



CARROLL COUNTY BOARD OF EDUCATION CARROLLTON, GEORGIA

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

(Including Independent Auditor's Reports)



CARROLL COUNTY BOARD OF EDUCATION

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SECTION I
FINANCIAL



DEPARTMENT OF AUDITS AND ACCOUNTS

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

July 6, 2015

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, 2014, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Carroll County Board of Education, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual, as presented on pages i through viii and page 25 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 6, 2015, 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,

A handwritten signature in black ink, appearing to read "Greg S. Griffin". The signature is fluid and cursive, with a long horizontal stroke at the end.

Greg S. Griffin
State Auditor

GSG:as
2014ARL-11

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

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, 2014. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the 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 2014 are as follows:

- On the District-wide financial statements, the assets of the School District exceeded liabilities by \$196.0 million. Of this amount, \$12.1 million is unrestricted and is available for spending at the School District's discretion.
- The School District had \$135.2 million in expenses relating to governmental activities compared to \$137.0 million in fiscal year 2013. The reduction in overall expenses from last year was primarily due to higher experienced teachers retiring. There were also reductions in other areas due to increased scrutiny of budget management. For fiscal year 2014, only \$83.7 million of these expenses are offset by program specific charges for services, grants and contributions. General revenues (primarily property and sales taxes) of \$57.3 million were adequate to provide for these programs.
- As stated above, general revenues accounted for \$57.3 million or 40.6% of all revenues totaling \$141.0 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.

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.

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

District-wide Statements

The District-wide financial statements are basically a consolidation of all of the District's operating funds into one column called *governmental activities*. In reviewing the District-wide financial statements, a reader might ask the question, are we in a better financial position than last year? The Statement of Net Position and the Statement of Activities provides the basis for answering this question. These financial statements include all District's *assets* and *liabilities* and uses the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into 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 those assets. 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 reflects the School District's governmental activities.

Fund Financial Statements

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

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

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

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

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

By far the largest portion of the District's net position, (89.4 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

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

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.

Table 1
Net Position

	Governmental Activities	
	Fiscal Year 2014	Fiscal Year 2013 (1)
Assets		
Current and Other Assets	\$ 46,641,804	\$ 66,180,505
Capital Assets, Net	<u>240,879,222</u>	<u>227,424,163</u>
Total Assets	<u>287,521,026</u>	<u>293,604,668</u>
Liabilities		
Current and Other Liabilities	26,007,128	29,604,910
Long-Term Liabilities	<u>65,516,185</u>	<u>73,216,065</u>
Total Liabilities	<u>91,523,313</u>	<u>102,820,975</u>
Net Position		
Net Investment in Capital Assets	175,302,580	172,079,901
Restricted	8,548,151	6,190,324
Unrestricted	<u>12,146,982</u>	<u>12,513,468</u>
Total Net Position	<u>\$ 195,997,713</u>	<u>\$ 190,783,693</u>

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

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

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

**Table 2
Change in Net Position**

	Governmental Activities	
	Fiscal Year 2014	Fiscal Year 2013 (1)
Revenues		
Program Revenues:		
Charges for Services and Sales	\$ 2,451,378	\$ 4,127,691
Operating Grants and Contributions	77,682,035	79,305,134
Capital Grants and Contributions	3,530,343	2,545,320
Total Program Revenues	83,663,756	85,978,145
General Revenues:		
Taxes		
Property Taxes		
For Maintenance and Operations	34,038,772	32,786,070
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Debt Services	11,640,141	11,980,386
Intangible Recording Tax	816,271	1,284,670
Grants and Contributions not		
Restricted to Specific Programs	7,583,617	8,692,059
Investment Earnings	92,041	215,194
Miscellaneous	3,079,975	1,222,583
Special Items		
Loss on Disposal of Capital Assets		-2,097,080
Total General Revenues and Special Items	57,250,817	54,083,882
Total Revenues	140,914,573	140,062,027
Program Expenses:		
Instruction	84,863,482	83,771,917
Support Services		
Pupil Services	3,854,642	3,836,038
Improvement of Instructional Services	3,050,829	3,355,043
Educational Media Services	2,264,601	2,238,204
General Administration	1,764,242	2,284,483
School Administration	8,761,627	8,449,637
Business Administration	827,756	801,519
Maintenance and Operation of Plant	8,776,856	9,083,971
Student Transportation Services	7,627,047	7,143,136
Central Support Services	617,890	612,920
Other Support Services	353,010	109,833
Operations of Non-Instructional Services		
Enterprise Operations		2,407,155
Community Services	384,816	368,389
Food Services	9,395,718	8,403,538
Interest on Short-Term and Long-Term Debt	2,673,807	4,129,357
Total Expenses	135,216,323	136,995,140
Increase in Net Position	\$ 5,698,250	\$ 3,066,887

(1) Fiscal year 2013 balances do not reflect the effects on the restatement of Net Position.

See Note 2 in the Notes to the Basic Financial Statements for additional information.

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

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting these services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. It identifies the cost of these services supported by tax revenue and unrestricted State entitlements. 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	
	Fiscal Year 2014	Fiscal Year 2013 (1)	Fiscal Year 2014	Fiscal Year 2013 (1)
Instruction	\$ 84,863,482	\$ 26,711,099	\$ 83,771,917	\$ 29,122,001
Support Services:				
Pupil Services	3,854,642	3,023,274	3,836,038	2,743,544
Improvement of Instructional Services	3,050,829	848,117	3,355,043	603,869
Educational Media Services	2,264,601	332,369	2,238,204	200,809
General Administration	1,764,242	-194,199	2,284,483	-274,655
School Administration	8,761,627	4,930,428	8,449,637	3,822,252
Business Administration	827,756	738,865	801,519	744,197
Maintenance and Operation of Plant	8,776,856	4,393,500	9,083,971	4,556,609
Student Transportation Services	7,627,047	5,902,976	7,143,136	4,602,552
Central Support Services	617,890	612,238	612,920	553,930
Other Support Services	353,010	236,369	109,833	-84,057
Operations of Non-Instructional Services:				
Enterprise Operations			2,407,155	-226,167
Community Services	384,816	4,134	368,389	368,389
Food Services	9,395,718	1,339,590	8,403,538	154,365
Interest on Short-Term and Long-Term Debt	2,673,807	2,673,807	4,129,357	4,129,357
Total Expenses	<u>\$ 135,216,323</u>	<u>\$ 51,552,567</u>	<u>\$ 136,995,140</u>	<u>\$ 51,016,995</u>

(1) Fiscal year 2013 balances do not reflect the effects on the restatement of Net Position.

See Note 2 in the Notes to the Basic Financial Statements for additional information.

