



ELBERT COUNTY BOARD OF EDUCATION ELBERTON, GEORGIA

**ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2015
(Including Independent Auditor's Reports)**



ELBERT COUNTY BOARD OF EDUCATION

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SECTION I

FINANCIAL

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DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

August 10, 2016

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

INDEPENDENT AUDITOR'S REPORT

Ladies and Gentlemen:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Elbert County Board of Education, as of and for the year ended June 30, 2015, and the related notes to the financial statements (Exhibits A through I), 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 from material misstatement.

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

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effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Elbert County Board of Education, as of June 30, 2015, 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 2015, the Elbert County Board of Education adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The School District restated beginning Net Position for the cumulative effect of these accounting changes. 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 Proportionate Share of the Net Pension Liability, the Schedule of Contributions to Retirement Systems, Notes to the Required Supplementary Information and the Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual as presented on pages i through vii, and pages 33 through 37 respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Elbert County Board of Education's basic financial statements. The accompanying supplementary information, consisting of Schedules 5 through 8, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The

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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 August 10, 2016, on our consideration of the Elbert 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 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 Elbert County Board of Education's internal control over financial reporting and compliance.

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

Respectfully submitted,



Greg S. Griffin
State Auditor

GSG:er
2015ARL-11

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ELBERT COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Introduction

Our discussion and analysis of the Elbert County School District's financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2015 are as follows:

- On the District-wide financial statements, the assets and deferred outflows of resources of the School District exceeded liabilities and deferred inflows of resources by \$3.1 million. Of this amount, the School District has a deficit of \$21.5 million in Unrestricted Net Position due to GASB 68 implementation and pension plan reporting.
- The School District had \$31.5 million in expenses relating to governmental activities; only \$20.05 million of these expenses are offset by program specific charges for services, grants and contributions. General revenues (primarily property and sales taxes) of \$12.65 million were utilized to provide for these programs with the result that Net Position was increased by \$1.2 million.
- As stated above, general revenues accounted for \$12.65 million or 38.7% of all revenues totaling \$32.7 million. Program specific revenues in the form of charges for services, grants and contributions accounted for the rest.

Overview of the Financial Statements

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

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

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

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

ELBERT COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

District-wide Statements

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

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

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

Fund Financial Statements

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

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

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

ELBERT COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Financial Analysis of the School District as a Whole

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

**Table 1
Net Position**

	Governmental Activities	
	Fiscal Year 2015	Fiscal Year 2014 (1)
Assets		
Current and Other Assets	\$ 7,503,011.73	\$ 10,129,267.01
Capital Assets, Net	29,839,100.45	29,333,509.95
Total Assets	37,342,112.18	39,462,776.96
Deferred Outflows related to Defined Benefit Pension Plan	2,106,396.50	0.00
Liabilities and Deferred Inflows		
Current and Other Liabilities	3,449,923.59	5,266,266.70
Long-Term Liabilities	5,629,983.48	6,346,408.39
Net Pension Liability	20,046,746.00	
Total Liabilities	29,126,653.07	11,612,675.09
Deferred Inflows related to Defined Benefit Pension Plan	7,180,110.00	0.00
Net Position		
Net Investment in Capital Assets	24,209,116.97	22,987,101.56
Restricted	411,559.44	810,159.63
Unrestricted	-21,478,930.80	4,052,840.68
Total Net Position	\$ 3,141,745.61	\$ 27,850,101.87

(1) Fiscal year 2014 balances do not reflect the effects of the restatement of Net Position. See Note 2 in the Notes to the Basic Financial Statements for additional information.

ELBERT COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Table 2 shows the Changes in Net Position for this fiscal year as compared to the prior fiscal year.

Table 2
Changes in Net Assets

	Governmental Activities	
	Fiscal Year 2015	Fiscal Year 2014 (1)
Revenues		
Program Revenues:		
Charges for Services	\$ 268,340.40	\$ 278,355.46
Operating Grants and Contributions	19,706,577.90	19,457,786.41
Capital Grants and Contributions	<u>77,220.00</u>	<u>1,497,835.00</u>
Total Program Revenue	<u>20,052,138.30</u>	<u>21,233,976.87</u>
General Revenues:		
Taxes		
Property Taxes for Maintenance and Operations	8,566,701.21	8,749,305.04
Railroad Cars		23,692.89
Sales Taxes	1,851,380.45	1,915,374.10
Other Sales Taxes		71,246.51
Grants and Contributions Not Restricted to Specific Programs	724,005.00	780,591.00
Investment Earnings	2,927.36	1,631.35
Miscellaneous	<u>1,507,820.59</u>	<u>1,230,291.48</u>
Total General Revenues	<u>12,652,834.61</u>	<u>12,772,132.37</u>
Total Revenues	<u>32,704,972.91</u>	<u>34,006,109.24</u>
Program Expenses		
Instruction	18,158,697.25	18,775,928.31
Support Services		
Pupil Services	1,295,468.88	1,230,598.26
Improvement of Instructional Services	1,431,125.37	1,519,261.55
Educational Media Services	425,342.75	402,587.74
General Administration	754,322.60	680,505.55
School Administration	2,022,822.10	2,059,437.89
Business Administration	424,077.50	484,922.83
Maintenance and Operation of Plant	2,192,886.89	2,121,281.96
Student Transportation Services	1,587,928.10	1,838,060.88
Central Support Services	377,566.13	373,195.77
Other Support Services	415,818.76	609,792.91
Operations of Non-Instructional Services		
Enterprise Operations	10,137.58	6,830.91
Food Services	2,250,069.78	2,174,274.00
Interest on Short-Term and Long-Term Debt	<u>170,816.48</u>	<u>45,266.44</u>
Total Expenses	<u>31,517,080.17</u>	<u>32,321,945.00</u>
Increase in Net Position	<u>\$ 1,187,892.74</u>	<u>\$ 1,684,164.24</u>

(1) Fiscal year 2014 balances do not reflect the effects of the restatement of Net Position. See Note 2 in the Notes to the Basic Financial Statements for additional information.

ELBERT COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting these services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. Net cost of services can be defined as the total cost less fees generated by the activities and intergovernmental revenue provided for specific programs. The net cost reflects the financial burden on the School District's taxpayers by each activity as compared to the prior fiscal year.

Table 3
Net Costs of Governmental Activities

	Total Cost of Services		Net Cost of Services	
	Fiscal Year 2015	Fiscal Year 2014(1)	Fiscal Year 2015	Fiscal Year 2014(1)
Instruction	\$ 18,158,697.25	\$ 18,775,928.31	\$ 5,051,278.72	\$ 3,608,922.80
Support Services				
Pupil Services	1,295,468.88	1,230,598.26	1,128,452.81	1,114,904.31
Improvement of Instructional Services	1,431,125.37	1,519,261.55	556,630.00	1,198,244.66
Educational Media Services	425,342.75	402,587.74	30,066.75	35,294.26
General Administration	754,322.60	680,505.55	122,520.31	132,157.31
School Administration	2,022,822.10	2,059,437.89	969,052.39	1,119,174.97
Business Administration	424,077.50	484,922.83	399,667.01	459,694.01
Maintenance and Operation of Plant	2,192,886.89	2,121,281.96	1,219,490.46	1,254,257.59
Student Transportation Services	1,587,928.10	1,838,060.88	923,952.02	1,163,272.80
Central Support Services	377,566.13	373,195.77	371,657.65	351,730.81
Other Support Services	415,818.76	609,792.91	376,340.55	609,361.28
Operations of Non-Instructional Services				
Enterprise Operations	10,137.58	6,830.91	-2,307.12	53.07
Food Services	2,250,069.78	2,174,274.00	147,323.84	-4,366.18
Interest on Short-Term and Long-Term Debt	170,816.48	45,266.44	170,816.48	45,266.44
Total Expenses	\$ 31,517,080.17	\$ 32,321,945.00	\$ 11,464,941.87	\$ 11,087,968.13

(1) Fiscal year 2014 balances do not reflect the effects of the restatement of Net Position. See Note 2 in the Notes to the Basic Financial Statements for additional information.

Financial Analysis of the School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The governmental funds had total revenues of \$32.9 million and total expenditures of \$33.6 million. The excess of expenditures was related to the completion of capital improvement projects at Elbert County Comprehensive High School.

General Fund Budgeting Highlights

The School District's budget is prepared according to Georgia Law. The most significant budgeted fund is the General Fund. During the course of fiscal year 2015, the School District amended its general fund budget as needed.

For the General Fund, the final actual revenues of \$31.0 million exceeded the original budgeted amounts of \$24.1 million by \$6.9 million. This difference (final actual vs. original budget) was due primarily to federal and miscellaneous revenues exceeding the original budget by \$3.9 and \$1.2 million, respectfully. Additionally, state revenues were \$1.3 million more than budgeted.

The final actual expenditures of \$30.6 million exceeded the original budgeted amount of \$24.1 million by \$6.5 million. This difference was primarily due to federal grants, school activity and school nutrition expenditures that are not considered in the budget process.

ELBERT COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At fiscal year ended June 30, 2015, the School District had \$29.8 million invested in capital assets, all in governmental activities. Table 4 reflects a summary of these balances net of accumulated depreciation as compared to the prior fiscal year.

