



# **FRANKLIN COUNTY BOARD OF EDUCATION CARNESVILLE, GEORGIA**

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

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



FRANKLIN 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

December 15, 2015

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

### INDEPENDENT AUDITOR'S REPORT

Ladies and Gentlemen:

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information (Exhibits A through H) of the Franklin County Board of Education, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

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

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

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

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

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





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

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

### ***Opinions***

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Franklin 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 Franklin County Board of Education adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

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

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

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



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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2015, on our consideration of the Franklin 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 Franklin County Board of Education's internal control over financial reporting and compliance.

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

Respectfully submitted,

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

Greg S. Griffin  
State Auditor

GSG:as  
2014ARL-11



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

## INTRODUCTION

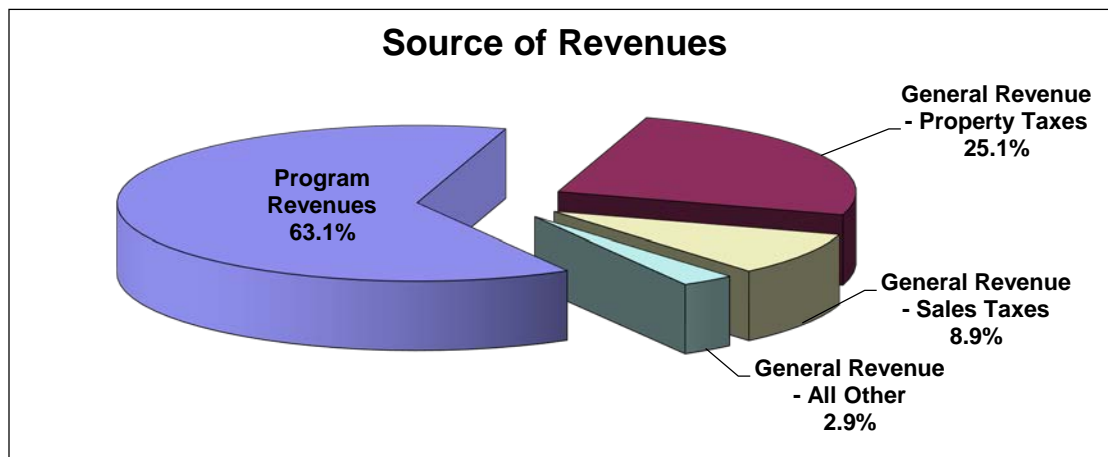
The School District's financial statements for the fiscal year ended June 30, 2014 includes a series of basic financial statements that report financial information for the District as a whole, its funds, and its fiduciary responsibilities. The Statement of Net Position and the Statement of Activities provide financial information about all of the School District's activities and present both a short-term and long-term view of the School District's finances on a global basis. The fund financial statements provide information about all of the School District's funds. Information about these funds, such as the School District's General Fund, is important in its own right, but will also give insight into the School 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 \$63.6 million. Net position reflects the difference between all assets 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 \$63.6 million represented an increase of almost \$4.3 million when compared to the prior year.
- The School District had \$33.2 million in expenses relating to governmental activities; about \$23.7 million of these expenses were offset by program specific charges for services, grants and contributions. However, general revenues (primarily property and sales taxes) of \$13.9 million were adequate to provide for these programs.
- As stated above, general revenues accounted for \$13.9 million or about 37% of all revenues totaling \$37.6 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)



FRANKLIN COUNTY BOARD OF EDUCATION  
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FOR THE FISCAL YEAR ENDED JUNE 30, 2014

On the fund financial statements:

- Among major funds, the General Fund had \$31.7 million in revenues and \$31.9 million in expenditures. The General Fund balance of \$3.8 million at June 30, 2014 decreased by roughly \$0.2 million from the prior year. The decrease in General Fund Balance occurred primarily because District's expenditures were almost \$0.5 million greater than the prior year where revenues actually declined as compared to the prior year.

## 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 Franklin 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 Franklin 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 School District's operating funds into one column called governmental activities. In reviewing the District-wide financial statements, a reader might ask the question, are we in a better financial position 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 School District's assets and liabilities and uses the **accrual basis of accounting** similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and any changes in net position. The change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change

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

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 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.



FRANKLIN 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 School District's operating results. The School District's net position, as measured in the Statement of Net Position is one way to measure the School District's financial health, or financial position. Over time, increases or decreases in the School 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 School 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 Franklin County School District, assets exceeded liabilities and deferred inflows of resources by \$63.6 million at June 30, 2014. To better understand the School 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 \$63.6 million of net position, \$2.3 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 School District's ongoing obligations to citizens and creditors.

In addition, the District had just almost \$59.1 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 \$2.3 million may be used to meet the School District's ongoing obligations to citizens and creditors.

FRANKLIN 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
<b>Assets</b>		
Current and Other Assets	\$ 14,664,146	\$ 18,573,993
Capital Assets, Net	<u>65,126,682</u>	<u>59,298,409</u>
<b>Total Assets</b>	<u>79,790,828</u>	<u>77,872,402</u>
<b>Liabilities</b>		
Current and Other Liabilities	4,950,540	5,330,882
Long-Term Liabilities	<u>10,823,015</u>	<u>13,248,769</u>
<b>Total Liabilities</b>	15,773,555	18,579,651
Deferred Inflows of Resources	<u>389,179</u>	
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>16,162,734</u>	<u>18,579,651</u>
<b>Net Position</b>		
Net Investment in Capital Assets	59,065,411	51,287,528
Restricted	2,281,068	5,284,595
Unrestricted	<u>2,281,615</u>	<u>2,720,628</u>
<b>Total Net Position</b>	<u>\$ 63,628,094</u>	<u>\$ 59,292,751</u>

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.