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 \$141.6 million and total expenditures and other financing uses of \$157.5 million. General Fund balance decreased by \$0.3 million during the year. The Capital Projects Fund balance decreased by \$16.0 million, resulting in fund balance at June 30, 2014 of \$10.5 million, which will be used in the continuing construction of school facilities.

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

General Fund Budgeting Highlights

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

During the course of fiscal year 2014, the School District amended its general fund budget as needed in particular due to student growth and facility safety needs.

For the General Fund, the actual revenues of \$126.0 million were over the final budgeted amounts of \$123.4 million by \$2.6 million. This difference (actual vs. final budget) was due primarily to an increase of state revenue through QBE over final budget of \$1.3 million, a decrease of federal revenue of \$3.3 million, an increase of charges for services of \$1.1 million and miscellaneous of \$2.8 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 \$126.3 million were under the final budgeted amount of \$126.4 million by \$0.1 million. General Fund revenues were less than expenditures by \$0.3 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At fiscal year ended June 30, 2014, the School District had \$240.9 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.

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities	
	Fiscal Year 2014	Fiscal Year 2013
Land	\$ 8,688,574	\$ 8,253,865
Construction In Progress	12,911,552	18,991,452
Land Improvements	7,335,962	5,629,512
Building and Improvements	207,214,501	188,783,508
Equipment	4,468,590	5,401,765
Software	260,043	364,061
Total	\$ <u>240,879,222</u>	\$ <u>227,424,163</u>

Due to the ongoing growth in the county, the School District has numerous construction projects including new buildings, additions and renovations, resulting in an increase of our capital assets. The School District added \$18.0 million (net of depreciation) in building and land improvements during fiscal year 2014, which was funded from the SPLOST bond. This change is reflected above and can also be noted by the reduction of cash by greater than \$20.0 million compared to fiscal year 2013.

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

Debt

At fiscal year ended June 30, 2014, the School District had \$72.9 million in bonds payable and premium, and \$2.4 million in other long-term debt. Table 5 summarizes the School District's debt which includes general obligation bonds, capital leases and compensated absences outstanding. The reduction in bonds payable was due to a principal payment of annual debt service requirements. The School District entered into a capital lease for \$1.6 million for energy conservation improvements. This agreement has a 10 year lease term.

Table 5
Debt at June 30

	Governmental Activities	
	Fiscal Year 2014	Fiscal Year 2013
Bonds Payable	\$ 63,215,000	\$ 71,245,000
Unamortized Bond Premium	9,653,183	10,301,204
License Agreement	185,498	292,710
Capital Leases	1,667,082	0
Compensated Absences	546,306	541,280
Total	<u>\$ 75,267,069</u>	<u>\$ 82,380,194</u>

At June 30, 2014, the School District's assigned bond ratings were "A" as determined by Standard & Poor's Ratings Services.

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. During fiscal year 2015, the Carroll County Board expects to lose over \$6.6 million in state funding shifting the burden to the local tax base. The current millage rate is 19.5 mills with a maximum of 20 mills. Currently, a mill of tax in Carroll County generates \$1.41 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.

In fiscal year 2015, the School District will adopt Governmental Account Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. The provisions of this Statement establish accounting and financial reporting standards for pensions that are provided to the

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

employees of state and local governmental employers through pension plans that are administered through trusts. Implementation of this Statement in fiscal year 2015 will result in a restatement to beginning net position. The School District's liability for its proportionate share of the Net Pension Liability of pension plans in which it participates will be based on current actuarial estimates and will be material to the financial statements.

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
STATEMENT OF NET POSITION
JUNE 30, 2014

EXHIBIT "A"

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 28,762,485
Accounts Receivable, Net	
Interest	3,789
Taxes	3,634,432
State Government	12,143,380
Federal Government	1,721,549
Other	81,060
Inventories	295,109
Capital Assets, Non-Depreciable	21,600,126
Capital Assets, Depreciable (Net of Accumulated Depreciation)	<u>219,279,096</u>
Total Assets	<u>287,521,026</u>
<u>LIABILITIES</u>	
Accounts Payable	585,645
Salaries and Benefits Payable	13,901,225
Interest Payable	762,175
Contracts and Retainage Payable	1,007,199
Long-Term Liabilities	
Bonds Payable and Premiums Due Within One Year	9,134,372
Bonds Payable and Premiums Due in More Than One Year	63,733,811
Compensated Absences Due Within One Year	367,314
Compensated Absences Due in More Than One Year	178,992
License Agreement Due Within One Year	91,853
License Agreement Due in More Than One Year	93,645
Capital Leases Due Within One Year	157,345
Capital Leases Due in More Than One Year	<u>1,509,737</u>
Total Liabilities	<u>91,523,313</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	175,302,580
Restricted for	
Continuation of Federal Programs	372,262
Debt Service	5,299,039
Capital Projects	2,876,850
Unrestricted	<u>12,146,982</u>
Total Net Position	<u>\$ 195,997,713</u>

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

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

	EXPENSES	CHARGES FOR SERVICES
<u>GOVERNMENTAL ACTIVITIES</u>		
Instruction	\$ 84,863,482	\$ 706,741
Support Services		
Pupil Services	3,854,642	
Improvement of Instructional Services	3,050,829	
Educational Media Services	2,264,601	
General Administration	1,764,242	
School Administration	8,761,627	
Business Administration	827,756	
Maintenance and Operation of Plant	8,776,856	350
Student Transportation Services	7,627,047	
Central Support Services	617,890	
Other Support Services	353,010	
Operations of Non-Instructional Services		
Community Services	384,816	380,682
Food Services	9,395,718	1,363,605
Interest on Short-Term and Long-Term Debt	2,673,807	
	<u>\$ 135,216,323</u>	<u>\$ 2,451,378</u>
Total Governmental Activities		
General Revenues		
Taxes		
Property Taxes		
For Maintenance and Operations		
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Debt Services		
Other Sales Tax		
Grants and Contributions not Restricted to Specific Programs		
Investment Earnings		
Miscellaneous		
Total General Revenues		
Change in Net Position		
Net Position - Beginning of Year (Restated)		
Net Position - End of Year		

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

EXHIBIT "B"

PROGRAM REVENUES		NET (EXPENSES)
OPERATING	CAPITAL	REVENUES
GRANTS AND	GRANTS AND	AND CHANGES IN
CONTRIBUTIONS	CONTRIBUTIONS	NET POSITION
\$ 54,642,879	\$ 2,802,763	\$ -26,711,099
831,368		-3,023,274
2,202,712		-848,117
1,761,594	170,638	-332,369
1,940,304	18,137	194,199
3,831,199		-4,930,428
9,624	79,267	-738,865
4,361,365	21,641	-4,393,500
1,724,071		-5,902,976
5,652		-612,238
116,641		-236,369
		-4,134
6,254,626	437,897	-1,339,590
		-2,673,807
<u>\$ 77,682,035</u>	<u>\$ 3,530,343</u>	<u>-51,552,567</u>

