



FLOYD COUNTY SCHOOLS  
*Destination*  
**GRADUATION**  
for every child!

**FLOYD COUNTY  
BOARD OF EDUCATION  
ROME, GEORGIA**

ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2014  
(Including Independent Auditor's Reports)



FLOYD COUNTY BOARD OF EDUCATION

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SECTION I  
FINANCIAL





## DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

October 20, 2015

Honorable Nathan Deal, Governor  
Members of the General Assembly  
Members of the State Board of Education  
and  
Superintendent and Members of the  
Floyd 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, the major funds - General Fund and Debt Service Fund, and the aggregate remaining fund information of the Floyd County Board of Education, as of and for the year ended June 30, 2014, and the related notes to the financial statements. We were engaged to audit the financial statements of the major fund - Capital Projects Fund. These financial statements collectively comprise the Board's basic financial statements as listed in the table of contents (Exhibits A through H).

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Because of the matter described in the "Basis for Disclaimer of Opinion on District-wide Capital Projects Fund and Qualified Opinions on Governmental Activities and General Fund" paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the District-wide Capital Projects Fund.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or





error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Except for the matter described in the "Basis for Disclaimer of Opinion on District-wide Capital Projects Fund and Qualified Opinions on Governmental Activities and General Fund" paragraph, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Summary of Opinions***

<b>Opinion Unit</b>	<b>Type of Opinion</b>
Governmental Activities	Qualified
Governmental Fund - General Fund	Qualified
Governmental Fund - District-Wide Capital Projects Fund	Disclaimer
Governmental Fund - Debt Service Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

### ***Basis for Disclaimer of Opinion on District-wide Capital Projects Fund and Qualified Opinions on Governmental Activities and General Fund***

During the subsequent fiscal year, it was discovered that various School District personnel perpetrated apparent fraud through collusion with vendors of the School District. The investigation is currently in progress and preliminary evidence indicates that the apparent fraud involved disbursements related to capital outlay and maintenance expenditures during the year under review and previous fiscal years. We were not able to determine, however, the full impact the apparent fraud had on the School District's financial statements. The amount by which this departure would affect the assets, net position and expenses/expenditures of the Governmental Activities, General Fund, and the District-wide Capital Projects fund has not been determined.

### ***Disclaimer of Opinion***

Because of the significance of the matter described in the "Basis for Disclaimer of Opinion on District-wide Capital Projects Fund and Qualified Opinions on Governmental Activities and General Fund" paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion for District-wide Capital Projects Fund. Accordingly, we do not express an opinion on this financial statements.

### ***Qualified Opinions***

In our opinion, except for the matter described in the "Basis for Disclaimer of Opinion on District-wide Capital Projects Fund and Qualified Opinions on Governmental Activities and General Fund" paragraph above, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund - General Fund - of the Floyd County Board of Education, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



### ***Unmodified Opinions***

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

### ***Emphasis of Matter***

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

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual, as presented on pages i through x and page 27 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 Floyd County Board of Education's basic financial statements. The accompanying supplementary information, consisting of Schedules 2 through 5, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. Due to the significance of the matter disclosed in "Basis for Disclaimer of Opinion on District-wide Capital Projects Fund and Qualified Opinions on Governmental Activities and General Fund" paragraph, it is inappropriate to, and we do not express an opinion on the supplementary information.



### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2015, on our consideration of the Floyd County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Floyd County Board of Education's internal control over financial reporting and compliance.

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

Respectfully submitted,

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

Greg S. Griffin  
State Auditor

GSG:as  
2014ARL-19X



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

## INTRODUCTION

The District's financial statements for the fiscal year ended June 30, 2014 includes a series of basic financial statements that report financial information for the District as a whole, its funds, and its fiduciary responsibilities. The Statement of Net Position and the Statement of Activities provide financial information about all of the District's activities and present both a short-term and long-term view of the District's finances on a global basis. The fund financial statements provide information about all of the District's funds. Information about these funds, such as the District's General Fund, is important in its own right, but will also give insight into the District's overall soundness as reported in the Statement of Net Position and the Statement of Activities.

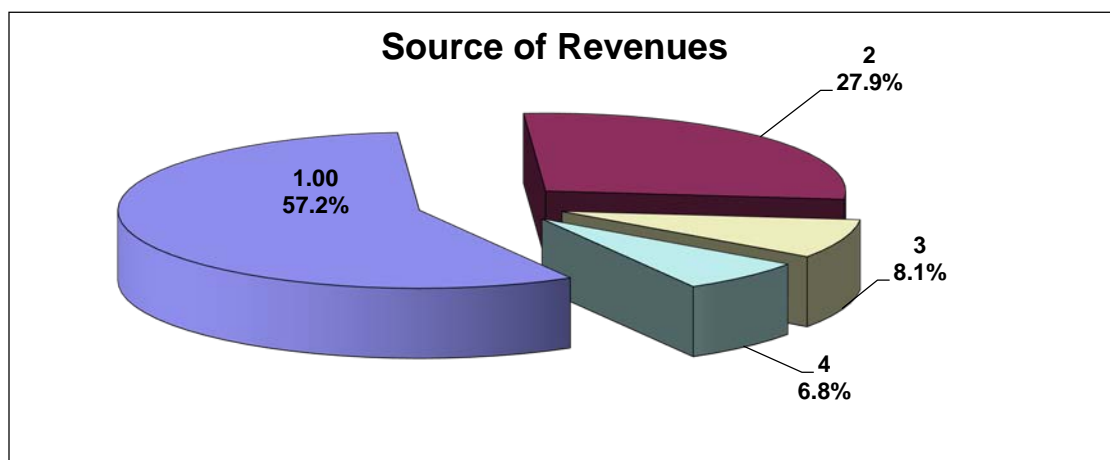
## FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2014 are as follows:

On the District-wide financial statements:

- The District's net position at June 30, 2014 was \$153.5 million. Net position reflects the difference between all assets and deferred outflows of resources of the District (including capital assets, net of depreciation) and all liabilities, both short-term and long-term, and deferred inflows of resources. The net position at June 30, 2014 of \$153.5 million represented an increase of almost \$9.9 million when compared to the prior year.
- The School District had \$103.8 million in expenses relating to governmental activities; about \$65.0 million of these expenses were offset by program specific charges for services, grants and contributions. However, general revenues (primarily property and sales taxes) of \$48.7 million were adequate to provide for these programs.
- As stated above, general revenues accounted for \$48.7 million or about 43% of all revenues totaling \$113.7 million. Program specific revenues in the form of charges for services, grants, and contributions accounted for the balance of these revenues.

(Percentages in table below rounded to one decimal place)





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

On the fund financial statements:

- Among major funds, the General Fund had \$104.1 million in revenues and \$98.4 million in expenditures. Additionally, \$1.4 million was transferred from the General Fund to the Capital Projects Fund. The General Fund balance of over \$12.6 million at June 30, 2014 increased by roughly \$4.3 million from the prior year. The increase in General Fund Balance occurred primarily because District's expenditures were about \$7.0 million less than the prior year, mainly because of a Reduction in Force of approximately 120 employees and ten (10) reduced work days for all employees.

## OVERVIEW OF THE FINANCIAL STATEMENTS

These financial Statements consists of three parts; management's discussion and analysis (this section), the basic financial statements including notes to the financial statements and required supplementary information. The basic financial statements include two levels of statements that present different views of the School District. These include the District-wide and fund financial statements.

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

The fund financial statements focus on individual parts of the School District, reporting the School District's operation in more detail. The 'Governmental Funds' statements disclose how basic services are financed in the short-term as well as what remains for future spending. The 'Fiduciary Funds' statements provide information about the financial relationships in which the School District acts solely as a trustee or agent for the benefit of others. In the case of the Floyd County School District, the General Fund, Capital Projects Funds, and Debt Service Funds are all considered to be major funds. The District has no funds reported as nonmajor funds as defined by generally accepted accounting principles.

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

### District-wide Statements

Since Floyd County School District has no operations that have been classified as "Business Activities", the District-wide financial statements are basically a consolidation of all of the District's operating funds into one column called governmental activities. In reviewing the District-wide financial statements, a reader might ask the question, are we in a better financial position now than last year? The 'Statement of Net Position' and the 'Statement of Activities' provide the basis for answering this question. These financial statements include all District's assets and liabilities and use the **accrual basis of accounting** similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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, student-teacher ratios, and other factors.

