



# **DEKALB COUNTY BOARD OF EDUCATION STONE MOUNTAIN, GEORGIA**

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

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



DEKALB COUNTY BOARD OF EDUCATION

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SECTION I  
FINANCIAL





## DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

October 13, 2015

Honorable Nathan Deal, Governor  
Members of the General Assembly  
Members of the State Board of Education  
and  
Superintendent and Members of the  
DeKalb 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 DeKalb 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 DeKalb 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 DeKalb County Board of Education adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

### ***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 33 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 as required by section 50-6-6(a) of the Official Code of Georgia Annotated. We provided basic accounting assistance limited to services such as preparing draft financials statements that were based on the School District's chart of accounts and general ledgers including any adjusting, correcting, and closing entries that have been approved by the School District's management; prepared draft notes to the financial statements based on information determined and approved by the School District's management; and prepared trial balances based on the School District's chart of accounts.



Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the DeKalb 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 October 13, 2015, on our consideration of the DeKalb 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 DeKalb County Board of Education's internal control over financial reporting and compliance.

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

Respectfully submitted,

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

Greg S. Griffin  
State Auditor



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

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

### Financial Highlights

Key financial highlights for 2014 fiscal year are as follows:

- ❑ In total, net position increased \$50.8 million to \$1.466 billion. This represents a 3.6 percent increase from 2013. This total increase was due to governmental activities since the Board has no business-type activities.
- ❑ General revenues accounted for \$505.5 million in revenue or 48.1 percent of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$545.9 million or 51.9 percent of total revenues of \$1.051 billion.
- ❑ The Board had \$1,000.6 billion in expenses related to governmental activities; \$545.9 million of these expenses were offset by program specific charges for services, grants or contributions.
- ❑ Among major funds, the general fund has \$940.5 million in revenues and \$918.5 million in expenditures. The general fund's "Net Change in Fund Balances" increased by \$29.1 million from \$21.1 million at the end of fiscal year 2013 to \$50.2 million at the end of fiscal year 2014. The fund balance reflects the full accrual of all contracted salaries and benefits unpaid at June 30 in full compliance with GASB 34 regulations.

### Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the DeKalb County Board of Education as a financial whole, or as an entire operating entity.

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole Board, presenting both an aggregate view of the Board's finances and a longer-term view of those finances. *Fund financial statements* provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Board's most significant funds. In the case of the DeKalb County Board of Education, the general fund is by far the most significant fund.

### Reporting the Board as a Whole

#### *Statement of Net Position and the Statement of Activities*

While this document includes a number of funds used by the Board to provide programs and activities, a view of the Board as a whole requires looking at all financial transactions to ask the question, "How did we do financially during 2014"? The Statement of Net Position and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

These two statements report the Board's net position and changes in that position. This change in net position is important because it tells the reader that, for the Board as a whole, the financial position of the Board has improved or diminished. The causes of this change may be a result of many factors, some financial, some not. Nonfinancial factors include the Board's property tax digest base, facility conditions, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, the Board has one distinct type of activity:

- **Governmental Activities** - All of the Board's programs and services are reported here including instruction, pupil services, improvement of instructional services, educational media services, general administration, school administration, business administration, maintenance and operation of plant, student transportation services, central support services, enterprise operations, food services and interest on debt.

### **Reporting the Board's Most Significant Funds**

#### *Fund Financial Statements*

Fund financial reports provide detailed information about the Board's major funds. The Board uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Board's most significant funds. The Board's major governmental funds are the general fund, District-wide capital projects funds, and the debt service fund.

**Governmental Funds:** Most of the Board'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 an accounting method called *modified accrual* 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 Board's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

**Fiduciary Funds:** The Board is the trustee, or fiduciary, for assets that belong to others, such as school clubs and organizations within the principals' accounts. The Board 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 Board excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

### **The Board as a Whole**

The perspective of the Statement of Net Position is of the Board as a whole. Table 1 provides a summary of the Board's net position for fiscal year 2014 compared to fiscal year 2013.

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

**Table 1**  
**Net Position**  
**(In Thousands)**

	Governmental Activities	
	Fiscal Year 2014	Fiscal Year 2013
<b>Assets</b>		
Current and Other Assets	\$ 457,134	\$ 468,577
Capital Assets, Net	<u>1,245,480</u>	<u>1,245,423</u>
<b>Total Assets</b>	<u>1,702,614</u>	<u>1,714,000</u>
<b>Liabilities</b>		
Current and Other Liabilities	141,119	197,086
Long-Term Liabilities	<u>94,967</u>	<u>101,201</u>
<b>Total Liabilities</b>	<u>236,086</u>	<u>298,287</u>
<b>Net Position</b>		
Net Investment in Capital Assets	1,165,437	1,194,865
Restricted	272,275	215,603
Unrestricted	<u>28,816</u>	<u>5,245</u>
<b>Total Net Position</b>	<u>\$ 1,466,528</u>	<u>\$ 1,415,713</u>

Total net position increased \$50.8 million.

Table 2 shows the changes in net position for fiscal year 2014 compared to fiscal year 2013.



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

**Table 2**  
**Change in Net Position**  
**(In Thousands)**

	Governmental Activities	
	Fiscal Year 2014	Fiscal Year 2013
<b>Revenues</b>		
Program Revenues:		
Charges for Services and Sales	\$ 18,802	\$ 22,657
Operating Grants and Contributions	520,869	501,871
Capital Grants and Contributions	6,222	4,724
Total Program Revenues	545,893	529,252
General Revenues:		
Taxes		
Property Taxes		
For Maintenance and Operations	378,244	372,391
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Capital Projects	98,798	98,930
Other Sales Tax	11,563	12,247
Investment Earnings	206	260
Miscellaneous	9,711	1,998
Special Items	7,002	
Total General Revenues and Special Items	505,524	485,826
Total Revenues	1,051,417	1,015,078
<b>Program Expenses:</b>		
Instruction	636,984	560,508
Support Services		
Pupil Services	28,111	31,347
Improvement of Instructional Services	39,563	35,005
Educational Media Services	11,726	11,828
General Administration	12,805	17,011
School Administration	53,625	54,697
Business Administration	5,700	4,659
Maintenance and Operation of Plant	80,102	73,499
Student Transportation Services	51,216	44,548
Central Support Services	14,849	13,836
Other Support Services	2,999	2,619
Operations of Non-Instructional Services		
Enterprise Operations	2,407	2,176
Food Services	54,413	56,963
Interest on Short-Term and Long-Term Debt	6,102	2,118
Total Expenses	1,000,602	910,814
Increase in Net Position	\$ 50,815	\$ 104,264

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

**Governmental Activities**

Instruction, Pupil Services and Improvement of Instructional Services comprises 70.4 percent of governmental program expenses. The Operations of Non-instructional Services amounted to 5.7 percent of the total governmental program expenses. These operations consist primarily of the School Nutrition.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the net cost of services for fiscal year 2014 compared to fiscal year 2013. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**Table 3**  
**Governmental Activities**  
**(in Thousands)**

	Net Cost of Services	Net Cost of Services
	Fiscal	Fiscal
	Year 2014	Year 2013
Instruction	\$ 280,727	\$ 210,144
Support Services:		
Pupil Services	22,549	26,404
Improvement of Instructional Services	3,018	11,040
Educational Media Services	-1,043	-942
General Administration	1,036	4,651
School Administration	29,026	29,954
Business Administration	5,504	4,533
Maintenance and Operation of Plant	49,664	44,023
Student Transportation Services	40,489	34,000
Central Support Services	14,637	13,720
Other Support Services	919	393
Operations of Non-Instructional Services:		
Enterprise Operations	1,650	707
Food Services	431	817
Interest on Short-Term and Long-Term Debt	6,102	2,118
Total Expenses	\$ <u>454,709</u>	\$ <u>381,562</u>

Although program revenues make up 51.9 percent of the revenues, the Board is still primarily dependent upon tax revenues for governmental activities. More than 53.9 percent of instruction activities are supported through taxes and other general revenues; for all governmental activities general revenue support is 50.5 percent.

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

### **The Board's Funds**

The Board's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues and other financing sources of \$1.047 billion and expenditures and other financing uses of \$998.4 million. There was an increase in fund balance of \$25.6 million in the capital project funds due to increases in revenue over expenditures during the year. The general fund had an increase in fund balance of \$29.1 million. This increase in fund balance was the result of an increase in revenues from \$916.2 million in 2013 to \$940.5 in 2014, a legal settlement of \$6.0 million and greater expenditure controls.

### **General Fund Budgeting Highlights**

The Board'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 Board amended its general fund budget as needed from time to time. The Board uses site-based budgeting based on FTE student allocations. The anticipated budgeted revenues and other sources for the original General Fund budget were \$930.9 million and anticipated budgeted expenditures and other uses were \$926.6 million. The budgeting systems are designed to monitor and control total sited budgets but provide flexibility for site management.

For the General Fund, final budgeted revenues and other sources of \$984.1 million were under performed by the actual by \$2.9 million, excluding federal revenues. This difference was due mainly to receiving less than expected miscellaneous revenue that was offset by better than expected property taxes, sales taxes, and charges for services.

Actual expenditures and other uses of \$918.5 million were 6.3 percent less than the final budgeted total of \$980.5 million.

General Fund revenues exceeded expenditures by \$22.1 million, excluding special items and other financing sources of \$7.0 million. This resulted in an increase to "Fund Balance" of over \$29.1 million for the year. Revenues for property taxes, sales taxes, state funds, federal funds, charges for services and miscellaneous revenues were the major factors in this increase.