34,038,772

11,640,141

816,271

7,583,617

92,041

3,079,97557,250,817

5,698,250

190,299,463\$ 195,997,713

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

EXHIBIT "C"

	GENERAL FUND	DISTRICT- WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 15,126,804	\$ 9,478,054	\$ 4,157,627	\$ 28,762,485
Accounts Receivable, Net				
Interest		3,755	34	3,789
Taxes	1,730,878		1,903,554	3,634,432
State Government	8,504,250	3,639,130		12,143,380
Federal Government	1,721,549			1,721,549
Other	81,060			81,060
Inventories	295,109			295,109
Total Assets	<u>\$ 27,459,650</u>	<u>\$ 13,120,939</u>	<u>\$ 6,061,215</u>	<u>\$ 46,641,804</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 492,876	\$ 92,769		\$ 585,645
Salaries and Benefits Payable	13,901,225			13,901,225
Contracts and Retainage Payable		1,007,199		1,007,199
Total Liabilities	<u>14,394,101</u>	<u>1,099,968</u>		<u>15,494,069</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable Revenue - Property Taxes	1,118,716			1,118,716
Unavailable Revenue - GSFIC		1,474,480		1,474,480
Total Deferred Inflows of Resources	<u>1,118,716</u>	<u>1,474,480</u>		<u>2,593,196</u>
<u>FUND BALANCES</u>				
Nonspendable	295,109			295,109
Restricted	77,152	10,546,491	\$ 6,061,215	16,684,858
Unassigned	11,574,572			11,574,572
Total Fund Balances	<u>11,946,833</u>	<u>10,546,491</u>	<u>6,061,215</u>	<u>28,554,539</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 27,459,650</u>	<u>\$ 13,120,939</u>	<u>\$ 6,061,215</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	\$ 295,584,140		
	Less accumulated depreciation	<u>-54,704,918</u>		240,879,222
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.				
	Property taxes			1,118,716
	Georgia State Financing and Investment Commission			1,474,480
Long-Term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.				
	Bonds	\$ -63,215,000		
	Bond premium, net of amortization	-9,653,183		
	Accrued interest	-762,175		
	License Agreements	-185,498		
	Capital Leases	-1,667,082		
	Compensated absences	<u>-546,306</u>		<u>-76,029,244</u>
Net position of governmental activities				<u>\$ 195,997,713</u>

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

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

EXHIBIT "D"

	GENERAL FUND	DISTRICT- WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
<u>REVENUES</u>				
Property Taxes	\$ 34,372,239			\$ 34,372,239
Sales Taxes			\$ 11,640,141	11,640,141
Other Taxes	816,271			816,271
State Funds	71,479,456	\$ 2,164,651		73,644,107
Federal Funds	13,786,196			13,786,196
Charges for Services	2,451,378			2,451,378
Investment Earnings	669	83,116	8,256	92,041
Miscellaneous	3,079,975			3,079,975
Total Revenues	<u>125,986,184</u>	<u>2,247,767</u>	<u>11,648,397</u>	<u>139,882,348</u>
<u>EXPENDITURES</u>				
Current				
Instruction	80,152,096			80,152,096
Support Services				
Pupil Services	3,854,642			3,854,642
Improvement of Instructional Services	3,050,829			3,050,829
Educational Media Services	1,987,544			1,987,544
General Administration	1,734,793			1,734,793
School Administration	8,756,601			8,756,601
Business Administration	696,779			696,779
Maintenance and Operation of Plant	8,823,704			8,823,704
Student Transportation Services	6,857,897			6,857,897
Central Support Services	617,890			617,890
Other Support Services	346,001	7,008		353,009
Community Services	384,816			384,816
Food Services Operation	8,467,220			8,467,220
Capital Outlay	383,535	19,868,919		20,252,454
Debt Services				
Principal	120,130		8,030,000	8,150,130
Dues and Fees			2,275	2,275
Interest and Fees	32,228		3,369,900	3,402,128
Total Expenditures	<u>126,266,705</u>	<u>19,875,927</u>	<u>11,402,175</u>	<u>157,544,807</u>
Excess of Revenues over (under) Expenditures	-280,521	-17,628,160	246,222	-17,662,459
<u>OTHER FINANCING SOURCES</u>				
Capital Leases		1,680,000		1,680,000
Net Change in Fund Balances	-280,521	-15,948,160	246,222	-15,982,459
Fund Balances - Beginning	<u>12,227,353</u>	<u>26,494,652</u>	<u>5,814,993</u>	<u>44,536,998</u>
Fund Balances - Ending	<u>\$ 11,946,832</u>	<u>\$ 10,546,492</u>	<u>\$ 6,061,215</u>	<u>\$ 28,554,539</u>

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

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

EXHIBIT "E"

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

Net change in fund balances - total governmental funds	\$	-15,982,459
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those

Capital outlay	\$ 19,182,503	
Depreciation expense	<u>-5,233,072</u>	13,949,431

The net effect of the disposal of fixed assets is to decrease net position		-494,372
--	--	----------

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

Property taxes	\$ -333,467	
Georgia State Financing and Investment Commission	<u>1,365,692</u>	1,032,225

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		-1,680,000
------------------------------	--	------------

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

Principal payments - bonds	\$ 8,030,000	
Principal payments - license agreements	107,212	
Principal payments - capital leases	<u>12,918</u>	8,150,130

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	\$ -5,026	
Bond premium amortization expense	648,021	
Change in accrued interest	<u>80,300</u>	<u>723,295</u>

	\$	<u><u>5,698,250</u></u>
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The notes to the basic financial statements are an integral part of this statement.

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

EXHIBIT "F"

	PRIVATE PURPOSE TRUSTS	AGENCY FUNDS
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 2,285	\$ 450,410
Investments (Certificates of Deposits)	<u>38,578</u>	<u>11,000</u>
 Total Assets	 \$ <u>40,863</u>	 \$ <u><u>461,410</u></u>
 <u>LIABILITIES</u>		
 Funds Held for Others		 \$ <u><u>461,410</u></u>
 <u>NET POSITION</u>		
 Held in Trust for Private Purposes	 \$ <u><u>40,863</u></u>	

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

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

EXHIBIT "G"

	<u>PRIVATE PURPOSE TRUST</u>
<u>ADDITIONS</u>	
Investment Earnings	
Interest	\$ <u>38</u>
<u>DEDUCTIONS</u>	
None Noted	<u>0</u>
Change in Net Position	38
Net Position - Beginning	<u>40,825</u>
Net Position - Ending	\$ <u><u>40,863</u></u>

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

NOTE 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

REPORTING ENTITY

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

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

The School District reports the following major governmental funds:

- General Fund is the School District's primary operating fund. It accounts for and reports all financial resources not accounted for and reported in another fund.
- District-wide Capital Projects Fund accounts for and reports financial resources including Special Purpose Local Option Sales Tax (SPLOST), Bond Proceeds, and grants from Georgia State Financing and Investment Commission that are restricted, committed or assigned to the expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.
- Debt Service Fund accounts for and reports financial resources that are legally restricted for the payment of general long-term principal and interest.

