



CARROLL COUNTY BOARD OF EDUCATION CARROLLTON, GEORGIA

**ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2013**

(Including Independent Auditor's Reports)



CARROLL COUNTY BOARD OF EDUCATION

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SECTION I
FINANCIAL



DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

July 24, 2014

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

INDEPENDENT AUDITOR'S REPORT

Ladies and Gentlemen:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information (Exhibits A through H) of the Carroll County Board of Education, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express

no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to previously 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 Carroll County Board of Education, as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the financial statements, in 2013, the Carroll County Board of Education adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual, as presented on pages i through ix and page 31 respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and

reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 24, 2014, on our consideration of the Carroll County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Carroll County Board of Education's internal control over financial reporting and compliance.

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

Respectfully submitted,



Greg S. Griffin
State Auditor

GSG:as
2013ARL-11

**CARROLL COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

INTRODUCTION

Our discussion and analysis of the Carroll County School District's financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2013 are as follows:

- On the district-wide financial statements, the assets of the School District exceeded liabilities by \$190.0 million. Of this amount, \$12.5 million is unrestricted and is available for spending at the School District's discretion.
- The School District had \$137.0 million in expenses relating to governmental activities; only \$86 million of these expenses are offset by program specific charges for services, grants and contributions. General revenues (primarily property and sales taxes) of \$54.1 million were adequate to provide for these programs.
- As stated above, general revenues accounted for \$54.1 million or 39% of all revenues totaling \$140.1 million. Program specific revenues in the form of charges for services, grants and contributions accounted for the rest.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of several parts including management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two levels of statements that present different views of the School District. These include the *district-wide* and *fund financial statements*.

The district-wide financial statements include the *Statement of Net Position* and *Statement of Activities*. These statements provide information about the activities of the School District presenting both *short-term* and *long-term* information about the School District's overall financial status.

The fund financial statements focus on individual parts of the School District, reporting the School District's operation in more detail. The *Governmental Funds* statements disclose how basic services are financed in the short-term as well as what remains for future spending. The *Fiduciary Funds* statement provides information about the financial relationships in which the School District acts solely as a trustee or agent for the benefit of others. The fund financial statements reflect the School District's most significant funds. In the case of the Carroll County School District, the General Fund, District-wide Capital Projects Funds, and Debt Service Funds are the most significant funds.

**CARROLL COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

District-wide Statements

The District-wide financial statements are basically a consolidation of all of the District's operating funds into one column called *governmental activities*. In reviewing the district-wide financial statements, a reader might ask the question, are we in a better financial position than last year? The Statement of Net Position and the Statement of Activities provide the basis for answering this question. These financial statements include all District's *assets* and *liabilities* and use the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into accounts all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Fund Financial Statements

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

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

**CARROLL COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

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

By far the largest portion of the District's net position, (90.2 percent) reflect its investment in capital assets (e.g., land and improvements, building and building improvements, vehicles, furniture, equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**CARROLL COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Table 1
Net Position**

	<u>Governmental Activities</u>	
	<u>Fiscal Year 2013</u>	<u>Fiscal Year 2012</u>
Assets		
Current and Other Assets	\$ 66,180,505	\$ 95,131,854
Capital Assets, Net	<u>227,424,163</u>	<u>206,982,721</u>
Total Assets	<u>\$ 293,604,668</u>	<u>\$ 302,114,575</u>
Liabilities		
Current and Other Liabilities	\$ 29,604,910	\$ 32,329,293
Long-Term Liabilities	<u>73,216,065</u>	<u>82,068,476</u>
Total Liabilities	<u>\$ 102,820,975</u>	<u>\$ 114,397,769</u>
Net Position		
Net Investment in Capital Assets	\$ 172,079,901	\$ 161,640,237
Restricted	6,190,324	12,737,127
Unrestricted	<u>12,513,468</u>	<u>13,339,442</u>
Total Net Position	<u>\$ 190,783,693</u>	<u>\$ 187,716,806</u>

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

**CARROLL COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Table 2
Change in Net Position**

	Governmental Activities	
	Fiscal Year 2013	Fiscal Year 2012
Revenues		
Program Revenues:		
Charges for Services and Sales	\$ 4,127,691	\$ 3,774,098
Operating Grants and Contributions	79,305,134	77,650,868
Capital Grants and Contributions	2,545,320	2,894,811
Total Program Revenues	<u>\$ 85,978,145</u>	<u>\$ 84,319,777</u>
General Revenues:		
Taxes		
Property Taxes		
For Maintenance and Operations	\$ 32,786,070	\$ 34,129,720
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Debt Services	11,980,386	12,520,571
Intangible Recording Tax	1,284,670	557,936
Grants and Contributions not Restricted to		
Specific Programs	8,692,059	9,052,239
Investment Earnings	215,194	340,231
Miscellaneous	1,222,583	1,876,494
Special Items		
Loss on Disposal of Capital Assets	<u>-2,097,080</u>	<u></u>
Total General Revenues and Special Items	<u>\$ 54,083,882</u>	<u>\$ 58,477,191</u>
Total Revenues	<u>\$ 140,062,027</u>	<u>\$ 142,796,968</u>
Program Expenses		
Instruction	\$ 83,771,917	\$ 82,926,548
Support Services		
Pupil Services	3,836,038	4,011,219
Improvement of Instructional Services	3,355,043	3,009,335
Educational Media Services	2,238,204	2,637,260
General Administration	2,284,483	2,447,443
School Administration	8,449,637	8,670,784
Business Administration	801,519	756,459
Maintenance and Operation of Plant	9,083,971	8,776,074
Student Transportation Services	7,143,136	7,613,406
Central Support Services	612,920	758,633
Other Support Services	109,833	612,188
Operations of Non-Instructional Services		
Enterprise Operations	2,407,155	2,502,940
Community Services	368,389	363,009
Food Services	8,403,538	8,597,046
Interest on Short-Term and Long-Term Debt	<u>4,129,357</u>	<u>4,402,351</u>
Total Expenses	<u>\$ 136,995,140</u>	<u>\$ 138,084,695</u>
Increase in Net Position	<u>\$ 3,066,887</u>	<u>\$ 4,712,273</u>

**CARROLL COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting these services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. It identifies the cost of these services supported by tax revenue and unrestricted State entitlements. The table shows each functions net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the School District's taxpayers by each of these functions.

**Table 3
Governmental Activities**

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	Fiscal	Fiscal	Fiscal	Fiscal
	Year 2013	Year 2013	Year 2012	Year 2012
Instruction	\$ 83,771,917	\$ 29,122,001	\$ 82,926,548	\$ 28,909,961
Support Services				
Pupil Services	3,836,038	2,743,544	4,011,219	2,559,586
Improvement of Instructional Services	3,355,043	603,869	3,009,335	985,494
Educational Media Services	2,238,204	200,809	2,637,260	689,946
General Administration	2,284,483	(274,655)	2,447,443	71,093
School Administration	8,449,637	3,822,252	8,670,784	4,282,188
Business Administration	801,519	744,197	756,459	689,376
Maintenance and Operation of Plant	9,083,971	4,556,609	8,776,074	4,120,361
Student Transportation Services	7,143,136	4,602,552	7,613,406	4,975,721
Central Support Services	612,920	553,930	758,633	670,136
Other Support Services	109,833	(84,057)	612,188	291,554
Operations of Non-Instructional Services				
Enterprise Operations	2,407,155	(226,167)	2,502,940	324,282
Community Services	368,389	368,389	363,009	363,009
Food Services	8,403,538	154,365	8,597,046	429,860
Interest on Short-Term and Long-Term Debt	4,129,357	4,129,357	4,402,351	4,402,351
Total Expenses	\$ <u>136,995,140</u>	\$ <u>51,016,995</u>	\$ <u>138,084,695</u>	\$ <u>53,764,918</u>

**CARROLL COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

Governmental Funds: The focus of the School District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the School District's net resources available for spending at the end of the fiscal year. The School District's governmental funds are accounted for using the modified accrual basis of accounting. The governmental funds had total revenues and other financing sources of \$143.6 million and total expenditures and other financing uses of \$174.4 million. General Fund equity decreased by \$1.0 million during the year. The Capital Projects Fund equity decreased by \$23.7 million, resulting in fund equity at June 30, 2013 of \$26.5 million, which will be used in the continuing construction of school facilities.

