is disclosed in the State of Georgia Comprehensive Annual Financial Report. This audit can be obtained from the Georgia Department of Audits and Accounts at <http://www.audits.ga.gov/SGD/cafr.html>.

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

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The School District does not have a formal policy for managing interest rate risk.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the School District will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The School District does not have a formal policy for managing custodial credit risk for investments.

Credit Quality Risk

Credit quality risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The School District does not have a formal policy for managing credit quality risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The School District does not have a formal policy for managing concentration of credit risk.

BARTOW COUNTY BOARD OF EDUCATION

Notes to the Financial Statements

June 30, 2014

Note 4 - Nonmonetary 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.

Note 5 - Capital Assets

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2014:

Governmental Activities:	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
<i>Capital Assets Not Being Depreciated</i>				
Land and Improvements	\$ 16,712,842	\$ -	\$ (8,600)	\$ 16,704,242
Construction in Progress	32,211,341	14,402,910	(25,528,372)	21,085,879
Total	<u>48,924,183</u>	<u>14,402,910</u>	<u>(25,536,972)</u>	<u>37,790,121</u>
<i>Capital Assets Being Depreciated</i>				
Buildings and Improvements	258,872,161	25,906,714	(9,872,389)	274,906,486
Equipment	23,300,762	2,712,777	(935,669)	25,077,870
Land and Improvements	13,436,665	424,310	(376,098)	13,484,877
Total	<u>295,609,588</u>	<u>29,043,801</u>	<u>(11,184,156)</u>	<u>313,469,233</u>
<i>Less Accumulated Depreciation For:</i>				
Buildings and Improvements	(55,159,269)	(5,353,111)	5,353,203	(55,159,177)
Equipment	(16,118,905)	(1,686,541)	879,563	(16,925,883)
Land and Improvements	(8,994,473)	(458,056)	334,482	(9,118,047)
Total	<u>(80,272,647)</u>	<u>(7,497,708)</u>	<u>6,567,248</u>	<u>(81,203,107)</u>
Capital Assets Being Depreciated, Net	<u>215,336,941</u>	<u>21,546,093</u>	<u>(4,616,908)</u>	<u>232,266,126</u>
Governmental Activities Capital Assets, Net	<u>\$ 264,261,124</u>	<u>\$ 35,949,003</u>	<u>\$ (30,153,880)</u>	<u>\$ 270,056,247</u>

Depreciation expense by function:

Instruction	\$ 5,631,138
Pupil Services	50,613
Media Services	6,100
General Administration	109,512
School Administration	256,353
Maintenance and Operation	252,562
Student Transportation Services	790,091
Support Services - Central	211,481
School Nutrition Program	<u>189,858</u>
Total Depreciation	<u>\$ 7,497,708</u>

BARTOW COUNTY BOARD OF EDUCATION
Notes to the Financial Statements
June 30, 2014

Note 6 – Interfund Assets and Liabilities

Due to and due from other funds are recorded for interfund receivables and payables which arise from interfund transactions. Interfund balances at June 30, 2014, consisted of the following:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ -	\$ 374,226
Capital Projects Fund	<u>374,226</u>	<u>-</u>
	<u>\$ 374,226</u>	<u>\$ 374,226</u>

The interfund balance presented derives from cafeteria equipment expenditures originally paid with Capital Project Funds and reimbursed from School Foods funds after the fiscal year.

Note 7 - Interfund Transfers

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

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
Capital Projects Fund	Debt Service Fund	\$ 12,020,108
General Fund	Debt Service Fund	<u>956,254</u>
	Total	<u>\$ 12,976,362</u>

Transfers are used to move funds from the General Fund and the Capital Projects Fund to the Debt Service Fund to pay bond principal payments and interest expenditures.

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; natural disaster; and unemployment compensation.