FRANKLIN 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	\$ 538,014	\$ 581,167
Operating Grants and Contributions	19,966,584	20,576,050
Capital Grants and Contributions	3,213,419	3,784,158
Total Program Revenues	23,718,017	24,941,375
General Revenues:		
Taxes		
Property Taxes	9,419,608	9,199,957
Sales Taxes	3,361,882	3,483,918
Grants and Contributions not		
Restricted to Specific Programs	687,014	470,045
Investment Earnings	33,495	37,698
Miscellaneous	754,344	1,095,820
Special Items		
Loss on Disposal of Capital Assets	-391,624	
Total General Revenues and Special Items	13,864,719	14,287,438
Total Revenues	37,582,736	39,228,813
<b>Program Expenses:</b>		
Instruction	20,830,729	21,162,973
Support Services		
Pupil Services	1,043,352	1,085,594
Improvement of Instructional Services	1,503,287	1,370,202
Educational Media Services	527,964	490,764
General Administration	404,377	405,724
School Administration	1,907,402	1,971,600
Business Administration	254,265	373,658
Maintenance and Operation of Plant	2,241,216	2,189,014
Student Transportation Services	2,147,174	2,129,679
Central Support Services	2,140	879
Other Support Services	215,426	230,969
Operations of Non-Instructional Services		
Enterprise Operations	284,687	417,899
Food Services	1,622,278	1,591,575
Interest on Short-Term and Long-Term Debt	263,096	402,351
Total Expenses	33,247,393	33,822,881
Increase in Net Position	\$ 4,335,343	\$ 5,405,932

FRANKLIN 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.

**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	\$ 20,830,729	\$ 21,162,973	\$ 4,287,958	\$ 3,322,484
Support Services:				
Pupil Services	1,043,352	1,085,594	769,615	947,188
Improvement of Instructional Services	1,503,287	1,370,202	841,333	812,310
Educational Media Services	527,964	490,764	-3,020	-63,094
General Administration	404,377	405,724	-363,265	-328,542
School Administration	1,907,402	1,971,600	869,568	720,279
Business Administration	254,265	373,658	249,082	335,098
Maintenance and Operation of Plant	2,241,216	2,189,014	1,064,473	1,010,664
Student Transportation Services	2,147,174	2,129,679	1,321,833	1,427,538
Central Support Services	2,140	879	2,140	879
Other Support Services	215,426	230,969	16,635	187,832
Operations of Non-Instructional Services:				
Enterprise Operations	284,687	417,899	185,452	325,324
Food Services	1,622,278	1,591,575	24,476	-218,805
Interest on Short-Term and Long-Term Debt	263,096	402,351	263,096	402,351
Total Expenses	\$ <u>33,247,393</u>	\$ <u>33,822,881</u>	\$ <u>9,529,376</u>	\$ <u>8,881,506</u>

Expenses in fiscal year 2014 decreased modestly by \$575,000 from the prior year, while the net cost of providing services increased by \$648,000. The costs of providing services in fiscal year 2014 compared to fiscal year 2013 increased disproportionately because Program Revenues in fiscal year 2014 decreased by about \$1.2 million. These decreases occurred because of reductions in State Operating Grants and Capital Outlay Grants in fiscal year 2014 as compared to fiscal year 2013.

## 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 \$41.2 million and total expenditures of \$41.9 million in fiscal year 2014. Total governmental fund balances of \$8.6 million at June 30, 2014, decreased over \$700,000 from the prior year.

FRANKLIN COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED 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.

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 \$31.7 million exceeded the final budget by \$2.7 million. This variance occurred largely because Federal Funds exceeded the final budget by roughly \$923,000, Charges for Services exceeded the final budget by \$472,000 and Miscellaneous Revenues exceed the final budget by \$714,000.

The General Fund's final actual expenditures of \$31.9 million exceeded the final budget by \$488,000. This variance occurred primarily because Food Services expenditures exceed the final budget by roughly \$700,000.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

At fiscal year ended June 30, 2014, the School District had \$65.1 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; and intangible assets. 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	\$ 1,370,442	\$ 1,370,441
Construction In Progress	15,043,816	7,990,602
Land Improvements	6,698,795	6,792,956
Building and Improvements	40,243,122	41,279,068
Equipment	1,712,809	1,819,706
Intangible Assets	57,698	45,636
Total	<u>\$ 65,126,682</u>	<u>\$ 59,298,409</u>

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

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

## Long-Term Debt

At June 30, 2014, the School District had \$10.8 million in total debt outstanding which was consisted of just over \$9.9 million in bond debt and \$900,000 in unamortized bond premiums. Table 5 summarizes the School District's debt as compared to the prior fiscal year.

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

	Governmental Activities	
	Fiscal Year 2014	Fiscal Year 2013
Bonds Payable	\$ 9,920,000	\$ 12,120,000
Unamortized Bond Premium	903,016	1,128,769
Total	<u>\$ 10,823,016</u>	<u>\$ 13,248,769</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 District is financially stable. The School District's operating millage for fiscal year 2014 was 16.688, which produced about \$560,268 per mill. The School District continues to maintain a stable enrollment of about 3,600 students. The District plans to fund additional capital outlays with the one percent local sales tax revenue and state capital outlay grants.
- The School District continues to be financially challenged by the continuing slow economy. Although revenues from property taxes increased \$352,900 from the prior year, General Fund revenues from State and Federal Sources combined actually decreased by roughly \$316,000 from the prior year. State and Federal revenues constituted about 65% of the District's General Fund revenues in fiscal year 2014.
- 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 almost \$2.8 million at June 30, 2014. The Board anticipates significant financial challenges going forward due to expected continued flat revenues 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.
- 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

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FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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 \$20.8 million at June 30, 2015.

**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. Tom Porter, Finance Director, Franklin County Board of Education, 280 Busch Road, Carnesville, Georgia 30521. You may also email your questions to Mr. Porter at [tporter@franklin.k12.ga.us](mailto:tporter@franklin.k12.ga.us).

FRANKLIN COUNTY BOARD OF EDUCATION





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

EXHIBIT "A"

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 8,136,637.23
Investments	1,843,644.86
Accounts Receivable, Net	
Taxes	1,235,978.96
State Government	2,991,645.94
Federal Government	390,528.07
Local	16,288.89
Other	2,182.37
Inventories	47,240.30
Capital Assets, Non-Depreciable	16,414,257.72
Capital Assets, Depreciable (Net of Accumulated Depreciation)	<u>48,712,423.93</u>
Total Assets	<u>79,790,828.27</u>
<u>LIABILITIES</u>	
Accounts Payable	693,431.20
Salaries and Benefits Payable	3,533,124.86
Payroll Withholdings Payable	4,612.51
Interest Payable	147,258.33
Contracts Payable	403,047.00
Retainages Payable	169,066.00
Long-Term Liabilities	
Due Within One Year	2,625,753.88
Due in More Than One Year	<u>8,197,261.66</u>
Total Liabilities	<u>15,773,555.44</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Prepaid Property Tax Revenue	<u>389,179.00</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	59,065,410.77
Restricted for	
Continuation of Federal Programs	599,979.31
Debt Service	1,451,969.66
Capital Projects	229,118.76
Unrestricted	<u>2,281,615.33</u>
Total Net Position	<u>\$ 63,628,093.83</u>