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

EXHIBIT "H"

The School District reports the following fiduciary fund types:

- The Private Purpose Trust Fund reports trust arrangement under which principal is to be invested and preserved intact with resultant income to be used to assist 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. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the School District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, sales taxes, and grants. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from sales taxes is recognized in the fiscal year in which the underlying transaction (sale) takes place. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

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

RESTATEMENT OF PRIOR YEAR NET POSITION

For fiscal year 2014, the School District made a prior period adjustment due to the adoption of GASB Statement No. 65, as described in "New Accounting Pronouncements" below, which requires the restatement of the June 30, 2013, Net Position in Governmental Activities. The result is a decrease in Net Position at July 1, 2013 of \$484,230. This change is in accordance with generally accepted accounting principles.

Net Position, July 1, 2013, as previously reported	\$	190,783,693
Removal of Unamortized Bond Issuance Costs		<u>484,230</u>
Net Position, July 1, 2013, as restated	\$	<u><u>190,299,463</u></u>

NEW ACCOUNTING PRONOUNCEMENTS

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

FUTURE ACCOUNTING PRONOUNCEMENTS

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

CASH AND CASH EQUIVALENTS

Composition of Deposits

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

INVESTMENTS

Composition of Investments

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

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

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

EXHIBIT "H"

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.

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 adopted the property tax levy for the 2013 tax digest year (calendar year) on July 31, 2013 (levy date) based on property values as of January 1, 2013. Taxes were due on December 1, 2013 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2013 tax digest are reported as revenue in the governmental funds for fiscal year 2014. The 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, 2014, for maintenance and operations amounted to \$33,214,793.

The tax millage rate levied for the 2013 tax year (calendar year) for the Carroll County Board of Education were 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 \$1,157,446 during fiscal year ended June 30, 2014.

SALES TAXES

Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to \$11,640,141 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

INVENTORIES

Food Inventories

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

CAPITAL ASSETS

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

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

EXHIBIT "H"

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 tp 80 years
Buildings and Improvements	\$ 10,000	20 to 80 years
Equipment	\$ 10,000	3 to 50 years
Intangible Assets	\$ 100,000	15 to 20 years

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

Amortization of intangible assets such as water, timber, and mineral rights, easements, patents, trademarks, copyrights and internally generated software is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 20 years.

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

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

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 basis to all full time personnel employed on a 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.

GENERAL OBLIGATION BONDS

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

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

NET POSITION

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

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

Restricted net position - This represents resources for which the School District is legally or contractually obligated to spend resources for 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, 2014

EXHIBIT "H"

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

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

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

Nonspendable			
Inventories		\$	295,109
Restricted			
Continuation of Federal Programs	\$	77,152	
Capital Projects		10,546,491	
Debt Service		<u>6,061,215</u>	16,684,858
Unassigned			<u>11,574,572</u>
Fund Balance, June 30, 2014		\$	<u><u>28,554,539</u></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.

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 accounts, is prepared and adopted by fund, function, and object. The legal level of budgetary control was established by the Board at the 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. 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 (O.C.G.A.) Section 45-8-12 provides that there shall not be on deposit at any time in any depository for a time longer than ten days a sum of money which has not been secured by surety bond, by guarantee of insurance, or by collateral. The aggregate of the face value of such surety bond and the market value of securities pledged shall be equal to not less than 110 percent of the public funds being secured after the deduction of the amount of deposit insurance. If a depository elects the pooled method (O.C.G.A. Section 45-8-13.1) the aggregate of the market value of the securities pledged to secure a pool of public funds shall be not less than 110 percent of the daily pool balance.

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

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

CATEGORIZATION OF DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At June 30, 2014, the School District had deposits with a carrying amount of \$29,264,758, which includes \$49,578 in Certificates of Deposit that are reported as Investments, and a bank balance of \$33,986,576. The bank balances insured by Federal depository insurance were \$808,780, and the bank balances collateralized with securities held by the pledging institution or by the pledging financial institution's trust department or agent in the School District's name were \$867,761.

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

EXHIBIT "H"

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

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

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

Custodial Credit Risk Category	Bank Balance
1	\$ 0
2	0
3	32,310,035
Total	\$ 32,310,035

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.**

NOTE 6: CAPITAL ASSETS

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

	Balances July 1, 2013	Increases	Decreases	Balances June 30, 2014
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 8,253,865	\$ 434,709		\$ 8,688,574
Construction Work In Progress	18,991,452	16,959,682	\$ 23,039,582	12,911,552
Total Capital Assets, Not Being Depreciated	27,245,317	17,394,391	23,039,582	21,600,126
Capital Assets, Being Depreciated:				
Buildings and Improvements	221,820,943	22,191,026		244,011,969
Equipment	17,725,786	460,644	1,664,505	16,521,925
Land Improvements	10,911,896	2,176,024	53,870	13,034,050
Intangible Assets	416,070			416,070
Less: Accumulated Depreciation:				
Buildings and Improvements	33,037,435	3,760,033		36,797,468
Equipment	12,324,021	948,015	1,218,701	12,053,335
Land Improvements	5,282,384	421,006	5,302	5,698,088
Intangible Assets	52,009	104,018		156,027
Total Capital Assets, Being Depreciated, Net	200,178,846	19,594,622	494,372	219,279,096
Governmental Activity Capital Assets - Net	\$ 227,424,163	\$ 36,989,013	\$ 23,533,954	\$ 240,879,222

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

EXHIBIT "H"

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

	Governmental Funds
Equipment	\$ 1,470,705
Software	416,070
Less: Accumulated Depreciation	<u>153,041</u>
	<u>\$ 1,733,734</u>

Current year depreciation expense by function is as follows:

Instruction	\$ 3,677,910
Support Services	
Educational Media Services	\$ 223,919
General Administration	23,801
Business Administration	104,017
Maintenance and Operation of Plant	28,398
Student Transportation Services	<u>600,401</u>
Food Services	<u>980,536</u>
	<u>\$ 5,233,072</u>

NOTE 7: RISK MANAGEMENT

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

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

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

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

EXHIBIT "H"

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

	<u>Beginning of Year Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Paid</u>	<u>End of Year Liability</u>
2013	\$ 0	\$ 69,728	\$ 69,728	\$ 0
2014	\$ 0	\$ 189,455	\$ 189,455	\$ 0

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

NOTE 8: LONG-TERM LIABILITIES

CAPITAL LEASES

The Carroll County Board of Education has entered into lease agreements as lessee for software and energy improvements to buildings.