Table 4
Capital Assets (Net of Depreciation)

	Governmental Activities	
	Fiscal Year 2015	Fiscal Year 2014
Land	\$ 1,497,522.00	\$ 1,497,522.00
Construction In Progress		4,318,953.81
Buildings and Improvements	24,112,469.93	18,961,822.37
Equipment	3,790,436.51	4,006,526.58
Intangible Assets	98,538.59	179,820.82
Land Improvements	340,133.42	368,864.37
Total Capital Assets	\$ 29,839,100.45	\$ 29,333,509.95

Debt

At fiscal year ended June 30, 2015, the School District had \$5.6 million in other Long-Term Debt. Table 5 summarizes the School District's debt for Installment Sales Agreement and Capital Leases outstanding.

Table 5
Long Term Debt

	Governmental Activities	
	Fiscal Year 2015	Fiscal Year 2014
Capital Leases	\$ 1,938,320.30	\$ 2,178,711.90
Installment Sales Agreement	3,691,663.18	4,167,696.49
Total Long-Term Debt	\$ 5,629,983.48	\$ 6,346,408.39

ELBERT COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Current Issues

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

- In an attempt to ensure that the District is maintaining a high quality staff, the District instituted a classified salary scale reorganization for the 2016 fiscal year and will be reinstating the local supplement for certified individuals for 2017. The District has taken the necessary steps and measures to ensure that the increases do not effect fund balance and the liquidity of the District.
- ESPLOST 2016 - The current Education Special Purpose Local Option Sales Tax expires in June 2017. The ESPLOST funds capital improvements and debt payments for the District. The voters approved the continuation of the current ESPLOST until June 2022.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. Ben M. Childs, Financial Services at Elbert County School District, 50 Laurel Drive, Elberton, Georgia 30635 or by phone at (706) 213-4000. You may also email your question to Mr. Childs at bchilds@elbert.k12.ga.us.

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ELBERT COUNTY BOARD OF EDUCATION

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ELBERT COUNTY BOARD OF EDUCATION
STATEMENT OF NET POSITION
JUNE 30, 2015

EXHIBIT "A"

	GOVERNMENTAL ACTIVITIES
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 3,607,233.73
Investments	16,848.92
Accounts Receivable, Net	
Taxes	1,042,961.37
State Government	2,313,403.15
Federal Government	472,682.93
Other	6,204.97
Inventories	43,676.66
Capital Assets, Non-Depreciable	1,497,522.00
Capital Assets, Depreciable (Net of Accumulated Depreciation)	28,341,578.45
Total Assets	37,342,112.18
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Related to Defined Benefit Pension Plan	2,106,396.50
<u>LIABILITIES</u>	
Accounts Payable	144,992.42
Salaries and Benefits Payable	3,304,931.17
Long-Term Liabilities	
Due Within One Year	778,923.24
Due in More Than One Year	4,851,060.24
Net Pension Liability	20,046,746.00
Total Liabilities	29,126,653.07
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Related to Defined Benefit Pension Plan	7,180,110.00
<u>NET POSITION</u>	
Net Investment in Capital Assets	24,209,116.97
Restricted for	
Continuation of Federal Programs	411,559.44
Unrestricted (Deficit)	-21,478,930.80
Total Net Position	\$ 3,141,745.61

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

ELBERT COUNTY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

	EXPENSES	CHARGES FOR SERVICES
<u>GOVERNMENTAL ACTIVITIES</u>		
Instruction	\$ 18,158,697.25	\$ 1,650.76
Support Services		
Pupil Services	1,295,468.88	
Improvement of Instructional Services	1,431,125.37	
Educational Media Services	425,342.75	
General Administration	754,322.60	
School Administration	2,022,822.10	
Business Administration	424,077.50	
Maintenance and Operation of Plant	2,192,886.89	
Student Transportation Services	1,587,928.10	
Central Support Services	377,566.13	
Other Support Services	415,818.76	
Operations of Non-Instructional Services		
Enterprise Operations	10,137.58	10,997.68
Food Services	2,250,069.78	255,691.96
Interest on Short-Term and Long-Term Debt	170,816.48	
	\$ 31,517,080.17	\$ 268,340.40
General Revenues		
Taxes		
Property Taxes		
For Maintenance and Operations		
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Capital Projects		
Grants and Contributions not Restricted to Specific Programs		
Investment Earnings		
Miscellaneous		
Total General Revenues		
Change in Net Position		
Net Position - Beginning of Year, Restated		
Net Position - End of Year		

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

EXHIBIT "B"

PROGRAM REVENUES		NET (EXPENSES)
OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	REVENUES AND CHANGES IN NET POSITION
\$ 13,105,767.77		\$ -5,051,278.72
167,016.07		-1,128,452.81
874,495.37		-556,630.00
395,276.00		-30,066.75
631,802.29		-122,520.31
1,053,769.71		-969,052.39
24,410.49		-399,667.01
973,396.43		-1,219,490.46
586,756.08	\$ 77,220.00	-923,952.02
5,908.48		-371,657.65
39,478.21		-376,340.55
1,447.02		2,307.12
1,847,053.98		-147,323.84
		-170,816.48
<u>\$ 19,706,577.90</u>	<u>\$ 77,220.00</u>	<u>-11,464,941.87</u>
		8,566,701.21
		1,851,380.45
		724,005.00
		2,927.36
		<u>1,507,820.59</u>
		<u>12,652,834.61</u>
		1,187,892.74
		<u>1,953,852.87</u>
		<u>\$ 3,141,745.61</u>

ELBERT COUNTY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

EXHIBIT "C"

	GENERAL FUND	DISTRICT-WIDE CAPITAL PROJECTS FUND	TOTAL
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 3,767,740.50		\$ 3,767,740.50
Investments	16,848.92		16,848.92
Accounts Receivable, Net			
Taxes	882,454.60	\$ 160,506.77	1,042,961.37
State Government	2,313,403.15		2,313,403.15
Federal Government	472,682.93		472,682.93
Other	6,204.97		6,204.97
Inventories	43,676.66		43,676.66
Total Assets	\$ 7,503,011.73	\$ 160,506.77	\$ 7,663,518.50
 <u>LIABILITIES</u>			
Cash Overdraft		\$ 160,506.77	\$ 160,506.77
Accounts Payable	\$ 144,992.42		144,992.42
Salaries and Benefits Payable	3,304,931.17		3,304,931.17
Total Liabilities	3,449,923.59	160,506.77	3,610,430.36
 <u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable Revenue - Property Taxes	549,855.80		549,855.80
 <u>FUND BALANCES</u>			
Nonspendable	43,676.66		43,676.66
Restricted	367,882.78	0.00	367,882.78
Committed	16,848.92		16,848.92
Assigned	190,571.84		190,571.84
Unassigned	2,884,252.14		2,884,252.14
Total Fund Balances	3,503,232.34	0.00	3,503,232.34
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 7,503,011.73	\$ 160,506.77	\$ 7,663,518.50

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

ELBERT COUNTY BOARD OF EDUCATION
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2015

EXHIBIT "D"

Total Fund Balances - Governmental Funds (Exhibit "C") \$ 3,503,232.34

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

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

Land	\$	1,497,522.00	
Land Improvements		571,779.36	
Buildings and Improvements		33,654,094.64	
Equipment		8,485,253.92	
Intangible Assets		392,211.20	
Accumulated Depreciation		<u>-14,761,760.67</u>	
Total Capital Assets			29,839,100.45

Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds.

Net Pension Liability -20,046,746.00

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

Property Taxes 549,855.80

Deferred Outflows and Inflows of Resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.

-5,073,713.50

Long-Term Liabilities, are not due and payable in the current period and therefore are not reported as liabilities in the funds. These consist of:

Capital Leases Payable	\$	-1,938,320.30	
Installment Sales Agreement		<u>-3,691,663.18</u>	
Total Long-Term Liabilities			<u>-5,629,983.48</u>

Net Position of Governmental Activities (Exhibit "A") \$ 3,141,745.61

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

ELBERT COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

EXHIBIT "E"

	<u>GENERAL FUND</u>	<u>DISTRICT-WIDE CAPITAL PROJECTS FUND</u>	<u>TOTAL</u>
<u>REVENUES</u>			
Property Taxes	\$ 8,661,170.94		\$ 8,661,170.94
Sales Taxes		\$ 1,851,380.45	1,851,380.45
State Funds	16,601,791.80		16,601,791.80
Federal Funds	3,957,923.10		3,957,923.10
Charges for Services	268,340.40		268,340.40
Investment Earnings	306.85	2,620.51	2,927.36
Miscellaneous	1,507,820.59		1,507,820.59
	<u>30,997,353.68</u>	<u>1,854,000.96</u>	<u>32,851,354.64</u>
Total Revenues			
<u>EXPENDITURES</u>			
Current			
Instruction	17,905,471.16	119,557.99	18,025,029.15
Support Services			
Pupil Services	1,285,932.79		1,285,932.79
Improvement of Instructional Services	1,420,590.71		1,420,590.71
Educational Media Services	422,211.76		422,211.76
General Administration	738,068.07	10,701.88	748,769.95
School Administration	2,007,931.90		2,007,931.90
Business Administration	404,546.25	18,579.26	423,125.51
Maintenance and Operation of Plant	2,054,442.94	125,935.38	2,180,378.32
Student Transportation Services	1,563,257.45	36,704.27	1,599,961.72
Central Support Services	166,922.79	211,443.69	378,366.48
Other Support Services	384,254.16	28,921.62	413,175.78
Enterprise Operations	10,062.95		10,062.95
Food Services Operation	2,252,508.54		2,252,508.54
Capital Outlay		1,511,510.13	1,511,510.13
Debt Services			
Principal	13,033.31	703,391.60	716,424.91
Interest	3,965.37	166,851.11	170,816.48
	<u>30,633,200.15</u>	<u>2,933,596.93</u>	<u>33,566,797.08</u>
Total Expenditures			
Excess of Revenues over (under) Expenditures	<u>364,153.53</u>	<u>-1,079,595.97</u>	<u>-715,442.44</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In		665,559.64	665,559.64
Transfers Out	<u>-665,559.64</u>		<u>-665,559.64</u>
Total Other Financing Sources (Uses)	<u>-665,559.64</u>	<u>665,559.64</u>	<u>0.00</u>
Net Change in Fund Balances	-301,406.11	-414,036.33	-715,442.44
Fund Balances - Beginning	<u>3,804,638.45</u>	<u>414,036.33</u>	<u>4,218,674.78</u>
Fund Balances - Ending	<u>\$ 3,503,232.34</u>	<u>\$ 0.00</u>	<u>\$ 3,503,232.34</u>