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

FRANKLIN 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	\$ 20,830,728.52	\$ 42,158.87
Support Services		
Pupil Services	1,043,352.28	
Improvement of Instructional Services	1,503,286.66	
Educational Media Services	527,963.68	
General Administration	404,377.33	
School Administration	1,907,402.33	
Business Administration	254,264.99	
Maintenance and Operation of Plant	2,241,215.65	45,500.00
Student Transportation Services	2,147,174.48	39,438.69
Central Support Services	2,139.87	
Other Support Services	215,425.57	
Operations of Non-Instructional Services		
Enterprise Operations	284,687.15	99,234.94
Food Services	1,622,278.27	311,681.36
Interest on Short-Term and Long-Term Debt	263,096.22	
	<u>\$ 33,247,393.00</u>	<u>\$ 538,013.86</u>
Total Governmental Activities		
General Revenues		
Taxes		
Property Taxes		
For Maintenance and Operations		
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		
Special Item		
Loss on Disposal of Capital Assets		
Total General Revenues and Special Item		
Change in Net Position		
Net Position - Beginning of Year		
Net Position - End of Year		

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

## EXHIBIT "B"

PROGRAM REVENUES		NET (EXPENSES)	
OPERATING	CAPITAL	REVENUES	
GRANTS AND	GRANTS AND	AND CHANGES IN	
CONTRIBUTIONS	CONTRIBUTIONS	NET POSITION	
\$ 13,755,964.48	\$ 2,744,647.71	\$ -4,287,957.46	
273,736.83		-769,615.45	
661,953.92		-841,332.74	
477,564.00	53,419.34	3,019.66	
602,617.03	165,025.20	363,264.90	
1,037,834.00		-869,568.33	
5,183.45		-249,081.54	
1,104,820.81	26,421.73	-1,064,473.11	
709,683.51	76,219.50	-1,321,832.78	
		-2,139.87	
51,104.88	147,686.03	-16,634.66	
		-185,452.21	
1,286,120.97		-24,475.94	
		-263,096.22	
<u>\$ 19,966,583.88</u>	<u>\$ 3,213,419.51</u>	<u>-9,529,375.75</u>	
		9,419,608.21	
		3,225,500.71	
		136,380.55	
		687,014.00	
		33,495.21	
		754,344.17	
		-391,623.78	
		13,864,719.07	
		4,335,343.32	
		59,292,750.51	
		<u>\$ 63,628,093.83</u>	

## EXHIBIT "C"

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

FRANKLIN 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")	\$	8,621,999.21
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Amounts reported for Governmental Activities in the Statement of Net Position are different because:

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

Land	\$	1,370,441.39	
Construction in Progress		15,043,816.33	
Land Improvements		7,691,211.19	
Buildings		49,072,236.70	
Equipment		5,470,616.86	
Intangible Assets		128,249.62	
Accumulated Depreciation		-13,649,890.44	
Total Capital Assets		65,126,681.65	65,126,681.65

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

Property Taxes		157,551.04
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Georgia State Financing and Investment Commission grants that are not available to pay current period expenditures are deferred in the funds.		692,135.80
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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	\$	-9,920,000.00	
Accrued Interest Payable		-147,258.33	
Bond Premiums, Net of Amortization		-903,015.54	
Total Long-Term Liabilities		-10,970,273.87	-10,970,273.87

Net Position of Governmental Activities (Exhibit "A")	\$	63,628,093.83
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The notes to the basic financial statements are an integral part of this statement.

FRANKLIN 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	\$ 9,533,665.78			\$ 9,533,665.78
Sales Taxes	136,380.55		\$ 3,225,500.71	3,361,881.26
State Funds	17,375,529.61	\$ 6,229,222.20		23,604,751.81
Federal Funds	3,354,287.78			3,354,287.78
Charges for Services	538,013.86			538,013.86
Investment Earnings	29,330.63		4,164.58	33,495.21
Miscellaneous	754,344.17			754,344.17
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	31,721,552.38	6,229,222.20	3,229,665.29	41,180,439.87
<u>EXPENDITURES</u>				
Current				
Instruction	20,011,479.79			20,011,479.79
Support Services				
Pupil Services	1,043,352.28			1,043,352.28
Improvement of Instructional Services	1,503,286.66			1,503,286.66
Educational Media Services	513,827.74			513,827.74
General Administration	404,377.33			404,377.33
School Administration	1,844,922.63			1,844,922.63
Business Administration	241,643.15			241,643.15
Maintenance and Operation of Plant	2,236,612.20			2,236,612.20
Student Transportation Services	2,003,499.80	16,030.50		2,019,530.30
Central Support Services	2,139.87			2,139.87
Other Support Services	215,425.57			215,425.57
Enterprise Operations	284,687.15			284,687.15
Food Services Operation	1,586,836.41			1,586,836.41
Capital Outlay		7,296,072.55		7,296,072.55
Debt Services				
Principal			2,200,000.00	2,200,000.00
Dues and Fees		3,075.00		3,075.00
Interest			507,775.00	507,775.00
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	31,892,090.58	7,315,178.05	2,707,775.00	41,915,043.63
	<hr/>	<hr/>	<hr/>	<hr/>
Net Change in Fund Balances	-170,538.20	-1,085,955.85	521,890.29	-734,603.76
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Balances - Beginning	3,979,300.61	4,299,964.66	1,077,337.70	9,356,602.97
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Balances - Ending	\$ 3,808,762.41	\$ 3,214,008.81	\$ 1,599,227.99	\$ 8,621,999.21
	<hr/>	<hr/>	<hr/>	<hr/>

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

FRANKLIN 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")	\$	-734,603.76
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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	\$	7,247,722.30	
Depreciation Expense		-1,027,825.45	
Excess of Capital Outlay over Depreciation Expense			6,219,896.85

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, and disposals) is to decrease net position.		-391,623.78
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Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		-114,057.57
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Grant Revenues from the Georgia State Financing and Investments Commission not available to pay current expenditures are not required to be deferred in the Statement of Activities as they are in the Fund Statements.		-3,092,022.20
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Repayment of Long-Term Debt is reported as an expenditure in Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Position. In the current year, these amounts consist of:

Bond Principal Retirements	\$	2,200,000.00	
Amortization of Bond Premiums		225,753.88	
Total Long-Term Debt Repayments			2,425,753.88

Interest expense reported in the Statement of Activities is recorded as incurred, whereas interest expense in the governmental fund statements is reported when paid.		21,999.90
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Change in Net Position of Governmental Activities (Exhibit "B")	\$	4,335,343.32
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The notes to the basic financial statements are an integral part of this statement.