When analyzing District-wide financial statements, it is important to remember these statements are prepared using an economic resources measurement focus (accrual accounting) and involve the following steps to format the Statement of Net Position:

- Capitalize current outlays for capital assets
- Depreciate capital assets
- Report long-term debt as a liability
- Calculate revenue and expense using the economic resources measurement focus and the accrual basis of accounting
- Allocate net position as follows:
  - *Net Investment in capital assets*
  - *Restricted net position is amounts with constraints placed on the use by external sources such as creditors, grantors, contributors or laws and regulations*
  - *Unrestricted for no specific use*

### **Fund Financial Statements**

The School District uses many funds or sub-funds to account for a multitude of financial transactions during the fiscal year. The fund financial statements presented in this report provide detail information about the School District's significant or major funds. As discussed previously, the District has no nonmajor Funds as defined by generally accepted accounting principles.

The District has two kinds of funds as discussed below:

Governmental Funds – Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the **modified accrual method of accounting** which measures cash and all other financial assets that can be readily 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 government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are reconciled in the financial statements.

Fiduciary Funds – The School District is the trustee, or fiduciary, for assets that belong to clubs, organizations and others 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.

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

**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE**

Net position, which is the difference between total assets and deferred outflows of resources, and total liabilities and deferred inflows of resources, is one indicator of the financial condition of the District. When revenues exceed expenses, the result is an increase in net position. When expenses exceed revenues, the result is a decrease in net position. The relationship between revenues and expenses can be thought of as the District's operating results. The District's net position, as measured in the Statement of Net Position is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position- as measured in the Statement of Activities- are one indicator of whether its financial health is improving or deteriorating. However, the District's goal and mission is to provide success for each child's education, not to generate profits as private corporations do. For this reason, many other nonfinancial factors should be considered in assessing the overall health of the District.

In the case of the Floyd County School District, assets exceeded liabilities by \$153.5 million at June 30, 2014. To better understand the District's actual financial position and ability to deliver services in future periods, it is necessary to review the various components of the net position category. For example, of the \$153.5 million of net position, \$12.3 million was restricted for continuation of various State and Federal programs, debt service and ongoing capital projects. Accordingly, these funds were not available to meet the District's ongoing obligations to citizens and creditors.

In addition, the District had just over \$127.8 million (net of related debt) invested in capital assets (e.g., land, buildings, and equipment). The District uses these capital assets to provide educational services to students within geographic boundaries served by the District. Because of the very nature and on-going use of the assets being reported in this component of net position, it must be recognized that this portion of the net position is *not* available for future spending.

The remaining balance of *unrestricted net position* of \$13.5 million may be used to meet the District's ongoing obligations to citizens and creditors.

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

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 2014	Fiscal Year 2013 (Restated)
<b>Assets</b>		
Current and Other Assets	\$ 67,234,275	\$ 33,529,171
Capital Assets, Net	<u>140,675,951</u>	<u>142,061,572</u>
<b>Total Assets</b>	<u>207,910,226</u>	<u>175,590,743</u>
<b>Liabilities</b>		
Current and Other Liabilities	12,023,977	12,945,037
Long-Term Liabilities	<u>42,357,179</u>	<u>18,996,290</u>
<b>Total Liabilities</b>	<u>54,381,156</u>	<u>31,941,327</u>
<b>Net Position</b>		
Net Investment in Capital Assets	127,679,139	123,176,907
Restricted	12,306,479	11,644,852
Unrestricted	<u>13,543,452</u>	<u>8,827,657</u>
<b>Total Net Position</b>	<u>\$ 153,529,070</u>	<u>\$ 143,649,416</u>

Total net position increased \$9.9 million in fiscal year 2014 from the prior year, primarily because expenses on District-wide basis, decreased \$8.1 from the prior year. This change in net position is detailed in Table 2 as presented below. Table 2 also shows the changes in net position as compared to the prior fiscal year.

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

**Table 2**  
**Change in Net Position**

	Governmental Activities	
	Fiscal Year	Fiscal Year
	2014	2013
<b>Revenues</b>		
Program Revenues:		
Charges for Services and Sales	\$ 2,124,270	\$ 2,590,665
Operating Grants and Contributions	62,468,314	63,458,045
Capital Grants and Contributions	391,788	85,960
Total Program Revenues	64,984,372	66,134,670
General Revenues:		
Taxes		
Property Taxes	31,694,251	31,414,926
Sales Taxes	9,248,158	9,874,694
Grants and Contributions not		
Restricted to Specific Programs	4,982,103	4,613,068
Investment Earnings	68,943	92,077
Miscellaneous	2,694,402	2,775,500
Total General Revenues	48,687,857	48,770,265
Total Revenues	113,672,229	114,904,935
<b>Program Expenses:</b>		
Instruction	64,718,801	69,547,045
Support Services		
Pupil Services	3,707,897	3,927,438
Improvement of Instructional Services	2,494,147	3,176,749
Educational Media Services	1,378,496	2,311,278
General Administration	1,618,508	1,670,109
School Administration	6,586,145	7,815,155
Business Administration	587,854	731,554
Maintenance and Operation of Plant	9,019,555	8,835,570
Student Transportation Services	5,467,064	5,649,805
Central Support Services	816,745	682,950
Other Support Services	572,451	661,818
Operations of Non-Instructional Services		
Community Services	267,282	277,747
Food Services	5,965,813	6,181,814
Interest on Short-Term and Long-Term Debt	591,817	442,665
Total Expenses	103,792,575	111,911,697
Increase in Net Position	\$ 9,879,654	\$ 2,993,238

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

### Cost of Providing Services

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.

Both expenditures and net cost of services remained virtually unchanged from the prior fiscal year.

**Table 3**  
**Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2013
Instruction	\$ 64,718,801	\$ 69,547,045	\$ 18,046,359	\$ 24,303,055
Support Services:				
Pupil Services	3,707,897	3,927,438	3,192,399	3,154,391
Improvement of Instructional Services	2,494,147	3,176,749	972,723	1,261,185
Educational Media Services	1,378,496	2,311,278	46,396	789,726
General Administration	1,618,508	1,670,109	1,334,807	1,192,681
School Administration	6,586,145	7,815,155	2,829,871	3,319,373
Business Administration	587,854	731,554	515,184	597,775
Maintenance and Operation of Plant	9,019,555	8,835,570	4,954,559	4,549,375
Student Transportation Services	5,467,064	5,649,805	4,812,830	4,773,956
Central Support Services	816,745	682,950	717,610	559,222
Other Support Services	572,451	661,818	390,370	433,871
Operations of Non-Instructional Services:				
Community Services	267,282	277,747	12,745	21,626
Food Services	5,965,813	6,181,814	390,533	378,125
Interest on Short-Term and Long-Term Debt	591,817	442,665	591,817	442,665
Total Expenses	\$ 103,792,575	\$ 111,911,697	\$ 38,808,203	\$ 45,777,026

### FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

Information about the School District's governmental funds is presented starting on Exhibit "C" of this report. Governmental funds are accounted for using the modified accrual basis of accounting. The governmental funds had total revenues of almost \$113.4 million and total expenditures of \$109.3 million in fiscal year 2014. Total governmental fund balances of \$53.9 million at June 30, 2014, increased about \$34.4 million from the prior year. This increase in fund balance resulted primarily because the District sold bonds in fiscal year 2014 that brought in proceeds of about \$30.3 million, which remained largely unexpended at June 30, 2014.

### General Fund Budget Highlights

The School District's budget is prepared according to Georgia Law. The most significant budgeted fund is the General Fund. During the course of fiscal year 2014, the School District amended its general fund budget as needed.

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

The School District budget is adopted at the aggregate level and maintained at the program, function, object, and site levels to facilitate budgetary control. The budgeting systems are designed to control the total budget, but provide flexibility to meet the ongoing programmatic needs. The budgeting systems are also designed to control total site budgets but provide flexibility for site management as well.

For the General Fund, the final actual revenues of \$104.1 million exceeded the final budget by \$2.6 million. This variance occurred largely because property taxes exceeded by budget by roughly \$1.1 million and miscellaneous revenues exceed the final budget by \$2.0 million.

The General Fund's final actual expenditures of \$98.4 million were less than the final budget amount of \$99.5 million by roughly \$1.0 million. This variance was primarily due to actual expenditures for instruction less than the budgeted amount by \$1.7 million.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At fiscal year ended June 30, 2014, the School District had almost \$140.7 million invested in capital assets, net of accumulated depreciation, all in governmental activities. These assets are made up of a broad range of items including buildings; land; land improvements; and food service, transportation and maintenance equipment. 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 2014	Fiscal Year 2013
Land	\$ 2,826,345	\$ 2,826,345
Construction In Progress	3,878,893	1,512,561
Land Improvements	1,114,471	1,034,487
Building and Improvements	127,989,757	130,701,585
Equipment	4,866,485	5,986,594
Total	<u>\$ 140,675,951</u>	<u>\$ 142,061,572</u>

Additional information about the School District's Capital Assets can be found in the Notes to the Financial Statements.