The School District participated in the Georgia School Boards Association Risk and Insurance Management System, a public entity risk pool organized on July 1, 1994, to develop and administer a plan to reduce risk of loss on account of general liability, motor vehicle liability, or property damage, including safety engineering and other loss prevention and control techniques, and to administer one or more groups of self-insurance funds, including the processing and defense of claims brought against members of the system. The School District pays an annual premium to the system for its general insurance coverage.

The School District has established a limited risk management program for workers' compensation claims. In connection with this program, a self-insurance reserve has been established within the General Fund by the School District. The School District accounts for claims within the General Fund with expenses/expenditures, and liability being reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. An excess coverage insurance policy covers individual claims in excess of \$350,000 loss per occurrence, up to the statutory limit. For purposes of estimating the unpaid claims liability as of

BARTOW COUNTY BOARD OF EDUCATION

Notes to the Financial Statements

June 30, 2014

June 30, 2014, the District's third party administrator calculated the reserve liability based on the estimated cost of each outstanding claim, and an estimate for incurred but unreported claims, from claims experience for like claims.

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

<u>Fiscal Year</u>	<u>Beginning Of Year Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Paid</u>	<u>End Of Year Liability</u>
2014	\$ 563,689	\$ 346,201	\$ (332,761)	\$ 577,129
2013	751,575	284,036	(471,922)	563,689

The School District is self-insured with regard to unemployment compensation claims. A premium is charged when needed by the General Fund to each user program on the basis of the percentage of that fund's payroll to total payroll in order to cover estimated claims budgeted by management based on known claims and prior experience. The School District accounts for claims with expenses/expenditures and liability being reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated.

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

<u>Fiscal Year</u>	<u>Beginning Of Year Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Paid</u>	<u>End Of Year Liability</u>
2014	\$ -	\$ 11,020	\$ (11,020)	\$ -
2013	-	60,576	(60,576)	-

Note 9 – Operating Leases

The Bartow County School District has entered into various lease agreements as lessee for copiers. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the year ended June 30, 2014 amounted to \$173,144.

Future minimum lease payments for these leases are as follows:

<u>Year Ending</u>	<u>Lease Payments</u>
2015	\$ 190,368
2016	190,368
2017	190,368
Total	<u>\$ 571,104</u>

Note 10 - Long-Term Debt**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

BARTOW COUNTY BOARD OF EDUCATION

Notes to the Financial Statements

June 30, 2014

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.

General Obligation Debt Outstanding

General Obligation Bonds currently outstanding are as follows:

<u>General Obligation Bonds:</u>	<u>Balance June 30, 2014</u>
2010A Series, 2.375%-5.00%	\$ 34,575,000
2010B Series, 2.62%-3.00%	23,000,000
Total General Obligation Bonds	<u>\$ 57,575,000</u>

The changes in general long-term debt during the year ended June 30, 2014, were as follows:

Governmental Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	\$ 71,985,000	\$ -	\$ (14,410,000)	\$ 57,575,000	\$ 12,615,000
Bond Premiums	2,701,709	-	(1,030,755)	1,670,954	766,426
Loss on Bond Refunding	(18,352)	-	18,352	-	-
Claims Payable	563,689	346,201	(332,761)	577,129	-
Compensated Absences	706,759	294,022	(363,719)	637,062	363,719
Total	<u>\$ 75,938,805</u>	<u>\$ 640,223</u>	<u>\$ (16,118,883)</u>	<u>\$ 60,460,145</u>	<u>\$ 13,745,145</u>

At June 30, 2014, principal and interest payments due by fiscal year for general obligation bonds are as follows:

<u>Payments Due in Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Amortization of Bond Premium</u>
2015	12,615,000	1,814,059	766,426
2016	15,000,000	1,236,290	522,322
2017	15,410,000	686,395	289,997
2018	14,550,000	218,250	92,209
Total	<u>\$ 57,575,000</u>	<u>\$ 3,954,994</u>	<u>\$ 1,670,954</u>

BARTOW COUNTY BOARD OF EDUCATION

Notes to the Financial Statements

June 30, 2014

Note 11 - On-Behalf Payments

The School District has recognized revenues and costs in the approximate amount of \$6,443,653 for health insurance and retirement contributions paid on the School District's behalf by the following state agencies:

- The Georgia Department of Education paid to the State Health Benefit Plan \$6,138,048 for public employee health insurance coverage cost.
- Georgia Department of Education paid to the Teachers Retirement System of Georgia (TRS) employer's cost in the approximate amount of \$47,492.
- Office of Treasury and Fiscal Services paid to the Public School Employees Retirement System (PSERS) for public school employees retirement employer's cost in the approximate amount of \$258,113.