### **Capital Assets and Debt Administration**

#### **Capital Assets**

At the end of fiscal year 2014 the Board had \$1.245 billion invested in capital assets, all in governmental activities. Table 4 shows fiscal year 2014 balances compared with fiscal year 2013 balances.

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

**Table 4**  
**Capital Assets**  
**(Net of Depreciation, in Thousands)**

	Governmental Activities	
	Fiscal Year 2014	Fiscal Year 2013
Land	\$ 44,486	\$ 44,485
Construction In Progress	41,527	20,978
Building and Improvements	1,090,997	1,109,809
Improvements Other Than Buildings	25,868	25,856
Equipment	42,602	44,295
Total	\$ 1,245,480	\$ 1,245,423

The primary increase occurred in construction in progress. Due to the ongoing population growth in the county, the Board has numerous construction projects including new buildings, additions, and renovations.

***Debt***

At June 30, 2014 the Board had \$48.1 million in capital leases. There were \$10.1 million in compensated absences. There are \$33.3 million in general obligation bonds and \$3.4 million in premiums from the fiscal year 2013 bond issue. \$11.5 million of the outstanding debt is due within one year.

Table 5 summarizes long-term debt outstanding and compares fiscal year 2014 balances to fiscal year 2013 balances.

**Table 5**  
**Debt at June 30**  
**(in Thousands)**

	Governmental Activities	
	Fiscal Year 2014	Fiscal Year 2013
Capital Leases	\$ 48,133	\$ 51,830
Compensated Absences	10,123	11,661
General Obligation Bonds	33,300	33,300
Unamortized Bond Premium	3,412	4,410
Total	\$ 94,968	\$ 101,201

The Board maintains an underlying A+ and A1 credit rating from Standard & Poor's Ratings Services and Moody's Investors Service, respectively.

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

**Current Issues**

State funding was slightly higher in 2014 than 2013 due to an increase in "Quality Basic Education" and state grants revenue of \$8.4 million. Also, federal grant revenue increased in 2014 by 10.2% from 2013. Combined state and federal revenues used in general fund operations in 2014 increased by \$17.29 million from 2013.

Local revenue in DeKalb County School System is increasing. Property tax revenues had been impacted by the revaluation of property due to foreclosures and weak sales. Digest values are documented to be increasing by at least 4% during fiscal year 2015. Overall, total General Fund revenues are increasing for the last two years. Prior to the 2009 fiscal year, the tax digest in DeKalb had never seen a decrease in value. However, for the last two years, digest increases have been documented.

During 2013, the Board reduced annual budgeted expenditures to address the challenges of prior reduced revenues. The reduced annual budget enabled the DeKalb County School System to eliminate the deficit from fiscal year 2012. As of the end of fiscal year 2014, the Board has rebuilt the District's financial reserves which are now in compliance with the District's policy relating to fund balance targets. The Board remains committed to rebuilding the District's financial reserves.

**Factors Bearing on the District's Future**

The School District will adopt GASB Statement 68 *Accounting and Reporting for Pensions* in fiscal year 2015, which will result in a material restatement of beginning net position. The School District's liability for its proportionate share of the Net Pension Liability of the plan administered by the Teachers' Retirement System of Georgia is estimated to be \$595.4 million at June 30, 2015.

**Contacting the Board's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Board's finances and to show the Board's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Dr. Michael J. Bell, Chief Financial Officer, at the DeKalb County Board of Education, 1701 Mountain Industrial Blvd., Stone Mountain, Georgia, 30083.

DEKALB COUNTY BOARD OF EDUCATION



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

EXHIBIT "A"

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 156,920,600.52
Investments	187,102,850.01
Accounts Receivable, Net	
Taxes	32,663,970.94
State Government	56,281,800.93
Federal Government	18,307,183.45
Other	1,142,468.81
Inventories	4,595,315.97
Prepaid Items	120,000.00
Capital Assets, Non-Depreciable	86,012,894.26
Capital Assets, Depreciable (Net of Accumulated Depreciation)	<u>1,159,467,067.48</u>
 Total Assets	 <u>1,702,614,152.37</u>
<u>LIABILITIES</u>	
Accounts Payable	10,862,592.87
Salaries and Benefits Payable	110,028,076.92
Claims Incurred but not Reported (IBNR)	8,268,012.40
Payroll Withholdings Payable	1,797,869.39
Interest Payable	460,830.93
Contracts Payable	5,844,244.18
Retainages Payable	3,857,196.99
Long-Term Liabilities	
Due Within One Year	11,497,100.32
Due in More Than One Year	<u>83,470,569.80</u>
 Total Liabilities	 <u>236,086,493.80</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	1,165,436,674.15
Restricted for	
Continuation of Federal Programs	6,142,217.10
Debt Service	444,000.00
Capital Projects	265,688,960.44
Unrestricted	<u>28,815,806.88</u>
 Total Net Position	 <u>\$ 1,466,527,658.57</u>

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



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

	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>
<u>GOVERNMENTAL ACTIVITIES</u>		
Instruction	\$ 636,984,456.12	\$ 11,858,799.89
Support Services		
Pupil Services	28,111,296.99	
Improvement of Instructional Services	39,562,621.22	
Educational Media Services	11,726,343.67	
General Administration	12,805,124.39	
School Administration	53,625,429.82	
Business Administration	5,699,604.78	
Maintenance and Operation of Plant	80,101,720.24	
Student Transportation Services	51,216,017.00	100,578.31
Central Support Services	14,848,623.36	
Other Support Services	2,999,503.62	
Operations of Non-Instructional Services		
Enterprise Operations	2,406,682.20	687,916.58
Food Services	54,412,923.88	6,154,768.59
Interest on Short-Term and Long-Term Debt	<u>6,102,425.42</u>	
Total Governmental Activities	<u>\$ 1,000,602,772.71</u>	<u>\$ 18,802,063.37</u>
General Revenues		
Taxes		
Property Taxes		
For Maintenance and Operations		
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Capital Projects		
Other Sales Tax		
Investment Earnings		
Miscellaneous		
Special Items		
Insurance Settlement		
Legal Settlement		
Total General Revenues and Special Items		
Change in Net Position		
Net Position - Beginning of Year		
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
\$ 340,774,145.60	\$ 3,624,481.26	\$ -280,727,029.37
5,561,945.65		-22,549,351.34
36,399,566.52	145,062.42	-3,017,992.28
12,738,687.85	30,175.44	1,042,519.62
11,769,426.56		-1,035,697.83
24,599,068.39		-29,026,361.43
154,487.14	41,533.42	-5,503,584.22
30,376,417.39	61,783.02	-49,663,519.83
8,369,653.37	2,256,534.00	-40,489,251.32
211,703.34		-14,636,920.02
2,080,586.94		-918,916.68
68,792.15		-1,649,973.47
47,764,735.75	62,740.61	-430,678.93
		-6,102,425.42
<u>\$ 520,869,216.65</u>	<u>\$ 6,222,310.17</u>	<u>-454,709,182.52</u>

378,243,499.57

98,798,180.40

11,563,350.95

206,107.60

9,710,936.22

1,001,623.05

6,000,000.00505,523,697.79

50,814,515.27

1,415,713,143.30\$ 1,466,527,658.57

DEKALB 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	\$ 80,259,353.13	\$ 76,597,157.90	\$ 64,089.49	\$ 156,920,600.52
Investments		187,102,850.01		187,102,850.01
Accounts Receivable, Net				
Taxes	15,976,524.57	16,687,446.37		32,663,970.94
State Government	56,281,800.93			56,281,800.93
Federal Government	18,307,183.45			18,307,183.45
Other	1,142,468.81			1,142,468.81
Inventories	4,595,315.97			4,595,315.97
Prepaid Items	120,000.00			120,000.00
Total Assets	<u>\$ 176,682,646.86</u>	<u>\$ 280,387,454.28</u>	<u>\$ 64,089.49</u>	<u>\$ 457,134,190.63</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 6,646,094.31	\$ 4,216,498.56		\$ 10,862,592.87
Salaries and Benefits Payable	110,011,042.92	17,034.00		110,028,076.92
Payroll Withholdings Payable	1,796,140.08	1,729.31		1,797,869.39
Contracts Payable		5,844,244.18		5,844,244.18
Retainages Payable		3,857,196.99		3,857,196.99
Total Liabilities	<u>118,453,277.31</u>	<u>13,936,703.04</u>		<u>132,389,980.35</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable Revenue - Property Taxes	<u>8,031,766.63</u>			<u>8,031,766.63</u>
<u>FUND BALANCES</u>				
Nonspendable	4,715,315.97			4,715,315.97
Restricted	5,095,831.00	266,450,751.24	\$ 64,089.49	271,610,671.73
Assigned	1,558,766.23			1,558,766.23
Unassigned	<u>38,827,689.72</u>			<u>38,827,689.72</u>
Total Fund Balances	<u>50,197,602.92</u>	<u>266,450,751.24</u>	<u>64,089.49</u>	<u>316,712,443.65</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 176,682,646.86</u>	<u>\$ 280,387,454.28</u>	<u>\$ 64,089.49</u>	<u>\$ 457,134,190.63</u>

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

DEKALB COUNTY BOARD OF EDUCATION  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2014

EXHIBIT "D"