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

ELBERT COUNTY BOARD OF EDUCATION
 RECONCILIATION OF THE GOVERNMENT FUNDS STATEMENT OF
 REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2015

EXHIBIT "F"

Total Net Change in Fund Balances - Governmental Funds (Exhibit "E") \$ -715,442.44

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	\$	1,792,270.99	
Depreciation Expense		<u>-1,286,680.49</u>	
Excess of Capital Outlay over Depreciation Expense			505,590.50

Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. -94,469.73

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	\$	240,391.60	
Installment Sales Agreement		<u>476,033.31</u>	
Total Long-Term Debt Repayments			716,424.91

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. The net of these adjustments are:

Pension Expense			<u>775,789.50</u>
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Change in Net Position of Governmental Activities (Exhibit "B") \$ 1,187,892.74

ELBERT COUNTY BOARD OF EDUCATION
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2015

EXHIBIT "G"

	PRIVATE PURPOSE TRUSTS	AGENCY FUNDS
<u>ASSETS</u>		
Cash and Cash Equivalents		\$ 160,395.24
Investments	\$ 40,743.56	
Total Assets	\$ 40,743.56	\$ 160,395.24
 <u>LIABILITIES</u>		
Accounts Payable	\$ 3,500.00	
Funds Held for Others		\$ 160,395.24
Total Liabilities	3,500.00	\$ 160,395.24
 <u>NET POSITION</u>		
Held in Trust for Private Purposes	\$ 37,243.56	

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

ELBERT COUNTY BOARD OF EDUCATION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2015

EXHIBIT "H"

	<u>PRIVATE PURPOSE TRUSTS</u>
<u>ADDITIONS</u>	
Investment Earnings	
Interest	\$ <u>117.95</u>
Net Position - Beginning	<u>37,125.61</u>
Net Position - Ending	\$ <u><u>37,243.56</u></u>

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

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NOTE 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY
REPORTING ENTITY

The Elbert 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 Elbert 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 has no funds reported as nonmajor funds.

The School District reports the following major governmental funds:

- General Fund is the School District's primary operating fund. It accounts for and reports all financial resources not accounted for and reported in another fund.
- District-wide Capital Projects Fund accounts for and reports financial resources including Education Special Purpose Local Option Sales Tax (ESPLOST) that are restricted, committed or assigned to the expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The School District reports the following fiduciary fund types:

- Private Purpose Trust funds report trust arrangements under which principal and income benefit various scholarships.
- Agency funds account for assets held by the School District as an agent for various student clubs and organizations.

BASIS OF ACCOUNTING

The basis of accounting determines when transactions are reported on the financial statements. The District-wide governmental and fiduciary 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 is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. The School District considers all intergovernmental revenues to be available if they are collected within 120 days after year-end. Property taxes, sales taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt 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, both restricted and unrestricted resources are available to finance the program. It is the School District's policy to first apply grant resources to such programs, followed by cost-reimbursement grants, then general revenues.

RESTATEMENT OF PRIOR YEAR NET POSITION

For fiscal year 2015, the School District made several prior period adjustments due to the adoption of GASB Statement No. 68 and GASB Statement No. 71, as described in "New Accounting Pronouncements" below, which require the restatement of the June 30, 2014, Net Position in Governmental Activities. The result is a decrease in Net Position at July 1, 2014 of \$25,896,249.00. This change is in accordance with generally accepted accounting principles.

ELBERT COUNTY BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2015

EXHIBIT "I"

Net Position, July 1, 2014, as previously reported	\$	27,850,101.87
Prior Period adjustment - Implementation of GASB 68:		
Net Pension Liability (measurement date)		
TRS		-27,884,164.00
Deferred Outflows - School District's contribution made		
during fiscal year 2014		
TRS		1,987,915.00
		1,987,915.00
Net Position, July 1, 2014, as restated	\$	1,953,852.87

NEW ACCOUNTING PRONOUNCEMENTS

In fiscal year 2015, the School District adopted 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. The adoption of this statement has a significant impact on the School District's financial statements. As noted above, the School District restated beginning Net Position for the cumulative effect of this accounting change.

In fiscal year 2015, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 69, *Government Combinations and Disposals of Government Operations*. This statement provides specific accounting and financial reporting guidance for combinations in the governmental environment. This statement also requires that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The School District did not have any activities of this type during the fiscal year and the adoption of this statement does not have a significant impact on the School District's financial statements.

In fiscal year 2015, the School District adopted Governmental Accounting Standards Board (GASB) Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB No. 68*. The objective of this statement is to improve accounting and financial reporting by addressing an issue in Statement No. 68, *Accounting and Financial Reporting for Pensions*, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of statement. This statement amends paragraph 137 of Statement No. 68 which limited recognition of pension-related deferred inflows of resources at the transition to circumstances in which it is practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions. The adoption of this statement has a significant impact on the School District's financial statements. As noted above, the School District restated beginning Net Position for the cumulative effect of this accounting change.

CASH AND CASH EQUIVALENTS

Composition of Deposits

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

INVESTMENTS

Composition of Investments

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

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

The School District does not have a formal policy regarding investment policies that addresses credit risk, 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 Elbert County Board of Commissioners adopted the property tax levy for the 2014 tax digest year (calendar year) on August 29, 2014 (levy date) based on property values as of January 1, 2014. Taxes were due on December 5, 2014 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2014 tax digest are reported as revenue in the governmental funds for fiscal year 2015. The Elbert County Tax Commissioner bills and collects the property taxes for the School District, withholds 2.5% of taxes collected as a fee for tax collection and remits the balance of taxes collected to the School District. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2015, for maintenance and operations amounted to \$8,211,450.59.

The tax millage rate levied for the 2014 tax year (calendar year) for the Elbert County Board of Education was as follows (a mill equals \$1 per thousand dollars of assessed value):

School Operations	<u>16.797</u> mills
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Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to \$449,720.35 during fiscal year ended June 30, 2015.

ELBERT COUNTY BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2015

EXHIBIT "I"

SALES TAXES

Education Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to \$1,851,380.45 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

INVENTORIES

Food Inventories

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

CAPITAL ASSETS

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

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

	Capitalization Policy	Estimated Useful Life
Land	Any Amount	N/A
Land Improvements	\$ 5,000.00	20 years
Buildings and Improvements	\$ 5,000.00	up to 50 years
Equipment	\$ 5,000.00	2 to 25 years
Intangible Assets	\$ 5,000.00	3 to 6 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.

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of Net Position and/or the balance sheet will 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. Under the full accrual method of accounting, the School District has reported deferred outflows of resources related to a defined benefit pension plan, as discussed in Note 16– Retirement Plans.

In addition to liabilities, the statement of Net Position and/or the balance sheet will 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. Under the full accrual method of accounting, the School District has reported deferred inflows of resources related to a defined benefit pension plan, as discussed in Note 16 – Retirement Plans. This item is reported only in the District-wide Statement of Net Position. The School District has one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and grants, and these amounts are deferred and will be recognized as an inflow of resources (revenue) in the period in which the amounts become available.

PENSIONS

For purposes of measuring the Net Pension Liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers' Retirement System of Georgia (TRS), the Public School Employees Retirement System (PSERS) and additions to/deductions from TRS/PSERS's fiduciary net position have been determined on the same basis as they are reported by TRS/PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See Note 16 - Retirement Plans.

NET POSITION

The School District's Net Position in the District-wide Statements is classified as follows:

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

Restricted Net Position - This represents resources for which the School District is legally or contractually obligated to spend resources for continuation of Federal Programs in accordance with restrictions imposed by external third parties.

Unrestricted Net Position - Unrestricted Net Position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of Investment of Capital Assets and Restricted Net Position. Included in the net deficit reported is the School District's Net Pension Liability of \$20,046,746.00 which is required for financial reporting.

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.

ELBERT COUNTY BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2015

EXHIBIT "I"

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 have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the General Fund.

Fund Balances of the Governmental Funds at June 30, 2015, are as follows:

Nonspendable		
Inventories	\$	43,676.66
Restricted		
Continuation of Federal Programs		367,882.78
Committed		
Rutland Center		16,848.92
Assigned		
School Activity Accounts		190,571.84
Unassigned		2,884,252.14
Fund Balance, June 30, 2015	\$	3,503,232.34

It is the goal of the School District to achieve and maintain a committed, assigned, and unassigned fund balance in the general fund at fiscal year end of not less than 12% of expenditures, not to exceed 15% of the total budget of the subsequent fiscal year, in compliance with Official Code of Georgia Annotated Section 20-2-167(a)5. If the unassigned fund balance at fiscal year end falls below the goal, the School District shall develop a restoration plan to achieve and maintain the minimum fund balance.