General Fund Budgeting Highlights

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

During the course of fiscal year 2013, the School District amended its general fund budget as needed in particular due to student growth and facility safety needs.

For the General Fund, the actual revenues of \$128.4 million were over the final budgeted amounts of \$127.0 million by \$1.4 million. This difference (actual vs. final budget) was due primarily to charges for services over final budget of \$2.4 million, property taxes under final budget by \$679 thousand, state revenues over budget by \$87 thousand, Federal revenue under budget by \$2.3 million and miscellaneous revenues over budget by \$1.1 million. The charges for services and miscellaneous revenue over final budget were due to the inclusion of the principals' accounts in our financial statements, but not in the budget.

The actual expenditures of \$129.7 million were over the final budgeted amount of \$128.5 million by \$1.2 million. General Fund revenues were less than expenditures by \$1.3 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At fiscal year ended June 30, 2013, the School District had \$227.4 million invested in capital assets, including school buildings, athletic facilities, buses and other vehicles, computers, and other equipment, all in governmental activities. Table 4 reflects a summary of these balances net of accumulated depreciation.

**CARROLL COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

	Governmental Activities	
	Fiscal Year 2013	Fiscal Year 2012
Land	\$ 8,253,865	\$ 8,253,865
Construction In Progress	18,991,452	15,661,601
Land Improvements	5,629,512	2,554,832
Building and Improvements	188,783,508	175,726,038
Equipment	5,401,765	4,786,385
Software	364,061	
Total	<u>\$ 227,424,163</u>	<u>\$ 206,982,721</u>

Due to the ongoing growth in the county, the School District has numerous construction projects including new buildings, additions and renovations.

Debt

At fiscal year ended June 30, 2013, the School District had \$81.5 million in bonds payable, and \$834 thousand in other long-term debt. Table 5 summarizes the School District's debt which includes general obligation bonds, capital leases and compensated absences outstanding.

**Table 5
Debt at June 30**

	Governmental Activities	
	Fiscal Year 2013	Fiscal Year 2012
Bonds Payable	\$ 71,245,000	\$ 84,735,000
Unamortized Bond Premium	10,301,204	10,427,442
Loss on Debt Refunding		(224,253)
Capital Leases	292,710	627,714
Compensated Absences	541,280	674,305
Total	<u>\$ 82,380,194</u>	<u>\$ 96,240,208</u>

At June 30, 2013, the School District's assigned bond ratings were "A+" as determined by Fitch Ratings, Inc.

**CARROLL COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

CURRENT ISSUES

Currently known facts, decisions or conditions that are expected to have a significant effect on financial positions or results of operations.

- Economic Slowdown – State funding for education has been stagnant and as a result more pressure is being placed on the local school districts to prioritize its educational programs and provide additional local funding. The current millage rate is 19.5 mills with a maximum of 20 mills. Currently, a mill of tax in Carroll County generates \$1.6 million. Despite these challenges, the Carroll County School District is strong financially and we remain optimistic about the ability of the School District to maximize all of the financial resources to provide a quality education to our students.
- Capital Improvements – The School District plans capital improvements as future capital needs arise due to increased student population and facility repair and maintenance needs. Specific capital expenditure plans are formalized in conjunction with individual general obligation bond issues and anticipated annual receipts of capital outlay funds from the State of Georgia Department of Education. The School District regularly monitors anticipated capital outlay needs.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. James Fulford, Chief Financial Officer for the Carroll County School System, 164 Independence Drive, Carrollton Georgia 30117. You may also email your questions to Mr. Fulford at james.fulford@carrollcountyschools.com.

CARROLL COUNTY BOARD OF EDUCATION

CARROLL COUNTY BOARD OF EDUCATION**EXHIBIT "A"****STATEMENT OF NET POSITION
JUNE 30, 2013**

	Governmental Activities
<hr/>	
ASSETS	
Cash and cash equivalents	\$ 50,583,689
Receivables:	
Taxes	3,469,413
Intergovernmental:	
State	9,180,737
Federal	1,869,223
Other	358,607
Inventory	234,606
Deferred Charges	484,230
Capital assets (nondepreciable)	27,245,317
Capital assets (net of accumulated depreciation)	200,178,846
Total assets	<u>293,604,668</u>
 LIABILITIES	
Accounts payable	1,078,857
Salaries and benefits payable	14,443,318
Accrued interest payable	842,475
Contracts and Retainage payable	4,076,131
Bonds payable due within one year	8,678,021
Bonds payable due in more than one year	72,868,183
Capital leases due within one year	107,212
Capital leases due in more than one year	185,498
Compensated absences due in less than one year	378,896
Compensated absences due in more than one year	162,384
Total liabilities	<u>102,820,975</u>
 NET POSITION	
Net investment in capital assets	172,079,901
Restricted for:	
Debt service	4,972,518
Continuation of federal programs	1,217,806
Unrestricted	12,513,468
Total net position	<u><u>\$ 190,783,693</u></u>

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

CARROLL COUNTY BOARD OF EDUCATION

EXHIBIT "B"

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 83,771,917	\$ 28,355	\$ 53,154,421	\$ 1,467,140	\$ (29,122,001)
Support services:					
Pupil services	3,836,038		1,092,494		(2,743,544)
Improvement of instructional services	3,355,043		2,751,174		(603,869)
Educational media services	2,238,204		1,945,614	91,781	(200,809)
General administration	2,284,483		2,548,394	10,744	274,655
School administration	8,449,637		4,627,385		(3,822,252)
Business administration	801,519		57,322		(744,197)
Maintenance and operation of facilitie	9,083,971	695	4,511,707	14,960	(4,556,609)
Student transportation services	7,143,136		1,956,535	584,049	(4,602,552)
Central support services	612,920		58,990		(553,930)
Other support services	109,833		193,450	440	84,057
Enterprise operation	2,407,155	2,633,129		193	226,167
Food services operation	8,403,538	1,465,512	6,407,648	376,013	(154,365)
Community service operation	368,389				(368,389)
Interest on long-term debt	4,129,357				(4,129,357)
Total governmental activities	<u>\$ 136,995,140</u>	<u>\$ 4,127,691</u>	<u>\$ 79,305,134</u>	<u>\$ 2,545,320</u>	<u>(51,016,995)</u>
General revenues:					
Taxes:					
Property taxes, levied for general purposes					32,786,070
Sales taxes:					
For debt service					11,980,386
Intangible taxes					1,284,670
Grants and contributions not restricted to specific programs					8,692,059
Unrestricted investment earnings					215,194
Other					1,222,583
Special Items					
Loss on Disposal of Capital Assets					(2,097,080)
Total general revenues and special items					<u>54,083,882</u>
Change in net position					3,066,887
Net position, beginning of year					187,716,806
Net position, end of year					<u>\$ 190,783,693</u>

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

CARROLL COUNTY BOARD OF EDUCATION

EXHIBIT "C"

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013**

ASSETS	General	District- Wide Capital Projects	Debt Service	Total Governmental Funds
Cash and cash equivalents	\$ 15,648,870	\$ 30,998,186	\$ 3,936,633	\$ 50,583,689
Receivables:				
Taxes	1,592,167		1,877,246	3,469,413
Intergovernmental:				
State	9,021,333	159,404		9,180,737
Federal	1,869,223			1,869,223
Other	345,099	12,394	1,114	358,607
Inventory	234,606			234,606
Total assets	<u>\$ 28,711,298</u>	<u>\$ 31,169,984</u>	<u>\$ 5,814,993</u>	<u>\$ 65,696,275</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 588,444	\$ 490,413		\$ 1,078,857
Salaries and benefits payable	14,443,318			14,443,318
Contracts and retainage payable		4,076,131		4,076,131
Deferred Revenue	1,452,183	108,788		1,560,971
Total liabilities	<u>16,483,945</u>	<u>4,675,332</u>		<u>21,159,277</u>
FUND BALANCES				
Nonspendable:				
Inventory	234,606			234,606
Restricted:				
Capital outlay		26,494,652		26,494,652
Debt service			\$ 5,814,993	5,814,993
Continuation of federal programs	983,200			983,200
Unassigned	11,009,547			11,009,547
Total fund balances	<u>12,227,353</u>	<u>26,494,652</u>	<u>5,814,993</u>	<u>44,536,998</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 28,711,298</u>	<u>\$ 31,169,984</u>	<u>\$ 5,814,993</u>	

Amounts reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Cost	278,120,012	
Less accumulated depreciation	<u>(50,695,849)</u>	227,424,163

Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.