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

EXHIBIT "G"

	AGENCY FUNDS
	<hr/>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ <u>140,269.94</u>
 <u>LIABILITIES</u>	
Funds Held for Others	\$ <u>140,269.94</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 Franklin County Board of Education (School District) was established under the laws of the State of Georgia and operates under the guidance of a school board elected by the voters and a Superintendent appointed by the Board. The Board is organized as a separate legal entity and has the power to levy taxes and issue bonds. Its budget is not subject to approval by any other entity. Accordingly, the School District is a primary government and consists of all the organizations that compose its legal entity.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**BASIS OF PRESENTATION**

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

***District-wide Statements:***

The Statement of Net Position and the Statement of Activities display information about the financial activities of the overall School District, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the School District's governmental activities.

- Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expenses (expenses of the School District related to the administration and support of the School District's programs, such as office and maintenance personnel and accounting) are not allocated to programs.
- Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

***Fund Financial Statements:***

The fund financial statements provide information about the School District's funds, including fiduciary funds. Eliminations have been made to minimize the double counting of internal activities. Separate statements for each category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. The District has no funds that were reported as nonmajor funds.

The School District reports the following major governmental funds:

- General Fund is the School District's primary operating fund. It accounts for and reports all financial resources not accounted for and reported in another fund.

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

EXHIBIT "H"

- District-wide Capital Projects Fund accounts for and reports financial resources including Education Special Purpose Local Option Sales Tax (ESPLOST), 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, clubs, 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, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

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

## NEW ACCOUNTING PRONOUNCEMENTS

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

## 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 \$20.8 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,

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

EXHIBIT "H"

- (4) Obligations of any corporation of the United States government,
- (5) Prime banker's acceptances,
- (6) The local government investment pool (Georgia Fund 1) administered by the State of Georgia, Office of the State Treasurer,
- (7) Repurchase agreements, and
- (8) Obligations of other political subdivisions of the State of Georgia.

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

### RECEIVABLES

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

### PROPERTY TAXES

The Franklin County Board of Commissioners adopted the property tax levy for the 2013 tax digest year (calendar year) on July 25, 2013 (levy date) based on property values as of January 1, 2013. Taxes were due on November 15, 2013 (due 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 Franklin 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 \$9,533,665.78.

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

School Operations	<u>16.868</u> mills
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Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, which is included in property taxes shown above, amounted to \$441,872.00 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 \$3,225,500.71 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. The most recent authorization expires on December 31, 2017.

## INVENTORIES

### Food Inventories

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

## CAPITAL ASSETS

Capital assets purchased, including capital outlay costs, are recorded as expenditures in the fund financial statements at the time of purchase (including ancillary charges). On the District-wide financial statements, all purchased capital assets are valued at cost where historical records are available and at estimated historical cost based on appraisals or deflated current replacement cost where no historical records exist. Donated capital assets are recorded at estimated fair market value on the date donated. Disposals are deleted at depreciated recorded cost. The cost of normal maintenance and repairs that do not add to the value of assets or materially extend the useful lives of the assets is not capitalized. Depreciation is computed using the straight-line method. The School District does not capitalize book collections or works of art. During fiscal year 2014, 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	Any Amount	N/A
Land Improvements	\$ 10,000.00	20 to 80 years
Buildings and Improvements	\$ 20,000.00	25 to 80 years
Equipment	\$ 5,000.00	5 to 50 years
Intangible Assets	\$ 20,000.00	estimated life

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 that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported in both the governmental activities and governmental funds balance sheets. The governmental activities reports unavailable revenues from future property tax levies that are deferred and will be recognized as an inflow of resources (revenue) in the period the revenue is earned. The governmental funds report unavailable revenues from property taxes and grants that are deferred and will be recognized as an inflow of resources (revenue) 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 bus replacement, continuation of Federal programs, debt service and capital projects in accordance with restrictions imposed by external third parties.

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

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

EXHIBIT "H"

## 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.

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

Nonspendable		
Inventories	\$	47,240.30
Restricted		
Continuation of Federal Programs	\$	552,739.01
Capital Projects		3,214,008.81
Debt Service		<u>1,599,227.99</u>
		5,365,975.81
Committed		
School Activity Accounts		447,148.08
Unassigned		<u>2,761,635.02</u>
Fund Balance, June 30, 2014	\$	<u>8,621,999.21</u>

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

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



## USE OF ESTIMATES

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

### Note 3: BUDGETARY DATA

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

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

Only the Board is authorized to approve adjustments to the approved budget for revenue or expenditures changes in any budget function for any fund.

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 fiscal year 2014.

### 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.

FRANKLIN COUNTY BOARD OF EDUCATION  
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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, School District had cash and cash equivalents with a carrying amount of \$8,276,907.17 and a bank balance of \$8,462,626.13. The bank balances insured by Federal depository insurance were \$780,346.83 and the bank balances collateralized with securities held by the pledging financial institution or by the pledging financial institution's trust department or agent in the School District's name were \$7,279,548.86.

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

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

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

<u>Custodial Credit Risk Category</u>	<u>Bank Balance</u>
1	\$ 0.00
2	0.00
3	<u>402,730.44</u>
Total	<u>\$ 402,730.44</u>

FRANKLIN COUNTY BOARD OF EDUCATION  
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CATEGORIZATION OF INVESTMENTS

At June 30, 2014, the carrying value of the School District's total investments was \$1,843,644.86, which is materially the same as fair value. This investment consisted entirely of funds invested in the Georgia Fund 1, (local government investment pool), administered by the State of Georgia, Office of the State Treasurer which is not required to be categorized since the School District did not own any specific identifiable securities in the pool. The investment policy of the State of Georgia, Office of the State Treasurer for the Georgia Fund 1 (Primary Liquidity Portfolio) does not provide for investment in derivatives or similar investments. Additional information on the Georgia Fund 1 is disclosed in the *State of Georgia* Comprehensive Annual Financial Report. This audit can be obtained from the Georgia Department of Audits and Accounts at [www.audits.ga.gov/SGD/CAFR.html](http://www.audits.ga.gov/SGD/CAFR.html).