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

USE OF ESTIMATES

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

NOTE 3: BUDGETARY DATA

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

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

See Schedule 4 – 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: DEPOSIT 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.

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

1. Surety bond signed by a surety company duly qualified and authorized to transact business within the State of Georgia,
2. Insurance on accounts provided by the Federal Deposit Insurance Corporation,
3. Bonds, bills, notes, certificates of indebtedness or other direct obligations of the United States or of the State of Georgia,
4. Bonds, bills, notes, certificates of indebtedness or other obligations of the counties or municipalities of the State of Georgia,
5. Bonds of any public authority created by the laws of the State of Georgia, providing that the statute that created the authority authorized the use of the bonds for this purpose,
6. Industrial revenue bonds and bonds of development authorities created by the laws of the State of Georgia, and

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7. Bonds, bills, notes, certificates of indebtedness, or other obligations of a subsidiary corporation of the United States government, which are fully guaranteed by the United States government both as to principal and interest or debt obligations issued by or securities guaranteed by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, the Central Bank for Cooperatives, the Farm Credit Banks, the Federal Home Loan Mortgage Association, and the Federal National Mortgage Association.

CATEGORIZATION OF DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. At June 30, 2015, the School District had deposits with a carrying amount of \$3,808,372.53, which includes \$40,743.56 in Certificates of Deposit that are reported as Investments, and a bank balance of \$4,347,589.66. The bank balances insured by Federal depository insurance were \$1,000,000.00, and the bank balances collateralized with securities held by the pledging institution or by the pledging financial institution's trust department or agent in the School District's name were \$3,347,589.66.

CATEGORIZATION OF INVESTMENTS

At June 30, 2015, the carrying value of the School District's total investment was \$57,592.48, which is materially the same as fair value. This includes \$40,743.56 invested in Certificates of Deposit, which are collateralized in the same manner as other cash deposits. The School District's investments as of June 30, 2015, are presented below. All investments are presented by investment type and debt securities are presented by maturity.

<u>Investment Type</u>	<u>Fair Value</u>
Other Investments	
U.S. Treasury	
Money Market Funds	\$ <u>16,848.92</u>

The U.S. Treasury Money Market Funds are invested in the Fidelity Institutional Money Market Treasury Portfolio Fund-Class III (FISXX) managed by Fidelity Investments. The fund normally invests at least 80% of assets in U.S. Treasury Securities and repurchase agreements for those securities. The weighted average maturity is 38 days. The fund is rated AAAM by Standard and Poor's and AAA-mf by Moody's.

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, 2014	Increases	Decreases	Transfers	Balances June 30, 2015
Governmental Activities					
Capital Assets, Not Being Depreciated:					
Land	\$ 1,497,522.00				\$ 1,497,522.00
Construction in Progress	4,318,953.81	\$ 1,344,431.76	\$ 0.00	\$ -5,663,385.57	0.00
Total Capital Assets Not Being Depreciated	5,816,475.81	1,344,431.76	0.00	-5,663,385.57	1,497,522.00
Capital Assets Being Depreciated					
Buildings and Improvements	27,934,021.87			5,720,072.77	33,654,094.64
Equipment	8,094,101.89	447,839.23		-56,687.20	8,485,253.92
Land Improvements	571,779.36				571,779.36
Intangible Assets	392,211.20				392,211.20
Less Accumulated Depreciation for:					
Buildings and Improvements	8,972,199.50	545,632.27		23,792.94	9,541,624.71
Equipment	4,087,575.31	631,035.04		-23,792.94	4,694,817.41
Land Improvements	202,914.99	28,730.95			231,645.94
Intangible Assets	212,390.38	81,282.23	0.00		293,672.61
Total Capital Assets, Being Depreciated, Net	23,517,034.14	-838,841.26	0.00	5,663,385.57	28,341,578.45
Governmental Activity Capital Assets - Net	\$ 29,333,509.95	\$ 505,590.50	\$ 0.00	\$ 0.00	\$ 29,839,100.45

The District transferred \$5,663,385.57 from construction in progress to building and improvements in the current year.

Capital assets acquired under capital leases as of June 30, 2015, are as follows:

	Governmental Activities
Buildings and Improvements	\$ 4,626,249.94
Equipment	2,180,799.06
Less: Accumulated Depreciation	289,649.37
	\$ 6,517,399.63

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Current year depreciation expense by function is as follows:

Instruction		\$	747,122.69
Support Services			
Pupil Services	\$		53,339.81
Improvements of Instructional Services			58,925.35
Educational Media Services			17,513.12
General Administration			31,058.58
School Administration			83,287.95
Business Administration			17,551.02
Maintenance and Operation of Plant			90,440.94
Student Transportation Services			66,365.57
Central Support Services			15,694.44
Other Support Services			17,138.31
Enterprise Operations	<u>417.41</u>		451,732.50
Food Services			<u>87,825.30</u>
		<u>\$</u>	<u>1,286,680.49</u>

NOTE 7: INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2015, consisted of the following:

		Transfers From	
<u>Transfers to</u>		<u>General Fund</u>	
District-wide Capital Projects	\$		<u>665,559.64</u>

Transfers are used to move property tax revenues collected by the General Fund to the District-wide Capital Projects Fund as required match or supplemental funding source for capital construction projects.

NOTE 8: RISK MANAGEMENT

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

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

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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 the related 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>
2014	\$	3,510.00	\$	50,313.57	\$	55,171.57	\$	-1,348.00
2015	\$	-1,348.00	\$	0.00	\$	0.00	\$	-1,348.00

The School District participates in the Georgia School Boards Association Workers' Compensation Fund, a public entity risk pool organized on July 1, 1992, to develop, implement, and administer a program of workers' compensation self-insurance for its member organizations. The School District pays an annual premium to the Fund for its Workers' Compensation insurance coverage. Excess insurance coverage is provided through an agreement by the Fund with the Safety National Casualty Corporation to provide coverage for potential losses sustained by the Fund in excess of \$550 thousand loss per occurrence, up to the statutory limit. Employers' Liability insurance coverage is also provided by Safety National Casualty Corporation to provide coverage for potential losses sustained by the Fund in excess of \$550 thousand loss per occurrence, up to \$2.0 million. In addition to the \$550,000 per occurrence retention, the Fund also retains an additional \$200,000 per year corridor retention.

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

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

NOTE 9: OPERATING LEASES

Elbert County Board of Education has entered into various leases as lessee for copiers. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the year ended June 30, 2015, for governmental funds amounted to \$12,031.44. Future minimum lease payments for these leases are as follows:

<u>Year Ending</u>	<u>Governmental Funds</u>
2016	\$ 12,031.44
2017	12,031.44
2018	8,523.58
Total	\$ <u>32,586.46</u>

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NOTE 10: 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 short-term financing needs. 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:

	Beginning Balance	Issued	Redeemed	Ending Balance
Tax Anticipation Notes	\$ 0.00	\$ 2,000,000.00	\$ 2,000,000.00	\$ 0.00

NOTE 11: LONG-TERM LIABILITIES

CAPITAL LEASES

The Elbert County Board of Education also entered into various lease agreements for energy conservations measures and equipment. These lease agreements qualify as capital leases for accounting purposes, and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

INSTALLMENT SALES AGREEMENT

The Elbert County Board of Education entered into a contract with the Northeast Georgia Regional Educational Service Agency (NGRESA) dated July 1, 2006, for the construction and subsequent lease of the Rutland Center. Under the terms of the contract, the School District will make annual payments through July 15, 2020.

In addition, the Elbert County School District entered into an agreement dated April 16, 2014, with the Georgia Municipal Association for the construction and subsequent lease of buildings and related improvements. Under the terms of the agreement, the School District will make annual payments through December 31, 2022.

Voters have authorized \$7,475,000.00 in general obligation debt which was not issued as of June 30, 2015.

The changes in Long-Term Liabilities during the fiscal year ended June 30, 2015, were as follows:

	Governmental Activities				
	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015	Due Within One Year
Capital Leases	\$ 2,178,711.90	\$ 0.00	\$ 240,391.60	\$ 1,938,320.30	\$ 290,391.60
Installment Sales Agreement	4,167,696.49		476,033.31	3,691,663.18	488,531.64
	\$ 6,346,408.39	\$ 0.00	\$ 716,424.91	\$ 5,629,983.48	\$ 778,923.24

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At June 30, 2015, payments due by fiscal year which includes principal and interest for these items are as follows:

Fiscal Year Ended June 30:	Capital Leases		Installment Sales Agreement	
	Principal	Interest	Principal	Interest
2016	\$ 290,391.60	\$ 47,459.44	\$ 488,531.64	\$ 101,531.58
2017	273,968.70	41,604.94	502,106.63	88,048.68
2018	225,000.00	35,750.44	516,719.98	74,188.23
2019	225,000.00	29,895.94	531,333.31	59,921.48
2020	225,000.00	24,041.44	545,946.63	45,248.42
2021 - 2023	698,960.00	36,997.32	1,107,024.99	45,373.84
Total Principal and Interest	\$ 1,938,320.30	\$ 215,749.52	\$ 3,691,663.18	\$ 414,312.23

NOTE 12: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of \$71,421.00 for retirement contributions paid on the School District’s behalf by the following State Agencies.