Property taxes	1,452,183	
Georgia State Financing and Investment Commissior	<u>108,788</u>	1,560,971

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds	(71,245,000)	
Bond premium, net of amortization	(10,301,204)	
Bond issuance costs, net of amortization	484,230	
Accrued interest	(842,475)	
Capital leases	(292,710)	
Compensated absences	<u>(541,280)</u>	(82,738,439)

Net position of governmental activities \$ 190,783,693

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

CARROLL COUNTY BOARD OF EDUCATION

EXHIBIT "D"

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	General	District - Wide Capital Projects	Debt Service	Total Governmental Funds
REVENUES				
Property taxes	\$ 32,845,759			\$ 32,845,759
Sales taxes			\$ 11,980,386	11,980,386
Other taxes	1,284,670			1,284,670
State funds	72,846,594	\$ 1,995,659		74,842,253
Federal funds	16,068,032			16,068,032
Charges for services	4,127,691			4,127,691
Investment earnings	4,885	197,522	12,787	215,194
Miscellaneous	1,222,583			1,222,583
Total revenues	<u>128,400,214</u>	<u>2,193,181</u>	<u>11,993,173</u>	<u>142,586,568</u>
EXPENDITURES				
Current:				
Instruction	80,236,081			80,236,081
Support services:				
Pupil services	3,836,038			3,836,038
Improvement of instructional services	3,355,043			3,355,043
Educational media services	1,999,172			1,999,172
General administration	2,256,503			2,256,503
School administration	8,449,637			8,449,637
Business administration	1,169,549			1,169,549
Maintenance and operation of facilities	9,091,292			9,091,292
Student transportation services	6,942,905			6,942,905
Central support services	612,920			612,920
Other support services	105,187	10,000		115,187
Enterprise operations	2,415,216			2,415,216
Food services operation	8,450,709			8,450,709
Community services operation	368,389			368,389
Capital outlay	70,844	26,167,844		26,238,688
Debt service:				
Principal retirement	348,835	382,538	13,490,000	14,221,373
Interest and fiscal charges	20,881	22,828	4,019,600	4,063,309
Total expenditures	<u>129,729,201</u>	<u>26,583,210</u>	<u>17,509,600</u>	<u>173,822,011</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,328,987)</u>	<u>(24,390,029)</u>	<u>(5,516,427)</u>	<u>(31,235,443)</u>
OTHER FINANCING SOURCES (USES)				
Capital Leases	327,688	68,681		396,369
Transfers in		592,580		592,580
Transfers out			(592,580)	(592,580)
Total other financing sources (uses)	<u>327,688</u>	<u>661,261</u>	<u>(592,580)</u>	<u>396,369</u>
Net change in fund balances	(1,001,299)	(23,728,768)	(6,109,007)	(30,839,074)
FUND BALANCES, beginning of year	<u>13,228,652</u>	<u>50,223,420</u>	<u>11,924,000</u>	<u>75,376,072</u>
FUND BALANCES, end of year	<u><u>\$ 12,227,353</u></u>	<u><u>\$ 26,494,652</u></u>	<u><u>\$ 5,814,993</u></u>	<u><u>\$ 44,536,998</u></u>

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

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$	(30,839,074)
--	----	--------------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets

Capital outlay	\$ 27,690,645	
Depreciation expense	<u>(5,053,665)</u>	22,636,980

The net effect of the disposal of fixed assets is to decrease net position	(2,195,538)
--	-------------

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

Property taxes	\$ (59,689)	
Georgia State Financing and Investment Commission	<u>(367,773)</u>	(427,462)

Proceeds received from the execution of Capital Leases, Installment Sales, and from Bond Proceeds are reported as Liabilities in the Statement of Net Position. Whereas, in the Governmental Funds, these proceeds are reported as Other Financing Sources.

Proceeds from Capital Leases	(396,369)
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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

Principal payments - bonds	\$ 13,490,000	
Principal payments - capital leases	<u>731,373</u>	14,221,373

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 governmental funds.

Change in compensated absences	\$ 133,025	
Bond premium amortization expense	126,238	
Bond issuance costs amortization expense	(130,208)	
Bond deferred charges on refunding expense	(224,253)	
Change in accrued interest	<u>162,175</u>	66,977
	<u>\$</u>	<u>3,066,887</u>

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

CARROLL COUNTY BOARD OF EDUCATION**EXHIBIT "F"****STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013**

	Private Purpose Trust	Agency Fund
ASSETS		
Cash	\$ 2,285	\$ 424,833
Investments	38,540	11,000
Total assets	<u>\$ 40,825</u>	<u>\$ 435,833</u>
LIABILITIES		
Funds held for others		<u>\$ 435,833</u>
NET POSITION		
Held in trust for private purposes	<u>\$ 40,825</u>	

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

CARROLL COUNTY BOARD OF EDUCATION**EXHIBIT "G"****STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Private Purpose Trust
	<hr/>
ADDITIONS	
Investment earnings:	
Interest	\$ 39
	<hr/>
DEDUCTIONS	
None Noted	-
	<hr/>
Change in Net Position	39
Net position, beginning of year	40,786
	<hr/>
Net position, end of year	\$ 40,825
	<hr/>

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

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CARROLL COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

EXHIBIT "H"

Note 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

Reporting Entity

The Carroll 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 notes to the basic financial statements of the Carroll 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.

CARROLL COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

EXHIBIT "H"

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The School District reports the following major governmental funds:

- *General Fund* is the School District's primary operating fund. It accounts for all financial resources of the School District, except those resources required to be accounted for in another fund.
- *District-wide Capital Projects Fund* accounts for financial resources including Special Purpose Local Option Sales Tax (SPLOST), Bond Proceeds and grants from Georgia State Financing and Investment Commission to be used for the acquisition, construction or renovation of major capital facilities.
- *Debt Service Fund* accounts for taxes (sales) legally restricted for the payment of general long-term principal, interest and paying agent's fees.

The School District reports the following fiduciary fund types:

- The *Private Purpose Trust Fund* reports a trust arrangement under which principal is to be invested and preserved intact with the resultant income to be used to assist State University of West Georgia juniors and seniors who have committed to a career in education or to veteran teachers who are returning to school to upgrade their teaching credentials.
- *Agency Funds* account for assets held by the School District as an agent for various funds, governments or individuals.

Basis of Accounting

The basis of accounting determines when transactions are reported on the financial statements. The District-wide governmental and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The Agency Fund is custodial in nature (assets equal liabilities) and so do not involve measurement of results of operations. 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.

CARROLL COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

EXHIBIT "H"

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available.

The School District considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. The School District considers all intergovernmental revenues to be available if they are collected within 120 days after year-end. Property taxes, sales taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt 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.

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

New Accounting Pronouncements

In fiscal year 2013, the School District adopted the Governmental Accounting Standards Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The provisions of this Statement establish accounting and financial reporting standards for governments who enter into Service Concession Arrangements (SCA) with other governmental or nongovernmental entities. As of June 30, 2013, the School District has not entered into any arrangements that meet the qualifications to be reported as a SCA in accordance with this standard.