Total Fund Balances - Governmental Funds (Exhibit "C") \$ 316,712,443.65

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Capital Assets used in Governmental Activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	\$	44,485,477.61	
Construction in Progress		41,527,416.65	
Buildings and Improvements		1,528,106,620.82	
Equipment		103,837,715.13	
Land Improvements		33,240,835.43	
Accumulated Depreciation		-505,718,103.90	
Total Capital Assets		1,245,479,961.74	1,245,479,961.74

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

Property Taxes		8,031,766.63	
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Long-Term Liabilities, including Bonds Payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Long-Term Liabilities at year-end consist of:

Bonds Payable	\$	-33,300,000.00	
Accrued Interest		-460,830.93	
Capital Leases Payable		-48,133,189.75	
Compensated Absences Payable		-10,122,823.22	
Bond Premiums, Net of Amortization		-3,411,657.15	
Claims and Judgments Payable		-8,268,012.40	
Total Long-Term Liabilities		-103,696,513.45	-103,696,513.45

Net Position of Governmental Activities (Exhibit "A") \$ 1,466,527,658.57

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

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

EXHIBIT "E"

	GENERAL FUND	DISTRICT- WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
<u>REVENUES</u>				
Property Taxes	\$ 379,863,502.28			\$ 379,863,502.28
Sales Taxes	11,563,350.95	\$ 98,798,180.40		110,361,531.35
State Funds	392,985,549.46	3,848,691.17		396,834,240.63
Federal Funds	130,257,286.19			130,257,286.19
Charges for Services	18,802,063.37			18,802,063.37
Investment Earnings	158,814.85	47,289.13	\$ 3.62	206,107.60
Miscellaneous	6,917,825.06	2,793,111.16		9,710,936.22
Total Revenues	940,548,392.16	105,487,271.86	3.62	1,046,035,667.64
<u>EXPENDITURES</u>				
Current				
Instruction	570,548,096.33			570,548,096.33
Support Services				
Pupil Services	28,111,296.99			28,111,296.99
Improvement of Instructional Services	38,236,622.72			38,236,622.72
Educational Media Services	11,450,513.53			11,450,513.53
General Administration	12,693,542.86			12,693,542.86
School Administration	53,534,760.13			53,534,760.13
Business Administration	5,168,366.78	27,345.75		5,195,712.53
Maintenance and Operation of Plant	75,780,038.62			75,780,038.62
Student Transportation Services	47,569,742.27	960,484.00		48,530,226.27
Central Support Services	14,847,996.60	626.76		14,848,623.36
Other Support Services	2,999,503.62			2,999,503.62
Enterprise Operations	2,401,116.07			2,401,116.07
Food Services Operation	53,251,217.29			53,251,217.29
Capital Outlay		70,245,955.16		70,245,955.16
Debt Services				
Principal	1,341,778.66	2,355,000.00		3,696,778.66
Interest	556,046.31	5,002,560.30	1,332,000.00	6,890,606.61
Total Expenditures	918,490,638.78	78,591,971.97	1,332,000.00	998,414,610.75
Excess of Revenues over (under) Expenditures	22,057,753.38	26,895,299.89	-1,331,996.38	47,621,056.89
<u>OTHER FINANCING SOURCES (USES)</u>				
Insurance Proceeds	1,001,623.05			1,001,623.05
Transfers In			1,332,000.00	1,332,000.00
Transfers Out		-1,332,000.00		-1,332,000.00
Total Other Financing Sources (Uses)	1,001,623.05	-1,332,000.00	1,332,000.00	1,001,623.05
<u>SPECIAL ITEMS</u>				
Legal Settlement	6,000,000.00			6,000,000.00
Net Change in Fund Balances	29,059,376.43	25,563,299.89	3.62	54,622,679.94
Fund Balances - Beginning	21,138,226.49	240,887,451.35	64,085.87	262,089,763.71
Fund Balances - Ending	\$ 50,197,602.92	\$ 266,450,751.24	\$ 64,089.49	\$ 316,712,443.65

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

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

EXHIBIT "F"

Total Net Change in Fund Balances - Governmental Funds (Exhibit "E") \$ 54,622,679.94

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Capital Outlays are reported as expenditures in Governmental Funds. However, in the Statement of Activities, the cost of Capital Assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital Outlay	\$ 47,455,440.44	
Depreciation Expense	-34,093,491.39	
Excess of Capital Outlay over Depreciation Expense		13,361,949.05

Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	-1,620,002.71
--	---------------

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, and disposals) is to decrease net position.	-13,304,948.55
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Repayment of Long-Term Debt is reported as an expenditure in Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Position. In the current year, these amounts consist of:

Capital Lease Payments	\$ 3,696,778.66	
Amortization of Bond Premiums	998,533.80	
Total Long-Term Debt Repayments		4,695,312.46

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

Net Increase in Accrued Interest	\$ -210,352.61	
Decrease in Compensated Absences	1,537,890.09	
Increase in Claims and Judgments	-8,268,012.40	
Total Additional Expenditures		-6,940,474.92

Change in Net Position of Governmental Activities (Exhibit "B") \$ 50,814,515.27

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

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

EXHIBIT "G"

	AGENCY FUNDS
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ <u>3,544,419.43</u>
<u>LIABILITIES</u>	
Funds Held For Others	\$ <u>3,544,419.43</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 DeKalb 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 DeKalb 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.

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

EXHIBIT "H"

- District-wide Capital Projects Fund accounts for and reports financial resources including Education Special Purpose Local Option Sales Tax (ESPLOST) and grants from Georgia State Financing and Investment Commission that are restricted, committed or assigned to the expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.
- Debt Service Fund accounts for and reports financial resources that are restricted, committed, or assigned including taxes (sales) legally restricted for the payment of general long-term principal and interest.

The School District reports the following fiduciary fund type:

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

#### **BASIS OF ACCOUNTING**

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

The School District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by 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, except for reimbursable grants. The School District considers all intergovernmental revenues to be available if they are collected within 120 days after year-end. Property taxes, sales taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

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

## NEW ACCOUNTING PRONOUNCEMENTS

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

## 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 or its proportionate share of the Net Pension Liability of pension plans in which it participates. Based on information provided by the Teachers' Retirement System of Georgia (TRS), the School District's liability for its proportionate share of the Net Pension Liability of the pension plan administered through TRS is estimated to be \$595.4 million at June 30, 2015.

## CASH AND CASH EQUIVALENTS

### Composition of Deposits

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

## INVESTMENTS

### Composition of Investments

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

- (1) Obligations issued by the State of Georgia or by other states,
- (2) Obligations issued by the United States government,
- (3) Obligations fully insured or guaranteed by the United States government or a United States government agency,
- (4) Obligations of any corporation of the United States government,

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

EXHIBIT "H"

- (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.

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

### RECEIVABLES

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

### PROPERTY TAXES

The DeKalb County Board of Commissioners adopted the property tax levy for the 2013 tax digest year (calendar year) on July 1, 2013 (levy date) based on property values as of January 1, 2013. Taxes were due on November 15, 2013 (lien date) and could be paid in two installments on September 30, 2013 and November 15, 2013 (due dates). 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 DeKalb County Tax Commissioner bills and collects the property taxes for the School District, withholds 1.25% 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 \$363,444,300.02.

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

School Operations	<u>23.98</u> mills
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Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to \$16,419,202.26 during fiscal year ended June 30, 2014.

### SALES TAXES

Education Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to \$98,798,180.40 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.

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

EXHIBIT "H"

**INVENTORIES**

**Consumable Supplies**

On the basic financial statements, consumable supplies are reported at cost (first-in, first-out). The School District uses the consumption method to account for the consumable supplies inventory whereby an asset is recorded when supplies are purchased and expenses are recorded at the time the supplies are consumed.

**Food Inventories**

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

**PREPAID ITEMS**

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

**CAPITAL ASSETS**

Capital assets purchased, including capital outlay costs, are recorded as expenditures in the fund financial statements at the time of purchase (including ancillary charges). On the District-wide financial statements, all purchased capital assets are valued at cost where historical records are available and at estimated historical cost based on appraisals or deflated current replacement cost where no historical records exist. Donated capital assets are recorded at estimated fair market value on the date donated. Disposals are deleted at depreciated recorded cost. The cost of normal maintenance and repairs that do not add to the value of assets or materially extend the useful lives of the assets is not capitalized. Depreciation is computed using the straight-line method. The School District does not capitalize book collections or works of art. During the fiscal year under review, no events or changes in circumstances affecting a capital asset that may indicate impairment were known to the School District.

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

EXHIBIT "H"

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

	Capitalization Policy	Estimated Useful Life
Land	All	N/A
Land Improvements	\$ 100,000.00	20 to 40 years
Buildings and Improvements	\$ 100,000.00	up to 50 years
Improvements Other than Buildings	\$ 100,000.00	50 years
Equipment		
Outdoor Equipment	\$ 5,000.00	15 to 20 years
Vehicles	\$ 5,000.00	8 years
Kitchen Equipment	\$ 5,000.00	15 years
Computers	\$ 5,000.00	5 years
Miscellaneous	\$ 5,000.00	7 to 20 years
Buses	\$ 5,000.00	15 years
Intangible Assets	\$ 1,000,000.00	15 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 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(s) and therefore will not be recognized as an outflow of resources (expense/expenditure) until then. The School District did not have any items that qualified for reporting in this category for the year ended June 30, 2014.

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

#### COMPENSATED ABSENCES

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

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

EXHIBIT "H"

Vacation leave of 10 to 20 days is awarded on a fiscal year basis to all full time personnel employed on a twelve month basis. No other employees are eligible to earn vacation leave. Vacation leave not utilized during the fiscal year may be carried over to the next fiscal year, providing such vacation leave does not exceed 30 days in addition to vacation earned during the current year of service, but no more than one-half of the earned but unused vacation of the previous year.