Office of the State Treasurer
 Paid to the Public School Employees Retirement System
 For Public School Employees Retirement (PSERS) Employer’s Cost
 In the amount of \$71,421.00

Funds paid on behalf of the School District are reported in governmental funds. See Note 16 - Retirement Plans for the State support related to the Net Pension Liability.

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.

NOTE 14: SUBSEQUENT EVENTS

On March 1, 2016, the voters of Elbert County voted in favor of the continuation of the Education Special Purpose Local Option Sales Tax of one percent to be imposed on all sales and uses in Elbert County for a period of time not to exceed 20 calendar quarters to raise not more than \$14,418,438.00 for the Elbert County School District. The reimposition of the tax approved by the voters, as stated on the Official Ballot of Elbert County, is as follows:

“Shall a one percent sales and use tax for educational purposes be continued in Elbert County for a period not to exceed 20 calendar quarters (5 years), commencing on the first day of the expiration of the current tax, for the purpose of raising not more than \$14,418,438.00 of net proceeds by said tax, for the following projects: (1) Renovating, modernizing, equipping, repairing, improving, planning, and acquiring other system facilities to include elementary, middle, high, athletic and operational facilities, with an estimated cost of \$5,083,848.00; (2) Purchasing textbooks and software, with an estimated cost of \$725,000.00; (3) Purchasing, acquiring and improving school buses, vehicles and improvements to parking facilities, with an estimated cost of \$805,000.00; (4) Purchasing, upgrading and supporting existing and future technology initiatives to include but not be limited to computers, computer peripheral

devices, infrastructure, security, and end user devices, with an estimated cost of \$3,400,000.00; (5) Purchasing, upgrading, renovating, improving, planning and modernizing HVAC and associated systems, with an estimated cost of \$2,616,219.00; (6) Acquiring and preparing land for the construction of new or replacement facilities and the expansion of existing district facilities as well as replacing, purchasing, upgrading or supplementing capital equipment as needed, with an estimated cost of \$125,000.00. The maximum amount of the projects to be paid with the sale and use tax proceeds not to exceed \$14,418,438.00.”

NOTE 15: POST-EMPLOYMENT BENEFITS

GEORGIA SCHOOL PERSONNEL POST-EMPLOYMENT HEALTH BENEFIT FUND

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

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

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

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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, 2015:

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

July 1, 2014 – June 30, 2015 \$945.00 per member per month

For non-certificated school personnel:

July 1, 2014 – June 30, 2015 \$596.20 per member per month

No additional contribution was required by the Board for fiscal year 2015 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:

Fiscal Year	Percentage Contributed	Required Contribution
2015	100%	\$ 3,428,485.55
2014	100%	\$ 3,423,540.60
2013	100%	\$ 3,141,096.01

NOTE 16: RETIREMENT PLANS

Elbert County Board of Education participates in various retirement plans administered by the State of Georgia, as further explained below.

TEACHERS' RETIREMENT SYSTEM OF GEORGIA (TRS)

Plan Description: All teachers of the School District as defined in §47-3-60 of the *Official Code of Georgia Annotated* (O.C.G.A.) and certain other support personnel as defined by §47-3-63 are provided pension through the Teachers' Retirement System of Georgia (TRS). TRS, a cost-sharing multiple-employer defined benefit pension plan, is administered by the TRS Board of Trustees (TRS Board). Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. The Teachers' Retirement System of Georgia issues a publicly available separate financial audit report that can be obtained at www.trsga.com/publications.

Benefits Provided: TRS provides service retirement, disability retirement, and death benefits. Normal retirement benefits are determined as 2% of the average of the employee's two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. An employee 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. Ten years of service is required for disability and death benefits eligibility. Disability benefits are based on the employee's creditable service and compensation up to the time of disability. Death benefits equal the amount that would be payable to the employee's beneficiary had the employee retired on the date of death. Death benefits are based on the employee's creditable service and compensation up to the date of death.

Contributions: Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Contributions are expected to finance the costs of benefits earned by employees during the

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year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6% of their annual pay during fiscal year 2015. The school district's contractually required contribution rate for the year ended June 30, 2015 was 13.15% of annual school district payroll.

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

Fiscal Year	Percentage Contributed	Required Contribution
2015	100%	\$ 2,106,396.50
2014	100%	\$ 1,989,676.95
2013	100%	\$ 1,839,965.90

PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (PSERS)

Plan description: PSERS is a cost-sharing multiple-employer defined benefit pension plan established by the Georgia General Assembly in 1969 for the purpose of providing retirement allowances for public school employees who are not eligible for membership in the Teachers' Retirement System of Georgia. The ERS Board of Trustees, plus two additional trustees, administers PSERS. Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. PSERS issues a publicly available financial report that can be obtained at www.ers.ga.gov/formspubs/formspubs.

Benefits provided: A member may retire and elect to receive normal monthly retirement benefits after completion of ten years of creditable service and attainment of age 65. A member may choose to receive reduced benefits after age 60 and upon completion of ten years of service.

Upon retirement, the member will receive a monthly benefit of \$14.75, multiplied by the number of years of creditable service. Death and disability benefits are also available through PSERS. Additionally, PSERS may make periodic cost-of-living adjustments to the monthly benefits. Upon termination of employment, member contributions with accumulated interest are refundable upon request by the member. However, if an otherwise vested member terminates and withdraws his/her member contribution, the member forfeits all rights to retirement benefits.

Contributions: The general assembly makes an annual appropriation to cover the employer contribution to PSERS on behalf of local school employees (bus drivers, cafeteria workers, and maintenance staff). The annual employer contribution required by statute is actuarially determined and paid directly to PSERS by the State Treasurer in accordance with O.C.G.A. §47-4-29(a) and 60(b). Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Individuals who became members prior to July 1, 2012 contribute \$4 per month for nine months each fiscal year. Individuals who became members on or after July 1, 2012 contribute \$10 per month for nine months each fiscal year. The State of Georgia, although not the employer of PSERS members, is required by statute to make employer contributions actuarially determined and approved and certified by the PSERS Board of Trustees.

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Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the School District reported a liability of \$20,046,746.00 for its proportionate share of the Net Pension Liability for TRS.

The Net Pension Liability was measured as of June 30, 2014. The total pension liability used to calculate the Net Pension Liability was based on an actuarial valuation as of June 30, 2013. An expected total pension liability as of June 30, 2014 was determined using standard roll-forward techniques. The School District's proportion of the Net Pension Liability was based on contributions to TRS during the fiscal year ended June 30, 2014.

At June 30, 2014, the School District's TRS proportion was 0.158677%, which was a decrease of 0.001348% from its proportion measured as of June 30, 2013.

At June 30, 2015, the School District did not have a PSERS liability for a proportionate share of the Net Pension Liability because of a Special Funding Situation with the State of Georgia, which is responsible for the Net Pension Liability of the plan. The amount of the State's proportionate share of the Net Pension Liability associated with the School District is \$224,650.00.

The PSERS Net Pension Liability was measured as of June 30, 2014. The total pension liability used to calculate the Net Pension Liability was based on an actuarial valuation as of June 30, 2013. An expected total pension liability as of June 30, 2014 was determined using standard roll-forward techniques. The State's proportion of the Net Pension Liability associated with the School District was based on actuarially determined contributions paid by the State during the fiscal year ended June 30, 2014.

For the year ended June 30, 2015, the School District recognized pension expense of \$1,330,607.00 for TRS, \$19,509.00 for PSERS, and related revenue of \$19,509.00 for PSERS. The revenue is support provided by the State of Georgia.

At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	TRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference between projected and actual earnings on pension plan investments		\$ 6,988,721.00
Changes in proportion and differences between School District contributions and proportionate share of contributions		191,389.00
School District contributions subsequent to the measurement date	\$ 2,106,396.50	
Total	\$ 2,106,396.50	\$ 7,180,110.00

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Elbert County Board of Education contributions subsequent to the measurement date of June 30, 2014 for TRS are reported as deferred outflows of resources and will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	TRS
2016	\$ -1,790,677.00
2017	\$ -1,790,677.00
2018	\$ -1,790,677.00
2019	\$ -1,790,679.00
2020	\$ -17,400.00

Actuarial assumptions: The total pension liability as of June 30, 2014 was determined by an actuarial valuation as of June 30, 2013, using the following actuarial assumptions, applied to all periods included in the measurement:

Teachers' Retirement System:

Inflation	3.00%
Salary increases	3.75 – 7.00%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females set back two years for males and set back three years for females.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2004 – June 30, 2009.

Public School Employees Retirement System:

Inflation	3.00%
Salary increases	N/A
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table set forward one year for males for the period after service retirement, for dependent beneficiaries, and for deaths in active service, and the RP-2000 Disabled Mortality Table set back two years for males and set forward one year for females for the period after disability retirement.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2004 – June 30, 2009.

ELBERT COUNTY BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2015

EXHIBIT "I"

The long-term expected rate of return on TRS and PSERS pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return*</u>
Fixed income	30.00%	3.00%
Domestic large stocks	39.70%	6.50%
Domestic mid stocks	3.70%	10.00%
Domestic small stocks	1.60%	13.00%
International developed market stocks	18.90%	6.50%
International emerging market stocks	6.10%	11.00%
Total	<u>100.00%</u>	

* Rates shown are net of the 3.00% assumed rate of inflation

Discount rate: The discount rate used to measure the total TRS and PSERS pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and nonemployer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the TRS and PSERS pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Elbert County Board of Education's proportionate share of the Net Pension Liability to changes in the discount rate: The following presents the School District's proportionate share of the Net Pension Liability calculated using the discount rate of 7.50 %, as well as what the School District's proportionate share of the Net Pension Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

Teachers' Retirement System:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the Net Pension Liability	\$ 36,943,463.00	\$ 20,046,746.00	\$ 6,132,650.00

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued TRS and PSERS financial report which is publically available at www.trsga.com/publications and www.ers.ga.gov/formspubs/formspubs.