Funds paid to the Georgia Department of Community Health by the Georgia Department of Education on behalf of the School District are reported as part of the Quality Basic Education revenue allotments on page 46.

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, together with funding available:

Project	Unearned Executed Contracts	Funding Available From State
White Elementary	\$ 1,703,755	\$ -
Emerson Elementary	16,911	-
Old Adairsville Middle	38,146	-
BCCCA Phase 2 CIP Addition	19,256	-
BCCCA Phase 3 CIP Addition	199,364	-
Hamilton Crossing Elementary	1,864,227	-
Total	\$ 3,841,659	\$ -

Note 13 - Postemployment Benefits**Georgia School Personnel Postemployment 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

BARTOW COUNTY BOARD OF EDUCATION

Notes to the Financial Statements

June 30, 2014

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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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.

BARTOW COUNTY BOARD OF EDUCATION

Notes to the Financial Statements

June 30, 2014

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%	\$ 13,041,823
2013	100%	12,388,486
2012	100%	12,310,617

Note 13 - Retirement Plans

1) Teachers Retirement System of Georgia (TRS)

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

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

TRS whenever their benefits under TRS exceed the IRC Section 415 imposed limitation on benefits.

TRS provides service retirement, disability retirement, and survivor's benefits. The benefit structure of TRS is defined and may be amended by State statute. A member is eligible for normal service retirement after 30 years of creditable service, regardless of age, or after 10 years of service and attainment of age 60. A member is eligible for early retirement after 25 years of creditable service.

Normal retirement (pension) benefits paid to members are equal to 2% of the average of the member's two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. Early retirement benefits are reduced by the lesser of one-twelfth of 7% for each month the member is below age 60 or by 7% for each year or fraction thereof by which the member has less than 30 years of service. It is also assumed that certain cost-of-living adjustments, based on the Consumer Price Index, will be made in future years.

Retirement benefits are payable monthly for life. A member may elect to receive a partial lump-sum distribution in addition to a reduced monthly retirement benefit. Death, disability and spousal benefits are also available.

Funding Policy. TRS is funded by member and employer contributions as adopted and amended by the Board of Trustees. Members become fully vested after 10 years of service. If a member terminates with less than 10 years of service, no vesting of employer contributions occurs, but the member's contributions may be refunded with interest. Member contributions

BARTOW COUNTY BOARD OF EDUCATION

Notes to the Financial Statements

June 30, 2014

are limited by State law to not less than 5% or more than 6% of a member's earnable compensation. Member contributions as adopted by the Board of Trustees for the fiscal year ended June 30, 2014, were 6.00% of annual salary. Employer contributions required for fiscal year 2014 were 12.28% of annual salary as required by the June 30, 2011, actuarial valuation.

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

<u>Fiscal Year</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>
2014	100%	\$ 8,557,940
2013	100%	7,946,340
2012	100%	7,278,698

2) 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.

Note 14 – Contingencies

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

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

Note 15 – Subsequent Events

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 in fiscal year 2015 will result in a restatement to beginning net position.