#### 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 bus replacement, continuation of Federal programs, debt service and capital projects in accordance with restrictions imposed by external third parties.

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

#### FUND BALANCES

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

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

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

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

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

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

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

Nonspendable			
Inventories	\$	4,595,315.97	
Prepaid Assets		<u>120,000.00</u>	\$ 4,715,315.97
Restricted			
Continuation of Federal Programs	\$	5,095,831.00	
Capital Projects		265,848,840.73	
Debt Service		<u>666,000.00</u>	271,610,671.73
Assigned			
School Activity Accounts			1,558,766.23
Unassigned			<u>38,827,689.72</u>
Fund Balance, June 30, 2014			\$ <u><u>316,712,443.65</u></u>

When multiple categories of fund balance are available for expenditure, the School District will start with the most restricted category and spend those funds first before moving down to the next category with available funds.

### USE OF ESTIMATES

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

### Note 3: BUDGETARY DATA

The budget is a complete financial plan for the School District's fiscal year, and is based upon careful estimates of expenditures together with probable funding sources. The budget is legally adopted each year for the general, debt service, and capital projects funds. There is no statutory prohibition regarding over expenditure of the budget at any level. The budget for all governmental funds, except the various school activity (principal) accounts, is prepared and adopted by fund, function and object.



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The legal level of budgetary control was established by the Board at the aggregate function level. The budget for the General Fund was prepared in accordance with accounting principles generally accepted in the United States of America.

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

The Superintendent is authorized by the Board to approve adjustments of no more than 10 percent of the amount budgeted for expenditures in any budget function for any fund. The Superintendent shall report any such adjustments to the Board. If expenditure of funds in any budget function for any fund is anticipated to be more than 10 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 AND INVESTMENTS

**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. At June 30, 2014, \$568,188.33 of deposits were not secured by surety bond, insurance or collateral as specified above. The School District is working with the affected financial institutions to ensure appropriate levels of collateral are maintained for all of the School District's deposits.

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,

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- (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, School District had deposits with a carrying amount of \$160,465,019.95 and a bank balance of \$162,696,019.41. The bank balances insured by Federal depository insurance were \$2,854,118.32.

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

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

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

<u>Custodial Credit Risk Category</u>	<u>Bank Balance</u>
1	\$ 568,188.33
2	85,583,261.58
3	<u>73,690,451.18</u>
Total	<u>\$ 159,841,901.09</u>

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CATEGORIZATION OF INVESTMENTS

At June 30, 2014, the carrying value of the School District's total investments was \$187,102,850.01. The School District's investments as of June 30, 2014, are presented below. All investments are presented by investment type and debt securities are presented by maturity.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturity Less than 1 Year</u>
Debt Securities		
U. S. Treasury Money Market Funds		
First America Government Obligation Fund	\$ 178,716,753.08	\$ 178,716,753.08
First American Treasury Obligation Fund	3,266,717.10	3,266,717.10
U. S. Treasury Bills	<u>5,116,976.40</u>	<u>5,116,976.40</u>
	187,100,446.58	<u>\$ 187,100,446.58</u>
Investment Pools		
Office of State Treasurer		
Georgia Fund 1	<u>2,403.43</u>	
Total Investments	<u>\$ 187,102,850.01</u>	

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

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

**Interest Rate Risk**

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

**Custodial Credit Risk**

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

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At June 30, 2014, \$187,100,446.58 of the School District's applicable investments were uninsured and unregistered, with securities held by the counterparty's trust department or agent in the name of the School District.

**Credit Quality Risk**

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

The investments subject to credit quality risk are reflected below:

<u>Rated Debt Investments</u>	<u>Fair Value</u>	<u>Quality Ratings</u>
		<u>AAAm</u>
Debt Securities		
U. S. Treasury Money Market Funds		
First American Government Obligation Fund	\$ 178,716,753.08	\$ 178,716,753.08
First American Treasury Obligation Fund	<u>3,266,717.10</u>	<u>3,266,717.10</u>
Totals by Quality Ratings	<u>\$ 181,983,470.18</u>	<u>\$ 181,983,470.18</u>

**Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The School District does not have a formal policy for managing concentration of credit risk. More than 5% of the School District's investments are in First American Government Obligations Fund. This investment is 95.52% of the School District's total investments.

**Note 5: NON-MONETARY TRANSACTIONS**

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

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Note 6: CAPITAL ASSETS

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

	Balances July 1, 2013	Increases	Decreases	Balances June 30, 2014
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 44,485,477.61			\$ 44,485,477.61
Construction Work In Progress	20,977,536.39	\$ 41,175,647.41	\$ 20,625,767.15	41,527,416.65
	<u>65,463,014.00</u>	<u>41,175,647.41</u>	<u>20,625,767.15</u>	<u>86,012,894.26</u>
Total Capital Assets, Not Being Depreciated				
Capital Assets, Being Depreciated:				
Buildings and Improvements	1,529,589,448.87	19,610,148.61	21,092,976.66	1,528,106,620.82
Equipment	101,157,945.20	6,250,515.07	3,570,745.14	103,837,715.13
Land Improvements	32,195,938.93	1,044,896.50		33,240,835.43
Less: Accumulated Depreciation:				
Buildings and Improvements	419,780,480.25	25,799,146.09	8,470,156.48	437,109,469.86
Equipment	56,863,440.93	7,261,302.64	2,888,616.77	61,236,126.80
Land Improvements	6,339,464.58	1,033,042.66		7,372,507.24
	<u>1,179,959,947.24</u>	<u>-7,187,931.21</u>	<u>13,304,948.55</u>	<u>1,159,467,067.48</u>
Total Capital Assets, Being Depreciated, Net				
Governmental Activity Capital Assets - Net	\$ <u>1,245,422,961.24</u>	\$ <u>33,987,716.20</u>	\$ <u>33,930,715.70</u>	\$ <u>1,245,479,961.74</u>

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

	Governmental Funds
Buildings and Improvements	\$ 55,360,000.00
Less: Accumulated Depreciation	<u>6,422,400.00</u>
	<u>\$ 48,937,600.00</u>

Current year depreciation expense by function is as follows:

Instruction	\$ 27,975,225.87
Support Services	
Improvements of Instructional Services	\$ 1,157,027.49
Educational Media Services	240,681.31
Business Administration	331,273.30
Maintenance and Operation of Plant	492,785.52
Student Transportation Services	<u>3,396,074.58</u>
Food Services	<u>500,423.32</u>
	<u>\$ 34,093,491.39</u>

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Note 7: INTERFUND TRANSFERS

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

<u>Transfer to</u>	<u>Transfers</u> <u>From</u> <u>District-wide</u> <u>Capital</u> <u>Projects</u>
Debt Service Fund	\$ <u>1,332,000.00</u>

Transfers are used to move SPLOST revenues collected in the Capital Projects Fund to Debt Service Fund to fund the bond interest payments.

Note 8: RISK MANAGEMENT

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

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

The School District 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 has established a limited risk management program for workers' 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. An excess coverage insurance policy covers individual claims in excess of \$500,000.00 loss per occurrence, up to \$10,000,000.00.

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

	<u>Beginning of Year</u> <u>Liability</u>	<u>Claims and</u> <u>Changes in</u> <u>Estimates</u>	<u>Claims</u> <u>Paid</u>	<u>End of Year</u> <u>Liability</u>
2013	\$ <u>0.00</u>	\$ <u>4,050,705.02</u>	\$ <u>4,050,705.02</u>	\$ <u>0.00</u>
2014	\$ <u>0.00</u>	\$ <u>15,257,340.19</u>	\$ <u>6,989,327.79</u>	\$ <u>8,268,012.40</u>

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

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

	<u>Beginning of Year Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Paid</u>	<u>End of Year Liability</u>
2013	\$ 0.00	\$ 2,335,540.70	\$ 2,335,540.70	\$ 0.00
2014	\$ 0.00	\$ 456,323.60	\$ 456,323.60	\$ 0.00

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

<u>Position Covered</u>	<u>Amount</u>
Superintendent	\$ 1,000,000.00

**Note 9: SHORT-TERM DEBT**

The School District issues tax anticipation notes in advance of property tax collections, depositing the proceeds in its General Fund. This short-term debt is to provide cash for operations until property tax collections are received by the School District. Article IX, Section V, Paragraph V of the Constitution of the State of Georgia limits the aggregate amount of short-term debt to 75 percent of the total gross income from taxes collected in the preceding year and requires all short-term debt to be repaid no later than December 31 of the calendar year in which the debt was incurred.

Short-term debt activity for the fiscal year is as follows:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
Tax Anticipation Notes	\$ 70,000,000.00	\$ 0.00	\$ 70,000,000.00	\$ 0.00

**Note 10: LONG-TERM LIABILITIES**

**CAPITAL LEASES**

The DeKalb County Board of Education entered into an agreement dated September 1, 2005, with the Georgia School Boards Association for the construction and subsequent lease of purchase of land, buildings, and all furnishings and subsequent lease of two new elementary school facilities. Under the terms of the agreement, the School District will make annual payments through December 30, 2026.

The DeKalb County Board of Education entered into an agreement dated March 1, 2007, with the Georgia School Boards Association for the construction and subsequent lease of purchase of land, buildings, and all furnishings and subsequent lease of one new elementary school facilities. Under the terms of the agreement, the School District will make annual payments through December 1, 2027.