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>63,215,000</u>

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

EXHIBIT "H"

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

	Governmental Activities				
	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014	Due Within One Year
G. O. Bonds	\$ 71,245,000		\$ 8,030,000	\$ 63,215,000	\$ 8,350,000
Capital Leases	0	\$ 1,680,000	12,918	1,667,082	157,345
License Agreement	292,710		107,212	185,498	91,853
Compensated Absences	541,280	360,759	355,733	546,306	367,314
Bond Premiums Amortized	10,301,204		648,021	9,653,183	784,372
	<u>\$ 82,380,194</u>	<u>\$ 2,040,759</u>	<u>\$ 9,153,884</u>	<u>\$ 75,267,069</u>	<u>\$ 9,750,884</u>

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

	Capital Leases		License Agreement	
	Principal	Interest	Principal	Interest
<u>Fiscal Year Ended June 30:</u>				
2015	\$ 157,345	\$ 43,712	\$ 91,853	\$ 4,001
2016	161,710	39,346	93,645	2,210
2017	166,197	34,859		
2018	170,809	30,248		
2019	175,548	25,508		
2020 - 2024	<u>835,473</u>	<u>52,525</u>		
Total Principal and Interest	<u>\$ 1,667,082</u>	<u>\$ 226,198</u>	<u>\$ 185,498</u>	<u>\$ 6,211</u>
	General Obligation Debt		Unamortized Bond Premium	
	Principal	Interest		
<u>Fiscal Year Ended June 30:</u>				
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		5,220,000	1,375,000	884,529
2020 - 2023		<u>22,280,000</u>	<u>2,823,750</u>	<u>3,653,066</u>
Total Principal and Interest		<u>\$ 63,215,000</u>	<u>\$ 14,091,300</u>	<u>\$ 9,653,183</u>

NOTE 9: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of \$6,002,902 for health insurance and retirement contributions paid on the School District's behalf by the following State Agencies.

Georgia Department of Education
Paid to the Georgia Department of Community Health
For Health Insurance of Certificated Personnel
In the amount of \$5,673,948

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

EXHIBIT "H"

Georgia Department of Education
Paid to the Teachers' Retirement System of Georgia
For Teachers' Retirement System (TRS) Employer's Cost
In the amount of \$39,009

Office of the State Treasurer
Paid to the Public School Employees' Retirement System
For Public School Employees' Retirement (PSERS) Employer's Cost
In the amount of \$289,945

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 10: SIGNIFICANT COMMITMENTS

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

<u>Project</u>	<u>Unearned Executed Contracts</u>	<u>Funding Available From State</u>
Bowdon Elementary School Addition	\$ 73,531	
Glanton-Hindsman Elementary School	10,200	\$ 125,092
Mount Zion High School Athletic Project	58,477	
Temple Elementary School	240	283,728
Temple High School Athletic Complex	367,078	
Villa Rica Elementary School - Renovation	397,759	360,499
	<u>\$ 907,285</u>	<u>\$ 769,319</u>

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

NOTE 11: SIGNIFICANT CONTINGENT LIABILITIES

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

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

NOTE 12: POST-EMPLOYMENT BENEFITS

GEORGIA SCHOOL PERSONNEL POST-EMPLOYMENT HEALTH BENEFIT FUND

Plan Description. The Georgia School Personnel Post-employment Health Benefit Fund (School OPEB Fund) is a cost-sharing multiple-employer defined benefit post-employment healthcare plan that covers eligible former employees of public school systems, libraries and regional educational service agencies. The School OPEB Fund provides health insurance benefits to eligible former employees and their qualified beneficiaries through the State Employees Health Benefit Plan administered by the Department of Community Health. The Official Code of Georgia Annotated (O.C.G.A.) assigns the authority to establish and amend the benefit provisions of the group health plans, including benefits for retirees, to the Board of Community Health (Board). The Department of Community Health, which includes the School OPEB Fund, issues a separate stand alone financial audit report and a copy can be obtained from the Georgia Department of Audits and Accounts.

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

EXHIBIT "H"

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

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

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

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

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

For non-certificated school personnel:

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

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

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

<u>Fiscal Year</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>
2014	100%	\$ 11,674,386
2013	100%	\$ 12,805,544
2012	100%	\$ 12,172,299

NOTE 13: RETIREMENT PLANS

TEACHERS' RETIREMENT SYSTEM OF GEORGIA (TRS)

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

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

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

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

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

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

<u>Fiscal Year</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>
2014	100%	\$ 8,445,920
2013	100%	\$ 7,862,272
2012	100%	\$ 7,209,297

PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS)

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

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

SCHEDULE "1"

	NONAPPROPRIATED BUDGETS		ACTUAL	VARIANCE
	ORIGINAL (1)	FINAL (1)	AMOUNTS	OVER/UNDER
REVENUES				
Property Taxes	\$ 33,918,754	\$ 33,918,754	\$ 34,372,239	\$ 453,485
Sales Taxes	700,000	700,000	816,271	116,271
State Funds	67,934,478	70,096,505	71,479,456	1,382,951
Federal Funds	697,394	17,038,965	13,786,196	-3,252,769
Charges for Services		1,364,200	2,451,378	1,087,178
Investment Earnings		1,000	669	-331
Miscellaneous	100,007	285,296	3,079,975	2,794,679
Total Revenues	103,350,633	123,404,720	125,986,184	2,581,464
EXPENDITURES				
Current				
Instruction	72,651,006	80,844,619	80,152,096	692,523
Support Services				
Pupil Services	3,104,341	3,914,022	3,854,642	59,380
Improvement of Instructional Services	1,250,118	4,022,351	3,050,829	971,522
Educational Media Services	2,060,679	2,060,679	1,987,544	73,135
General Administration	779,406	847,314	1,734,793	-887,479
School Administration	8,734,599	8,734,599	8,756,601	-22,002
Business Administration	765,413	766,613	696,779	69,834
Maintenance and Operation of Plant	8,528,093	8,348,709	8,823,704	-474,995
Student Transportation Services	6,962,921	7,637,831	6,857,897	779,934
Central Support Services	640,947	629,547	617,890	11,657
Other Support Services	50,495	356,852	346,001	10,851
Community Services			384,816	-384,816
Food Services Operation		8,040,690	8,467,220	-426,530
Capital Outlay	55,000	225,000	383,535	-158,535
Debt Service				
Interest			120,130	-120,130
Redemption of Principal			32,228	-32,228
Total Expenditures	105,583,018	126,428,826	126,266,705	162,121
Excess of Revenues over (under) Expenditures	-2,232,385	-3,024,106	-280,521	2,743,585
OTHER FINANCING SOURCES (USES)				
Operating Transfers from Other Funds	-811,224	-811,224		811,224
Operating Transfers to Other Funds	382,000	382,000		-382,000
Total Other Financing Sources (Uses)	-429,224	-429,224		429,224
Net Change in Fund Balances	-2,661,609	-3,453,330	-280,521	3,172,809
Fund Balances - Beginning	12,723,201	12,723,201	12,227,353	-495,848
Fund Balances - Ending	\$ 10,061,592	\$ 9,269,871	\$ 11,946,832	\$ 2,676,961