In fiscal year 2013, the School District adopted the Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The provisions of this Statement incorporate certain accounting and financial reporting guidance into authoritative GASB literature.

In fiscal year 2013, the School District adopted the Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. The provisions of this Statement establish financial reporting standards for the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. The School District changed its presentation of net assets to net position for fiscal year 2013. There were no other applicable reporting changes for the School District.

CARROLL COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

EXHIBIT "H"

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Georgia Laws OCGA §45-8-14 authorize the School District to deposit its funds in one or more solvent banks or insured Federal savings and loan associations.

Investments

COMPOSITION OF INVESTMENTS

Investments made by the School District in nonparticipating interest-earning contracts (such as certificates of deposit) and repurchase agreements are reported at cost. Participating interest-earning contracts and money market investments with a maturity at purchase of one year or less are reported at amortized cost.

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

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

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

CARROLL COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

EXHIBIT "H"

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables

Receivables consist of amounts due from property and sales taxes, grant reimbursements due on Federal, State or other grants for expenditures made but not reimbursed and other receivables disclosed from information available. Receivables are recorded when either the asset or revenue recognition criteria has been met. Receivables recorded on the basic financial statements do not include any amounts which would necessitate the need for an allowance for uncollectible receivables.

Property Taxes

The Carroll County Board of Commissioners fixed the property tax levy for the 2012 tax digest year (calendar year) on July 24, 2012 (levy date). Taxes were due on December 1, 2012 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2012 tax digest are reported as revenue in the governmental funds for fiscal year 2013. The Carroll County Tax Commissioner bills and collects the property taxes for the School District, withholds 1% 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, 2013, for maintenance and operations amounted to \$32,480,120.

The tax millage rate levied for the 2012 tax year (calendar year) for the Carroll County Board of Education was as follows (a mill equals \$1 per thousand dollars of assessed value):

School Operations	<u>19.50</u> mills
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Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to \$365,639 during fiscal year ended June 30, 2013.

Sales Taxes

Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to \$11,980,386 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

Inventories

FOOD INVENTORIES

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

**CARROLL COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

EXHIBIT "H"

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets purchased, including capital outlay costs, are recorded as expenditures in the fund financial statements at the time of purchase (including ancillary charges). On the District-wide financial statements, all purchased capital assets are valued at cost where historical records are available and at estimated historical cost based on appraisals or deflated current replacement cost where no historical records exist. Donated capital assets are recorded at estimated fair market value on the date donated.

Disposals are deleted at depreciated recorded cost. The cost of normal maintenance and repairs that do not add to the value of assets or materially extend the useful lives of the assets is not capitalized. Depreciation is computed using the straight-line method. The School District does not capitalize book collections or works of art. During the fiscal year under review, no events or changes in circumstances affecting a capital asset that may indicate impairment were known to the School District.

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

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
Land	All	N/A
Land Improvements	\$ 10,000	15 to 80 years
Buildings and Improvements	\$ 10,000	20 to 80 years
Intangible Assets	\$ 10,000	15 to 20 years
All Equipment	\$ 5,000	3 to 20 years

Depreciation is used to allocate the actual or estimated historical cost of all capital assets over estimated useful lives.

Amortization of intangible assets such as water, timber, and mineral rights, easements, patents, trademarks, copyrights and internally generated software is computed using the straight-line method over the estimated useful lives of the assets, generally 10 to 20 years.

CARROLL COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

EXHIBIT "H"

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 is awarded on a fiscal year basis to all full time personnel employed on twelve month basis, according to the following guidelines:

Classified Employees	10 days per year
Certified Employees with 0-5 years experience in Carroll County	12 days per year
Certified Employees with 6-10 years experience in Carroll County	15 days per year
Certified Employees with 11 plus years experience in Carroll County	18 days per year

No other employees are eligible to earn vacation leave.

Vacation leave not utilized during the fiscal year may be carried over to the next fiscal year, providing such vacation leave does not exceed 20 days for Classified Employees and 25 days for Certified Employees.

Changes in compensated absences liability during the last three fiscal years are as follows:

	<u>Beginning of Year Liability</u>	<u>Increases</u>	<u>Decreases</u>	<u>End of Year Liability</u>
2011	\$ 567,747	\$ 398,517	\$ 375,346	\$ 590,918
2012	\$ 590,918	\$ 555,945	\$ 472,558	\$ 674,305
2013	\$ 674,305	\$ 400,038	\$ 533,063	\$ 541,280

General Obligation Bonds

The School District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. In the District-wide financial statements, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the debt.

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

CARROLL COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

EXHIBIT "H"

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

been issued to refund existing general obligation bonds. General obligation bonds are direct obligations and pledge the full faith and credit of the government. The outstanding amount of these bonds is recorded in the Statement of Net Position.

Net Position

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

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

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

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

Fund Balances

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

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

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

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

CARROLL COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

EXHIBIT "H"

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Fund Balances of the Governmental Funds at June 30, 2013, are as follows:

FUND BALANCES

Nonspendable		
Inventories	\$	234,606
Restricted		
Continuation of Federal Programs	\$	983,200
Capital Projects		26,494,652
Debt Service	<u>5,814,993</u>	33,292,845
Unassigned		<u>11,009,547</u>
Fund Balance, June 30, 2013	\$	<u>44,536,998</u>

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 12 - 14% of annual operating expenditures for the subsequent fiscal year budget, not to exceed 15% of the total budget of the subsequent fiscal year, in compliance with Official Code of Georgia Annotated Section 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.

CARROLL COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

EXHIBIT "H"

Note 3: BUDGETARY DATA

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

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

The Superintendent is authorized by the Board to approve adjustments of no more than 5 percent of the amount budgeted for expenditures in any budget function for any fund. The Superintendent shall report any such adjustments to the Board no later than the next regular meeting of the Board. If expenditure of funds in any budget function for any fund is anticipated to be more than 5 percent of the budgeted amount, the Superintendent shall request Board approval for the budget amendment. Under no circumstance is the Superintendent or other staff person authorized to spend funds that exceed the total budget without approval by the Board.

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

Note 4: DEPOSITS

COLLATERALIZATION OF DEPOSITS

Official Code of Georgia Annotated (OCGA) Section 45-8-12 provides that there shall not be on deposit at any time in any depository for a time longer than ten days a sum of money which has not been secured by surety bond, by guarantee of insurance, or by collateral. The aggregate of the face value of such surety bond and the market value of securities pledged shall be equal to not less than 110 percent of the public funds being secured after the deduction of the amount of deposit insurance. If a depository elects the pooled method (OCGA §45-8-13.1) the aggregate of the market value of the securities pledged to secure a pool of public funds shall be not less than 110 percent of the daily pool balance. At June 30, 2013, all deposits were secured by surety bond, insurance or collateral as specified above.

CARROLL COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

EXHIBIT "H"

Note 4: DEPOSITS (Continued)

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 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.

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.