DEFINED CONTRIBUTION PLAN

In July 1, 1995, Elbert 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 School District selected Lincoln Financial Services as the provider of this plan. For each employee covered under PSERS, the Board began contributing to the plan an amount equal to 3% of the employee's base pay.

The employee becomes vested in the plan from the first enrollment date.

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>
2015	100%	\$ 15,748.00
2014	100%	\$ 14,335.00
2013	100%	\$ 21,791.00

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ELBERT COUNTY BOARD OF EDUCATION
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 TEACHERS' RETIREMENT SYSTEM OF GEORGIA
 FOR THE YEAR ENDED JUNE 30, 2015

SCHEDULE "1"

	2015
School District's proportion of the net pension liability	0.158677%
School District's proportionate share of the net pension liability	\$ 20,046,746.00
School District's covered-employee payroll	\$ 16,202,581.03
School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	123.72%
Plan fiduciary net position as a percentage of the total pension liability	84.03%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available. Schedule includes all significant plans and funds administered by Elbert County Board of Education.

ELBERT COUNTY BOARD OF EDUCATION
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS
 TEACHERS' RETIREMENT SYSTEM OF GEORGIA
 FOR THE YEAR ENDED JUNE 30

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 2,106,396.50	\$ 1,989,676.95	\$ 1,839,965.90
Contributions in relation to the contractually required contribution	<u>\$ 2,106,396.50</u>	<u>\$ 1,989,676.95</u>	<u>\$ 1,839,965.90</u>
Contribution deficiency (excess)	\$ 0.00	\$ 0.00	\$ 0.00
School District's covered-employee payroll	\$ 16,023,377.62	\$ 16,202,581.03	\$ 16,125,906.22
Contributions as a percentage of covered-employee payroll	13.15%	12.28%	11.41%

This schedule is intended to show information for 10 years. Due to the retention policy of the Elbert County Board of Education, the School District is only able to display 6 years of information.

SCHEDULE "2"

<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 1,773,669.56	\$ 2,036,726.54	\$ 1,966,942.61
<u>\$ 1,773,669.56</u>	<u>\$ 2,036,726.54</u>	<u>\$ 1,966,942.61</u>
\$ 0.00	\$ 0.00	\$ 0.00
\$ 17,253,594.96	\$ 19,812,514.95	\$ 20,194,482.68
10.28%	10.28%	9.74%

Teachers' Retirement System

Changes of assumptions : In 2010 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In 2010, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

Method and assumptions used in calculations of actuarially determined contributions : The actuarially determined contribution rates in the schedule of contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the contractually required contributions for year ended June 30, 2015 reported in that schedule:

Valuation date	June 30, 2012
Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	30 years
Asset valuation method	Seven-year smoothed market
Inflation rate	3.00%
Salary increases	3.75 - 7.00%, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

ELBERT COUNTY BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2015

SCHEDULE "4"

	NONAPPROPRIATED BUDGETS		ACTUAL AMOUNTS	VARIANCE OVER/UNDER
	ORIGINAL (1)	FINAL (1)		
REVENUES				
Property Taxes	\$ 8,250,165.00	\$ 8,250,165.00	\$ 8,661,170.94	\$ 411,005.94
Sales Taxes	45,000.00	45,000.00		-45,000.00
State Funds	15,334,493.00	15,334,493.00	16,601,791.80	1,267,298.80
Federal Funds	83,900.00	2,601,972.00	3,957,923.10	1,355,951.10
Charges for Services	1,500.00	1,500.00	268,340.40	266,840.40
Investment Earnings	5,000.00	5,000.00	306.85	-4,693.15
Miscellaneous	345,991.00	345,991.00	1,507,820.59	1,161,829.59
Total Revenues	24,066,049.00	26,584,121.00	30,997,353.68	4,413,232.68
EXPENDITURES				
Current				
Instruction	15,502,251.00	16,547,090.06	17,905,471.16	-1,358,381.10
Support Services				
Pupil Services	880,269.00	1,022,815.38	1,285,932.79	-263,117.41
Improvement of Instructional Services	633,121.00	1,430,043.94	1,420,590.71	9,453.23
Educational Media Services	401,346.00	409,846.00	422,211.76	-12,365.76
General Administration	624,625.00	769,599.00	738,068.07	31,530.93
School Administration	1,747,041.00	1,789,895.80	2,007,931.90	-218,036.10
Business Administration	502,566.00	520,566.00	404,546.25	116,019.75
Maintenance and Operation of Plant	1,833,860.00	1,853,663.82	2,054,442.94	-200,779.12
Student Transportation Services	1,517,904.00	1,668,867.00	1,563,257.45	105,609.55
Central Support Services	162,066.00	162,066.00	166,922.79	-4,856.79
Other Support Services	246,000.00	342,341.00	384,254.16	-41,913.16
Enterprise Operations		-2,245.00	10,062.95	-12,307.95
Food Services Operation			2,252,508.54	-2,252,508.54
Debt Service	15,000.00	15,000.00	16,998.68	-1,998.68
Total Expenditures	24,066,049.00	26,529,549.00	30,633,200.15	-4,103,651.15
Excess of Revenues over (under) Expenditures	0.00	54,572.00	364,153.53	309,581.53
OTHER FINANCING SOURCES				
Other Sources			-665,559.64	-665,559.64
Net Change in Fund Balances	0.00	54,572.00	-301,406.11	-355,978.11
Fund Balances - Beginning	3,804,638.45	3,804,638.45	3,804,638.45	0.00
Fund Balances - Ending	\$ 3,804,638.45	\$ 3,859,210.45	\$ 3,503,232.34	\$ -355,978.11

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

- (1) Original and Final Budget amounts do not include the budgeted revenues or expenditures of the various principal accounts. The actual revenues and expenditures of the various principal accounts are \$317,080.26 and \$294,692.15, respectively.

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.

ELBERT COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

SCHEDULE "5"

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	\$ <u>2,078,508.25</u> (1)
Total U. S. Department of Agriculture			<u>2,078,508.25</u>
Education, U. S. Department of			
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Grants to States	* 84.027	N/A	614,274.98
Preschool Grants	* 84.173	N/A	<u>25,729.00</u>
Total Special Education Cluster			<u>640,003.98</u>
Other Programs			
Pass-Through From Georgia Department of Education			
ARRA - Race-to-the-Top Incentive Grants	84.395	N/A	4,531.07
Career and Technical Education - Basic Grants to States	84.048	N/A	35,371.59
English Language Acquisition Grants	84.365	N/A	19,014.59
Improving Teacher Quality State Grants	84.367	N/A	176,697.67
Migrant Education - State Grant Program	84.011	N/A	9,737.78
Rural Education	84.358	N/A	48,036.66
Title I Grants to Local Educational Agencies	84.010	N/A	<u>1,115,053.12</u>
Total Other Programs			<u>1,408,442.48</u>
Total U. S. Department of Education			<u>2,048,446.46</u>
Defense, U. S. Department of			
Direct			
Department of the Army			
R.O.T.C. Program			<u>91,720.00</u>
Total Expenditures of Federal Awards			<u>\$ 4,218,674.71</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 \$134,132.69.
- (2) Expenditures for the funds earned on the School Breakfast Program (\$530,080.12) were not maintained separately and are included in the 2015 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 Elbert 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.

ELBERT COUNTY BOARD OF EDUCATION
 SCHEDULE OF STATE REVENUE
 YEAR ENDED JUNE 30, 2015

SCHEDULE "6"

<u>AGENCY/FUNDING</u>	<u>GOVERNMENTAL FUND TYPE</u>
	<u>GENERAL FUND</u>
GRANTS	
Bright From the Start:	
Georgia Department of Early Care and Learning	
Pre-Kindergarten Program	\$ 713,494.40
Education, Georgia Department of	
Quality Basic Education	
Direct Instructional Cost	
Kindergarten Program	1,076,971.00
Kindergarten Program - Early Intervention Program	300,199.00
Primary Grades (1-3) Program	2,353,484.00
Primary Grades - Early Intervention (1-3) Program	356,212.00
Upper Elementary Grades (4-5) Program	1,047,052.00
Upper Elementary Grades - Early Intervention (4-5) Program	169,759.00
Middle School (6-8) Program	1,864,706.00
High School General Education (9-12) Program	1,438,950.00
Vocational Laboratory (9-12) Program	777,415.00
Students with Disabilities	2,135,478.00
Gifted Student - Category VI	573,266.00
Remedial Education Program	94,212.00
Alternative Education Program	133,517.00
English Speakers of Other Languages (ESOL)	142,992.00
Media Center Program	338,919.00
20 Days Additional Instruction	101,007.00
Staff and Professional Development	59,227.00
Indirect Cost	
Central Administration	483,881.00
School Administration	812,352.00
Facility Maintenance and Operations	736,514.00
Mid-term Adjustment Hold-Harmless	236,038.00
Amended Formula Adjustment	-1,376,988.00
Categorical Grants	
Pupil Transportation	
Regular	574,082.00
Nursing Services	55,498.00
Education Equalization Funding Grant	724,005.00
Other State Programs	
Dual Enrollment Funding	1,500.00
Food Services	48,463.00
Math and Science Supplements	18,022.00
Preschool Handicapped Program	44,715.00
Pupil Transportation - State Bonds	77,220.00
Teacher of the Year	1,014.25
Technology for Connections to Classrooms Bonds	355,728.15
Vocational Education	61,466.00
Office of the State Treasurer	
Public School Employees Retirement	<u>71,421.00</u>
	<u>\$ 16,601,791.80</u>

See notes to the basic financial statements.