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The DeKalb County Board of Education entered into an agreement dated December 1, 2009, with the Bank of America for the purchase of textbooks over the next five years and subsequent lease of textbooks. Under the terms of the agreement, the School District will make annual payments through July 12, 2017.

On May 1, 2011 the School District entered into a lease agreement with the Georgia Municipal Association, Inc. (Association) for the purchase of a replacement high school in the amount of \$63,460,000.00. The lease will commence upon the acquisition, construction and equipping of the replacement high school, which is expected to be completed in fiscal year 2015.

#### 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 Rate</u>	<u>Amount</u>
General Government - Series 2012	4.0%	\$ <u>33,300,000.00</u>

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

	<u>Governmental Activities</u>				
	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2014</u>	<u>Due Within One Year</u>
G. O. Bonds	\$ 33,300,000.00			\$ 33,300,000.00	
Capital Leases	51,829,968.41		\$ 3,696,778.66	48,133,189.75	\$ 3,844,813.39
Compensated Absences	11,660,713.31	\$ 5,350,513.42	6,888,403.51	10,122,823.22	6,653,753.13
Bond Premiums Amortized	4,410,190.95		998,533.80	3,411,657.15	998,533.80
	<u>\$ 101,200,872.67</u>	<u>\$ 5,350,513.42</u>	<u>\$ 11,583,715.97</u>	<u>\$ 94,967,670.12</u>	<u>\$ 11,497,100.32</u>



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

	Capital Leases	
	Principal	Interest
<u>Fiscal Year Ended June 30:</u>		
2015	\$ 3,844,813.39	\$ 2,019,865.85
2016	3,999,615.94	1,874,028.27
2017	3,945,511.75	1,715,470.98
2018	3,456,618.23	1,565,221.21
2019	2,910,000.00	1,441,436.00
2020 - 2024	16,575,000.00	5,154,966.63
2025 - 2028	13,401,630.44	1,116,603.13
Total Principal and Interest	<u>\$ 48,133,189.75</u>	<u>\$ 14,887,592.07</u>

  

	General Obligation Debt		Unamortized
	Principal	Interest	Bond Premium
<u>Fiscal Year Ended June 30:</u>			
2015	\$ 1,332,000.00	\$ 998,533.80	
2016	1,332,000.00	998,533.80	
2017	1,332,000.00	998,533.80	
2018	\$ 33,300,000.00	666,000.00	416,055.75
Total Principal and Interest	<u>\$ 33,300,000.00</u>	<u>\$ 4,662,000.00</u>	<u>\$ 3,411,657.15</u>

Note 11: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of \$45,466,889.98 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 \$43,467,828.00

Paid to the Teachers' Retirement System of Georgia

For Teachers' Retirement System (TRS) Employer's Cost  
In the amount of \$429,627.98

Office of State Treasurer

Paid to the Public School Employees' Retirement System  
For Public School Employees' Retirement (PSERS) Employer's Cost  
In the amount of \$1,569,434.00

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

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Note 12: SIGNIFICANT COMMITMENTS

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

Project	Unearned Executed Contracts
ADA Group C-2/Briarlake ES/Briar Vista ES/ Henderson Mill ES/Fernbank Science Center	\$ 488,725.00
ADA Modifications at Margaret Harris, Rockbridge ES, Stone Mountain ES and Stone Mountain HS	535,544.80
ADA Modifications at Sagamore Hills ES, Evansdale ES and Ashford Park ES	193,479.03
ADA Modifications at Various Schools	183,956.12
Cedar Grove HS Renovation	246,368.75
Chamblee Charter HS	2,045,755.71
Demolition of Various Schools	572,281.00
Engineering Services for Various Schools	60,623.15
Gresham Park Elementary School Demolition	264,766.60
Hambrick Elementary School	1,992,064.50
Hawthorne Elementary School ADA Modification	130,976.05
Indian Creek Elementary School	1,258,617.81
Knollwood Elementary School	171,741.00
Miller Grove Elementary School - ADA Group E	657,183.30
Montgomery Elementary School	399,841.52
Peachtree Elementary School	17,893,822.02
Plumbing Fixtures at Montclair, Stone Mountain ES	14,785.12
Salem Middle School - Group E	4,283.30
Stone Mill Elementary School	1,616,342.50
Stone Mountain Elementary School	1,601,972.50
SW DeKalb High School	485,251.50
Towers HS Roof Replacement	1,767,000.00
	<u>\$ 32,585,381.28</u>

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

Note 13: SIGNIFICANT CONTINGENT LIABILITIES

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

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

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Note 14: SPECIAL ITEM

The School District (DCSD) was a defendant and counterclaim plaintiff in a lawsuit filed by Heery International, Inc., E. R. Mitchell & Co., and Heery/Mitchell, a Joint Venture in DeKalb County Superior Court on February 20, 2007. This case was settled in fiscal year 2014. The School District received \$6,000,000.00 from the settlement.

Note 15: SUBSEQUENT EVENTS

On December 17, 2012 the Southern Association of Colleges and Schools (SACS), notified the School District that it was placing the School District on Accredited Probation. As a result of this probation, Governor Nathan Deal removed and replaced six Board Members on March 13, 2013 in accordance with O.C.G.A. §20-2-73. The Governor's decision was upheld by the Georgia Supreme Court on November 25, 2013. The District was upgraded from Accredited-Warning to Accredited-Advised on February 13, 2015. AdvanceED based its decision on comprehensive review of the District in December 2014. The District was commended for putting programs, policies and procedures in place to stabilize the School District to restore confidence and trust among stakeholder groups. SACS recognized the progress the School District had made in a manner that allows the School District to refocus its efforts on academic achievement. AdvanceED determined that the School District made progress in creating a framework for addressing eleven required actions by developing comprehensive and systematic processes to guide its operations. Further, AdvanceED identified several areas of continued focus to ensure sustainability of efforts. The School District has continued to work on improving school board governance and leadership, while supporting the efforts of the superintendent to identify and implement school improvement strategies and student achievement initiatives. The School District has three required actions to complete and is required to submit an institution progress report on or before December 31, 2015.

In the subsequent fiscal year, the board has approved the issuance of tax anticipation notes not to exceed \$36,000,000.00. The School District issues tax anticipation notes to provide cash for operations until property tax collections are received by the School District. The School Districts closed on a note for \$36,000,000.00 on July 15, 2014. The note was paid off in December of 2014.

Note 16: POST-EMPLOYMENT BENEFITS

**Georgia School Personnel Post-employment Health Benefit Fund**

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

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

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

EXHIBIT "H"

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%	\$ 92,864,270.07
2013	100%	\$ 87,675,055.19
2012	100%	\$ 90,925,607.37

Note 17: 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%	\$ 59,721,598.88
2013	100%	\$ 56,336,367.47
2012	100%	\$ 57,343,233.76

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

EXHIBIT "H"

**PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS)**

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

**DEFINED CONTRIBUTION PLAN**

On July 11, 1983, DeKalb County Board of Education began an employer paid 403(b) annuity plan for the group of employees covered under the Public School Employees' Retirement System (PSERS). Recognizing that PSERS was a limited defined contribution and defined benefit plan which did not provide for an adequate retirement for this group of employees, it was the Board's desire to supplement the retirement of this group.

The Board selected Fidelity Investments as the provider of this plan. For each employee covered under PSERS, the Board began contributing to the plan an amount equal to eight percent of the employee's base pay.

The employee becomes vested in the plan when the first contribution is made.

Funds accumulated in the employer paid accounts are only available to the employee upon termination of employment

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%	\$ 3,858,443.98
2013	100%	\$ 3,972,798.87
2012	100%	\$ 4,357,473.75

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

SCHEDULE "1"

	NONAPPROPRIATED BUDGETS		ACTUAL	VARIANCE
	ORIGINAL (1)	FINAL (1)	AMOUNTS	OVER/UNDER
<u>REVENUES</u>				
Property Taxes	\$ 362,500,000.00	\$ 370,593,753.00	\$ 379,863,502.28	\$ 9,269,749.28
Sales Taxes	5,400,000.00	5,400,000.00	11,563,350.95	6,163,350.95
State Funds	390,062,508.00	395,296,930.00	392,985,549.46	-2,311,380.54
Federal Funds	120,682,067.00	163,873,248.58	130,257,286.19	-33,615,962.39
Charges for Services	5,822,117.00	5,844,381.00	18,802,063.37	12,957,682.37
Investment Earnings	155,000.00	155,000.00	158,814.85	3,814.85
Miscellaneous	42,536,193.00	34,060,498.00	6,917,825.06	-27,142,672.94
Total Revenues	927,157,885.00	975,223,810.58	940,548,392.16	-34,675,418.42
<u>EXPENDITURES</u>				
Current				
Instruction	554,324,084.00	591,661,566.66	570,548,096.33	21,113,470.33
Support Services				
Pupil Services	30,547,566.00	30,511,354.00	28,111,296.99	2,400,057.01
Improvement of Instructional Services	45,732,546.00	52,372,980.00	38,236,622.72	14,136,357.28
Educational Media Services	12,515,332.00	11,481,199.00	11,450,513.53	30,685.47
General Administration	15,891,815.00	16,674,012.00	12,693,542.86	3,980,469.14
School Administration	52,658,028.00	53,748,966.00	53,534,760.13	214,205.87
Business Administration	4,697,065.00	5,398,203.34	5,168,366.78	229,836.56
Maintenance and Operation of Plant	75,366,310.00	75,810,880.00	75,780,038.62	30,841.38
Student Transportation Services	46,167,571.00	51,553,986.00	47,569,742.27	3,984,243.73
Central Support Services	14,155,543.00	14,799,857.00	14,847,996.60	-48,139.60
Other Support Services	1,489,346.00	3,968,953.00	2,999,503.62	969,449.38
Food Services Operation	50,120,283.00	50,418,707.00	53,251,217.29	-2,832,510.29
Enterprise Operations	1,304,980.00	1,304,980.00	2,401,116.07	-1,096,136.07
Debt Service	1,801,975.00	1,951,975.00	1,897,824.97	54,150.03
Total Expenditures	906,772,444.00	961,657,619.00	918,490,638.78	43,166,980.22
Excess of Revenues over (under) Expenditures	20,385,441.00	13,566,191.58	22,057,753.38	8,491,561.80
<u>OTHER FINANCING SOURCES (USES)</u>				
Legal Settlement		6,000,000.00	6,000,000.00	0.00
Insurance Proceeds	3,787,220.00	2,839,412.00	1,001,623.05	-1,837,788.95
Other Uses	-19,787,220.00	-18,839,412.00		18,839,412.00
Total Other Financing Sources (Uses)	-16,000,000.00	-10,000,000.00	7,001,623.05	17,001,623.05
Net Change in Fund Balances	4,385,441.00	3,566,191.58	29,059,376.43	25,493,184.85
Fund Balances - Beginning	3,092,929.92	4,303,021.39	21,138,226.49	16,835,205.10
Adjustments		-63,117.16		63,117.16
Fund Balances - Ending	\$ 7,478,370.92	\$ 7,806,095.81	\$ 50,197,602.92	\$ 42,391,507.11