### Long-Term Debt

At June 30, 2014, the School District had almost \$42.4 million in total debt outstanding which was consisted of just over \$36.2 million in bond debt, \$3.2 million in Capital lease debt, and almost \$3.0 million in unamortized bond premiums. Table 5 summarizes the School District's debt as compared to the prior fiscal year.

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

**Table 5**  
**Debt at June 30**

	Governmental Activities	
	Fiscal Year 2014	Fiscal Year 2013
Bonds Payable	\$ 36,205,000	\$ 15,000,000
Capital Leases	3,190,506	3,889,907
Unamortized Bond Premium	2,961,673	106,383
Total	<u>\$ 42,357,179</u>	<u>\$ 18,996,290</u>

Additional information about the School District's debt can be found in the Notes to the Financial Statements.

#### FACTORS BEARING ON THE DISTRICT'S FUTURE

Currently known circumstances that are expected to have a significant effect on financial position or results of operations in future years are as follows:

- The School District student population is fairly static. The District is continuing to reduce portable classrooms at various schools. The District will continue to renovate existing facilities to accommodate the growth and reduce portable classrooms at various schools as needed. The District plans to fund additional capital outlays with the one percent local sales tax revenue, general obligation bonds, and state capital outlay grants. A new Coosa High School is being constructed to replace an aging facility to provide a new state-of-the-art learning environment which will open in 2016. Additionally, other safety and school security lighting will be installed using the special purpose sales tax.
- In fiscal year 2015, the School District will adopt Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. The provisions of this Statement establish accounting and financial reporting standards for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts. Implementation of this statement will require the School District to record a liability for its proportionate share of the Net Pension Liability of pension plans in which it participates. Based on information provided by the Teacher Retirement System of Georgia (TRS), the School District's liability for its proportionate share of the Net Pension Liability of the pension plan administered through TRS is estimated to be \$68.7 million at June 30, 2015.
- The District is financially stable. The School District's operating millage for fiscal year 2014 was 18.588, which produced almost \$1,690,927 per mill. Despite the constrained levels of revenues realized in fiscal year 2014, the School District is in excellent financial condition. The General Fund had an unassigned fund balance of \$10.3 million at June 30, 2014, which is up almost \$4.4 million from the prior year. The District expects continued challenges going forward due to continued flat revenues from a slow but gradual decline in enrollment and higher health insurance costs for employees. In spite of these challenges, the School District will continue to be a good steward of tax dollars while providing a quality educational opportunity.



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

- The 2014 General Assembly approved the Governor's recommendation to partially restore austerity funds which Floyd County Schools' portion was approximately \$2.6 million. With those funds, the District planned for and restored the 10 reduced work days (furlough days) for all employees and provided a full year school calendar for students in fiscal year 2015. Additional staffing is carefully considered before any vacancy is filled.
- The School District is involved in an ongoing investigation by both State and Local authorities associated with a situation where school personnel were allegedly involved in a fraudulent scheme where inflated invoices were submitted and paid by the School District in return for various types of kickbacks from the vendors involved. The School District intends to prosecute the parties involved and seek reimbursement in this matter. The School District does not believe the financial outcome of this situation will be detrimental to the School District's ability to continue to deliver quality educational services to the citizenry of Floyd County.
- During fiscal year 2014, the District made up of the Board, the Superintendent, Local School Governance Team members, administrators, students, and the community redefined the District's mission which is focused on one mission in Pre-K through 12: "Destination Graduation ...for Every Child."

#### 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. Chris Toles, Executive Director of Financial Services, Floyd County Board of Education, 600 Riverside Parkway, NE, Rome, Georgia. You may also email your questions to Mr. Toles at [ctoles@floydboe.net](mailto:ctoles@floydboe.net).

FLOYD COUNTY BOARD OF EDUCATION



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

EXHIBIT "A"

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 45,791,278.67
Investments	9,702,542.80
Accounts Receivable, Net	
Taxes	3,058,516.22
State Government	7,830,522.56
Federal Government	559,118.36
Local	33,381.30
Other	27,007.00
Inventories	228,317.02
Prepaid Items	3,590.91
Capital Assets, Non-Depreciable	6,705,238.00
Capital Assets, Depreciable (Net of Accumulated Depreciation)	<u>133,970,713.00</u>
 Total Assets	 <u>207,910,225.84</u>
<u>LIABILITIES</u>	
Accounts Payable	118,239.32
Salaries and Benefits Payable	11,313,876.55
Claims Incurred but not Reported (IBNR)	164,731.33
Interest Payable	204,590.00
Contracts Payable	199,912.84
Retainages Payable	22,626.44
Long-Term Liabilities	
Due Within One Year	8,319,302.23
Due in More Than One Year	<u>34,037,876.87</u>
 Total Liabilities	 <u>54,381,155.58</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	127,679,138.85
Restricted for	
Continuation of Federal and State Programs	553,631.51
Debt Service	10,787,509.64
Capital Projects	965,337.38
Unrestricted	<u>13,543,452.88</u>
 Total Net Position	 <u>\$ 153,529,070.26</u>

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

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

	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>
<u>GOVERNMENTAL ACTIVITIES</u>		
Instruction	\$ 64,718,799.61	\$ 572,264.76
Support Services		
Pupil Services	3,707,896.80	
Improvement of Instructional Services	2,494,146.85	
Educational Media Services	1,378,495.79	
General Administration	1,618,508.04	
School Administration	6,586,145.38	
Business Administration	587,853.84	
Maintenance and Operation of Plant	9,019,554.78	
Student Transportation Services	5,467,064.00	12,681.98
Central Support Services	816,745.40	
Other Support Services	572,451.06	
Operations of Non-Instructional Services		
Community Services	267,282.31	252,752.43
Food Services	5,965,813.40	1,286,570.81
Interest on Short-Term and Long-Term Debt	591,817.40	
	<u>\$ 103,792,574.66</u>	<u>\$ 2,124,269.98</u>
Total Governmental Activities		
General Revenues		
Taxes		
Property Taxes		
For Maintenance and Operations		
Railroad Cars		
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Capital Projects		
Other Sales Tax		
Grants and Contributions not Restricted to Specific Programs		
Investment Earnings		
Miscellaneous		
Total General Revenues		
Change in Net Position		
Net Position - Beginning of Year (Restated)		
Net Position - End of Year		

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

## EXHIBIT "B"

PROGRAM REVENUES		NET (EXPENSES)	
OPERATING	CAPITAL	REVENUES	
GRANTS AND	GRANTS AND	AND CHANGES IN	
CONTRIBUTIONS	CONTRIBUTIONS	NET POSITION	
\$ 45,735,327.69	\$ 364,848.41	\$	-18,046,358.75
515,497.35			-3,192,399.45
1,521,424.33			-972,722.52
1,328,435.62	3,664.50		-46,395.67
280,726.24	2,974.86		-1,334,806.94
3,756,274.72			-2,829,870.66
72,669.72			-515,184.12
4,064,995.62			-4,954,559.16
641,551.55			-4,812,830.47
99,135.30			-717,610.10
182,081.26			-390,369.80
1,784.83			-12,745.05
4,268,409.72	20,300.23		-390,532.64
			-591,817.40
\$ 62,468,313.95	\$ 391,788.00		-38,808,202.73
			31,655,174.35
			39,076.28
			8,777,243.20
			470,914.99
			4,982,103.00
			68,942.66
			2,694,402.30
			48,687,856.78
			9,879,654.05
			143,649,416.21
		\$	153,529,070.26

## EXHIBIT "C"

- 4 -

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

EXHIBIT "D"

Total Fund Balances - Governmental Funds (Exhibit "C") \$ 53,924,920.89

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	\$	2,826,345.00	
Construction in Progress		3,878,893.00	
Land Improvements		4,407,395.00	
Accumulated Depreciation - Land Improvements		-3,292,924.00	
Buildings		166,807,875.00	
Accumulated Depreciation - Buildings		-38,818,118.00	
Equipment		18,289,614.00	
Accumulated Depreciation - Equipment		-13,423,129.00	
Total Capital Assets		140,675,951.00	140,675,951.00

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

Property Taxes		1,654,698.80	
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Long-Term Liabilities, including Bonds Payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Long-Term Liabilities at year-end consist of:

Bonds Payable	\$	-36,205,000.00	
Accrued Interest Payable		-204,590.00	
Capital Leases Payable		-3,190,506.18	
Bond Premiums, Net of Amortization		-2,961,672.92	
Claims and Judgments Payable		-164,731.33	
Total Long-Term Liabilities		-42,726,500.43	-42,726,500.43