BARTOW COUNTY BOARD OF EDUCATION

Notes to the Financial Statements

June 30, 2014

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OTHER SUPPLEMENTAL INFORMATION



BARTOW COUNTY BOARD OF EDUCATION

Schedule of State Revenue For the Fiscal Year Ended June 30, 2014

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	\$ 1,423,902	\$ -	\$ 1,423,902
Education, Georgia Department of			
Quality Basic Education			
Direct Instructional Cost			
Kindergarten Program	4,122,240	-	4,122,240
Kindergarten Program - Early Intervention Program	626,215	-	626,215
Primary Grades (1-3) Program	9,482,382	-	9,482,382
Primary Grades - Early Intervention (1-3) Program	2,005,257	-	2,005,257
Upper Elementary Grades (4-5) Program	4,782,874	-	4,782,874
Upper Elementary Grades - Early Intervention (4-5) Program	646,494	-	646,494
Middle School (6-8) Program	8,341,518	-	8,341,518
High School General Education (9-12) Program	7,570,986	-	7,570,986
Vocational Laboratory (9-12) Program	2,258,773	-	2,258,773
Category I	1,462,710	-	1,462,710
Category II	891,912	-	891,912
Category III	4,569,744	-	4,569,744
Category IV	1,510,393	-	1,510,393
Category V	787,039	-	787,039
Gifted Student - Category VI	4,088,604	-	4,088,604
Remedial Education Program	710,502	-	710,502
Alternative Education Program	594,602	-	594,602
English Speakers of Other Languages (ESOL)	764,371	-	764,371
Media Center Program	1,504,817	-	1,504,817
20 Days Additional Instruction	451,683	-	451,683
Staff and Professional Development	292,794	-	292,794
Indirect Cost			
Central Administration	1,625,370	-	1,625,370
School Administration	2,991,040	-	2,991,040
Facility Maintenance and Operations	3,525,517	-	3,525,517
Mid-term Hold Harmless Grant	54,251	-	54,251
Amended Formula Adjustment	(9,113,069)	-	(9,113,069)
Categorical Grants			
Pupil Transportation			
Regular	1,469,321	-	1,469,321
Education Equalization Funding Grant	5,105,064	-	5,105,064
Food Services	191,247	-	191,247
Nursing Services	267,745	-	267,745
Other State Programs			
Agriculture Extended Year and Day Grants	25,108	-	25,108
CTAE Grants	50,247	-	50,247
Math and Science Supplements	118,109	-	118,109
Move On When Ready Grant	1,300	-	1,300
State Preschool Handicapped	256,436	-	256,436
Pupil Transportation - State Bonds	231,660	-	231,660
Teachers' Retirement	47,492	-	47,492
Vocational Education	71,510	-	71,510
Vocational Construction Related Equipment - State	175,484	-	175,484
Georgia State Financing and Investment Commission			
Reimbursement on Construction Projects	-	1,729,410	1,729,410
Georgia Department of Community Health			
Health Partnership Grant	30,964	-	30,964
Alcohol Prevention Grant	171,090	-	171,090
Office of the State Treasurer			
Public School Employees Retirement	258,113	-	258,113
Other State Revenues	2,423	-	2,423
Total State Revenues	\$ 66,446,234	\$ 1,729,410	\$ 68,175,644

BARTOW COUNTY BOARD OF EDUCATION
Schedule of Quality Basic Education Program (QBE)
Allotments and Expenditures by Program
For the Fiscal Year Ended June 30, 2014

Description	Allotments From Georgia Department of Education ⁽¹⁾⁽²⁾			
		Salaries	Operations	Total
Kindergarten	\$ 4,826,916	\$ 4,860,944	\$ 182,988	\$ 5,043,932
Kindergarten Early Intervention	774,741	637,393	2,216	639,609
Primary Grades 1-3	11,162,297	11,362,710	68,799	11,431,509
Primary Grades 1-3 Early Intervention	2,372,950	1,738,289	5,125	1,743,414
Upper Elementary Grades 4-5	5,639,283	6,674,098	28,181	6,702,279
Upper Elementary 4-5 Early Intervention	782,589	676,319	2,426	678,745
Middle School 6-8	9,846,475	9,538,886	76,068	9,614,954
High School Grades 9-12	8,892,646	10,118,126	277,534	10,395,660
Vocational Laboratory 9-12	2,635,010	2,302,097	132,298	2,434,395
Students With Disabilities	10,778,389	14,199,871	917,783	15,117,654
Gifted Program	4,771,552	3,539,882	35,635	3,575,517
Remedial Education Program	851,758	525,055	3,124	528,179
Alternative Education Program	711,988	288,294	4,173	292,467
English Speakers of Other Languages (ESOL)	895,205	879,656	2,748	882,404
Total Direct Instructional Funds	64,941,799	67,341,620	1,739,098	69,080,718
Media Center Program	1,770,882	1,589,931	114,563	1,704,494
Staff and Professional Development	336,995	-	-	124,952
Total QBE Formula Funds	\$ 67,049,676	\$ 68,931,551	\$ 1,853,661	\$ 70,910,164