ELBERT COUNTY BOARD OF EDUCATION
 SCHEDULE OF LOCAL OPTION SALES TAX PROJECTS
 YEAR ENDED JUNE 30, 2015

SCHEDULE **7*

PROJECT	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3) (4)	AMOUNT EXPENDED IN PRIOR YEARS (3) (4)	TOTAL COMPLETION COST	EXCESS PROCEEDS NOT EXPENDED (5) (6) (7)	ESTIMATED COMPLETION DATE
SPLOST 2011							
(1) Renovating, modernizing, equipping, repairing, and improving Elbert County Comprehensive High School to include mechanical, structural, educational, and other facility functions	7,095,663.00	7,406,235.00	486,802.13	6,788,708.14	7,275,510.27	130,724.73	Completed
(2) Purchasing textbooks and software	1,230,469.00	1,232,524.22	140,107.88	283,725.42			June 2017
(3) Acquiring and improving school buses and other vehicles	703,125.00	250,000.00	36,704.27	22,027.85			June 2017
(4) Purchasing, upgrading and supporting existing and future technology initiatives	2,109,375.00	1,700,000.00	211,443.69	1,053,256.91			June 2017
(5) Renovating, modernizing, equipping, repairing, improving, planning, and acquiring other system facilities to include elementary, middle, athletic and operational facilities	2,009,805.00	2,048,147.06	1,188,296.25	286,546.20			June 2017
(6) Acquiring any other real or personal property as so desired	351,563.00	0.00	0.00	0.00			June 2017
	<u>\$ 13,500,000.00</u>	<u>\$ 12,636,906.28</u>	<u>\$ 2,063,354.22</u>	<u>\$ 8,434,264.52</u>	<u>\$ 7,275,510.27</u>	<u>\$ 130,724.73</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 from all funding sources, including other state revenues.
- (3) The voters of Elbert County approved the imposition of a 1% sales tax to fund the above projects and retire associated debt. Amounts expended for these projects may include sales tax proceeds, state, local property taxes and/or other funds over the life of the projects.
- (4) In addition to the expenditures shown above, the School District has incurred interest to provide advance funding for the above projects as follows:

Prior Years	\$ 70,720.17
Current Year	<u>166,851.11</u>
Total	<u>\$ 237,571.28</u>
- (5) All projects in SPLOST 2011 are appropriately funded as of June 30, 2015.
- (6) All projects in SPLOST 2011 are expected to be completed on or before June 30, 2017.
- (7) At June 30, 2015, one project has been completed. Elbert County Comprehensive High School Project/SPLOST 2011 was completed June 30, 2015 with actual expenditures of \$7,275,510.27. The previous estimated cost was \$7,406,235.00. The surplus of SPLOST proceeds will be \$130,724.73 and used to repair, replace and upgrade other District facilities.

ELBERT COUNTY BOARD OF EDUCATION
 GENERAL FUND - QUALITY BASIC EDUCATION PROGRAMS (QBE)
 ALLOTMENTS AND EXPENDITURES - BY PROGRAM
 YEAR ENDED JUNE 30, 2015

SCHEDULE "8"

DESCRIPTION	ALLOTMENTS		ELIGIBLE QBE PROGRAM COSTS					
	FROM GEORGIA		SALARIES	OPERATIONS	TOTAL			
	DEPARTMENT OF	EDUCATION (1) (2)						
Direct Instructional Programs								
Kindergarten Program	\$	1,254,666.00	\$	1,181,577.76	\$	427.85	\$	1,182,005.61
Kindergarten Program-Early Intervention Program		360,762.00		277,793.83				277,793.83
Primary Grades (1-3) Program		2,730,377.00		2,521,230.57		9,358.12		2,530,588.69
Primary Grades-Early Intervention (1-3) Program		414,112.00		388,503.31				388,503.31
Upper Elementary Grades (4-5) Program		1,224,045.00		1,365,981.20		5,054.56		1,371,035.76
Upper Elementary Grades-Early Intervention (4-5) Program		203,098.00		120,061.63				120,061.63
Middle School (6-8) Program		2,177,250.00		2,501,156.94		14,092.58		2,515,249.52
High School General Education (9-12) Program		1,688,837.00		2,607,623.45		44,957.08		2,652,580.53
Vocational Laboratory (9-12) Program		908,094.00		581,890.47		17,416.25		599,306.72
Students with Disabilities		2,543,374.00						
Category II				353,551.12		497.70		354,048.82
Category III				938,695.86		9,921.60		948,617.46
Category IV				777,767.31				777,767.31
Category V				22,918.79				22,918.79
Gifted Student - Category VI		698,400.00		577,173.22		3,201.82		580,375.04
Remedial Education Program		122,268.00		216,879.32				216,879.32
Alternative Education Program		156,923.00		134,512.05		750.06		135,262.11
English Speakers of Other Languages (ESOL)		165,448.00		80,065.00				80,065.00
TOTAL DIRECT INSTRUCTIONAL PROGRAMS		14,647,654.00		14,647,381.83		105,677.62		14,753,059.45
Media Center Program		396,919.00		400,988.20		21,223.56		422,211.76
Staff and Professional Development		63,419.00				15,947.60		15,947.60
TOTAL QBE FORMULA FUNDS	\$	15,107,992.00	\$	15,048,370.03	\$	142,848.78	\$	15,191,218.81

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

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

See notes to the basic financial statements.

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SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS

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DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

August 10, 2016

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
Elbert 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 Elbert County Board of Education as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Elbert County Board of Education's basic financial statements and have issued our report thereon dated August 10, 2016.

Internal Control Over Financial Reporting

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

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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 deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items FS 2015-001 and FS 2015-003 to be material weaknesses.

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 deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items FS 2015-002 and FS 2015-004 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Elbert 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 a certain matter that we have reported to management of Elbert County Board of Education in a separate letter dated August 10, 2016.

Elbert County Board of Education's Response to Findings

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

Purpose of this Report

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

Respectfully submitted,



Greg S. Griffin
State Auditor

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DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

August 10, 2016

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
Elbert 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 Elbert 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, 2015. Elbert 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 Elbert 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 Elbert County Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Elbert 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, 2015.

Report on Internal Control over Compliance

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

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

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

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

Respectfully submitted,



Greg S. Griffin
State Auditor

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SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

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ELBERT COUNTY BOARD OF EDUCATION
 AUDITEE'S RESPONSE
 SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2015

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

<u>FINDING CONTROL NUMBER</u>	<u>AUDITEE'S RESPONSE/STATUS</u>	<u>SEE AUDITOR'S COMMENTS</u>
FS-6521-12-01	Unresolved – See Corrective Action/Responses	(1)
FS-6521-12-02	Unresolved – See Corrective Action/Responses	(1)
FS-6521-12-04	Unresolved – See Corrective Action/Responses	(1)
FS-6521-13-01	Unresolved – See Corrective Action/Responses	
FS-6521-13-02	Unresolved – See Corrective Action/Responses	
FS-6521-13-03	Unresolved – See Corrective Action/Responses	
FS-6521-13-05	Further Action Not Warranted	(2)
FS 2014-001	Unresolved – See Corrective Action/Responses	
FS 2014-002	Unresolved – See Corrective Action/Responses	
FS 2014-003	Unresolved – See Corrective Action/Responses	
FS 2014-004	Further Action Not Warranted	(2)

AUDITOR'S COMMENTS

- (1) Findings of this nature have been repeated in fiscal year 2013, fiscal year 2014, and fiscal year 2015.
- (2) Findings/internal control deficiencies of this nature, that are not deemed significant deficiencies or material weaknesses and do not require reporting in the audit report in accordance with U.S. *Auditing Standards* or *Governmental Auditing Standards* (Yellow Book), will be communicated in a management letter.

CORRECTIVE ACTION/RESPONSES

ACCOUNTING CONTROLS (OVERALL)

Inadequate Accounting Procedures
 Finding Control Number: FS-6521-12-01

The School District was able to hire a Director of Technology for 2016 fiscal year, which will eliminate the need for the chief financial officer to have access to the server room. In addition, in the 2016 fiscal year procedures were put into place that separated the ability to access the accounting system and the users within the system by having the accounting system hosted and user access is controlled by the hosting firm and must be properly approved by the District administration.

CASH AND CASH EQUIVALENTS

Inadequate Internal Control Procedures
 Finding Control Number: FS-6521-12-02

After the completion of the fiscal year 2015 audit, the School District implemented additional controls to fully resolve this finding. This finding is not expected in the future.

ELBERT COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

FINANCIAL REPORTING

Inadequate Controls over Financial Reporting
Finding Control Number: FS-6521-12-04

The School District has now implemented management controls and a financial review process to ensure that any errors are detected prior to the submission of financial statements to the auditors.