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

- (1) Original and Final Budget amounts do not include budgeted revenues or expenditures of the various principal accounts.  
The principal accounts had actual revenues of \$10,142,520.23 and actual expenditures of \$9,460,605.10.

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.



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

SCHEDULE "2"

FUNDING AGENCY PROGRAM/GRANT	CFDA NUMBER	PASS- THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD
Agriculture, U. S. Department of			
Child Nutrition Cluster			
Pass-Through From Georgia Department of Education			
Food Services			
School Breakfast Program	10.553	N/A	(2)
National School Lunch Program	10.555	N/A	\$ 56,394,523.40 (1)
Total U. S. Department of Agriculture			<u>56,394,523.40</u>
Education, U. S. Department of			
Education of Homeless Children and Youth Cluster			
Pass-Through From Georgia Department of Education			
Education for Homeless Children and Youth	84.196	N/A	<u>35,358.61</u>
School Improvement Grants Cluster			
Pass-Through From Georgia Department of Education			
ARRA - School Improvement Grants	84.388	N/A	560,604.28
School Improvement Grants	84.377	N/A	<u>192,962.05</u>
Total School Improvement Grants Cluster			<u>753,566.33</u>
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Grants to States	* 84.027	N/A	18,404,162.41
Preschool Grants	* 84.173	N/A	<u>454,465.52</u>
Total Special Education Cluster			<u>18,858,627.93</u>
Other Programs			
Direct			
Transition to Teaching Program Grant	84.350		364,571.62
Fund for the Improvement of Education (FIE)	84.215		445,334.07
Pass-Through From Georgia Department of Education			
ARRA - Race-to-the-Top Incentive Grants	* 84.395	N/A	16,958,086.31
Career and Technical Education - Basic Grants to States	84.048	N/A	674,330.13
Charter Schools	84.282	N/A	256,079.46
English Language Acquisition Grants	84.365	N/A	1,588,239.14
Improving Teacher Quality State Grants	84.367	N/A	3,771,539.29
Special Education			
State Personnel Development	84.323	N/A	46,999.16
Title I Grants to Local Educational Agencies	* 84.010	N/A	37,562,624.26
Title II-D ARRA, STEM Competitive Grant	84.386	N/A	166,189.00
Twenty-First Century Community Learning Centers	84.287	N/A	<u>308,525.66</u>
Total Other Programs			<u>62,142,518.10</u>
Total U. S. Department of Education			<u>81,790,070.97</u>

DEKALB 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
Energy, U.S. Department of Direct National Aeronautics and Space Administration Science	43.001		\$ <u>80,624.29</u>
Environmental Protection Agency, U. S. Department of Pass-Through From Georgia Department of Natural Resources ARRA - State Clean Diesel Grant Program	66.040	N/A	<u>557,694.00</u>
Health and Human Services Pass-Through from Georgia Department of Human Services Refugee and Entrance Assistance-State Administered Programs	93.566	N/A	<u>139,838.27</u>
Transportation, U. S. Department of Highway Safety Cluster Pass-Through From Department of Public Safety State and Community Highway Safety	20.600	N/A	<u>25,834.36</u>
Defense, U. S. Department of Direct Department of the Air Force R.O.T.C. Program			446,906.33
Department of the Army R.O.T.C. Program			153,469.52
Department of the Navy R.O.T.C. Program			<u>588,530.93</u>
Total U. S. Department of Defense			<u>1,188,906.78</u>
Total Expenditures of Federal Awards			\$ <u><u>140,177,492.07</u></u>

N/A = Not Available

Notes to the Schedule of Expenditures of Federal Awards

- (1) Includes the Federally assigned value of donated commodities for the Food Donation Program in the amount of \$7,036,261.95.
- (2) Expenditures for the funds earned on the School Breakfast Program (\$8,700,167.58) 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 DeKalb 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.

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

SCHEDULE "3"

AGENCY/FUNDING	GOVERNMENTAL FUND TYPES		TOTAL
	GENERAL FUND	CAPITAL PROJECTS FUND	
GRANTS			
Bright From the Start:			
Georgia Department of Early Care and Learning			
Pre-Kindergarten Program	\$ 6,167,524.82		\$ 6,167,524.82
Education, Georgia Department of			
Quality Basic Education (1)			
Direct Instructional Cost			
Kindergarten Program	33,802,805.00		33,802,805.00
Kindergarten Program - Early Intervention Program	1,903,553.00		1,903,553.00
Primary Grades (1-3) Program	74,280,755.00		74,280,755.00
Primary Grades - Early Intervention (1-3) Program	5,583,031.00		5,583,031.00
Upper Elementary Grades (4-5) Program	32,784,451.00		32,784,451.00
Upper Elementary Grades - Early Intervention (4-5) Program	3,572,866.00		3,572,866.00
Middle Grades (6-8) Program	-137,302.00		-137,302.00
Middle School (6-8) Program	54,420,705.00		54,420,705.00
High School General Education (9-12) Program	53,653,818.00		53,653,818.00
Vocational Laboratory (9-12) Program	7,814,065.00		7,814,065.00
Students with Disabilities			
Category I	7,349,354.00		7,349,354.00
Category II	6,468,824.00		6,468,824.00
Category III	27,161,806.00		27,161,806.00
Category IV	6,448,024.00		6,448,024.00
Category V	5,095,755.00		5,095,755.00
Gifted Student - Category VI	21,118,647.00		21,118,647.00
Remedial Education Program	954,167.00		954,167.00
Alternative Education Program	3,812,919.00		3,812,919.00
English Speakers of Other Languages (ESOL)	16,700,750.00		16,700,750.00
Special Education Itinerant	17,609.00		17,609.00
Special Education Supplemental Speech	163,785.00		163,785.00
Media Center Program	10,138,375.00		10,138,375.00
20 Days Additional Instruction	3,020,841.00		3,020,841.00
Staff and Professional Development	1,905,088.00		1,905,088.00
Principal Staff and Professional Development	35,439.00		35,439.00
Indirect Cost			
Central Administration	7,329,219.00		7,329,219.00
School Administration	19,608,677.00		19,608,677.00
Facility Maintenance and Operations	23,660,012.00		23,660,012.00
Categorical Grants			
Pupil Transportation			
Regular	4,505,744.00		4,505,744.00
Nursing Services	1,920,819.00		1,920,819.00
Food Services	1,312,920.00		1,312,920.00
Amended Formula Adjustment	-59,512,516.00		-59,512,516.00
One Time Adjustment	1,084,231.00		1,084,231.00
Charter School Commission Local Revenue	-2,496,484.00		-2,496,484.00
Other State Programs			
Career, Technical, and Agriculture -Ag Extended Day	2,240.55		2,240.55
Career, Technical, and Agriculture -Ag Extended Year	1,680.00		1,680.00
Career, Technical, and Agriculture- CTE Apprenticeship	40,425.00		40,425.00
Career, Technical, and Agriculture -CTE Extended Day	869,998.02		869,998.02
Career, Technical, and Agriculture -CTE Extended Year	30,628.00		30,628.00
Career, Technical, and Agriculture -Industry Certification	39,176.72		39,176.72
Career, Technical, and Agriculture -Supervision	53,465.00		53,465.00
Charter Schools - Facilities	145,000.00		145,000.00
Dual Emerson Grant	45,000.00		45,000.00
GNETS State Grant	3,260,692.01		3,260,692.01
Math and Science Supplements	675,319.64		675,319.64
Move On When Ready	3,800.00		3,800.00
Preschool Handicapped Program	1,880,136.40		1,880,136.40
Pupil Transportation - State Bonds	1,698,840.00		1,698,840.00
Residential Treatment Centers Grant	216,760.60		216,760.60
Rule 10 Special Education State Grant	176,048.72		176,048.72
Teachers' Retirement	429,627.98		429,627.98
Technology to Support Digital Learning Bonds	197,000.00		197,000.00

DEKALB 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			
Georgia State Financing and Investment Commission			
Reimbursement on Construction Projects		\$ 3,848,691.17	\$ 3,848,691.17
Office of the State Treasurer			
Public School Employees' Retirement	\$ 1,569,434.00		1,569,434.00
	<u>\$ 392,985,549.46</u>	<u>\$ 3,848,691.17</u>	<u>\$ 396,834,240.63</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 \$43,467,828.00 are included as part of the Quality Basic Education revenue allotments above.