Net Position of Governmental Activities (Exhibit "A") \$ 153,529,070.26

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



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

EXHIBIT "E"

	GENERAL FUND	DISTRICT- WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
<u>REVENUES</u>				
Property Taxes	\$ 31,430,944.10			\$ 31,430,944.10
Sales Taxes	470,914.99	\$ 762,744.87	\$ 8,014,498.33	9,248,158.19
State Funds	58,790,856.80	391,788.00		59,182,644.80
Federal Funds	8,659,560.15			8,659,560.15
Charges for Services	2,124,269.98			2,124,269.98
Investment Earnings	3,552.71	1,623.47	63,766.48	68,942.66
Miscellaneous	2,636,035.20			2,636,035.20
Total Revenues	<u>104,116,133.93</u>	<u>1,156,156.34</u>	<u>8,078,264.81</u>	<u>113,350,555.08</u>
<u>EXPENDITURES</u>				
Current				
Instruction	61,193,800.11	69,458.54		61,263,258.65
Support Services				
Pupil Services	3,707,896.80			3,707,896.80
Improvement of Instructional Services	2,494,146.85			2,494,146.85
Educational Media Services	1,331,125.91			1,331,125.91
General Administration	1,572,028.43	8,050.01		1,580,078.44
School Administration	6,586,145.38			6,586,145.38
Business Administration	587,853.84			587,853.84
Maintenance and Operation of Plant	8,997,108.99			8,997,108.99
Student Transportation Services	4,570,346.73			4,570,346.73
Central Support Services	816,745.40			816,745.40
Other Support Services	572,451.06			572,451.06
Community Services	267,282.31			267,282.31
Food Services Operation	5,718,465.82			5,718,465.82
Capital Outlay		3,318,494.75		3,318,494.75
Debt Services				
Principal		699,400.60	6,000,000.00	6,699,400.60
Dues and Fees		257,312.11		257,312.11
Interest		185,806.88	322,325.00	508,131.88
Total Expenditures	<u>98,415,397.63</u>	<u>4,538,522.89</u>	<u>6,322,325.00</u>	<u>109,276,245.52</u>
Excess of Revenues over (under) Expenditures	<u>5,700,736.30</u>	<u>-3,382,366.55</u>	<u>1,755,939.81</u>	<u>4,074,309.56</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Proceeds of Long-Term Capital Related Debt		27,205,000.00		27,205,000.00
Premiums on Bonds Sold		3,058,776.95		3,058,776.95
Sale of Equipment	13,667.70	44,699.40		58,367.10
Transfers In		2,171,334.04		2,171,334.04
Transfers Out	-1,396,082.70		-775,251.34	-2,171,334.04
Total Other Financing Sources (Uses)	<u>-1,382,415.00</u>	<u>32,479,810.39</u>	<u>-775,251.34</u>	<u>30,322,144.05</u>
Net Change in Fund Balances	4,318,321.30	29,097,443.84	980,688.47	34,396,453.61
Fund Balances - Beginning	<u>8,330,681.29</u>	<u>1,186,374.82</u>	<u>10,011,411.17</u>	<u>19,528,467.28</u>
Fund Balances - Ending	<u>\$ 12,649,002.59</u>	<u>\$ 30,283,818.66</u>	<u>\$ 10,992,099.64</u>	<u>\$ 53,924,920.89</u>

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

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

EXHIBIT "F"

Total Net Change in Fund Balances - Governmental Funds (Exhibit "E") \$ 34,396,453.61

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	\$	2,854,027.00	
Depreciation Expense - Buildings		-2,873,237.00	
Depreciation Expense - Equipment		-1,264,815.00	
Depreciation Expense - Land Improvements		-101,596.00	
Excess of Capital Outlay over Depreciation Expense		-1,385,621.00	-1,385,621.00

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

Deferred Inflows - Unavailable Property Taxes			
June 30, 2013	\$	-1,391,392.27	
June 30, 2014		1,654,698.80	
Total Deferred Inflows - Unavailable Property Taxes		263,306.53	263,306.53

Bond proceeds provide current financial resources to Governmental Funds; however, issuing debt increases Long-Term Liabilities in the Statement of Net Position. In the current period, proceeds were received from:

Proceeds from Sale of General Obligation Bonds	\$	-27,205,000.00	
Premium derived from Sales of General Obligation Bonds		-3,058,776.95	
Total Bond Proceeds		-30,263,776.95	-30,263,776.95

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:

Bond Principal Retirements	\$	6,000,000.00	
Capital Lease Payments		699,400.60	
Amortization of Bond Premiums		203,487.42	
Total Long-Term Debt Repayments		6,902,888.02	6,902,888.02

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

Accrued Interest Expenses			
June 30, 2013	\$	174,729.17	
June 30, 2014		-204,590.00	-29,860.83
 Claims Incurred but not Reported			
June 30, 2013	\$	160,996.00	
June 30, 2014		-164,731.33	-3,735.33

Change in Net Position of Governmental Activities (Exhibit "B") \$ 9,879,654.05

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

FLOYD COUNTY BOARD OF EDUCATION  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2013

EXHIBIT "G"

	AGENCY FUNDS
	<hr/>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ <u>214,720.56</u>
 <u>LIABILITIES</u>	
Funds Held for Others	\$ <u>214,720.56</u>

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

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

### **REPORTING ENTITY**

The Floyd 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.

### **BLENDED COMPONENT UNIT**

The Floyd County Schools College and Career Academy, Inc. (Charter School) is responsible for the public education of all students attending its school. The Charter School was created through a contract between the School District and the Charter School whereby all State funding associated with the students attending the Charter School and certain specified local funds are turned over to the Charter School to cover the cost of its operations. The financial statements of the Charter School have been blended with the School District's General Fund.

## **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 Floyd 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.

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), Bond Proceeds, and grants from Georgia State Financing and Investment Commission that are restricted, committed or assigned to the expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.
- Debt Service Fund accounts for and reports financial resources that are restricted, committed, or assigned including taxes (sales) legally restricted for the payment of general long-term principal and interest.

The School District reports the following fiduciary fund type:

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

### **BASIS OF ACCOUNTING**

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

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

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

For fiscal year 2014, the School District made several prior period adjustments due to the adoption of GASB Statement No. 65, as described in "New Accounting Pronouncements" below, which require the restatement of the June 30, 2013, net position in Governmental Activities. The result is a decrease in Net Position at July 1, 2013 of \$24,817.12. This change is in accordance with generally accepted accounting principles.

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

EXHIBIT "H"

Net Position, July 1, 2013, as previously reported	\$ 143,674,233.33
Reclassification of Bond Issuance Costs	<u>-24,817.12</u>
Net Position, July 1, 2013, as restated	<u>\$ 143,649,416.21</u>

#### NEW ACCOUNTING PRONOUNCEMENTS

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

#### FUTURE ACCOUNTING PRONOUNCEMENTS

In fiscal year 2015, the School District will adopt Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. The provisions of this Statement establish accounting and financial reporting standards for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts. Implementation of this statement will require the School District to record a liability for its proportionate share of the Net Pension Liability of pension plans in which it participates. Based on information provided by the Teacher Retirement System of Georgia (TRS), the School District's liability for its proportionate share of the Net Pension Liability of the pension plan administered through TRS is estimated to be \$68.7 million at June 30, 2015.

#### CASH AND CASH EQUIVALENTS

##### Composition of Deposits

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

#### INVESTMENTS

##### Composition of Investments

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

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

EXHIBIT "H"

6. The local government investment pool (Georgia Fund 1) administered by the State of Georgia, Office of the State Treasurer,
7. Repurchase agreements, and
8. Obligations of other political subdivisions of the State of Georgia.

The School District does not have a formal policy regarding investment policies that address credit quality risks, custodial credit risks, concentration of credit risks, or interest rate 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 Floyd County Board of Commissioners adopted the property tax levy for the 2013 tax digest year (calendar year) on July 27, 2013 (levy date) based on property values as of January 1, 2013. Taxes were due on November 15, 2013 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2013 tax digest are reported as revenue in the governmental funds for fiscal year 2014. The Floyd County Tax Commissioner bills and collects the property taxes for the School District, withholds 2.5% of taxes collected as a fee for tax collection and remits the balance of taxes collected to the School District. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2014, for maintenance and operations amounted to \$30,129,991.10.

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

School Operations	<u>18.588 mills</u>
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Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to \$1,261,876.72 during fiscal year ended June 30, 2014.

#### SALES TAXES

Education Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to \$8,777,243.20 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.