Note 5: NON-MONETARY TRANSACTIONS

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

CARROLL COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

EXHIBIT "H"

Note 6: CAPITAL ASSETS

The following is a summary of changes in the capital assets during the fiscal year:

	Balances July 1, 2012	Increases	Decreases	Balances June 30, 2013
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 8,253,865			\$ 8,253,865
Construction Work in Progress	15,661,601	\$ 25,271,160	\$ (21,941,309)	18,991,452
Total Capital Assets, Not Being Depreciated	23,915,466	25,271,160	(21,941,309)	27,245,317
Capital Assets, Being Depreciated				
Buildings and Improvements	207,032,841	18,571,296	(3,783,194)	221,820,943
Equipment	16,157,507	1,996,931	(428,652)	17,725,786
Land Improvements	7,535,399	3,376,497		10,911,896
Software	0	416,070		416,070
Total	230,725,747	24,360,794	(4,211,846)	250,874,695
Less Accumulated Depreciation for:				
Buildings and Improvements	(31,306,803)	(3,416,746)	1,686,114	(33,037,435)
Equipment	(11,371,122)	(1,283,093)	330,194	(12,324,021)
Land Improvements	(4,980,567)	(301,817)		(5,282,384)
Software	0	(52,009)		(52,009)
Total	(47,658,492)	(5,053,665)	2,016,308	(50,695,849)
Total Capital Assets, Being Depreciated, Net	\$ 183,067,255	\$ 19,307,129	\$ (2,195,538)	\$ 200,178,846
Governmental Activity Capital Assets - Net	\$ 206,982,721	\$ 44,578,289	\$ (24,136,847)	\$ 227,424,163

Capital assets being acquired under capital leases as of June 30, 2013, are as follows:

	Governmental Funds
Equipment	\$ 1,412,033
Software	416,070
Less: Accumulated Depreciation	546,221
	\$ 1,281,882

**CARROLL COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

EXHIBIT "H"

Note 6: CAPITAL ASSETS (Continued)

Current year depreciation expense by function is as follows:

Instruction		\$	3,248,902
Support Services			
Educational Media Services	\$	203,322	
General Administration		23,800	
Business Services		52,009	
Maintenance and Operation of Plant		33,141	
Student Transportation Services		658,109	
Other Support Services		975	
Enterprise Operations		428	971,784
Food Services			832,979
		\$	<u>5,053,665</u>

Note 7: INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2013, consisted of the following:

<u>Transfers To</u>	<u>Transfers From Debt Service Fund</u>
District-Wide Capital Projects Fund	\$ <u>592,580</u>

The transfer was to reallocate excess funds from the School District's 2007 Debt Service account after retiring the remaining debt associated with the School District's 2007 Series bond. The excess funds were placed in the School District's 2011 Capital Projects Fund.

Note 8: RISK MANAGEMENT

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

The School District participates in the Georgia School Boards Association Risk and Insurance Management System, a public entity risk pool organized on July 1, 1994, to develop and administer a plan to reduce risk of loss on account of general liability, 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. Additional coverage is provided

CARROLL COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

EXHIBIT "H"

Note 8: RISK MANAGEMENT (Continued)

through agreements by the system with other companies according to their specialty for property, boiler and machinery (including coverage for flood and earthquake), general liability, errors and omissions, crime and automobile risks. Payment of excess insurance for the system varies by line of coverage.

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

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

	<u>Beginning of Year</u> <u>Liability</u>	<u>Claims and</u> <u>Changes in</u> <u>Estimates</u>	<u>Claims</u> <u>Paid</u>	<u>End of Year</u> <u>Liability</u>
2012	\$ -	\$ 104,243	\$ 104,243	\$ -
2013	\$ -	\$ 69,728	\$ 69,728	\$ -

The School District participates in the Georgia School Boards Association Workers' Compensation Fund, a public entity risk pool organized on July 1, 1992, to develop, implement, and administer a program of workers' compensation self-insurance for its member organizations. The School District pays an annual premium to the Fund for its general insurance coverage. Excess insurance coverage is provided through an agreement by the Fund with the Safety National Casualty Corporation to provide coverage for potential losses sustained by the Fund in excess of \$550,000 loss per occurrence, up to the statutory limit. Employers' Liability insurance coverage is also provided by Safety National Casualty Corporation to provide coverage for potential losses sustained by the Fund in excess of \$550,000 loss per occurrence, up to \$2,000,000.

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

<u>Position Covered</u>	<u>Amount</u>
Superintendent	\$ 100,000
Each Principal and Assistant Principal	\$ 20,000
All Other Employees	\$ 100,000

CARROLL COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

EXHIBIT "H"

Note 9: LONG-TERM DEBT

CAPITAL LEASES

The Carroll County Board of Education has entered into lease agreements as lessee for buses. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

COMPENSATED ABSENCES

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

GENERAL OBLIGATION DEBT OUTSTANDING

General Obligation Bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
General Government - Series 2011	1.08% - 3.37 %	<u>71,245,000</u>
		<u>\$71,245,000</u>

The changes in Long-Term Debt during the fiscal year ended June 30, 2013, were as follows:

	Governmental Activities				
	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013	Due Within One Year
G. O. Bonds	\$ 84,735,000	\$ -	\$ (13,490,000)	\$ 71,245,000	\$ 8,030,000
Unamortized Bond Premium	10,427,442		(126,238)	10,301,204	648,021
Loss on Debt Refunding	(224,253)		224,253	-	
Total Bonds Payable	\$ 94,938,189	\$ -	\$ (13,391,985)	\$ 81,546,204	\$ 8,678,021
Capital Leases	627,714	396,369	(731,373)	292,710	107,212
Compensated Absences	674,305	400,038	(533,063)	541,280	378,896
Total Long-Term Liabilities	\$ 96,240,208	\$ 796,407	\$ (14,656,421)	\$ 82,380,194	\$ 9,164,129

CARROLL COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

EXHIBIT "H"

Note 9: LONG-TERM DEBT (Continued)

The following is a summary of future annual debt service payments on long-term debt:

<u>Fiscal Year Ended June 30:</u>	<u>Capital Leases</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 107,211	\$ 7,499
2015	91,854	4,001
2016	93,645	2,210
Total Principal and Interest	<u>\$ 292,710</u>	<u>\$ 13,710</u>

<u>Fiscal Year Ended June 30:</u>	<u>General Obligation Debt</u>		<u>Unamortized Bond Premium</u>
	<u>Principal</u>	<u>Interest</u>	
2014	\$ 8,030,000	\$ 3,369,900	\$ 648,021
2015	8,350,000	3,048,700	784,372
2016	8,700,000	2,718,950	1,324,224
2017	9,100,000	2,289,950	1,501,955
2018	9,565,000	1,834,950	1,505,037
2019 - 2023	27,500,000	4,198,750	4,537,595
Total Principal and Interest	<u>\$ 71,245,000</u>	<u>\$ 17,461,200</u>	<u>\$ 10,301,204</u>

Note 10: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of \$7,685,788 for health insurance and retirement contributions paid on the School District's behalf by the following State Agencies.

Georgia Department of Education

Paid the Georgia Department of Community Health

For Health Insurance of Certified Personnel

In the amount of \$7,386,480

Georgia Department of Education

Paid the Teachers Retirement System

For Teachers Retirement (TRS)

In the amount of \$42,083

Office of State Treasurer

Paid to the Public School Employees' Retirement System

For Public School Employees Retirement (PSERS) Employer's Cost

In the amount of \$257,225

CARROLL COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

EXHIBIT "H"

Note 10: ON-BEHALF PAYMENTS (Continued)

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

Note 11: SIGNIFICANT COMMITMENTS

The following is an analysis of significant outstanding construction or renovation contracts executed by the School District as of June 30, 2013, together with funding available:

Project	Unearned Executed Contracts	Funding Available From State
Bowdon High-Athletic Field	\$ 226,871	
MZHS Athletic Field	491,311	
Bowdon Elementary Addition	63,250	
Bay Springs Middle HVAC & Gym	200,820	
Central High Phase II	789,339	
Central Middle School Addition	625,736	
Glanton Hindsman Elementary	2,097,654	
Ithica Elementary Addition	221,001	
Sandhill Elementary Addition/Renovation	739,472	\$ 108,788
Temple Elementary Gym	1,289,194	
Temple Middle School-Addition & Gym HVA	631,341	
RES, WES, MZMS Kitchen Renovations	94,400	
	\$ 7,470,389	\$ 108,788

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

Note 12: SIGNIFICANT CONTINGENT LIABILITIES

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

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

CARROLL COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

EXHIBIT "H"

Note 13: RELATED PARTY TRANSACTIONS

The Carroll County Board of Education (CCBOE) entered into a related party transaction involving Mr. Donald Nixon regarding a land swap in Mt. Zion. Mr. Nixon is an elected board member of the CCBOE and was a board of trustee for Mt. Zion United Methodist Church (Church) until December 2012. The board voted on May 16, 2013 to swap the vacated Mt. Zion Primary School (MZPS) which consisted of 4.01 acres w/ five buildings totaling approximately 46,888 square feet of school and 4,000 sf of gym for 0.59 acres of Church property that accounts for the northern 25 yards of an existing football field owned by CCBOE. CCBOE engaged Bass & Associates to perform a fair market appraisal for the MZPS property. The CCBOE has an appraisal on file for the MZPS dated November 6, 2012 estimating a fair market value of \$50,000-\$75,000, if a buyer could be identified. The appraiser stated "it is unlikely that a buyer will be found". A special item has been added for the impairment of this asset. No appraisal was performed on the 0.59 acres, but a fair market estimation of \$3,512.20 was derived using the current land value of the Church property in which the 0.59 acres was split from of \$26,907. $\$26,907 / 4.52 = \$5,952.88/\text{acre}$. $\$5,952.88 \times 0.59 \text{ acres} = \$3,512.20$. CCBOE also entered into a Memorandum of Understanding with the Church, allowing CCBOE the utilization of the gym facility for wrestling indefinitely.