See notes to the basic financial statements.

DEKALB 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
2007 Sales Tax-Authorized Projects							
1 Lease-hold improvements for Rock Chapel ES, Princeton ES, and Dunwoody ES (COPS 05/07)	\$ 66,000,000.00	\$ 67,267,516.70	\$ 4,316,713.75	\$ 23,336,869.40	\$ 0.00		Dec-27
2 Renovations/expansion at SWD HS, Towers HS, Columbia HS, McNair HS, and emergency HVAC	25,000,000.00	22,888,015.35	0.00	22,888,015.35	22,888,015.35		Completed
3 Cross keys HS Renovation and Career Tech	16,927,348.00	17,900,319.64	167,792.03	17,732,527.61	17,900,319.64		Completed
4 Tucker HS Replacement	66,330,016.00	60,359,593.17	0.00	60,359,593.17	60,359,593.17		Completed
5 Roofing Portfolio #1	9,677,168.00	12,238,001.23	0.00	12,238,001.23	12,238,001.23		Completed
6 HVAC Portfolio #1	17,168,224.00	12,464,099.00	747,250.05	10,503,487.87	0.00		Feb-15
7 ADA Code Requirements Portfolio #1	4,730,336.00	3,685,616.00	23,636.32	2,480,908.18	0.00		Jun-15
8 Local School Priority Requests (LSPR)	5,156,419.00	7,365,105.32	1,009,179.53	6,355,925.79	7,365,105.32		Completed
9 Site Improvements	13,417,986.00	9,221,216.00	129,682.74	5,946,641.51	0.00		Dec-16
10 Druid Hills HS Improvements	9,739,800.00	17,915,398.55	0.00	17,915,398.55	17,915,398.55		Completed
11 Renovation and expansion of relocated DeKalb School of the Arts	10,000,000.00	5,404,226.51	3,312.54	5,400,913.97	5,404,226.51		Completed
12 Renovation and expansion of Mountain Industrial Center	29,836,296.00	31,417,047.83	0.00	31,417,047.83	31,417,047.83		Completed
13 Purchase of Land	3,000,000.00	11,350.00	0.00	11,350.00	11,350.00		Completed
14 Additions to Chamblee HS, Clarkston HS, Druid Hills HS, Dunwoody HS, Lakeside HS, and Redan HS	63,292,805.00	49,293,071.85	12,304,698.70	36,988,373.15	49,293,071.85		Completed
15 Technology-Refresh cycle	19,418,581.00	24,319,433.42	0.00	24,319,433.42	24,319,433.42		Completed
16 Lithonia HS addition and Improvements	11,447,624.00	25,488.00	0.00	25,488.00	25,488.00		Completed
17 MLK Jr HS addition and Improvements	10,178,779.00	13,361,618.74	7,856,845.47	5,504,773.27	13,361,618.74		Completed
18 Miller Grove HS addition and improvements	5,874,487.00	5,069,739.43	2,862,942.63	2,206,796.80	5,069,739.43		Completed
19 Dunwoody HS addition and improvements	4,819,395.00	20,423,637.00	33,416.00	19,689,552.64	0.00		Feb-15
20 Clarkston HS Improvements	4,000,000.00	11,759,987.13	0.00	11,759,987.13	11,759,987.13		Completed
21 HVAC Portfolio #2	10,716,737.00	8,759,058.48	2,037,354.78	5,908,551.47	0.00		Feb-16
22 Roofing Portfolio #2	10,681,471.00	4,277,803.00	0.00	4,124,513.16	0.00		Aug-18
23 ADA Code Requirements Portfolio #2	2,052,729.00	2,784,374.00	122,011.52	734,847.72	0.00		Jan-15
24 School buses	12,000,000.00	11,999,761.12	0.00	11,999,761.12	11,999,761.12		Completed
25 Technology-Media Center upgrades	10,000,000.00	9,652,209.21	0.00	9,652,209.21	9,652,209.21		Completed
26 HVAC Portfolio #3	17,408,662.00	8,788,768.00	1,144,640.76	333,635.97	0.00		Aug-15
27 Roofing Portfolio #3	7,125,137.00	2,926,166.09	0.00	2,926,166.09	2,926,166.09		Completed
28 Other improvements and supporting services (4)	0.00	70,381,469.42	1,503,969.35	45,773,908.45	0.00		Dec-23
29 Bond Interest Payments	0.00	56,021,915.62	0.00	56,021,915.62	56,021,915.62		Completed
	466,000,000.00	567,982,005.81	34,263,446.17	454,556,593.68	359,928,448.21		

DEKALB 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
2012 Sales Tax-Authorized Projects							
1 Americans with Disabilities Act (ADA) Improvements	\$ 2,342,500.00	\$ 2,067,991.00	\$ 0.00	\$ 0.00	\$ 0.00		Dec-18
2 Stadiums	9,557,400.00	9,434,240.00	0.00	0.00	0.00		Dec-18
3 Capital Renewal Program	84,892,200.00	85,384,898.74	1,837,435.74	53,651.31	0.00		Dec-18
4 Code Requirements	2,342,500.00	1,920,248.00	0.00	0.00	0.00		Dec-18
5 Coralwood Diagnostic Center Addition	9,932,200.00	9,804,210.00	0.00	0.00	0.00		Dec-18
6 Early Learning Center	2,717,300.00	2,682,284.00	0.00	0.00	0.00		Dec-18
7 Arts School at former Avondale MS	4,029,100.00	3,977,167.00	27,500.00	0.00	0.00		Jan-17
8 Renovation of Southwest DeKalb HS and Stone Mountain HS	11,056,600.00	33,224,366.00	13,748,900.19	3,055,173.61	0.00		Feb-17
9 Replacement of Austin ES, Fernbank ES, Gresham Park ES, Pleasantdale ES, Peachtree ES, Rockbridge ES, Smoke Rise ES	135,021,700.00	138,173,953.00	2,086,827.06	454,579.93	0.00		Jul-18
10 Henderson MS Renovation/Addition	14,992,000.00	16,280,446.91	602,612.55	29,000.00	0.00		Aug-16
11 Redan HS Renovation/Addition	20,988,800.00	21,018,330.00	713,123.75	0.00	0.00		Oct-15
12 Chamblee HS Replacement	55,001,900.00	54,992,632.00	5,366,020.73	251,839.54	0.00		Jun-19
13 McNair MS Replacement	35,043,800.00	34,592,213.00	0.00	0.00	0.00		Dec-17
14 Local School Priority Requests	5,153,500.00	3,202,479.00	31,338.75	0.00	0.00		Jul-16
15 Demolition	2,342,500.00	2,312,309.00	349,308.80	10,783.00	0.00		Jan-16
16 Safety/Security Systems Upgrade	2,342,500.00	2,312,313.00	0.00	0.00	0.00		Jun-16
17 Technology Equipment and Infrastructure Refresh	36,261,900.00	34,244,407.00	18,351,886.97	3,039,288.42	0.00		Dec-17
18 School Buses	9,463,700.00	9,341,747.00	2,332,895.11	381,097.50	0.00		Jul-16
19 Service Vehicles	1,592,900.00	1,572,373.00	1,458,929.33	19,620.00	0.00		Oct-15
20 Other capital improvements and supporting services (Includes Bond Series 2012 Bond Issuance Costs, Principal Payments and 2011 COPs Interest Payments)	29,925,000.00	67,461,392.35	4,264,263.25	3,173,415.62	7,437,678.87		Jun-19
	<u>475,000,000.00</u>	<u>534,000,000.00</u>	<u>51,171,042.23</u>	<u>10,468,448.93</u>	<u>7,437,678.87</u>		
	<u>\$ 941,000,000.00</u>	<u>\$ 1,101,982,005.81</u>	<u>\$ 85,434,488.40</u>	<u>\$ 465,025,042.61</u>	<u>\$ 367,366,127.08</u>		

- (1) The School District's original cost estimate as specified in the resolution calling for the imposition of the Local Option Sales Tax.
- (2) The School District's current estimate of total cost for the projects. Includes all cost from project inception to completion.
- (3) The voters of DeKalb County approved the imposition of a 1% sales tax to fund the above projects and retire associated debt. Amounts expended for these projects may include sales tax proceeds, state, local property taxes and/or other funds over the life of the projects.

See notes to the basic financial statements.