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## CAPITAL ASSETS

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

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

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
Land	All	N/A
Land Improvements	\$ 5,000.00	20 to 80 years
Buildings and Improvements	\$ 10,000.00	10 to 80 years
Equipment	\$ 5,000.00	3 to 20 years
Intangible Assets	\$ 200,000.00	10 to 20 years

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

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

## DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

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

## GENERAL OBLIGATION BONDS

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



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

## NET POSITION

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

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

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

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

## FUND BALANCES

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

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

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

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

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

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

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

Nonspendable			
Inventories		\$	228,317.02
Restricted			
Continuation of Federal Programs	\$	325,314.31	
Capital Projects		30,283,818.66	
Debt Service		<u>10,992,099.64</u>	41,601,232.61
Committed			
School Activity Accounts			1,549,661.98
Assigned			
After School Program	\$	86,967.66	
Self-Insurance		128,129.67	
Records Retention		<u>18,040.35</u>	233,137.68
Unassigned			<u>10,312,571.60</u>
Fund Balance, June 30, 2014		\$	<u>53,924,920.89</u>

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

#### USE OF ESTIMATES

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

#### NOTE 3: BUDGETARY DATA

The budget is a complete financial plan for the School District's fiscal year, and is based upon careful estimates of expenditures together with probable funding sources. The budget is legally adopted each year for the general, debt service, and capital projects funds. There is no statutory prohibition regarding over expenditure of the budget at any level. The budget for all governmental funds is prepared and adopted by fund. 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 1 – General Fund Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual for a detail of any over/under expenditures during the fiscal year under review.

#### **NOTE 4: DEPOSITS AND INVESTMENTS**

##### **COLLATERALIZATION OF DEPOSITS**

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

At June 30, 2014, \$454,558.69 of deposits were not secured by surety bond, insurance or collateral as specified above. The School District is working with the affected financial institutions to ensure appropriate levels of collateral are maintained for all of the School District's deposits.

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

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

##### **CATEGORIZATION OF DEPOSITS**

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At June 30, 2014, the School District had deposits with a carrying amount of \$46,005,990.30 which includes \$142,032.13 in Certificates of Deposit that are reported as Investments, and a bank balance of \$49,145,380.35. The bank balances insured by Federal depository insurance were \$969,876.90.

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

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

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

<u>Custodial Credit Risk Category</u>	<u>Bank Balance</u>
1	\$ 454,558.69
2	0.00
3	<u>47,720,944.76</u>
Total	<u>\$ 48,175,503.45</u>

### CATEGORIZATION OF INVESTMENTS

At June 30, 2014, the carrying value of the School District's total investment was \$9,702,542.80. This includes \$142,032.13 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, 2014, are presented below. All investments are presented by investment type and debt securities are presented by maturity.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturity Less than 1 Year</u>
Debt Securities		
U. S. Agencies		
Implicitly Guaranteed	\$ 1,725,948.22	<u>\$ 1,725,948.22</u>
Other Investments		
U. S. Treasury		
Money Market Funds	<u>7,834,562.45</u>	
Total Investments	<u>\$ 9,560,510.67</u>	

### Interest Rate Risk

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

### Custodial Credit Risk

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

At June 30, 2014, \$1,725,948.22 of the School District's applicable investments were uninsured or unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the School District's name.

### Credit Quality Risk

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

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The investments subject to credit quality risk are reflected below:

<u>Rated Debt Investments</u>	<u>Fair Value</u>	<u>Quality Ratings Unrated</u>
Debt Securities		
U. S. Agencies		
Implicitly Guaranteed	\$ 1,725,948.22	\$ 1,725,948.22

**Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The School District does not have a formal policy for managing concentration of credit risk. More than 5% of the School District's investments are in Federal National Mortgage Association Discount Notes. This investment is 18.05% of the School District's total investments.

**NOTE 5: NON-MONETARY TRANSACTIONS**

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

**NOTE 6: CAPITAL ASSETS**

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

	<u>Balances July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances June 30, 2014</u>
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 2,826,345.00			\$ 2,826,345.00
Construction in Progress	1,512,561.00	\$ 2,697,702.00	\$ 331,370.00	3,878,893.00
Total Capital Assets Not Being Depreciated	4,338,906.00	2,697,702.00	331,370.00	6,705,238.00
Capital Assets, Being Depreciated:				
Buildings and Improvements	166,646,466.00	161,409.00		166,807,875.00
Equipment	18,196,108.00	144,706.00	51,200.00	18,289,614.00
Land Improvements	4,225,815.00	181,580.00		4,407,395.00
Less Accumulated Depreciation for:				
Buildings and Improvements	35,944,881.00	2,873,237.00		38,818,118.00
Equipment	12,209,514.00	1,264,815.00	51,200.00	13,423,129.00
Land Improvements	3,191,328.00	101,596.00		3,292,924.00
Total Capital Assets, Being Depreciated, Net	137,722,666.00	-3,751,953.00	0.00	133,970,713.00
Governmental Activity Capital Assets - Net	\$ 142,061,572.00	\$ -1,054,251.00	\$ 331,370.00	\$ 140,675,951.00

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

	Governmental Funds
Buildings and Improvements	\$ 1,708,467.00
Less: Accumulated Depreciation	<u>1,133,145.00</u>
	<u>\$ 575,322.00</u>

Current year depreciation expense by function is as follows:

Instruction	\$ 3,203,676.00
Support Services	
Educational Media Services	\$ 39,650.00
General Administration	32,188.00
Student Transportation Services	<u>744,485.00</u>
Food Services	<u>816,323.00</u>
	<u>219,649.00</u>
	<u>\$ 4,239,648.00</u>

**NOTE 7: INTERFUND TRANSFERS**

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

<u>Transfer to</u>	Transfers From	
	General Fund	Debt Service Fund
District-wide Capital Projects	\$ <u>1,396,082.70</u>	\$ <u>775,251.34</u>

Transfers are used to move property tax revenues collected by the General Fund to (1) the District-wide Capital Projects Fund as supplemental funding source for capital construction projects and (2) to move Special Local Option Sales Tax revenue collected by the Debt Service Fund to the District-wide Capital Projects Fund to cover allowable capital outlay expenditures.

**NOTE 8: RISK MANAGEMENT**

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

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

The School District has established a limited risk management program for workers' compensation claims. In connection with this program, a self-insurance reserve has been established within the General Fund by the School District. The School District accounts for claims within the General Fund with expenses/expenditures and liability being reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. An excess coverage insurance policy covers individual claims in excess of \$400,000.00 loss per occurrence, up to the statutory limit.

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

	Beginning of Year Liability	Claims and Changes in Estimates	Claims Paid	End of Year Liability
2013	\$ 178,665.36	\$ 133,124.28	\$ 150,793.64	\$ 160,996.00
2014	\$ 160,996.00	\$ 302,193.28	\$ 298,457.95	\$ 164,731.33

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

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

	Beginning of Year Liability	Claims and Changes in Estimates	Claims Paid	End of Year Liability
2013	\$ 0.00	\$ 32,057.98	\$ 32,057.98	\$ 0.00
2014	\$ 0.00	\$ 232,123.00	\$ 232,123.00	\$ 0.00

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

Position Covered	Amount
Superintendent	\$ 100,000.00
Blanket Employee	\$ 100,000.00

## **NOTE 9: LONG-TERM LIABILITIES**

### **CAPITAL LEASES**

The Floyd County Board of Education also entered into various lease agreements for construction, energy management systems, and bus radios. 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.

### **GENERAL OBLIGATION DEBT OUTSTANDING**

General Obligation Bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
General Government - QZAB - Series 2004	0.00%	\$ 2,000,000.00
General Government - Series 2009	3.00% - 4.00%	7,000,000.00
General Government - Series 2014	3.00% - 5.00%	27,205,000.00
		<u>\$ 36,205,000.00</u>

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

	Governmental Activities				
	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014	Due Within One Year
G.O. Bonds	\$ 15,000,000.00	\$ 27,205,000.00	\$ 6,000,000.00	\$ 36,205,000.00	\$ 7,000,000.00
Capital Leases	3,889,906.78		699,400.60	3,190,506.18	736,678.05
Bond Premiums Amortized	106,383.39	3,058,776.95	203,487.42	2,961,672.92	582,624.18
	<u>\$ 18,996,290.17</u>	<u>\$ 30,263,776.95</u>	<u>\$ 6,902,888.02</u>	<u>\$ 42,357,179.10</u>	<u>\$ 8,319,302.23</u>

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

	Capital Leases	
	Principal	Interest
<u>Fiscal Year Ended June 30:</u>		
2015	\$ 736,678.05	\$ 148,529.43
2016	731,795.22	110,321.34
2017	770,768.74	71,347.82
2018	811,817.89	30,298.67
2019	139,446.28	907.06
Total Principal and Interest	<u>\$ 3,190,506.18</u>	<u>\$ 361,404.32</u>

	General Obligation Debt		Unamortized
	Principal	Interest	Bond Premium
<u>Fiscal Year Ended June 30:</u>			
2015	\$ 7,000,000.00	\$ 827,265.00	\$ 582,624.18
2016	5,030,000.00	1,132,350.00	582,624.18
2017	5,185,000.00	953,200.00	582,624.18
2018	7,390,000.00	714,750.00	582,624.18
2019	5,660,000.00	438,500.00	582,624.18
2020	5,940,000.00	148,500.00	48,552.02
Total Principal and Interest	<u>\$ 36,205,000.00</u>	<u>\$ 4,214,565.00</u>	<u>\$ 2,961,672.92</u>

**NOTE 10: ON-BEHALF PAYMENTS**

The School District has recognized revenues and costs in the amount of \$5,238,486.22 for health insurance and retirement contributions paid on the School District's behalf by the following State Agencies.