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

Note 5: NON-MONETARY TRANSACTIONS

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

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Note 6: CAPITAL ASSETS

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

	Balances July 1, 2013	Increases	Decreases	Balances June 30, 2014
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,370,441.39		\$ 0.00	\$ 1,370,441.39
Construction Work In Progress	7,990,602.27	\$ 7,053,214.06		15,043,816.33
Total Capital Assets, Not Being Depreciated	9,361,043.66	7,053,214.06	0.00	16,414,257.72
Capital Assets, Being Depreciated:				
Buildings and Improvements	50,113,066.70		1,040,830.00	49,072,236.70
Equipment	5,370,266.98	156,213.24	55,863.36	5,470,616.86
Land Improvements	7,675,786.19	15,425.00		7,691,211.19
Intangible Assets	105,379.62	22,870.00		128,249.62
Less: Accumulated Depreciation:				
Buildings and Improvements	8,833,999.19	647,142.60	652,026.75	8,829,115.04
Equipment	3,550,560.95	260,290.18	53,042.83	3,757,808.30
Land Improvements	882,830.56	109,585.29		992,415.85
Intangible Assets	59,743.87	10,807.38		70,551.25
Total Capital Assets, Being Depreciated, Net	49,937,364.92	-833,317.21	391,623.78	48,712,423.93
Governmental Activity Capital Assets - Net	\$ 59,298,408.58	\$ 6,219,896.85	\$ 391,623.78	\$ 65,126,681.65

Current year depreciation expense by function is as follows:

Instruction	\$ 701,477.22
Support Services	
Educational Media Services	\$ 17,317.49
School Administration	53,497.90
Business Administration	10,807.38
Maintenance and Operation of Plant	8,565.40
Student Transportation Services	188,283.18
Food Services	47,876.88
	\$ 1,027,825.45

Note 7: RISK MANAGEMENT

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

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The School District participates in the Georgia School Boards Association Risk and Insurance Management System, a public entity risk pool organized on July 1, 1994, to develop and administer a plan to reduce risk of loss on account of general liability, motor vehicle liability, or property damage, including safety engineering and other loss prevention and control techniques, and to administer one or more groups of self-insurance funds, including the processing and defense of claims brought against members of the system. The School District pays an annual premium to the system for its general insurance coverage. Additional coverage is provided through agreements by the system with other companies according to their specialty for property, boiler and machinery (including coverage for flood and earthquake), general liability (including coverage for sexual harassment, molestation and abuse), errors and omissions, crime and automobile risks. Payment of excess insurance for the system varies by line of coverage.

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

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	\$ 44,014.82	\$ 44,014.82	\$ 0.00
2014	\$ 0.00	\$ 14,992.00	\$ 14,992.00	\$ 0.00

The School District participates in the Georgia School Boards Association Workers' Compensation Fund, a public entity risk pool organized on July 1, 1992, to develop, implement, and administer a program of workers' compensation self-insurance for its member organizations. The School District pays an annual premium to the Fund for its Workers' Compensation insurance coverage. Excess insurance coverage is provided through an agreement by the Fund with the Safety National Casualty Corporation to provide coverage for potential losses sustained by the Fund in excess of \$550 thousand loss per occurrence, up to the statutory limit. Employers' Liability insurance coverage is also provided by Safety National Casualty Corporation to provide coverage for potential losses sustained by the Fund in excess of \$550 thousand loss per occurrence, up to \$2 million. In addition to the \$550,000.00 per occurrence retention, the Fund also retains an additional \$150,000.00 per year corridor retention.

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

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

FRANKLIN COUNTY BOARD OF EDUCATION  
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Note 8: LONG-TERM LIABILITIES

GENERAL OBLIGATION DEBT OUTSTANDING

General Obligation Bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
General Government - Series 2012	3.00% - 5.00%	\$ <u>9,920,000.00</u>

Voters have authorized \$2,880,000.00 in general obligation debt for capital outlay which was not issued as of June 30, 2014.

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

	<u>Governmental Activities</u>				
	Balance	Additions	Deductions	Balance	Due Within
	July 1, 2013			June 30, 2014	One Year
G. O. Bonds	\$ 12,120,000.00	\$ 0.00	\$ 2,200,000.00	\$ 9,920,000.00	\$ 2,400,000.00
Unamortized Bond Premiums	<u>1,128,769.42</u>		<u>225,753.88</u>	<u>903,015.54</u>	<u>225,753.88</u>
	<u>\$ 13,248,769.42</u>	<u>\$ 0.00</u>	<u>\$ 2,425,753.88</u>	<u>\$ 10,823,015.54</u>	<u>\$ 2,625,753.88</u>

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

<u>Fiscal Year Ended June 30:</u>	<u>General Obligation Debt</u>		<u>Unamortized</u>
	<u>Principal</u>	<u>Interest</u>	<u>Bond Premium</u>
2015	\$ 2,400,000.00	\$ 441,775.00	\$ 225,753.88
2016	2,600,000.00	345,775.00	225,753.88
2017	2,550,000.00	215,775.00	225,753.88
2018	<u>2,370,000.00</u>	<u>88,275.00</u>	<u>225,753.90</u>
Total Principal and Interest	<u>\$ 9,920,000.00</u>	<u>\$ 1,091,600.00</u>	<u>\$ 903,015.54</u>

Note 9: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of \$1,753,199.01 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 \$1,631,820.00

Paid to the Teachers' Retirement System of Georgia

For Teachers' Retirement System (TRS) Employer's Cost  
In the amount of \$32,112.01

FRANKLIN COUNTY BOARD OF EDUCATION  
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Office of State Treasurer

Paid to the Public School Employees' Retirement System

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

In the amount of \$89,267.00

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 10: SIGNIFICANT COMMITMENTS**

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

Project	Unearned Executed Contracts	Funding Available From State
New High School and Administration Building	\$ 342,227.98	\$ 692,135.80

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

**Note 11: SIGNIFICANT CONTINGENT LIABILITIES**

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

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

**Note 12: POST-EMPLOYMENT BENEFITS**

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

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

*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

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

EXHIBIT "H"

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%	\$ 3,805,385.33
2013	100%	\$ 3,382,388.32
2012	100%	\$ 3,506,248.56



Note 13: RETIREMENT PLANS

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

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

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

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

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

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

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

<u>Fiscal Year</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>
2014	100%	\$ 2,098,050.15
2013	100%	\$ 1,955,178.40
2012	100%	\$ 1,835,658.64

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

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

### **DEFINED CONTRIBUTION PLAN**

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

The Board selected Lincoln as the provider of this plan. For each employee covered under PSERS, the Board contributes to the plan an amount equal to the amount contributed by the employee not to exceed \$25.00 per employee per month.