Note 14: RETIREMENT PLANS

TEACHERS RETIREMENT SYSTEM OF GEORGIA (TRS)

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

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

CARROLL COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

EXHIBIT "H"

Note 14: RETIREMENT PLANS (Continued)

twelfth of 7% for each month the member is below age 60 or by 7% for each year or fraction thereof by which the member has less than 30 years of service. It is also assumed that certain cost-of-living adjustments, based on the Consumer Price Index, will be made in future years. Retirement benefits are payable monthly for life. A member may elect to receive a partial lump-sum distribution in addition to a reduced monthly retirement benefit. Death, disability, and spousal benefits are also available.

Funding Policy. TRS is funded by member and employer contributions as adopted and amended by the Board of Trustees. Members become fully vested after 10 years of service. If a member terminates with less than 10 years of service, no vesting of employer contributions occurs, but the member's contributions may be refunded with interest. Member contributions are limited by State law to not less than 5% or more than 6% of a member's earnable compensation. Member contributions as adopted by the Board of Trustees for the fiscal year ended June 30, 2013, were 6.00% of annual salary. Employer contributions required for fiscal year 2013 were 11.41% of annual salary as required by the June 30, 2010, actuarial valuation. The employer contribution rate will increase to 12.28% effective July 1, 2013.

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>
2013	100%	\$ 7,862,272
2012	100%	\$ 7,209,297
2011	100%	\$ 7,431,613

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 15: POST-EMPLOYMENT BENEFITS

GEORGIA RETIREE 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

CARROLL COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

EXHIBIT "H"

Note 15: POST-EMPLOYMENT BENEFITS (Continued)

Georgia Annotated (O.C.G.A.) assigns the authority to establish and amend the benefit provisions of the group health plans, including benefits for retirees, to the Board of Community Health (Board). The Department of Community Health, which includes the School OPEB Fund, issues a separate stand alone financial audit report and a copy can be obtained from the Georgia Department of Audits and Accounts.

Funding Policy. The contribution requirements of plan members and participating employers are established by the Board in accordance with the current Appropriations Act and may be amended by the Board. Contributions of plan members or beneficiaries receiving benefits vary based on plan election, dependent coverage, and Medicare eligibility and election. For members with fewer than five years of service as of January 1, 2012, contributions 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, 2013:

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

July 2012 - February 2013	\$912.34 per member per month
March 2013 - June 2013	\$937.34 per member per month

For non-certificated school personnel:

July 2012 -June 2013	\$446.20 per member per month
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CARROLL COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

EXHIBIT "H"

Note 15: POST-EMPLOYMENT BENEFITS (Continued)

No additional contribution was required by the Board for fiscal year 2013 nor contributed to GRHBF to prefund retire benefits. Such additional contribution amounts are determined annually by the Board of Community Health in accordance with the State plan for other post-employment benefits and are subject to appropriation.

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

<u>Fiscal Year</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>
2013	100%	\$ 12,805,544
2012	100%	\$ 12,172,299
2011	100%	\$ 11,568,808

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CARROLL COUNTY BOARD OF EDUCATION

SCHEDULE "1"

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Budget		Actual	Variance With Final Budget
	Original (1)	Final (1)		
REVENUES				
Property taxes	\$ 33,525,288	\$ 33,525,288	\$ 32,845,759	\$ (679,529)
Other taxes	470,000	470,000	1,284,670	814,670
State funds	71,523,154	72,759,518	72,846,594	87,076
Federal funds	8,065,504	18,402,834	16,068,032	(2,334,802)
Charges for services	1,730,500	1,730,500	4,127,691	2,397,191
Investment earnings	26,000	26,000	4,885	(21,115)
Miscellaneous	105,001	105,001	1,222,583	1,117,582
Total revenues	115,445,447	127,019,141	128,400,214	1,381,073
EXPENDITURES				
Current:				
Instruction	73,807,879	81,491,752	80,236,081	1,255,671
Support services:				
Pupil services	3,034,922	3,842,791	3,836,038	6,753
Improvement of instructional services	3,927,855	4,299,111	3,355,043	944,068
Educational media services	2,026,242	2,026,563	1,999,172	27,391
General administration	876,309	1,308,994	2,256,503	(947,509)
School administration	8,905,754	8,906,993	8,449,637	457,356
Business administration	755,136	755,136	1,169,549	(414,413)
Maintenance and operation of facilities	9,029,844	9,031,551	9,091,292	(59,741)
Student transportation services	7,275,502	7,915,471	6,942,905	972,566
Central support services	674,779	674,779	612,920	61,859
Other support services	156,208	271,844	105,187	166,657
Enterprise operations			2,415,216	(2,415,216)
Food services operation	7,942,930	7,942,930	8,450,709	(507,779)
Community services operation			368,389	(368,389)
Capital outlay	61,475	61,475	70,844	(9,369)
Debt service:				
Principal retirement			348,835	(348,835)
Interest and fiscal charges			20,881	(20,881)
Total expenditures	118,474,835	128,529,390	129,729,201	(1,199,811)
Excess of revenues over expenditures	(3,029,388)	(1,510,249)	(1,328,987)	181,262
OTHER FINANCING SOURCES (USES)				
Other Sources	382,000	382,000	327,688	(54,312)
Transfers out	(1,025,354)	(1,025,354)		1,025,354
Total other financing sources (uses)	(643,354)	(643,354)	327,688	971,042
Net change in fund balances	(3,672,742)	(2,153,603)	(1,001,299)	1,152,304
FUND BALANCE, beginning of year	10,055,003	11,871,721	13,228,652	1,356,931
FUND BALANCE, end of year	\$ 6,382,261	\$ 9,718,118	\$ 12,227,353	\$ 2,509,235

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

(1) Original and Final Budget amounts do not include budgeted revenues (\$3,126,782.66) or expenditures (\$2,538,720.35) of the various principal accounts.

The accompanying schedule of revenues, expenditures and changes in fund balance budget and actual includes the Original and Final Budget that is presented on a basis other than accounting principles generally accepted in the United States of America (GAAP) as allowed by the State of Georgia. The primary differences between the budget basis and GAAP for fund financial statements include salary and benefit expenditures that are recorded on the budget when paid rather than when the liability is incurred and state revenues recorded on the budget when received rather than when earned.