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

SCHEDULE "5"

DESCRIPTION	ALLOTMENTS FROM GEORGIA DEPARTMENT OF EDUCATION (1) (2)	ELIGIBLE QBE PROGRAM COSTS		
		SALARIES	OPERATIONS	TOTAL
Direct Instructional Programs				
Kindergarten Program	\$ 42,075,442.00	\$ 32,492,012.20	\$ 97,044.90	\$ 32,589,057.10
Kindergarten Program-Early Intervention Program	2,244,005.00	1,667,317.53		1,667,317.53
Primary Grades (1-3) Program	91,869,912.00	70,459,985.50	1,616,046.77	72,076,032.27
Primary Grades-Early Intervention (1-3) Program	7,095,101.00	2,580,709.00		2,580,709.00
Upper Elementary Grades (4-5) Program	40,816,127.00	43,733,636.51		43,733,636.51
Upper Elementary Grades-Early Intervention (4-5) Program	4,521,726.00	2,287,378.07		2,287,378.07
Middle Grades (6-8) Program		3,715,780.67	105,547.35	3,821,328.02
Middle School (6-8) Program	67,538,970.00	56,557,732.26	608,838.48	57,166,570.74
High School General Education (9-12) Program	66,927,168.00	70,324,772.76	1,515,137.57	71,839,910.33
Vocational Laboratory (9-12) Program	9,798,236.00	10,129,449.02	1,410,596.83	11,540,045.85
Students with Disabilities	65,059,330.00			
Category I		46,145,700.52	1,817,578.02	47,963,278.54
Category II		6,787,899.70	4,155.14	6,792,054.84
Category III		35,174,925.17	58,992.12	35,233,917.29
Category IV		2,667,513.47		2,667,513.47
Category V		292,531.33	3,875.00	296,406.33
Gifted Student - Category VI	25,939,199.00	5,127,552.21		5,127,552.21
Remedial Education Program	1,134,976.00	42,743.04		42,743.04
Alternative Education Program	4,843,811.00	1,193,567.27	10,767.02	1,204,334.29
English Speakers of Other Languages (ESOL)	20,779,102.00	13,575,412.76		13,575,412.76
TOTAL DIRECT INSTRUCTIONAL PROGRAMS	450,643,105.00	404,956,618.99	7,248,579.20	412,205,198.19
Media Center Program	12,594,089.00	9,467,377.40	1,696,222.78	11,163,600.18
Staff and Professional Development	2,370,033.00			678,785.86
TOTAL QBE FORMULA FUNDS	\$ 465,607,227.00	\$ 414,423,996.39	\$ 8,944,801.98	\$ 424,047,584.23

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

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

See notes to the basic financial statements.





## 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

October 13, 2015

Honorable Nathan Deal, Governor  
Members of the General Assembly  
Members of the State Board of Education  
and  
Superintendent and Members of the  
DeKalb 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 DeKalb 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 DeKalb County Board of Education's basic financial statements and have issued our report thereon dated October 13, 2015.

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, 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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item FS 2014-001 to be a material weakness.

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 2014-002 to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether DeKalb 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 DeKalb County Board of Education in a separate letter dated October 13, 2015.

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

DeKalb County Board of Education's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. DeKalb County Board of Education's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

Respectfully submitted,

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

Greg S. Griffin  
State Auditor





## DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

October 13, 2015

Honorable Nathan Deal, Governor  
Members of the General Assembly  
Members of the State Board of Education  
and  
Superintendent and Members of the  
DeKalb 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 DeKalb 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. DeKalb 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 DeKalb 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 DeKalb 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 DeKalb County Board of Education's compliance.





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

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

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

Management of DeKalb 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 DeKalb 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 DeKalb County Board of Education's internal control over compliance.

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

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

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

Respectfully submitted,



Greg S. Griffin  
State Auditor



### SECTION III

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



DEKALB COUNTY BOARD OF EDUCATION  
AUDITEE'S RESPONSE  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2014

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

**FINDING CONTROL NUMBER AND STATUS**

FS-6441-12-02	Further Action Not Warranted.
FS-6441-13-01	Unresolved - See Corrective Action/Responses
FS-6441-13-02	Unresolved - See Corrective Action/Responses

**CORRECTIVE ACTION/RESPONSES**

FINANCIAL REPORTING  
Financial Statement Preparation  
Material Weakness  
Finding Control Number: FS-6441-13-01

The Finance division will implement a Chart of Accounts conversion project when a new FMIS/HRIS system is implemented. The scheduled completion date for the Chart of Accounts conversion project is estimated to be June 2017. Hardware upgrades have taken place relative to most of the staff involved in the financial statement preparation process. The IT and Finance divisions are reviewing software options relative to replacing the Accounting and other software reporting packages. A decision should be made on which software options to put in place by January 2016. Additionally, it is our intention to complete the fiscal year 2015 financial statements by allocating additional resources and personnel to the financial statement preparation process to help ensure the accuracy and completeness of the financial statements.

CAPITAL ASSETS  
Capital Asset Maintenance  
Material Weakness  
Finding Control Number: FS-6441-13-02

The Finance Division will implement a new FMIS conversion project which will ensure that capital assets will be appropriately tracked and reported. The scheduled completion date for the FMIS is estimated to be June 2017. Hardware upgrades have taken place relative to most of the staff involved in the financial statement preparation process, and the IT and Finance divisions are reviewing software options relative to replacing our legacy accounting and capital assets software. A decision should be made on which software options to pursue by January, 2016.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.



## SECTION IV

### FINDINGS AND QUESTIONED COSTS





DEKALB 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? Yes

Noncompliance material to financial statements noted: No

**Federal Awards**

Internal Control over major programs:

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

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

Any audit findings disclosed that are required to be reported in  
accordance with OMB Circular A-133, Section 510(a)? No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Grants to Local Educational Agencies
84.027, 84.173	Special Education Cluster
84.395	ARRA Race-to-the-Top Incentive Grants

Dollar threshold used to distinguish between Type A and Type B programs: \$3,000,000.00

Auditee qualified as low-risk auditee? No

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

## II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Finding Control Number: FS 2014-001  
Control Category: Financial Reporting  
Internal Control Impact: Material Weakness

### Description:

This is a repeat finding (FS-6441-13-01 and FS-9441-12-02) from fiscal years ended June 30, 2013 and June 30, 2012, respectively. 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 non-major 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 Department of Audits and Accounts provided basic accounting assistance limited to services such as preparing draft financial statements that were based on the entity's chart of accounts and general ledgers including any adjusting, correcting, and closing entries that have been approved by the entity's staff and prepared draft notes to the financial statements based on information determined and approved by management.

### Cause:

Per discussion with management, the School District could not adequately implement, in a timely fashion, internal controls over the review process of the financial statements due to legacy accounting system inadequacies. The impact of these inadequacies resulted in staff and time constraints.

### Effect or Potential Effect:

The School District's management or its employees, in the normal course of performing their assigned functions, may not prevent or detect financial statement misstatements and disclose omissions in a timely manner. Financial statement adjustments and the compilation of the notes to the financial statements were necessary in order for the School District's financial statements to be in conformity with generally accepted accounting principles.

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

**II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS**

**Recommendation:**

The School District should provide the time and training necessary to ensure that the financial statements, including disclosures are performed by properly trained individuals possessing a thorough understanding of the applicable GAAP, GASB pronouncements, and knowledge of the School District's activities and operations. Management should establish review procedures to monitor these controls and ensure that the financial statements are complete and accurate.

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

Management concurs with this finding. The Finance division will bring in and devote additional resources to timely prepare and review the District's financial statements for the subsequent year's audit. These changes will be implemented with the fiscal year 2015 annual audit.

Contact Person: Dr. Michael J. Bell, CFO  
Phone: (678) 676-0133  
E-mail: michael\_bell@dekalbschoolsga.org

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

## II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Finding Control Number: FS 2014-002  
Control Category: Capital Assets  
Internal Control Impact: Significant Deficiency

### Description:

This is a repeat finding (FS-6441-13-02 and FS-9441-12-02) from fiscal years ended June 30, 2013 and June 30, 2012, respectively. Adequate policies and procedures are not in place to ensure capital assets inventory records are properly maintained.

### Criteria:

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

### Condition:

Our review of capital assets revealed the following items:

- Buses listed on the entity's capital asset listing were not depreciated according to the entity's estimated useful life within its capitalization policies resulting in an overstatement of depreciation expense of \$314,119.00 and an understatement of assets by \$1,417,715.53.
- Procedures were not in place to periodically reconcile capital outlay expenditures to capital assets additions. This procedure would ensure that all assets meeting the capitalization threshold are recorded.
- Physical inventory reviews performed by the School District at year end were incomplete and the status of multiple assets was not indicated or unknown on property ledgers reviewed and completed by School District personnel.
- The School District has not formally adopted an amended capitalization policy to include the procedures for recording intangible assets in accordance with Governmental Accounting Standards Board Statement No. 51, *Accounting and Reporting for Intangible Assets*.

### Cause:

Per discussion with management, the School District could not adequately implement internal controls to maintain capital assets activity due to legacy accounting system inadequacies. The impact of these inadequacies resulted in staff and time constraints.

### Effect or Potential Effect:

The failure of the School District to maintain a complete and accurate capital asset listing can lead to inaccurate internal and external reporting, as well as noncompliance with generally accepted accounting principles.

### Recommendation:

The School District should design and implement controls over capital assets to ensure (1) an ongoing analysis of capital projects is maintained and (2) capital assets inventory records are reviewed for accuracy and appropriate adjustments are made as necessary.

DEKALB 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:**

Management concurs with this finding. The IT and Finance Division will implement a new FMIS conversion project which will ensure that capital assets will be appropriately tracked and reported. The scheduled completion date for the FMIS is estimated to be June 2017. Hardware upgrades have taken place relative to most of the staff involved in the financial statement preparation process, and the IT and Finance divisions are reviewing software options relative to replacing our legacy accounting and capital assets software. A decision should be made on which software options to pursue by January, 2016.

Contact Person: Mr. Gary Brantley, CIO  
Phone: (678) 676-1194  
E-mail: gary\_brantley@dekalbschoolsga.org

**III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.