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 service to Franklin County Board of Education. If an employee terminates employment prior to achieving 5 years of service, funds paid on behalf of the non-vested employee are credited back to the Board. Funds are vested at 20% per year of service.

The provider for the plan has not changed since its inception

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%	\$ 15,540.00
2013	100%	\$ 14,520.00
2012	100%	\$ 18,745.00

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FRANKLIN 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	\$ 9,145,800.00	\$ 9,145,800.00	\$ 9,533,665.78	\$ 387,865.78
Sales Taxes			136,380.55	136,380.55
State Funds	17,364,700.93	17,305,723.10	17,375,529.61	69,806.51
Federal Funds	150,000.00	2,430,317.00	3,354,287.78	923,970.78
Charges for Services	66,000.00	66,000.00	538,013.86	472,013.86
Investment Earnings	27,000.00	27,000.00	29,330.63	2,330.63
Miscellaneous	40,000.00	40,000.00	754,344.17	714,344.17
Total Revenues	26,793,500.93	29,014,840.10	31,721,552.38	2,706,712.28
<u>EXPENDITURES</u>				
Current				
Instruction	20,599,420.57	20,526,504.91	20,011,479.79	515,025.12
Support Services				
Pupil Services	990,673.96	1,013,612.32	1,043,352.28	-29,739.96
Improvement of Instructional Services	1,418,649.81	1,612,215.30	1,503,286.66	108,928.64
Educational Media Services	499,678.04	499,678.04	513,827.74	-14,149.70
General Administration	397,343.20	376,545.95	404,377.33	-27,831.38
School Administration	1,997,357.03	1,990,537.25	1,844,922.63	145,614.62
Business Administration	240,203.80	240,203.80	241,643.15	-1,439.35
Maintenance and Operation of Plant	2,151,938.20	2,166,910.44	2,236,612.20	-69,701.76
Student Transportation Services	1,957,150.07	1,898,921.07	2,003,499.80	-104,578.73
Central Support Services			2,139.87	-2,139.87
Other Support Services	197,306.00	212,306.00	215,425.57	-3,119.57
Enterprise Operations			284,687.15	-284,687.15
Food Services Operation	906,217.81	906,217.81	1,586,836.41	-680,618.60
Total Expenditures	31,355,938.49	31,443,652.89	31,892,090.58	-448,437.69
Excess of Revenues over (under) Expenditures	-4,562,437.56	-2,428,812.79	-170,538.20	2,258,274.59
<u>OTHER FINANCING SOURCES</u>				
Other Sources	87,048.00	87,048.00		-87,048.00
Net Change in Fund Balances	-4,475,389.56	-2,341,764.79	-170,538.20	2,171,226.59
Fund Balances - Beginning	3,378,575.99	3,790,540.55	3,979,300.61	188,760.06
Adjustments	100.00	218,042.11		-218,042.11
Fund Balances - Ending	\$ -1,096,713.57	\$ 1,666,817.87	\$ 3,808,762.41	\$ 2,141,944.54

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 various programs reported as a part of the General Fund . The actual revenues and expenditures of these programs were as follows:

	Revenues	Expenditures
Principals' Accounts	\$ 577,617.54	\$ 569,428.72
Family Connection Program	47,150.93	44,848.12
	\$ 624,768.47	\$ 614,276.84

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.

FRANKLIN 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	\$ 1,516,367.36 (1)
Total U. S. Department of Agriculture			<u>1,516,367.36</u>
Education, U. S. Department of			
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Grants to States	84.027	N/A	888,918.87
Preschool Grants	84.173	N/A	<u>35,592.78</u>
Total Special Education Cluster			<u>924,511.65</u>
Other Programs			
Pass-Through From Georgia Department of Education			
Career and Technical Education - Basic Grants to States	84.048	N/A	44,988.39
English Language Acquisition Grants	84.365	N/A	9,767.71
Improving Teacher Quality State Grants	84.367	N/A	153,146.63
Migrant Education - State Grant Program	84.011	N/A	25,206.06
Rural Education	84.358	N/A	69,560.08
Title I Grants to Local Educational Agencies	* 84.010	N/A	<u>980,047.80</u>
Total Other Programs			<u>1,282,716.67</u>
Total U. S. Department of Education			<u>2,207,228.32</u>
Total Expenditures of Federal Awards			<u>\$ 3,723,595.68</u>

N/A = Not Available

Notes to the Schedule of Expenditures of Federal Awards

- (1) Includes the Federally assigned value of donated commodities for the Food Donation Program in the amount of \$106,188.03.
- (2) Expenditures for the funds earned on the School Breakfast Program (\$231,374.50) were not maintained separately and are included in the 2014 National School Lunch Program.

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

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

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

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

SCHEDULE "3"