See notes to the basic financial statements

CARROLL COUNTY BOARD OF EDUCATION

SCHEDULE "2"

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

<u>Funding Agency Program/Grant</u>	<u>CFDA Number</u>	<u>Pass- Through Entity ID Number</u>	<u>Total Expenditures</u>
Agriculture, U. S. Department of			
Child Nutrition Cluster			
Pass-Through From Georgia Department of Education			
Food Services			
School Breakfast Program	* 10.553	N/A	See Note (2)
National School Lunch Program - Cash	* 10.555	N/A	\$ 7,664,482
National School Lunch Program - Commodities (1)	* 10.555	N/A	473,926
Total Child Nutrition Cluster			8,138,408
Fresh Fruit and Vegetable Program	10.582		103,877
Total U. S. Department of Agriculture			8,242,285
Education, U. S. Department of			
Education for Homeless Children and Youth Cluster			
Pass-Through From Georgia Department of Education			
Education for Homeless Children and Youth	84.196	N/A	35,500
School Improvement Grants Cluster			
Pass-Through From Georgia Department of Education			
School Improvement Federal - G Funds	* 84.377	N/A	964,826
ARRA - School Improvement Grants	* 84.388	N/A	274,440
Total School Improvement Grants Cluster			1,239,266
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Grants to States	84.027	N/A	2,666,348
Preschool Grants	84.173	N/A	108,914
Total Special Education Cluster			2,775,262
Title I, Part A Cluster			
Pass-Through From Georgia Department of Education			
Title I - Improving the Academic Achievement of the Disadvantaged	84.010	N/A	4,519,557
Title I - Distinguished School Awards	84.010	N/A	35,000
Title I - School Improvement	84.010	N/A	175,651
Total Title I, Part A Cluster			4,730,208
Other Programs			
Pass-Through From Georgia Department of Education			
Education Job Fund	84.410	N/A	5,578
Title III-A, Limited English Proficient	84.365	N/A	46,842
Improving Teacher Quality State Grants	84.367	N/A	494,182
ARRA - Race To The Top - Innovation Grant	* 84.395	N/A	345,509
Vocational Education - Basic Grants to States	84.048	N/A	135,702
Total Other Programs			1,027,813
Total U. S. Department of Education			9,808,049
Defense, U. S. Department of			
Direct			
Department of the Army			
R.O.T.C. Program			57,877
Total Expenditures of Federal Awards			\$ 18,108,211

N/A = Not Available

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Notes to the Schedule of Expenditures of Federal Awards

- (1) The amounts shown for the Food Donation Program represent the Federally assigned value of nonmonetary assistance for donated commodities received and/or consumed by the School District during the current fiscal year.
- (2) Expenditures for the funds earned on the School Breakfast Program (\$1,492,951.40) were not maintained separately and are included in the National School Lunch Program.

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

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

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

CARROLL COUNTY BOARD OF EDUCATION

SCHEDULE "3"

**SCHEDULE OF STATE REVENUE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

<u>Agency/Funding</u>	<u>Governmental Fund Types</u>		<u>Total</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>	
Grants			
Education, Georgia Department of			
Quality Basic Education			
Direct Instructional Cost			
Kindergarten Program	\$ 5,076,013		\$ 5,076,013
Kindergarten Program - Early Intervention Program	260,895		260,895
Primary Grades (1-3) Program	10,393,514		10,393,514
Primary Grades - Early Intervention (1-3) Program	794,032		794,032
Upper Elementary Grades (4-5) Program	4,938,047		4,938,047
Upper Elementary Grades - Early Intervention (4-5) Program	464,131		464,131
Middle Grades (6-8) Program	39,896		39,896
Middle School (6-8) Program	8,387,856		8,387,856
High School General Education (9-12) Program	7,249,585		7,249,585
Vocational Laboratory (9-12) Program	2,437,781		2,437,781
Program for Intellectually Gifted Students - Category VI	3,319,245		3,319,245
Remedial Education Program	777,752		777,752
Alternative Education Program	675,139		675,139
English Speakers of Other Languages (ESOL)	328,928		328,928
Media Center Program	1,535,454		1,535,454
Twenty Days Additional Instruction	459,562		459,562
Staff and Professional Development	297,505		297,505
Indirect Cost			
Central Administration	1,824,963		1,824,963
School Administration	3,367,702		3,367,702
Facility Maintenance and Operations	3,596,396		3,596,396
Categorical Grants			
Pupil Transportation	1,528,028		1,528,028
Nursing Services	233,545		233,545
Mid Term Hold Harmless	612,644		612,644
Vocational Supervisors	28,123		28,123
Education Equalization Funding Grant	8,692,059		8,692,059
Food Services	211,792		211,792
Vocational Education	642,385		642,385
Amended Formula Adjustment	(10,502,468)		(10,502,468)
Preschool Handicapped State Grant	220,062		220,062
Teachers Retirement	42,083		42,083
Office of State Treasurer			
Public School Employees Retirement	257,225		257,225
Total Quality Basic Education Formula Earnings (State and Local Funds)			
On Behalf Payments (1)	7,386,480		7,386,480
State Health Pre-Fund Amount	(7,386,480)		(7,386,480)
Special Education Programs	13,027,260		13,027,260

**SCHEDULE OF STATE REVENUE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

<u>Agency/Funding</u>	<u>Governmental Fund Types</u>		<u>Total</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>	
Grants			
QBE Allotment (Operating Costs)			
Special Education Programs	\$ 249,725		\$ 249,725
QBE Contra Account (Debit)			
Special Education Programs	(1,712,585)		(1,712,585)
Grants from Pre-K Lottery			
Georgia Pre-Kindergarten Program	1,952,817		1,952,817
Other Grants From Georgia Department of Education			
Pupil Transportation - State Bonds	533,537		533,537
Residential Treatment Center Grants	418,385		418,385
Math and Science Supplement	130,881		130,881
Move on When Ready Grant	200		200
Funds From Other State Agencies			
Classroom Technology Enhancement (Ccdbg)	11,500		11,500
Family Connection - DHR Grants	45,000		45,000
Other			
Capital Outlay Grants		\$ 1,995,659	1,995,659
	<u>\$ 72,846,594</u>	<u>\$ 1,995,659</u>	<u>\$ 74,842,253</u>

(1) Payments to the Georgia Department of Community Health by the Georgia Department of Education on behalf of the School District are reported separately in the schedule above; however, the payments are part of the Quality Basic Education revenue allotments for the School District.

**SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

<u>Project</u>	<u>Original Estimated Cost(1)</u>	<u>Current Estimated Costs(2)</u>	<u>Amount Expended In Current Year (3)</u>	<u>Amount Expended In Prior Years (3)</u>	<u>Total Completion Cost</u>	<u>Excess Proceeds Not Expended</u>	<u>Estimated Completion Date</u>
(A) Providing funds to pay or to be applied toward the cost of capital outlay projects within the Carroll County School District, consisting of acquiring, constructing, adding to, renovating, modifying, repairing, improving and equipping existing schools and other buildings and facilities and acquiring any property necessary or desirable therefore, both real and personal; acquiring real estate for the construction of new schools and facilities; constructing and equipping new schools and facilities and acquiring any property necessary or desirable therefore, both real and personal.	\$ 105,420,000	\$ 88,079,724	\$	\$ 88,079,724	\$ 88,079,724	\$	Completed
(B) the retirement of a portion of the outstanding Carroll County General Obligation Bonds, Series 2007, which is previously incurred general obligation debt of the Carroll County School District, in the event that it is determined that proceeds to be distributed to the Carroll County School District from the existing Educational Sales Tax approved by the voters of the County on March 20, 2007 will be insufficient for such purposes and							
(ii) the cost of capital outlay projects within the Carroll County School District, consisting of acquiring, constructing, adding to, renovating, modifying, repairing, improving and equipping existing schools and other buildings and facilities and acquiring any property necessary or desirable therefor, both real and personal; acquiring real estate for the construction of new schools and facilities; constructing and equipping new schools and facilities and acquiring any property necessary or desirable therefore, both real and personal.	79,065,000	79,065,000	26,435,533	15,433,027	41,868,560		June 2014
	<u>\$ 184,485,000</u>	<u>\$ 167,144,724</u>	<u>\$ 26,435,533</u>	<u>\$ 103,512,751</u>	<u>\$ 129,948,284</u>	<u>\$</u>	
(1) The School District's original cost estimate as specified in the resolution calling for the imposition of the Local Option Sales Tax.							
(2) The School District's current estimate of total cost for the projects. Includes all cost from project inception to completion.							
(3) The voters of Carroll 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.							

See notes to the basic financial statements.