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

- (1) Original and Final Budget amounts do not include actual revenues (\$3,444,738) and expenditures (\$2,824,714) of the various principal accounts, or revenues or expenditures for health insurance (\$5,673,948) and retirement contributions (\$328,954) paid on the School Districts behalf.

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

See notes to the basic financial statements.

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

SCHEDULE "2"

FUNDING AGENCY PROGRAM/GRANT	CFDA NUMBER	PASS- THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD
Agriculture, U. S. Department of			
Child Nutrition Cluster			
Pass-Through From Georgia Department of Education			
Food Services			
School Breakfast Program	* 10.553	N/A	See Note (2)
National School Lunch Program - Cash	* 10.555	N/A	\$ 7,732,838
National School Lunch Program - Commodities (1)	* 10.555	N/A	<u>436,382</u>
Total U.S. Department of Agriculture			<u>8,169,220</u>
Education, U. S. Department of			
School Improvement Grants Cluster			
Pass-Through From Georgia Department of Education			
School Improvement Grants	84.377	N/A	<u>58,188</u>
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Grants to States	* 84.027	N/A	2,564,061
Preschool Grants	* 84.173	N/A	<u>99,490</u>
Total Special Education Cluster			<u>2,663,551</u>
Other Programs			
Direct			
Investing in Innovation	84.411		189,318
Pass-Through From Georgia Department of Education			
ARRA - Race-to-the-Top Incentive Grants	84.395	N/A	537,357
Education for Homeless Children and Youth	84.196	N/A	42,992
Improving Teacher Quality State Grants	84.367	N/A	468,016
Title I Improving the Academic Achievement of the Disadvantaged	* 84.010	N/A	3,450,878
Title I School Improvement	* 84.010	N/A	183,998
Title III-A, Limited English Proficient	84.365	N/A	47,183
Vocational Education - Basic Grants to States	84.048	N/A	<u>133,221</u>
Total Other Programs			<u>5,052,963</u>
Total U. S. Department of Education			<u>7,774,702</u>
Defense, U. S. Department of			
Direct			
Department of the Army			
R.O.T.C. Program			<u>54,866</u>
Total Expenditures of Federal Awards			<u>\$ 15,998,788</u>

N/A = Not Available

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

SCHEDULE "2"

Notes to the Schedule of Expenditures of Federal Awards

- (1) 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 (\$1,350,871) were not maintained separately and are included in the 2014 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.

See notes to the basic financial statements.

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

SCHEDULE "3"

AGENCY/FUNDING	GOVERNMENTAL FUND TYPES		TOTAL
	GENERAL FUND	CAPITAL PROJECTS FUND	
GRANTS			
Education, Georgia Department of			
Quality Basic Education (1)			
Direct Instructional Cost			
Kindergarten Program	\$ 5,002,040		\$ 5,002,040
Kindergarten Program - Early Intervention Program	190,400		190,400
Primary Grades (1-3) Program	10,672,679		10,672,679
Primary Grades - Early Intervention (1-3) Program	770,933		770,933
Upper Elementary Grades (4-5) Program	4,875,666		4,875,666
Upper Elementary Grades - Early Intervention (4-5) Program	401,682		401,682
Middle Grades (6-8) Program	-6,034		-6,034
Middle School (6-8) Program	8,067,988		8,067,988
High School General Education (9-12) Program	7,381,680		7,381,680
Vocational Laboratory (9-12) Program	2,395,002		2,395,002
Program for Intellectually Gifted Students - Category VI	3,181,700		3,181,700
Remedial Education Program	730,541		730,541
Alternative Education Program	589,248		589,248
English Speakers of Other Languages (ESOL)	375,230		375,230
Media Center Program	1,523,312		1,523,312
Twenty Days Additional Instruction	454,457		454,457
Staff and Professional Development	303,782		303,782
Indirect Cost			
Central Administration	1,629,470		1,629,470
School Administration	3,296,429		3,296,429
Facility Maintenance and Operations	3,653,083		3,653,083
Categorical Grants			
Pupil Transportation	1,531,201		1,531,201
Nursing Services	266,592		266,592
Vocational Supervisors	26,733		26,733
Education Equalization Funding Grant	7,583,617		7,583,617
Food Services	209,393		209,393
Vocational Education	261,435		261,435
Amended Formula Adjustment	-9,229,807		-9,229,807
Preschool Handicapped State Grant	209,413		209,413
Teachers Retirement	39,009		39,009
Office of State Treasurer			
Public School Employees' Retirement	289,945		289,945
Total Quality Basic Education Formula Earnings (State and Local Funds) (1)			
On Behalf Payments	8,016		8,016
Special Education Programs	13,770,282		13,770,282
QBE Allotment (Operating Costs) (1)			
Special Education Programs	311,232		311,232
QBE Contra Account (Debit) (1)			
Principal Staff and Professional Development	-1,079		-1,079
Special Education Programs	-1,906,636		-1,906,636
Grants from Pre-K Lottery			
Georgia Pre-Kindergarten Program	1,969,242		1,969,242
Other Grants From Georgia Department of Education			
Technology To Support Digital Learning Bonds	82,000		82,000
Residential Treatment Center Grants	407,165		407,165
Math and Science Supplement	117,315		117,315
Move on When Ready Grant	100		100
Funds From Other State Agencies			
Family Connection - DHR Grants	45,000		45,000
Georgia State Financing and Investment Commission			
Reimbursement on Construction Projects		\$ 2,164,651	2,164,651
	<u>\$ 71,479,456</u>	<u>\$ 2,164,651</u>	<u>\$ 73,644,107</u>

(1) Payments to the Georgia Department of Community Health by the Georgia Department of Education on behalf of the School District in the amount of \$5,673,948 are included as part of the Quality Basic Education revenue allotments above.