AGENCY/FUNDING	GOVERNMENTAL FUND TYPES		TOTAL
	GENERAL FUND	CAPITAL PROJECTS FUND	
GRANTS			
Education, Georgia Department of			
Quality Basic Education (1)			
Direct Instructional Cost			
Kindergarten Program	\$ 1,177,008.00		\$ 1,177,008.00
Kindergarten Program - Early Intervention Program	151,186.00		151,186.00
Primary Grades (1-3) Program	2,580,380.00		2,580,380.00
Primary Grades - Early Intervention (1-3) Program	509,102.00		509,102.00
Upper Elementary Grades (4-5) Program	1,210,443.00		1,210,443.00
Upper Elementary Grades - Early Intervention (4-5) Program	458,989.00		458,989.00
Middle School (6-8) Program	2,502,302.00		2,502,302.00
High School General Education (9-12) Program	1,837,396.00		1,837,396.00
Vocational Laboratory (9-12) Program	742,950.00		742,950.00
Students with Disabilities	2,798,445.00		2,798,445.00
Gifted Student - Category VI	445,360.00		445,360.00
Remedial Education Program	271,514.00		271,514.00
Alternative Education Program	165,210.00		165,210.00
English Speakers of Other Languages (ESOL)	135,469.00		135,469.00
Media Center Program	405,082.00		405,082.00
20 Days Additional Instruction	125,728.00		125,728.00
Staff and Professional Development	75,720.00		75,720.00
Principal Staff and Professional Development	1,701.00		1,701.00
Indirect Cost			
Central Administration	509,909.00		509,909.00
School Administration	869,339.00		869,339.00
Facility Maintenance and Operations	920,521.00		920,521.00
Mid-term Adjustment Hold-Harmless	42,401.00		42,401.00
Amended Formula Adjustment	-2,501,470.00		-2,501,470.00
Categorical Grants			
Pupil Transportation			
Regular	599,587.00		599,587.00
Nursing Services	70,691.00		70,691.00
Vocational Supervisors	13,367.00		13,367.00
Education Equalization Funding Grant	687,014.00		687,014.00
Other State Programs			
Food Services	48,181.00		48,181.00
Math and Science Supplements	38,353.17		38,353.17
Move On When Ready Grant	200.00		200.00
Preschool Handicapped Program	84,481.00		84,481.00
Pupil Transportation - State Bonds	76,219.50		76,219.50
Teachers' Retirement	32,112.01		32,112.01
Vocational Education	154,221.00		154,221.00
Georgia State Financing and Investment			
Commission			
Reimbursement on Construction Projects		\$ 6,229,222.20	6,229,222.20
Human Resources, Georgia Department of			
Family Connection	47,150.93		47,150.93
Office of the State Treasurer			
Public School Employees' Retirement	89,267.00		89,267.00
	\$ 17,375,529.61	\$ 6,229,222.20	\$ 23,604,751.81

- (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 \$1,631,820.00 are included as part of the Quality Basic Education revenue allotments above.

See notes to the basic financial statements.

FRANKLIN 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) (5)	AMOUNT EXPENDED IN PRIOR YEAR (3) (4) (5)	TOTAL COMPLETION COST	EXCESS PROCEEDS NOT EXPENDED	ESTIMATED COMPLETION DATE
i) Acquiring, constructing, and equipping replacement school buildings at Franklin County High School;	\$ 16,300,000.00	\$ 16,300,000.00	\$ 7,053,214.06	\$ 7,140,737.77			June 30, 2018
ii) adding to, renovating, repairing, improving, acquiring and equipping school buildings and school system facilities;	500,000.00	500,000.00	133,257.04	43,041.86			June 30, 2018
iii) acquiring miscellaneous new equipment, fixtures and furnishings for the school system, including computer technology equipment, computer software, school buses and other vehicles, transportation and maintenance equipment, and security and safety equipment;	1,300,000.00	1,300,000.00	120,337.61	784,968.96			June 30, 2018
iv) acquiring land or improving land for new or existing schools;	100,000.00	100,000.00					June 30, 2018
v) acquiring textbooks, e-books, and e-book readers for the school system;	400,000.00	400,000.00					June 30, 2018
vi) paying a portion of the payments, including principal and interest, due on the School District's Series 2006 and 2007 Bonds with a maximum payment amount of \$1,700,000.00, with the maximum cost of the projects described in items (i)-(vi) payable from said tax being \$20,000,000.00.	1,700,000.00	1,400,000.00		227,097.58			June 30, 2018
	<u>\$ 20,300,000.00</u>	<u>\$ 20,000,000.00</u>	<u>\$ 7,306,808.71</u>	<u>\$ 8,195,846.17</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 Franklin 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	\$ 324,411.81
Current Year	<u>507,775.00</u>
Total	<u>\$ 832,186.81</u>

(5) In addition to the expenditures shown above, the School District has incurred bond issuance cost and related paying agent fees for the above projects as follows:

Prior Years	\$ 159,291.14
Current Year	<u>3,075.00</u>
Total	<u>\$ 162,366.14</u>

See notes to the basic financial statements.

FRANKLIN 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	\$ 1,380,147.00	\$ 1,525,928.90	\$ 8,847.79	\$ 1,534,776.69
Kindergarten Program-Early Intervention Program	195,093.00	3,173.71	779.17	3,952.88
Primary Grades (1-3) Program	3,015,276.00	3,187,612.70	43,286.15	3,230,898.85
Primary Grades-Early Intervention (1-3) Program	652,350.00	20,446.03	4,240.04	24,686.07
Upper Elementary Grades (4-5) Program	1,453,550.00	2,158,357.24	17,244.12	2,175,601.36
Upper Elementary Grades-Early Intervention (4-5) Program	509,943.00	73,666.75	1,362.89	75,029.64
Middle School (6-8) Program	2,938,489.00	3,084,064.13	34,407.72	3,118,471.85
High School General Education (9-12) Program	2,184,912.00	2,813,678.57	61,305.04	2,874,983.61
Vocational Laboratory (9-12) Program	880,628.00	813,217.09	58,151.15	871,368.24
Students with Disabilities	3,296,807.00			
Category I		115,385.01	547.45	115,932.46
Category II		435,787.29	515.34	436,302.63
Category III		1,952,778.54	182,094.62	2,134,873.16
Category IV		162,703.28	5,534.37	168,237.65
Category V		18,796.23	13,970.22	32,766.45
Gifted Student - Category VI	546,019.00	378,690.07	2,878.88	381,568.95
Remedial Education Program	328,025.00		817.84	817.84
Alternative Education Program	198,877.00	318,076.96	6,817.74	324,894.70
English Speakers of Other Languages (ESOL)	158,480.00	186,531.78		186,531.78
TOTAL DIRECT INSTRUCTIONAL PROGRAMS	17,738,596.00	17,248,894.28	442,800.53	17,691,694.81
Media Center Program	479,222.00	424,692.63	35,081.45	459,774.08
Staff and Professional Development	89,202.00	43,315.89	35,524.56	78,840.45
TOTAL QBE FORMULA FUNDS	\$ 18,307,020.00	\$ 17,716,902.80	\$ 513,406.54	\$ 18,230,309.34

(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

December 15, 2015

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

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

Ladies and Gentlemen:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Franklin County Board of Education as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Franklin County Board of Education's basic financial statements, and have issued our report thereon dated December 15, 2015.

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

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

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



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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Franklin 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 Franklin County Board of Education in a separate letter dated December 15, 2015.