**SCHEDULE OF QUALITY BASIC EDUCATION PROGRAMS (QBE)
ALLOTMENTS AND EXPENDITURES BY PROGRAM
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Description	Allotments From Georgia Department of		Eligible QBE Program Costs		
	Education (1) (2) (3)		Salaries	Operations	Total
Direct Instructional Funds:					
Kindergarten Program	\$	5,771,730	\$ 5,323,622	\$ 25,587	\$ 5,349,209
Kindergarten Program - Early Intervention Program		310,961	190,157	1,614	191,771
Primary Grades (1-3) Program		11,926,453	11,493,911	160,665	11,654,576
Primary Grades - Early Intervention (1-3) Program		928,782	947,595	4,567	952,162
Upper Elementary Grades (4-5) Program		5,711,234	6,800,208	53,145	6,853,353
Upper Elementary Grades-Early Intervention (4-5) Program		566,227	676,298	2,836	679,134
Middle Grades (6-8) Program		42,561			
Middle School (6-8) Program		9,621,624	9,549,117	140,694	9,689,811
High School General Education (9-12) Program		8,338,779	9,587,925	217,328	9,805,253
Vocational Laboratory (9-12) Program		2,803,022	2,182,467	125,084	2,307,551
Students with Disabilities		13,336,817			
Category I				4,461	4,461
Category II			587,929	2,164	590,093
Category III			8,107,442	41,860	8,149,302
Category IV			639,053	29,093	668,146
Category V			2,649,807	32,615	2,682,422
Gifted Student - Category VI		3,791,033	3,135,086	27,990	3,163,076
Remedial Education Program		875,941	449,713	1,649	451,362
Alternative Education Program		774,193	582,390	4,848	587,238
English Speakers of Other Languages (ESOL)		389,889	417,000	10,101	427,101
TOTAL DIRECT INSTRUCTIONAL PROGRAMS		65,189,246	63,319,720	886,301	64,206,021
Media Center Program		1,759,883	1,874,857	102,623	1,977,480
Staff and Professional Development		341,226	19,733		19,733
TOTAL QBE FORMULA FUNDS	\$	67,290,355	\$ 65,214,310	\$ 988,924	\$ 66,203,234

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

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

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

SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS



DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

July 24, 2014

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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Ladies and Gentlemen:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Carroll County Board of Education as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Carroll County Board of Education's basic financial statements and have issued our report thereon dated July 24, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we have reported to management of Carroll County Board of Education in a separate letter dated July 24, 2014.

Purpose of this Report

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

Respectfully submitted,



Greg S. Griffin
State Auditor

GSG:as
2013YB-10



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

July 24, 2014

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

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

Ladies and Gentlemen:

Report on Compliance for Each Major Federal Program

We have audited Carroll County Board of Education's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2013. Carroll County Board of Education's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Carroll County Board of Education's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the Carroll County Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Carroll County Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2013.

Report on Internal Control over Compliance

Management of Carroll County Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Carroll County Board of Education's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Carroll County Board of Education's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item FA-6221-13-01, that we consider to be a significant deficiency.

Carroll County Board of Education's response to the internal control over the compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Carroll County Board of Education's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Respectfully submitted,

A handwritten signature in blue ink that reads "Greg S. Griffin". The signature is written in a cursive, flowing style.

Greg S. Griffin
State Auditor

GSG:as
2013SA-30

SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

CARROLL COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING CONTROL NUMBER AND STATUS

FA-6221-12-01

Unresolved - See Corrective Action/Responses

CORRECTIVE ACTION/RESPONSES

We concur with this finding. The Carroll County Board of Education has transitioned to new financial management software. Management will be inputting all assets into our accounting software in 2014, which will enable the School District to track inventory to include all applicable requirements noted within this finding. The School District created an updated spreadsheet in fiscal year 2014 to start tracking the requirements noted. In addition, procedures will be modified to insure that accurate inventory counts are performed by June 30 each year and that adequate supporting documentation exists to support the inventory count. The School District will have the updated procedures in place and operational by June 30, 2014.

SECTION IV

FINDINGS AND QUESTIONED COSTS

CARROLL COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issue:
Governmental Activities; General Fund; Capital Projects Fund; Debt
Service Fund; Aggregate Remaining Fund Information Unmodified

Internal control over financial reporting:

▪ Material weakness identified?	No
▪ Significant deficiency identified?	None Reported

Noncompliance material to financial statements noted: No

Federal Awards

Internal Control over major programs:

▪ Material weakness identified?	No
▪ Significant deficiency identified?	Yes

Type of auditor's report issued on compliance for major programs:
All major programs Unmodified

Any audit findings disclosed that are required to be reported in
accordance with OMB Circular A-133, Section 510(a)? Yes

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	Child Nutrition Cluster
84.377, 84.388	School Improvement Grants Cluster
84.395	ARRA Race-to-the-Top Incentive Grants

Dollar threshold used to distinguish between Type A and Type B programs: \$543,951

Auditee qualified as low-risk auditee? No

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

CARROLL COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FA-6221-13-01 Insufficient Equipment Listing and Record of Inventory

Compliance Requirement:	EQUIPMENT AND REAL PROPERTY MANAGEMENT
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Nonmaterial Noncompliance
Federal Awarding Agency:	U. S. Department of Agriculture
Pass-Through Entity:	Through Georgia Department of Education
CFDA Number and Title:	Child Nutrition Cluster (CFDA 10.553 and 10.555)

Description:

This is a repeat finding (FA-6221-12-01) from year ended June 30, 2012. The policies and procedures of the School District were insufficient to provide adequate internal controls over equipment and real property management as it relates to the Child Nutrition Cluster.

Criteria:

7 CFR §3016.32 states, "Property records must be maintained that include a description of the property, a serial number or other identification number, the source of the property, who holds title, the acquisition date, and the cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property. A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.

Condition:

The School District did not maintain an adequate equipment listing for the Child Nutrition Cluster (CNC) including a valid serial number or other identification number, information about the equipment's acquisition date, percentage of Federal participation in regards to cost, who holds title, use and condition of the property, and ultimate disposition data. Additionally, the School District did not maintain documentation that a physical inventory had been performed within the last two years.

Questioned Cost:

N/A

Cause:

In discussing these deficiencies with the School District, they indicated that the cause was that Carroll County Board of Education had a transition in their Chief Financial Officer (CFO) role. The previous CFO was not clear in their communication with the CNC director relating to the correction needed. The new CFO and CNC director established a new inventory list for all schools which included the required fields of information for Federal compliance. It was not clearly communicated to the School District that all the fields had to be completed regardless of the age of the inventory and/or equipment. The School District was able to complete the required fields where readably available data was accessible. The finding was misinterpreted by the School District, understanding it to be updated and corrected going forward.

Effect or Potential Effect:

Failure to maintain a proper equipment listing and/or failure to perform a physical inventory resulted in noncompliance with the requirements of the Federal grant.

CARROLL COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Recommendation:

The School District should develop and maintain an equipment listing including information on each piece of equipment's cost, acquisition date, serial number, percentage of Federal participation, who holds title, use and condition of the property, and ultimate disposal data. In addition, an inventory of equipment items on this listing should be conducted and documented at least once every two fiscal years in order to ensure that information on the listing remains valid.

Views of Responsible Officials and Corrective Action Plans:

We concur with this finding. The Carroll County Board of Education and the CNC Director have updated procedures to address the insufficiencies. We purchased a new financial management software and will start migrating all fixed assets into this system. Our records have been updated to list the fields required for federal compliance. We are in the process of gathering the data to populate the incomplete areas of the listings. We implemented an annual inventory audit procedure which is performed by each school nutrition facility manager. These inventory counts are to occur prior to every fiscal year end with each manager signing the audits and forwarding to the district office for record retention.

Contact Person:	James D. Fulford
Title:	Chief Financial Officer
Telephone:	770-832-3568
Fax:	770-836-2739
E-mail:	james.fulford@carrollcountyschools.com