See notes to the basic financial statements.

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

SCHEDULE "4"

Project	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3)	AMOUNT EXPENDED IN PRIOR YEARS (3)	TOTAL COMPLETION COST	EXCESS PROCEEDS NOT EXPENDED	ESTIMATED COMPLETION DATE
(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	\$ 19,908,821	\$ 41,868,560	\$ 0	\$ 0	March 2016

(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.

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

SCHEDULE "5"

DESCRIPTION	ALLOTMENTS FROM GEORGIA DEPARTMENT OF EDUCATION (1) (2) (3)		ELIGIBLE QBE PROGRAM COSTS		
			SALARIES	OPERATIONS	TOTAL
Direct Instructional Programs					
Kindergarten Program	\$	5,757,596	\$ 5,382,786	\$ 28,465	\$ 5,411,251
Kindergarten Program-Early Intervention Program		231,828	138,461	2,050	140,511
Primary Grades (1-3) Program		12,268,521	11,002,026	128,156	11,130,182
Primary Grades-Early Intervention (1-3) Program		895,381	871,325	4,020	875,345
Upper Elementary Grades (4-5) Program		5,642,386	6,670,263	99,649	6,769,912
Upper Elementary Grades-Early Intervention (4-5) Program		478,041	793,780	3,599	797,379
Middle Grades (6-8) Program		9,374,991	9,167,409	141,038	9,308,447
High School General Education (9-12) Program		8,491,625	9,260,825	249,636	9,510,461
Vocational Laboratory (9-12) Program		2,768,932	2,085,786	127,696	2,213,482
Students with Disabilities		13,959,473			
Category I				4,556	4,556
Category II			500,409	1,886	502,295
Category III			9,057,538	38,604	9,096,142
Category IV			852,599	28,757	881,356
Category V			1,104,815	33,454	1,138,269
Gifted Student - Category VI		3,689,257	3,146,356	29,851	3,176,207
Remedial Education Program		847,932	470,011	1,682	471,693
Alternative Education Program		682,266	533,169	3,634	536,803
English Speakers of Other Languages (ESOL)		426,991	439,553	10,546	450,099
TOTAL DIRECT INSTRUCTIONAL PROGRAMS		65,515,220	61,477,111	937,279	62,414,390
Media Center Program		1,758,611	1,865,591	107,808	1,973,399
Staff and Professional Development		351,023	33,352		33,352
TOTAL QBE FORMULA FUNDS	\$	67,624,854	\$ 63,376,054	\$ 1,045,087	\$ 64,421,141

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

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

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

See notes to the basic financial statements.

SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS



DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

July 6, 2015

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 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, 2014, 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 6, 2015.

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.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item FS 2014-001 to be a material weakness.

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 6, 2015.

Carroll County Board of Education's Response to Findings

Carroll County Board of Education's response to the 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 the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Respectfully submitted,



Greg S. Griffin
State Auditor



DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

July 6, 2015

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, 2014. 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.

Basis for Qualified Opinion on Special Education Cluster

As described in the accompanying Schedule of Findings and Questioned Costs, Carroll County Board of Education did not comply with requirements regarding Special Education Cluster as described in item FA 2014-002 Allowable Cost/Cost Principles. Compliance with such requirements is necessary, in our opinion, for Carroll County Board of Education to comply with requirements applicable to that program.

Qualified Opinion on Special Education Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 Special Education Cluster for the year ended June 30, 2014.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, 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 other major federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed another instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as items FA 2014-003. Our opinion on each major federal program is not modified with respect to this matter.

Carroll County Board of Education's response to the noncompliance findings 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.

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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be a material weakness and a significant deficiency.

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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item FA 2014-001 to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items FA 2014-002 to be a significant deficiency.

Carroll County Board of Education's response to the internal control over compliance findings 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 black ink, appearing to read "Greg S. Griffin".

Greg S. Griffin
State Auditor

GSG:as
2014SA-55

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, 2014

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	Previously Reported Corrective Action Implemented
FA-6221-13-01	Previously Reported Corrective Action Implemented

SECTION IV

FINDINGS AND QUESTIONED COSTS

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

I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted: No

Federal Awards

Internal Control over major programs:

- Material weakness identified? Yes
- Significant deficiency identified? Yes

Type of auditor's report issued on compliance for major programs:
Unmodified for all major programs except for Special Education Cluster, which was qualified.

Any audit findings disclosed that are required to be reported in
accordance with OMB Circular A-143, 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
84.010	Title I Grants to Local Educational Agencies
84.027, 84.173	Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$479,964

Auditee qualified as low-risk auditee? No

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

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2014-001 Inadequate Controls over Financial Reporting
Control Category: Financial Reporting
Internal Control Impact: Material Weakness

Description:

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

Criteria:

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

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

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

Condition:

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

- Errors were noted in the mapping of the trial balance to the financial statement account balances and certain financial statement adjusting entries were incorrect. Corrections were proposed and accepted to correct the following account balances:
 - A material audit adjustment was proposed in the Capital Projects Fund for State Revenue, Deferred Inflows, and Accounts Receivable for \$792,425, \$141,989, and \$650,436 respectively, to account for invalid receivables and unavailable revenue.
 - On the Statement of Activities, the method used by the School District to allocate Operating Grants and Contributions program revenue by function was based on the percentage of each function's expense to total expenses rather than allocating revenues based on actual program cost by function.
 - An entry was proposed and accepted to reallocate the revenues to the appropriate function. An entry was proposed and accepted for \$484,230 to restate Deferred Charges on the Statement of Net Position in accordance with GASB Statement No. 65.
 - Depreciation expense was not charged to the appropriate functions on the Statement of Activities. A reclassification entry of \$704,577 was proposed and accepted.
 - Current year capital asset deletions were charged to Instruction expense; however the expense should have been allocated against multiple functions based on actual cost. A reclassification entry of \$206,548 was proposed and accepted.

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

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

- Ending trial balance account totals for funds 706 and 708 should have been reported in the General Fund but were originally reported in Agency Funds.
- A financial statement adjustment of \$380,682 made to the General Fund to eliminate interfund activity was calculated incorrectly, resulting in an overstatement of revenue and expenditures.
- A reclassification entry was proposed and accepted to reclassify \$136,351 from Bonds Payable Due in More Than One Year to Bonds Payable due Within One Year.
- On the Statement of Activities, the allocation of Capital Grants and Contributions was incorrect. An entry was proposed and accepted for \$541,303 to properly classify the adjusted earned revenue.
- Misclassifications of expense by function were noted on the Statement of Activities totaling \$354,632 due to the improper allocation of un-capitalized capital outlay.
- Misclassifications of Federal Funds within the General Fund were noted in the amount of \$189,318.
- The Federal STEM grant accounts receivable was originally misclassified as a State account receivable for \$243,874.
- The School Food Federal account receivable of \$51,822 was originally misclassified as a State account receivable.
- A likely understatement of \$850,000 in current year State Health Benefits expense was identified, resulting from an overstatement of the expense in the prior fiscal year.