(1) Comprised of State funds plus local 5 mil share.

(2) Allotments do not include the impact of the State austerity reduction.

BARTOW COUNTY BOARD OF EDUCATION
Schedule of Expenditures of Educational Local Option Sales Tax Proceeds
For the Year Ended June 30, 2014

SPLOST III						
Project	Original Estimated Cost (1)	Current Estimated Costs (2)	Amount Expended In Prior Year (3)(4)	Amount Expended In Current Years (3)	Total	Project Status
Retiring a portion of the School District's General Obligation School Bonds, Series 1998 or bonds issued by the School District to refund such bonds.	\$ 3,157,036	\$ 3,219,540	\$ 3,219,540	\$ -	\$ 3,219,540	Complete
Retiring a portion of the School District's General Obligation School Bonds, Series 1999 or bonds issued by the School District to refund such bonds.	7,378,156	7,066,425	7,066,425	-	7,066,425	Complete
Acquiring, constructing, and equipping one new high school and one new elementary school, acquiring school buses, drivers education vehicles, and instructional and administrative technology improvements for existing schools, adding to, renovating, repairing, improving and equipping existing school buildings and other buildings and facilities useful or desirable in connection therewith, and acquiring any necessary property therefore, both real and personal	109,098,608	111,577,977	111,528,515	49,462	111,577,977	Complete
Totals	\$ 119,633,800	\$ 121,863,942	\$ 121,814,480	\$ 49,462	\$ 121,863,942	

(1) The School District's original cost estimate as specified in the resolution calling for the imposition of the Educational 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 Bartow 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.

BARTOW COUNTY BOARD OF EDUCATION
Schedule of Expenditures of Educational Local Option Sales Tax Proceeds
For the Year Ended June 30, 2014

SPLOST IV

Project	Original Estimated Cost (1)	Current Estimated Costs (2)	Amount Expended in Prior Year (3)(4)	Amount Expended in Current Years (3)(4)	Total	Project Status
Retiring a portion of the School System's General Obligation Bonds, Series 2009 or bonds issued by the School District to refund such bonds.	\$ 4,200,650	\$ 4,200,650	\$ 2,094,650	\$ 2,106,000	\$ 4,200,650	Complete
Acquiring, constructing, and equipping two new elementary schools and one new middle school, acquiring land for future schools, instructional and administrative technology improvements (including software), school buses, additn to, renovating, repairing, improving and equipping existing school buildings and other buildings and facilities useful or desirable in connection therewith, and acquiring any necessary property therefor, both real and personal.	110,000,000	110,000,000	9,848,464	19,325,892	29,174,356	Ongoing
Totals	\$ 114,200,650	\$ 114,200,650	\$ 11,943,114	\$ 21,431,892	\$ 33,375,006	

(1) The School District's original cost estimate as specified in the resolution calling for the imposition of the Educational 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 Bartow 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) The School District issued General Obligation Bond Issue 2009 to refund a portion of the 1999 General Obligation Bond Issue. The amount expended in current year includes debt service on the 2009 General Obligation Issue.