ACCOUNTING CONTROLS (OVERALL)

Inadequate Separation of Duties
Finding Control Number: FS-6521-13-01

The School District was able to hire a Director of Technology for 2016 fiscal year, which will eliminate the need for the chief financial officer to have access to the server room. In addition, in the 2016 fiscal year procedures were put into place that separated the ability to access the accounting system and the users within the system by having the accounting system hosted and user access is controlled by the hosting firm and must be properly approved by the District administration.

CASH AND CASH EQUIVALENTS

Inadequate Internal Controls over Cash and Cash Equivalents
Finding Control Number: FS-6521-13-02

After the completion of the fiscal year 2015 audit, the School District implemented additional controls to fully resolve this finding. This finding is not expected in the future.

FINANCIAL REPORTING

Inadequate Internal Controls over Financial Reporting
Finding Control Number: FS-6521-13-03

The School District has now implemented management controls and a financial review process to ensure that any errors are detected prior to the submission of financial statements to the auditors.

ACCOUNTING CONTROLS (OVERALL)

Inadequate Separation of Duties
Finding Control Number: FS 2014-001

The School District was able to hire a Director of Technology for 2016 fiscal year, which will eliminate the need for the chief financial officer to have access to the server room. In addition, in the 2016 fiscal year procedures were put into place that separated the ability to access the accounting system and the users within the system by having the accounting system hosted and user access is controlled by the hosting firm and must be properly approved by the District administration.

CASH AND CASH EQUIVALENTS

Inadequate Internal Controls over Cash and Cash Equivalents
Finding Control Number: FS 2014-002

After the completion of the fiscal year 2015 audit, the School District implemented additional controls to fully resolve this finding. This finding is not expected in the future.

ELBERT COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

FINANCIAL REPORTING

Inadequate Controls over Financial Reporting
Finding Control Number: FS 2014-003

The School District has now implemented management controls and a financial review process to ensure that any errors are detected prior to the submission of financial statements to the auditors.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

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SECTION IV
FINDINGS AND QUESTIONED COSTS

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ELBERT COUNTY BOARD OF EDUCATION
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2015

I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issue: Governmental Activities; General Fund; Capital Projects Fund;	Unmodified
Internal control over financial reporting:	
▪ Material weaknesses identified?	Yes
▪ Significant deficiencies 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
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Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)?	Yes
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Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	Child Nutrition Cluster
84.027, 84.173	Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000.00
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Auditee qualified as low-risk auditee?	No
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ELBERT COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2015-001 Inadequate Separation of Duties

Control Category: ACCOUNTING CONTROLS (OVERALL)

Internal Control Impact: Material Weakness

Compliance Impact: None

Repeat of Prior Year Finding: FS 2014-001, FS-6521-13-01 and FS-6521-12-01

Description:

The policies and procedures of the School District were insufficient to provide adequate controls over Information Technology General Controls.

Criteria:

The School District's management is responsible for designing and maintaining internal controls that provide reasonable assurance transactions are processed according to established procedures. Such internal controls would limit any one individual's access to both physical assets and the related accounting records.

Condition:

A review of access to the School District's financial system revealed that several users were granted access that allowed the user to perform conflicting significant duties. Most notably, the chief financial officer has the ability to perform all accounting functions and is also the Technology Director for the School System. In addition, financial personnel were granted administrator roles which allows for the addition, modification, and deletion of user access in the financial system. Physical access to the server room was not limited for accounting personnel. Password procedures did not require passwords to be locked after a certain number of unsuccessful attempts.

Cause:

In discussing the issue with management, they stated that the School District does not currently have the financial resources to limit access to physical assets and the related accounting records.

Effect or Potential Effect:

The lack of adequate controls over the logical access to the School District's financial system may result in errors and/or irregularities not being detected in a timely manner.

Recommendation:

The School District should enhance logical access controls to include security settings to limit access to authorized individuals. Application access controls in the accounting information systems should complement the system of internal control by limiting an employee's access to only the accounting functions necessary for the performance of that employee's duties. Management should ensure that proper separation of duties exists. In the case when management determines separation of duties is not cost beneficial, management should implement compensating controls that assist in assuring that financial transactions are properly processed and reported.

Views of Responsible Officials and Corrective Action Plans:

Although there were no changes made in the current year, the District was able to hire a Director of Technology for the 2016 fiscal year, which will eliminate the need for the chief financial officer to have access to the server room. In addition, in the 2016 fiscal year procedures were put in place having the accounting system hosted and user access is controlled by the hosting firm and must be properly approved by the District administration.

ELBERT COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

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FS 2015-002 Inadequate Internal Controls over Cash and Cash Equivalents

Control Category: Cash and Cash Equivalents
Internal Control Impact: Significant Deficiency
Compliance Impact: None
Repeat of Prior Year Finding: FS 2014-002, FS-6521-13-02 and FS-6521-12-02

Description:

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

Criteria:

Management is responsible for designing and maintaining internal controls over Cash and Cash Equivalents.

Condition:

A review of the School District's bank account reconciliations revealed the General Operating Account reconciliations for the months of September 2014, December 2014, and March 2015 were not adequately reconciled back to the general ledger, and lacked evidence of review and proper approval.

Cause:

In discussing this issue with management, they stated that they did not give adequate resources to ensuring that internal controls were effective, due in part to the effort to maintain adequate separation of duties which are limited by financial constraints that restrict the hiring of additional employees.

Effect or Potential Effect:

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

Recommendation:

Management should enhance and monitor controls related to the bank reconciliation process to ensure that all bank accounts are properly reconciled to the general ledger on a monthly basis and that adequate review and approval of this process is performed and documented.

Views of Responsible Officials and Corrective Action Plans:

After the completion of the fiscal year 2015 audit, the School District implemented additional controls to fully resolve this finding. This finding is not expected in the future.

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ELBERT COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2015-003 Inadequate Internal Controls over Financial Reporting

Control Category: Financial Reporting
Internal Control Impact: Material Weakness
Compliance Impact: None
Repeat of Prior Year Finding: FS 2014-003, FS-6521-13-03 and FS-6521-12-04

Description:

The School District did not have adequate internal controls in place to ensure that the financial statements presented for audit were materially correct.

Criteria:

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

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

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

Condition:

The financial statements are presented for audit, contained material and significant errors and omissions:

- Material audit adjustments that totaled \$1,974,386.55 were proposed and accepted by the client to properly record Beginning Net position and Property Tax Revenues on the District-wide Financial Statements.
- A material audit adjustment of \$2,106,396.50 was proposed and accepted by the client to record Deferred Outflows for contributions made to the Teachers' Retirement System subsequent to the measurement date of June 30, 2014, on the District-wide Financial Statements.
- Reclassification entries of \$1,633,574.85 were proposed and accepted by the client to properly classify Net Position.
- A material audit adjustment of \$7,761,730.24 was proposed and accepted by the client to properly record Property tax Revenue in the Notes to the Basic Financial Statements.
- Other immaterial audit adjustments and reclassifications were proposed and accepted by the client to properly present the School District's financial statements.

Cause:

In discussing this issue with management, they stated that the School District does not have the financial resources to dedicate staff to the adequate review of financial statements.

ELBERT COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Effect or Potential Effect:

Material misstatements and misclassifications were included in the financial statements presented for audit. The lack of controls and monitoring could impact the reporting of the School District's financial position and results of operations.

Recommendation:

The School District should strengthen procedures over the financial statement reporting process to ensure that the financial statements presented for audit, including note disclosures are complete and accurate. These controls should include a monitoring process to evaluate the accuracy of the financial statements. These procedures should be performed by properly trained personnel possessing a thorough understanding of the applicable GAAP, GASB pronouncements and the School District's operations.

Views of Responsible Officials and Corrective Action Plans:

The errors that were discovered by the auditors would have been discovered during a review process for the financial statements. The School District has now implemented management controls and a financial review process to ensure that any errors are detected prior to the submission of financial statements to the auditors. The District's plan for the 2016 fiscal year is to have financial statements drafted and reviewed by the end of October 2016.

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FS 2015-004 Inadequate Internal Controls Over School Activity Accounts

Control Category: Revenues/Receivables/Receipts
Internal Control Impact: Significant Deficiency
Compliance Impact: None

Description:

The accounting procedures of the School District were insufficient to provide adequate internal controls over school activity account receipts.

Criteria:

The School District's management is responsible for designing and maintaining internal controls that provide reasonable assurance that transactions are accurately processed according to established procedures.

Condition:

Auditors selected twenty-five receipts as part of our review of the School Activity Accounts. The School District was unable to locate and provide ten of these receipts. Our review of the remaining fifteen receipts revealed that four receipts were not supported by adequate documentation, one receipt was not recorded in the correct period and two receipts were not deposited in a timely manner.

Cause:

In discussing this deficiency with the School District, they stated that the cause was a direct result of employees over school activity account functions not following the established procedures.

ELBERT COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Effect or Potential Effect:

Not ensuring all receipts are properly recorded and documented and that deposits are made timely increases the risk of theft, fraud, or misuse of School District resources and may result in errors and/or irregularities not being detected in a timely manner.

Recommendation:

The School District should strengthen the controls over School Activity Accounts to ensure that all receipts are properly recorded, deposited timely and adequately documented. The School District should also establish a monitoring process to provide reasonable assurance that these transactions are processed according to established procedures.

Views of Responsible Officials and Corrective Action Plans:

The School District has now developed detailed procedures and policies for the accounting of pupil activity funds. Management reviews these procedures on an annual basis with all administrators to ensure and stress the importance of following prescribed procedures. The School District will document the delivery of the requirements and will ensure through random sampling that procedures are being followed as prescribed.

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III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were noted.