Cause:

In discussing the deficiency with the School District, they stated that the errors occurred due to a combination of human error from manual processes, lack of review procedures for posting year end entries and a communication breakdown with the independent accountant who compiles the financial statements.

Effect or Potential Effect:

Material misstatements and misclassifications were included in the financial statement presented for audit.

Recommendation:

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

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

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Views of Responsible Officials and Corrective Action Plans:

We concur with this finding. The Carroll County School District acknowledges responsibility for the misstatements and reclassifications that occurred during the financial statement preparation. The errors occurred due to a combination of human error from manual processes, lack of review procedures for posting year end entries and a communication breakdown with the new independent accountant who compiles the financial statements.

The CFO will work more closely with the accounting manager and independent accountant. The School District will implement better review procedures that will include a comprehensive overview with our accountant and accounting department before submitting our compiled financials to the DOAA. The School District will also continue improving the use of our new accounting software program, and transitioning to less manual data management. The CFO and accounting manager will review the posting procedures annually to monitor for future changes, helping reduce the reclassification issues.

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

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

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FA 2014-002	<u>Insufficient Time and Effort Support</u>
Compliance Requirement:	Allowable Cost/Cost Principles
Internal Control Impact:	Material Weakness
Compliance Impact:	Material Noncompliance
Federal Awarding Agency:	U. S. Department of Education
Pass-Through Entity:	Through Georgia Department of Education
CFDA Number and Title:	Special Education Cluster (CFDA 84.027)

Description:

We identified deficiencies in internal controls related to employee compensation expenses paid from the Special Education Cluster.

Criteria:

Provisions of the OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, require that where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation that reflects an after-the-fact distribution of the actual activity of each employee. A-87 also states that budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards.

Condition:

A review of documentation supporting salaries charged to the Special Education Cluster revealed that the after-the-fact distribution of actual activity worked was not documented for four employees that worked on multiple activities or cost objectives.

Questioned Cost:

\$145,287

Cause:

In discussing the deficiency with the School District, they stated that they did not correctly interpret the rules governing timekeeping documentation requirements for certain employees paid with both local and federal funds.

Effect or Potential Effect:

Failure to adequately monitor compliance related to employee compensation expenses paid from Federal award programs resulted in material noncompliance with the requirements of the Federal Grant.

Recommendation:

Management should implement procedures to ensure that salary and wages of employees working on multiple activities or cost objectives paid from Federal award programs are properly documented to reflect an after-the-fact distribution of the actual activity of each employee's salary and wages. The Georgia Department of Education should review this matter to determine if a reclaim of funds is appropriate.

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

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Views of Responsible Officials and Corrective Action Plans:

We concur with this finding. The Carroll County School District has used all appropriate avenues to manage personnel during our periods of financial stress to balance our annual budgets. In doing so, the School District has used split funding of personnel where appropriate. As this has become a more common practice we inadvertently forgot to implement the adequate procedures to properly document those employees' time and effort logs, specifically for those that are federally funded. The employees in question are nurses within our high schools who were split funded between our general fund and federal special education funds. The nurses were serving schools where we have a high concentration of special education students but we did not ask them to document each child they served.

The School District is moving away from split funding employees where possible. The CFO and payroll department will work more closely with the directors of all federal funds and programs to ensure proper procedures and documentation are in place to meet all federal guidelines related to the time and effort support.

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FA 2014-003	Inadequate Internal Controls over Maintenance of Effort Requirements
Compliance Requirement:	MATCHING, LEVEL OF EFFORT, EARMARKING
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Nonmaterial Noncompliance
Federal Awarding Agency:	U. S. Department of Education
Pass-Through Entity:	Through Georgia Department of Education
CFDA Number and Title:	Special Education Cluster (CFDA 84.027)

Description:

The School District did not have internal controls in place to ensure the maintenance of effort requirement for the Special Education Cluster was met.

Criteria:

The Compliance Supplement, Part 4 (SEC), III, G.2.1, IDEA, Part B indicate that funds received by a School District cannot be used, except under certain limited circumstances, to reduce the level of expenditures for the education of children with disabilities made by the School District from local funds below the level of those expenditures for the preceding fiscal year. To meet this requirement, a School District must spend, in any particular fiscal year, an amount of local funds, or a combination of State and federal funds, for the education of children with disabilities that is at least equal, on either an aggregate or per capita basis, to the amount of local funds, or a combination of State and local funds, expended for this purpose by the School District in the prior fiscal year.

Condition:

A review of maintenance and effort revealed that the School District did not monitor expenditures for compliance with the maintenance of effort requirement throughout the year.

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

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Questioned Cost:

N/A

Cause:

In discussing the deficiency with the School District, they indicated that there was a miscommunication with the pass through organization to which the maintenance of effort (MOE) budget worksheet is submitted regarding how MOE is calculated at fiscal year end. The internal controls designed included a budget plan and mid-year review, however did not include a year-end calculation to ensure all federal requirements were met.

Effect or Potential Effect:

Failure to monitor expenditures for compliance with the maintenance of effort requirement could result in noncompliance with requirements of the Federal grant.

Recommendation:

The School District should implement adequate procedures to ensure that the maintenance of effort requirement is met regarding the education of children with disabilities.

Views of Responsible Officials and Corrective Action Plans:

We concur with this finding. The Carroll County School District has performed the annual MOE compliance worksheet. Over the past few years, we have had to address funding shortfalls and staff reduction. In doing so, the School District added additional special education responsibilities to our Assistant Principals (AP), but we did not allocate any of their funding to these programs. The School District continued to pay them from their normal state allocated expense code. We were given verbal guidance that this would be acceptable, but we do not have any documentation to support. During this same time, the School District hired a new Special Education director. This caused us to fall short of our MOE compliance from the state for fiscal year 2014 as the state discounted the use of the AP salaries because we didn't properly allocate their expense to a special education program. The School District has been able to go back and document the shortfall in MOE compliance due to staffing reductions and changes in personnel, however, this documentation wasn't completed until April 2015. We have now submitted the proper documentation and have been cleared by the state. They have reversed their decision to show we met MOE compliance.

The CFO and Special Education Director will complete the MOE compliance worksheet annually and add supporting documentation to the data if we fail to meet MOE going forward if needed. If the School District chooses to allocate responsibilities to other positions funded outside of special education, we will properly document and allocate pay to the appropriate programs.

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