Georgia Department of Education

Paid to the Georgia Department of Community Health

For Health Insurance of Certificated Personnel

In the amount of \$5,052,660.00

Paid to the Teachers' Retirement System of Georgia

For Teachers' Retirement System (TRS) Employer's Cost

In the amount of \$18,364.22



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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 \$167,462.00

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

**NOTE 11: SIGNIFICANT COMMITMENTS**

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

Project	Unearned Executed Contracts
College and Career Academy	\$ 437,200.00
Armuchee Elementary School HVAC	370,070.26
Coosa High School	29,657,504.23
	<u>\$ 30,464,774.49</u>

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

**NOTE 12: SIGNIFICANT CONTINGENT LIABILITIES**

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

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

**NOTE 13: SUBSEQUENT EVENTS**

During fiscal year 2015, the School District became aware of a situation where school personnel were allegedly involved in a fraudulent scheme where inflated and altered invoices were submitted and paid by the School District to various vendors. It is believed kickbacks were obtained from the vendors involved and funds were received by school personnel. This matter is under investigation by law enforcement officials from both the state and local governments. The amount of funds misappropriated is not known at this time but is believed to be in excess of \$600,000.00 and covers multiple fiscal years.

**NOTE 14: 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

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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.

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

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

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

**For non-certificated school personnel:**

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

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

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

<u>Fiscal Year</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>
2014	100%	\$ 9,841,742.04
2013	100%	\$ 10,484,363.57
2012	100%	\$ 10,406,972.17

## **NOTE 15: RETIREMENT PLANS**

### **TEACHERS' RETIREMENT SYSTEM OF GEORGIA (TRS)**

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

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

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

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

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

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

Fiscal Year	Percentage Contributed	Required Contribution
2014	100%	\$ 6,710,335.80
2013	100%	\$ 6,915,683.57
2012	100%	\$ 6,533,913.66

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

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

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

EXHIBIT "H"

**DEFINED CONTRIBUTION PLAN**

In July 2003, Floyd County Board of Education began an employer paid 403(b) annuity plan for the group of employees covered under the Public School Employees' Retirement System (PSERS). Recognizing that PSERS was a limited defined contribution and defined benefit plan which did not provide for an adequate retirement for this group of employees, it was the Board's desire to supplement the retirement of this group.

The Board paid contributions to Hartford Life Insurance Company, TIAA-CREF, and VALIC for fiscal year 2009 and part of the fiscal year 2010 through January 2010. VALIC was designated as the 3rd party plan administrator of this plan as of February 2010 and all contributions are paid to them directly. VALIC then distributes funds to the other companies as necessary. For each employee covered under PSERS, the Board began contributing to the plan an amount matching up to a maximum of 4% of the employee's base pay, dependent upon the employee's actual contribution election.

The employee becomes vested in the plan with 5 years of experience. Employees who had already achieved 5 years of experience at the time the plan was implemented were vested upon enrollment. Funds accumulated in the employer paid accounts are only available to the employee upon termination of employment and 5 years of continuous employment with Floyd County Board of Education. If an employee terminates employment prior to achieving 5 years of continuous employment, funds paid on behalf of the non-vested employee are credited back to the Board.

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

<u>Fiscal Year</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>
2014	100%	\$ 43,104.36
2013	100%	\$ 41,371.23
2012	100%	\$ 37,805.63

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

SCHEDULE "1"

	NONAPPROPRIATED BUDGETS		ACTUAL	VARIANCE
	ORIGINAL (1)	FINAL (1)	AMOUNTS	OVER/UNDER
<u>REVENUES</u>				
Property Taxes	\$ 30,322,661.00	\$ 30,322,661.00	\$ 31,430,944.10	\$ 1,108,283.10
Sales Taxes	325,000.00	325,000.00	470,914.99	145,914.99
State Funds	58,275,734.24	58,357,734.24	58,790,856.80	433,122.56
Federal Funds	8,591,891.54	9,576,590.54	8,659,560.15	-917,030.39
Charges for Services	2,275,000.00	2,275,000.00	2,124,269.98	-150,730.02
Investment Earnings	10,500.00	10,500.00	3,552.71	-6,947.29
Miscellaneous	600,000.00	600,000.00	2,636,035.20	2,036,035.20
Total Revenues	100,400,786.78	101,467,485.78	104,116,133.93	2,648,648.15
<u>EXPENDITURES</u>				
Current				
Instruction	62,709,301.94	62,923,045.34	61,193,800.11	1,729,245.23
Support Services				
Pupil Services	2,624,033.00	2,802,271.00	3,707,896.80	-905,625.80
Improvement of Instructional Services	2,433,979.20	2,735,280.21	2,494,146.85	241,133.36
Educational Media Services	1,258,950.60	1,390,775.60	1,331,125.91	59,649.69
General Administration	1,492,047.47	1,555,775.84	1,572,028.43	-16,252.59
School Administration	6,481,542.62	6,374,692.33	6,586,145.38	-211,453.05
Business Administration	625,869.00	625,369.00	587,853.84	37,515.16
Maintenance and Operation of Plant	8,617,120.53	8,824,365.07	8,997,108.99	-172,743.92
Student Transportation Services	4,560,541.00	4,558,629.00	4,570,346.73	-11,717.73
Central Support Services	738,013.00	783,713.97	816,745.40	-33,031.43
Other Support Services	196,889.13	231,280.84	572,451.06	-341,170.22
Food Services Operation	6,624,970.29	6,624,758.58	5,718,465.82	906,292.76
Community Services Operations	29,233.00	29,233.00	267,282.31	-238,049.31
Total Expenditures	98,392,490.78	99,459,189.78	98,415,397.63	1,043,792.15
Excess of Revenues over (under) Expenditures	2,008,296.00	2,008,296.00	5,700,736.30	3,692,440.30
<u>OTHER FINANCING SOURCES (USES)</u>				
Sale or Compensation for Loss of Fixed Assets	125,000.00	125,000.00	13,667.70	-111,332.30
Transfers from Other Funds	50,000.00	50,000.00		-50,000.00
Transfers to Other Funds	-1,055,000.00	-1,055,000.00	-1,396,082.70	-341,082.70
Total Other Financing Sources (Uses)	-880,000.00	-880,000.00	-1,382,415.00	-502,415.00
Net Change in Fund Balances	1,128,296.00	1,128,296.00	4,318,321.30	3,190,025.30
Fund Balances - Beginning	6,067,538.54	6,067,538.54	8,330,681.29	2,263,142.75
Fund Balances - Ending	\$ 7,195,834.54	\$ 7,195,834.54	\$ 12,649,002.59	\$ 5,453,168.05

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 were \$2,673,375.86 and \$2,611,519.01, respectively. These amounts do not include transfers in and out to other Funds.

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.

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

SCHEDULE "2"

FUNDING AGENCY PROGRAM/GRANT	CFDA NUMBER	PASS- THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD
Agriculture, U. S. Department of			
Child Nutrition Cluster			
Pass-Through From Georgia Department of Education			
Food Services			
School Breakfast Program	* 10.553	N/A	(2)
National School Lunch Program	* 10.555	N/A	\$ 5,433,091.55 (1)
Total Child Nutrition Cluster			5,433,091.55
Forest Service Schools and Roads Cluster			
Pass-Through From Office of the State Treasurer			
Schools and Roads - Grants to States	10.665	N/A	(3)
Total U. S. Department of Agriculture			5,433,091.55
Education, U. S. Department of			
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Grants to States	* 84.027	N/A	1,941,524.08
Preschool Grants	* 84.173	N/A	79,398.26
Total Special Education Cluster			2,020,922.34
Other Programs			
Pass-Through From Georgia Department of Education			
Career and Technical Education - Basic Grants to States	84.048	N/A	84,663.00
Education for Homeless Children and Youth	84.196	N/A	55,053.88
English Language Acquisition Grants	84.365	N/A	40,834.62
Improving Teacher Quality State Grants	84.367	N/A	226,914.65
Mathematics and Science Partnerships	84.366	N/A	21,555.89
Title I Grants to Local Educational Agencies	* 84.010	N/A	2,149,425.40
Total Other Programs			2,578,447.44
Total U. S. Department of Education			4,599,369.78
Total Expenditures of Federal Awards			\$ 10,032,461.33

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 \$299,467.75.
- (2) Expenditures for the funds earned on the School Breakfast Program (\$934,333.61) were not maintained separately and are included in the 2014 National School Lunch Program.
- (3) Funds earned on this program, in the amount of \$4,196.52, do not require reporting of expenditures.