SECTION II

FINDINGS AND QUESTIONED COSTS



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

October 22, 2015

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

COMMUNICATION OF SIGNIFICANT DEFICIENCIES

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information Bartow County Board of Education as of and for the year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered Bartow County Board of Education's internal control over financial reporting (internal control) as a basis for designing 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 Bartow County Board of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of Bartow County Board of Education's internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, the in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency item described below as item FS 2014-001 to be a material weakness.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency item described below as item FS 2014-002 to be a significant deficiency:

FS 2014-001

Control Category:

Internal Control Impact:

Inadequate Controls over Financial Reporting

Financial Reporting

Material Weakness

Description:

The School District did not have adequate controls in place over the financial statement reporting process.

Criteria:

The School District is required to maintain a system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). The School District's internal controls over GAAP financial reporting should include adequately trained personnel with the knowledge, skills and experience to prepare GAAP based financial statements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

GASB Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments* (Statement), requires governments to present government-wide and fund financial statements as well as a summary reconciliation of the (a) total governmental funds balances to the net position of governmental activities in the Statement of Net Position, and (b) total change in governmental fund balances to the change in the net position of governmental activities in the Statement of Activities. In addition, the Statement requires information about the government's major and nonmajor funds in the aggregate, to be provided in the fund financial statements.

Chapter 22A, *Annual Financial Reporting* of the Financial Management for Georgia Local Units of Administration provides that School Districts must prepare their financial statements in accordance with generally accepted accounting principles.

Condition:

The School District did not have adequate internal control over the financial reporting process. During the review of the School District's financial statements, prepared by a consultant, the following were noted:

- Adjusting entries were proposed and accepted to reclassify the following account balances:
 - Deposits into money market accounts that were highly liquid in nature and readily convertible to cash totaling \$17,167,140 were recorded as investments rather than cash equivalents.
 - On-behalf payments of \$6,138,048 made to the Department of Community Health by the Georgia Department of Education were recorded twice, once on the general ledger and once during the preparation of the financial statements. This amount was material to the General Fund and Governmental Activities.
 - In the District-Wide Statement of Activities, a current year disposal of an elementary school was presented as a program expense rather than a Special Item loss of \$3,940,881. This type of transaction is not frequent in nature for a school district.
 - Accounts Receivable totaling \$1,426,199 were presented as a receivable due from the State rather than being classified as a tax receivable. To be consistent with the presentation of SPLOST revenues, a reclassification was recommended and made by the School District.

- Interest payments made on behalf of the School District in the Debt Service Fund for interest on Qualified School Construction Bonds (QSCB) totaling \$605,588 were not recognized as revenue or interest expense to the School District, resulting in revenues and expenses to the Debt Service fund being understated. This activity was material to the Debt Service Fund.
- On the Statement of Activities, the method used by the School District to allocate Federal and State program revenues by function was not based on the percentage of each Programs' expenses to total expenses. An entry was proposed and accepted to reallocate the material misclassified revenues to the appropriate function.
- On the Statement of Net Position, an entry was proposed and accepted to reclassify Net Position for Net Investment in Capital Assets and Restricted balances.
- Invoices paid for services to be provided in the subsequent period were not recognized as prepaid assets.
- Corrections were proposed and accepted to correct various errors in the notes to the financial statements.
- Other immaterial uncorrected misstatements were noted and communicated to management.

Cause:

In discussing the deficiency with the School District, it appears that the errors occurred primarily due to misinterpretations by the independent accountant who compiled the financial statements and lack of an adequate review process over the completed financial statements.

Effect or Potential Effect:

Material misstatements were included in the financial statements presented for audit. In addition, the lack of controls and monitoring could impact the reporting of the School District's financial position and results of operation.

Recommendation:

As part of internal control over the preparation of financial statements, including disclosures, the School District should continue to implement comprehensive preparation and/or review procedures to ensure that the financial statements are complete and accurate. These procedures should be performed by a properly trained individual possessing a thorough understanding of the applicable GAAP, GASB pronouncements, and knowledge of the School District's activities and operations.