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

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

### **Purpose of this Report**

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

Respectfully submitted,

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

Greg S. Griffin  
State Auditor

GSG:as  
2014YB-30





## 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

December 15, 2015

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





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

In our opinion, the Franklin 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 matters.

Franklin 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. Franklin 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 Franklin 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 Franklin 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 Franklin County Board of Education's internal control over compliance.

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

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



Franklin County Board of Education's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Franklin 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



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

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

**FINDING CONTROL NUMBER AND STATUS**

FS-6591-13-01	Partially Resolved - See Corrective Action/Responses
FS-6591-13-02	Previously Reported Corrective Action Implemented

**CORRECTIVE ACTION/RESPONSES**

Cash and Cash Equivalents  
Expenditures/Liabilities/Disbursements  
Revenues/Receivables/Receipts  
General Ledger  
Capital Assets  
Inadequate Internal Controls  
Finding Control Number: FS-6591-13-01

The main operating bank reconciliation was not completed in a timely manner in fiscal year 2013 for several months due to delays from personnel absences and credit card reconciliations. We made several changes to ensure the bank reconciliations are consistently completed in a timely manner. During fiscal year 2014 we have a different person responsible for the reconciliation who has a lower absentee record. Also, we have scheduled a substitute for this person on the day she does the reconciliation so her work is uninterrupted. In addition, we have changed the credit card policy to restrict its use so that it can be reconciled quickly each month and will not hinder the bank reconciliation process. With these corrections, the bank reconciliations are being reconciled timely.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.





## SECTION IV

### FINDINGS AND QUESTIONED COSTS



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

**I SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted: No

**Federal Awards**

Internal Control over major programs:

- Material weakness identified? No
- Significant deficiency identified? 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

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000.00

Auditee qualified as low-risk auditee? No

FRANKLIN 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 Internal Control Procedures

Control Category:           Cash and Cash Equivalents  
                                  Investments  
                                  General Ledger  
                                  Capital Assets  
Internal Control Impact:   Significant Deficiency

#### Description:

The accounting procedures of the School District were insufficient to provide for adequate internal controls at the Central Office.

#### 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:

Inadequate internal control procedures were noted for the following control categories:

##### Cash and Cash Equivalents

- Bank reconciliations for several accounts were not reconciled in a timely manner.
- Bank reconciliations were not prepared for several bank accounts.
- Controls are not in place to ensure that internally pooled cash account nets to zero.
- The June Operating Account bank reconciliation did not include supporting documentation for outstanding items.

##### Investments

- Bank reconciliations were not prepared for the Investment account.

##### General Ledger

- No activity was posted to the General Ledger for the Bus Driver's Association for fiscal year 2014.
- Documentation supporting Funds Held for Others recorded on the financial statements could not be provided for audit review.

##### Capital Assets

- The process of identification, valuation and posting of capitalizable assets are performed by one individual, with no review by someone independent of the Capital Asset process.
- A construction project, the Technology Education Building, totaling \$53,628.00 was not included in Construction Work in Progress.
- An asset placed in the Capital Asset Module did not include the "In Service" date resulting in no depreciation being calculated for the asset for fiscal year 2014.

#### Cause:

In discussing this condition with the Finance Director, he indicated that a reduction in staff prevented remaining personnel from having time to perform duties of absent employees. Additionally, due to turnover in key management positions, there was a lack of training to newer, inexperienced staff.

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

## II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

### Effect or Potential Effect:

Errors and/or irregularities may not be detected in a timely manner.

### Recommendation:

The School District should review accounting procedures in place and design and implement monitoring controls to provide reasonable assurance that transactions are processed according to established controls and also implement procedures to ensure that key accounting functions are separated.

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

We concur with this finding. The accounting department has begun completing a formal bank reconciliation on all accounts regardless if the balance is immaterial or the activity is extremely low. In the past the activity in the Bus Driver's Assoc. account and the Georgia Fund account were reviewed by providing the bank statement. Also, to provide better separation of duties for capital assets, the assist superintendent will review the process of identifying, valuating and posting of capital assets. These changes in the accounting procedures will be documented in the financial handbook. All changes will be implemented by January 2016.

Contact Person: Tom Porter, Financial Director

Phone: (706) 384-4554

Fax: (706) 384-7472

E-mail: tom.porter@franklin.k12.ga.us

## III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

### FA 2014-001 Inadequate Internal Control Procedures

Compliance Requirement:	ACTIVITIES ALLOWED/UNALLOWED ALLOWABLE COSTS/COST PRINCIPLES
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Nonmaterial Noncompliance
Federal Awarding Agency:	U.S. Department of Agriculture
Pass- Through Entity:	Georgia Department of Education
CFDA Number and Title:	Child Nutrition Cluster (CFDA 10.553 and 10.555)

### Description:

A review of expenditures charged to the Child Nutrition Cluster (CFDA 10.553 and 10.555) program revealed that the School District did not implement internal control procedures to ensure that expenditures were properly documented, authorized, allowable and charged according to invoices and bid documentation.

### Criteria:

Provisions of OMB Circular A-87 *Cost Principles for State, Local and Indian Tribal Governments*, require that "to be allowable under Federal awards, cost must be...authorized or not prohibited under state or local laws or regulations" and "be adequately documented".

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

### III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

**Condition:**

A review of twenty five expenditure vouchers for the Child Nutrition Cluster revealed the following deficiencies:

- Three vouchers were overpaid due to calculation errors;
- Twelve vouchers had no evidence of receipt of goods; and
- There was no independent review to determine that the expenditures were accurate and properly documented prior to payment.

**Questioned Cost:**

N/A

**Cause:**

In a discussion with School Food Director, it was determined that she did not monitor and verify closely the vouchers had the correct amount, and that proper documentation was provided.

**Effect or Potential Effect:**

Failure to ensure that expenditures are allowable, approved and properly documented resulted in noncompliance with the requirements of the Federal grant.

**Recommendation:**

The School District should establish and implement procedures to ensure that all expenditures are allowable under OMB Circular A-87, approved by appropriate management, and properly documented. The Georgia Department of Education should review this matter to determine if a reclaim of funds is appropriate.

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

We concur with this finding. The program director will document and implement procedures to ensure that all expenditures are allowable under OMB A-87. Also, the Program bookkeeper has been instructed to dedicate blocks of uninterrupted time to process invoices so as to minimize distractions. The program director will closely monitor vouchers to ensure that they are accurate. These changes will be implemented by January 2016.

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