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

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the Floyd 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.

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

SCHEDULE "3"

AGENCY/FUNDING	GOVERNMENTAL FUND TYPES		TOTAL
	GENERAL FUND	CAPITAL PROJECTS FUND	
GRANTS			
Bright From the Start:			
Georgia Department of Early Care and Learning			
Pre-Kindergarten Program	\$ 1,504,149.60		\$ 1,504,149.60
Education, Georgia Department of			
Quality Basic Education (1)			
Direct Instructional Cost			
Kindergarten Program	2,046,890.00		2,046,890.00
Kindergarten Program - Early Intervention Program	2,012,022.00		2,012,022.00
Primary Grades (1-3) Program	4,500,750.00		4,500,750.00
Primary Grades - Early Intervention (1-3) Program	5,395,559.00		5,395,559.00
Upper Elementary Grades (4-5) Program	2,924,550.00		2,924,550.00
Upper Elementary Grades - Early Intervention (4-5) Program	1,817,310.00		1,817,310.00
Middle School (6-8) Program	5,728,294.00		5,728,294.00
High School General Education (9-12) Program	5,131,395.00		5,131,395.00
Vocational Laboratory (9-12) Program	1,641,650.00		1,641,650.00
Students with Disabilities	11,507,183.00		11,507,183.00
Gifted Student - Category VI	4,744,660.00		4,744,660.00
Remedial Education Program	350,539.00		350,539.00
Alternative Education Program	402,446.00		402,446.00
English Speakers of Other Languages (ESOL)	478,120.00		478,120.00
Media Center Program	1,150,657.00		1,150,657.00
20 Days Additional Instruction	324,673.00		324,673.00
Staff and Professional Development	246,536.00		246,536.00
Indirect Cost			
Central Administration	1,405,839.00		1,405,839.00
School Administration	2,643,846.00		2,643,846.00
Facility Maintenance and Operations	2,569,870.00		2,569,870.00
Amended Formula Adjustment	-7,926,661.00		-7,926,661.00
Categorical Grants			
Pupil Transportation			
Regular	1,248,297.00		1,248,297.00
Nursing Services	191,800.00		191,800.00
Vocational Supervisors	26,733.00		26,733.00
Education Equalization Funding Grant	4,982,103.00		4,982,103.00
Other State Programs			
Charter System Grant	785,792.00		785,792.00
Food Services	154,280.00		154,280.00
Math and Science Supplements	41,109.98		41,109.98
Move on when ready Grant	100.00		100.00
Preschool Handicapped Program	303,262.00		303,262.00
Teachers' Retirement	18,364.22		18,364.22
Technology to Support Learning 7MM Grant	81,990.00		81,990.00
Vocational Education	163,286.00		163,286.00
Georgia State Financing and Investment			
Commission			
Reimbursement on Construction Projects		\$ 391,788.00	391,788.00
Natural Resources, Georgia Department of			
Arrowhead Grant	26,000.00		26,000.00
Office of the State Treasurer			
Public School Employees' Retirement	167,462.00		167,462.00
	<u>\$ 58,790,856.80</u>	<u>\$ 391,788.00</u>	<u>\$ 59,182,644.80</u>

- (1) Payments to the Georgia Department of Community Health by the Georgia Department of Education on behalf of the School District in the amount of \$5,052,660.00 are included as part of the Quality Basic Education revenue allotments above.

See notes to the basic financial statements.



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

SCHEDULE "4"

PROJECT	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3) (4)	AMOUNT EXPENDED IN PRIOR YEARS (3) (4)	TOTAL COMPLETION COST	EXCESS PROCEEDS NOT EXPENDED	ESTIMATED COMPLETION DATE
<b>2009 SPLOST</b>							
(1) Additional Classrooms	\$ 6,174,000.00	\$ 4,565,046.31	\$ 1,189,039.31	\$ 3,376,007.00	\$ 4,565,046.31		COMPLETE
(2) Renovating, Repairing, improving and equipping existing schools and facilities including roof replacements and HVAC systems	8,842,000.00	9,132,142.00	954,331.86	10,168,604.66			12/31/2014
(3) Technology system-wide including purchasing hardware	2,500,000.00	2,546,762.00	69,458.54	2,503,757.93			10/31/2014
(4) Transportation Department Improvements and Bus Purchases	2,000,000.00	1,610,208.00		1,584,256.06			12/31/2014
(5) acquiring any capital property necessary or desirable for the foregoing purposes, both real and personal.	700,000.00	184,373.00		184,373.00	184,373.00	\$ 0.00	COMPLETE
(6) Legal and Administrative Costs		481,849.43	7,350.01	474,499.42	481,849.43		COMPLETE
	<u>20,216,000.00</u>	<u>18,520,380.74</u>	<u>2,220,179.72</u>	<u>18,291,498.07</u>	<u>5,231,268.74</u>	<u>0.00</u>	
<b>2014 SPLOST</b>							
(1) New Coosa High School	36,500,000.00	36,500,000.00	212,825.65				6/30/2016
(2) System Security Upgrades (Lighting and Entrance)	2,775,000.00	2,775,000.00	474,457.91				6/30/2019
(3) Technology	2,000,000.00	2,000,000.00					6/30/2019
(4) Building Improvements (HVAC, etc.)	4,910,000.00	4,910,000.00					6/30/2019
(5) Legal and Administrative Costs	35,000.00	258,012.11	258,012.11				6/30/2019
	<u>46,220,000.00</u>	<u>46,443,012.11</u>	<u>945,295.67</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	
<b>TOTAL</b>	<u>\$ 66,436,000.00</u>	<u>\$ 64,963,392.85</u>	<u>\$ 3,165,475.39</u>	<u>\$ 18,291,498.07</u>	<u>\$ 5,231,268.74</u>	<u>\$ 0.00</u>	

(1) The School District's original cost estimate as specified in the resolution calling for the imposition of the Local Option Sales Tax.

(2) The School District's current estimate of total cost for the projects. Includes all cost from project inception to completion.

(3) The voters of Floyd 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	\$ 6,438,936.54
Current Year	<u>322,325.00</u>
Total	<u>\$ 6,761,261.54</u>

See notes to the basic financial statements.

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

SCHEDULE "5"

DESCRIPTION	ALLOTMENTS FROM GEORGIA DEPARTMENT OF EDUCATION (1) (2)	ELIGIBLE QBE PROGRAM COSTS		
		SALARIES	OPERATIONS	TOTAL
Direct Instructional Programs				
Kindergarten Program	\$ 2,356,960.00	\$ 3,670,727.36	\$ 199.50	\$ 3,670,926.86
Kindergarten Program-Early Intervention Program	2,408,503.00			
Primary Grades (1-3) Program	5,198,215.00	9,867,534.69	92,681.88	9,960,216.57
Primary Grades-Early Intervention (1-3) Program	6,223,193.00			
Upper Elementary Grades (4-5) Program	3,448,619.00	5,474,459.24	52,754.13	5,527,213.37
Upper Elementary Grades-Early Intervention (4-5) Program	2,042,385.00	2.88		2.88
Middle School (6-8) Program	6,642,361.00	7,653,608.38	105,193.96	7,758,802.34
High School General Education (9-12) Program	5,956,945.00	9,234,409.74	356,314.04	9,590,723.78
Vocational Laboratory (9-12) Program	1,927,809.00	1,492,830.23	146,132.70	1,638,962.93
Students with Disabilities	13,268,070.00			
Category I		69,405.19		69,405.19
Category III		9,884,585.93	419,750.72	10,304,336.65
Category IV		282,825.21		282,825.21
Gifted Student - Category VI	5,342,791.00	2,416,595.68	36,027.40	2,452,623.08
Remedial Education Program	410,253.00			
Alternative Education Program	478,960.00	433,951.16		433,951.16
English Speakers of Other Languages (ESOL)	544,557.00	320,009.67	1,877.44	321,887.11
TOTAL DIRECT INSTRUCTIONAL PROGRAMS	56,249,621.00	50,800,945.36	1,210,931.77	52,011,877.13
Media Center Program	1,331,759.00	1,094,088.95	157,676.55	1,251,765.50
Staff and Professional Development	278,020.00	38,641.11	80,013.03	118,654.14
TOTAL QBE FORMULA FUNDS	\$ 57,859,400.00	\$ 51,933,675.42	\$ 1,448,621.35	\$ 53,382,296.77

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

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

See notes to the basic financial statements.