Views of Responsible Officials and Corrective Action Plans:

The School District contracts the financial audit and preparation of the financial statements with an independent CPA firm. These statements were audited by the Department of Audits and though there were misstatements noted, the majority of the misstatements were reclassifications that did not have any material affect in the net positions or fund balance for the fiscal period audited therefore having no material impact on the District's financial position. The District has made a professional service change for fiscal year 2015 to ensure that the financial statements are prepared in accordance with the requirements of the Generally Accepted Accounting Principles. The School District will continue to implement comprehensive review procedures to ensure that the financial statements are complete and accurate. All concerns indicated have already been addressed and the impact of these changes will be evident in the audit ending June 2015. These changes should correct the audit concerns and eliminate this finding.

Contact Person: Megan Brown, Chief Financial Officer
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 E-mail: megan.brown@bartow.k12.ga.us

Auditor's Concluding Remarks:

The School District is correct in noting there was no material effect to the ending net position or fund balances of the School District, but there were material effects to revenues, expenses and the overall financial reporting.

FS 2014-002

Control Category:

Internal Control Impact:

Inadequate Controls over Capital Assets

Capital Assets

Significant Deficiency

Description:

Adequate policies and procedures are not in place to ensure capital assets inventory records are properly maintained.

Criteria:

The School District's management is responsible for designing and maintaining internal controls that provide reasonable assurance that capital assets inventory records are properly maintained. Chapter 37 *Implementing a Capital Assets Management System* of the Financial Management for Georgia Local Units of Administration provides that School Districts must establish capital asset policies, define system requirements, implement a capital asset system, and maintain capital asset inventory records.

Condition:

A review of the School District's capital asset records revealed the following:

- The School District did not conduct a complete physical inventory during the fiscal year, nor over the past several years. A physical inventory was performed in FY 2016.
- Several capital assets were not tagged according to Board policy
- A building with a change in duration of use was not tested for impairment in the prior year
- A reconciliation of current year asset additions to the General Ledger was not performed
- The useful life assigned to some assets does not agree with Board Policy
- Depreciation for buildings is not being properly allocated across functions that use the asset

Cause:

In discussing these deficiencies with the School District, management indicated that the cause is staffing constraints due to limited resources in the current economy.

Effect or Potential Effect:

When a School District does not maintain a complete and accurate capital asset listing, it can lead to inaccurate internal and external reporting, as well as noncompliance with generally accepted accounting principles.

Recommendation:

The School District's management should review the capital asset records and make appropriate adjustments to ensure that the capital assets records conform to the School District's approved capital assets policy.

Views of Responsible Officials and Corrective Action Plans:

The items listed in the condition above are addressed below:

- Partial capital asset counts were conducted in previous fiscal years. The School District has conducted a complete inventory of capital assets prior to the close of the 2015 fiscal year. Although the risk existed in the prior year, the results of the inventory found no material

discrepancies in the capital asset reported. The District will continue to work with administrators each year to complete an inventory of capital assets.

- The District has implemented a new capital asset policy to help minimize the risk of misstatement. A full reconciliation of the current year's additions has also been completed and no discrepancies were found. This procedure will be done in all future years.
- All assets will be assessed for impairment. The building with the change in duration of use was a onetime transaction. The building was sold and disposed of in fiscal year 2015 therefore this entry will not be reoccurring in future years.

The District has reassessed the internal control procedures related to capital assets to ensure that they are in place and operating effectively. An administrative review will be conducted to ensure that the capital assets listing is accurate, and confirm that the list conforms to generally accepted accounting principles. All concerns indicated have already been addressed and the impact of these changes will be evident in the audit ending June 2015. These changes should correct the audit concerns and eliminate this finding.

Contact Person: Megan Brown, Chief Financial Officer

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This communication is intended solely for the information and use of management, member of the Bartow County Board of Education, and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Greg S. Griffin". The signature is fluid and cursive, with the first name "Greg" being the most prominent.

Greg S. Griffin
State Auditor

GSG:jt