## SECTION II

### COMPLIANCE AND INTERNAL CONTROL REPORTS





## DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

October 20, 2015

Honorable Nathan Deal, Governor  
Members of the General Assembly  
Members of the State Board of Education  
and  
Superintendent and Members of the  
Floyd 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, the major funds - General Fund and Debt Service Fund, and the aggregate remaining fund information of the Floyd County Board of Education as of and for the year ended June 30, 2014, and the related notes to the financial statements. Also, we were engaged to audit the financial statements of the major fund - District-wide Capital Projects Fund. These financial statements collectively comprise the Floyd County Board of Education's basic financial statements and we have issued our report thereon dated October 20, 2015. Our report qualifies an opinion on governmental activities and the major fund - General Fund. Our report also disclaims an opinion on the major fund - District-wide Capital Projects Fund. All modified opinions are as a result of the ongoing investigation of apparent fraudulent activity. The effects of the apparent fraud had on these financial statements have not been determined, but it is believed to be material for the Capital Projects Fund.

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

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

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

2014YB-41X



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

### **Compliance and Other Matters**

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

We noted certain matters that we have reported to management of Floyd County Board of Education in a separate letter dated October 20, 2015.

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

Floyd County Board of Education's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Floyd 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

GSG:as  
2014YB-41X







## DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

October 20, 2015

Honorable Nathan Deal, Governor  
Members of the General Assembly  
Members of the State Board of Education  
and  
Superintendent and Members of the  
Floyd 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 Floyd County Board of Education's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014. Floyd 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 Floyd 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 Floyd County Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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



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

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

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item FA 2014-001. Our opinion on each major federal program is not modified with respect to this matter.

Floyd County Board of Education's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Floyd County Board of Education's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain a deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item FA 2014-001 that we consider to be a significant deficiency.



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

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

Respectfully submitted,

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

Greg S. Griffin  
State Auditor

GSG:as  
2014SA-40



### SECTION III

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





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

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.



## SECTION IV

### FINDINGS AND QUESTIONED COSTS



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

**I SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issue:	
Debt Service Fund; Aggregate Remaining Fund Information	Unmodified
Governmental Activities; General Fund	Qualified
Capital Projects Fund	Disclaimer
Internal control over financial reporting:	
▪ Material weakness identified?	Yes
▪ Significant deficiency identified?	None Reported
Noncompliance material to financial statements noted:	No

**Federal Awards**

Internal Control over major programs:	
▪ Material weakness identified?	No
▪ Significant deficiency identified?	Yes
Type of auditor's report issued on compliance for major programs:	
All major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-143, Section 510(a)?	Yes
Identification of major programs:	
<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	Child Nutrition Cluster
84.010	Title I Grants to Local Educational Agencies
84.027, 84.173	Special Education Cluster
Dollar threshold used to distinguish between Type A and Type B programs:	\$301,099.74
Auditee qualified as low-risk auditee?	No

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

## II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

### FS 2014-001 Inadequate Accounting Procedures

Control Category:	Accounting Controls
Internal Control Impact:	Material Weakness
Compliance Impact:	None

#### Description:

Controls were not designed adequately to ensure that misstatements are detected in a timely manner.

#### Criteria:

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

#### Condition:

Subsequent to the end of fiscal year 2014 it was discovered an employee in the maintenance department was able to perpetuate a fraud dating back to fiscal year 2007 by circumventing internal controls in place at the School District. The action involved collusion with vendors of the School District and personal purchases of the employee. The total amount of this action is not known but is believed to be significant and/or material.

#### Cause:

The internal controls in place were circumvented by School District management.

#### Effect or Potential Effect:

Without satisfactory accounting controls and procedures in place, the School District could place itself in a position where potential misappropriation of assets could occur. In addition, the lack of controls impacted its reporting of its financial position and results of operations.

#### Recommendation:

The School District should review accounting procedures in place and design and implement procedures relative to the above control categories to strengthen the internal controls over the accounting functions.

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

We concur with the documented finding; our current policy regarding purchasing needed to have been more detailed. In this instance, controls that were in place were circumvented by alleged illegal activity involving collusion with vendors. To strengthen purchasing and procurement practices, the Floyd County Board of Education adopted a new purchasing policy in July, 2015. This policy also included a regulation that places stringent purchasing and bidding regulations to guide staff in practices that adds accountability for the transparent procurement of goods and services. The details of this policy and regulation can be found in our online policies and regulation on E-Board. (See Floyd County School Policy and Regulation DJEG and DJEG-R, or use link below):

[https://eboard.eboardsolution.com/ePolicy/policy.aspx?PC=DJEG-R\(1\)&Sch=4068&S=4068&RevNo=1.22&C=D&Z=R](https://eboard.eboardsolution.com/ePolicy/policy.aspx?PC=DJEG-R(1)&Sch=4068&S=4068&RevNo=1.22&C=D&Z=R)

Additionally, the Board reorganized staff and established the position of Director of Internal Audits and Compliance effective July 1, 2015, and acting in those positions by the end of April, 2015. This position oversees all purchasing and procurement practices as well as trains and monitors employees

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

## II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

on proper purchasing practices. The Board is also in the process of implementing new state of the art software that has enhanced workflow and digital approval capability which will be used to authenticate prior approval at the various levels specified in the purchasing regulation. The implementation is scheduled to be completed sometime in 2016.

Finally, each employee has attended mandatory meetings that discussed these new guidelines and made aware of consequences on non-compliance and intentional abuse of taxpayer funds.

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## III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

### FA 2014-001 Matching, Level of Effort, Earmarking

Internal Control Impact: Failure to Meet Maintenance of Effort  
Compliance Impact: Significant Deficiency  
Federal Awarding Agency: U. S. Department of Education  
Pass-Through Entity: Georgia Department of Education  
CFDA Number and Title: Special Education Cluster (84.027 and 84.173)

#### Description:

The School District did not meet the maintenance of effort requirement for the Special Education Cluster.

#### Criteria:

34CFR 300.203(a) and the Compliance Supplement, Part 4 (4-84.027, III, G.2.1. IDEA, Part B) indicate that funds received by a Local Education Agency (LEA) cannot be used, except under certain limited circumstances, to reduce the level of expenditures for the education of children with disabilities made by the LEA from local funds below the level of those expenditures for the preceding fiscal year. To meet this requirement, an LEA must expend, in any particular fiscal year, an amount of local funds for the education of children with disabilities that is at least equal to the amount of local funds expended for this purpose by the LEA in the prior fiscal year.

#### Condition:

Local funds for the education of children with disabilities decreased both in the aggregate and per pupil during the year under review.

	Fiscal Year 2014	Fiscal Year 2013
Local Expenditures	\$ 442,855.81	\$ 484,689.05
Number of Students	1,518	1525
Local Expenditures per Student	\$ 7,642.95	\$ 7,839.22



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

### III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

**Questioned Cost:**

\$41,833.24

**Cause:**

The School District did not properly monitor its expenditures to ensure compliance with the maintenance of effort requirement related to the education of children with disabilities.

**Effect or Potential Effect:**

Failure to monitor expenditures for compliance with the maintenance of effort requirement can lead to a material noncompliance with the provisions of this Federal grant.

**Recommendation:**

The School District should implement adequate procedures to ensure that the maintenance of effort requirements are met in accordance with the requirements of the Special Education Cluster. The Georgia Department of Education should review this matter to determine if a refund is appropriate.

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

We concur with this finding. In fiscal year 2014, the Board imposed a Reduction in Force along with eight (8) reduced work days for all employees. Because of this drastic reduction in staff and salaries across the entire school district, the expenditures in fiscal year 2014 could not meet or exceed those expended in fiscal year 2013.

The administration worked with the GDOE IDEA Program Manager which forwarded us the final calculation of the amount under expended to meet Maintenance of Effort. In reviewing the local capital purchases, the Board was able to reduce the final calculation per GDOE of \$39,417.05 by using \$5,221.80 of local capital expenditures. On August 21, 2015, a reimbursement was made from General Funds to GDOE in the amount of \$34,195.25 to satisfy the MOE requirement for fiscal year 2014.

Finally, the district financial staff will work closely with the district special education administration to ensure that MOE will be met. The district fully understands the requirement of meeting MOE and will work with the GDOE staff to assist as needed to ensure compliance.

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