



# **JACKSON COUNTY BOARD OF EDUCATION JEFFERSON, GEORGIA**

**ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2013**

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



JACKSON COUNTY BOARD OF EDUCATION

- TABLE OF CONTENTS -

	<u>Page</u>
SECTION I	
FINANCIAL	
INDEPENDENT AUDITOR'S REPORT	
REQUIRED SUPPLEMENTARY INFORMATION	
MANAGEMENT'S DISCUSSION AND ANALYSIS	i
EXHIBITS	
BASIC FINANCIAL STATEMENTS	
DISTRICT-WIDE FINANCIAL STATEMENTS	
A STATEMENT OF NET POSITION	1
B STATEMENT OF ACTIVITIES	2
FUND FINANCIAL STATEMENTS	
C BALANCE SHEET	
GOVERNMENTAL FUNDS	4
D RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	7
E STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	
GOVERNMENTAL FUNDS	8
F RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES	10
G STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS	11
H NOTES TO THE BASIC FINANCIAL STATEMENTS	12
SCHEDULES	
REQUIRED SUPPLEMENTARY INFORMATION	
1 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL GENERAL FUND	31



JACKSON COUNTY BOARD OF EDUCATION

- TABLE OF CONTENTS -

	<u>Page</u>	
SECTION I		
FINANCIAL		
SCHEDULES		
SUPPLEMENTARY INFORMATION		
2	COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS	32
3	COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS	33
4	SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	34
5	SCHEDULE OF STATE REVENUE	36
6	SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS	37
7	ALLOTMENTS AND EXPENDITURES GENERAL FUND - QUALITY BASIC EDUCATION PROGRAMS (QBE) BY PROGRAM	39
SECTION II		
COMPLIANCE AND INTERNAL CONTROL REPORTS		
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 <i>GOVERNMENT AUDITING STANDARDS</i>		
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133		
SECTION III		
AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS		
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS		
SECTION IV		
FINDINGS AND QUESTIONED COSTS		
SCHEDULE OF FINDINGS AND QUESTIONED COSTS		



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

August 22, 2014

Honorable Nathan Deal, Governor  
Members of the General Assembly  
Members of the State Board of Education  
and  
Superintendent and Members of the  
Jackson 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 Jackson County Board of Education, as of and for the year ended June 30, 2013, 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 financial statements referred to previously 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 Jackson County Board of Education, as of June 30, 2013, 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 2013, the Jackson County Board of Education adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinion is not modified with respect to this matter.

As discussed in Note 2 to the financial statements, in 2013, the Jackson County Board of Education restated the prior period financial statements to correct a misstatement. 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 ix and page 31, 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 Jackson County Board of Education's basic financial statements. The accompanying supplementary information, consisting of Schedules 3 through 7, 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 August 22, 2014, on our consideration of the Jackson 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 Jackson County Board of Education's internal control over financial reporting and compliance.

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

Respectfully submitted,



Greg S. Griffin  
State Auditor

GSG:as  
2013ARL-11



**JACKSON COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**INTRODUCTION**

Our discussion and analysis of the Jackson County School District's financial performance provides an overview of the School District's financial activities and other highlights for the fiscal year ended June 30, 2013. The main intent of this discussion and analysis is to look at the School District's financial performance as a whole but also provide readers with information for current issues and future events affecting the District. We encourage our readers to also review the transmittal letter, notes to the basic financial statements, and financial statements to enhance their understanding of the School District's financial performance.

**FINANCIAL AND OPERATING HIGHLIGHTS**

Key financial highlights for fiscal year 2013 are as follows:

- Ongoing growth of retail establishment sales in the region has again provided an increase in SPLOST revenue for the fiscal year 2013. In conjunction with the continued increase in SPLOST revenues, the District has been able to replace aging computer equipment, expand and enhance the technology infrastructure and purchase land that will provide space to accommodate for anticipated growth.
- On the District-wide financial statements, the assets of the School District exceeded liabilities by \$93,148,611. Of this amount, \$2,145,477 is unrestricted and is available for spending at the School District's discretion.
- The School District had \$78,630,519 in expenses relating to governmental activities; \$39,586,981 of the expenses is offset by program specific charges for services, grants and contributions. General revenues (primarily property and sales taxes) of \$38,425,232 provided the remaining funding for these programs.
- As stated above, general revenues accounted for \$38,425,232 or 49.26% of all revenues totaling \$78,012,213. Program specific revenues in the form of charges for services, grants and contributions of \$39,586,981 accounted for the rest.

Other District highlights for fiscal year 2013 are as follows:

- Expanded community involvement and stakeholder input which has had a positive impact on the School District's ability to be transparent and informative regarding financial, policy, and instruction activities.
- Established a Student Leadership Program for selected Jackson County junior and senior high school students. The program has provided opportunities for these outstanding students to develop and exercise their leadership capabilities.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**JACKSON COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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, which reports 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 Jackson County School District, the General Fund, Capital Projects Fund, and Debt Service Fund are all considered to be major funds.

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

### **District-wide Statements**

Given that Jackson County School District has no operations that have been classified as "Business Activities," the District-wide financial statements are basically a consolidation of all of the District's operating funds into one column called governmental activities. In reviewing the District-wide financial statements, a reader might ask the question, are we in a better financial position 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 of the District's assets and liabilities. The District uses the **accrual basis of accounting** similar to the accounting used by most private-sector companies. The "accrual 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 that position. The change in net position is important because it tells the reader that, for the School District as a whole, the financial environment of the School District has improved or diminished. The causes of this change may be the result of many factors, including those not under the School District's control, such as the property tax base, status of facility availability, required educational programs, student-teacher ratios, fluctuation in state and Federal funding, and other circumstances.

The 'Statement of Net Position' and the 'Statement of Activities' reflect 100% of the School District's governmental activities.

### **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 only the School District's significant or major funds.

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

**JACKSON COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds (reported in the Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balance) are reconciled within the financial statements.

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

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

Recall that the Statement of Net Position provides the perspective of the School District as a whole. The reader can think of the District's net position as the difference between its assets (i.e., what the District owns) and its liabilities (i.e., what the District owes) at the end of a fiscal year. This balance represents one way to measure the District's financial health or its financial position. In the case of the Jackson County School District, assets exceeded liabilities by \$93,148,611 at June 30, 2013.

To better understand the District's actual financial position and ability to deliver services in future periods, the reader will need to review the various components of the net position total. For example, of the total net position balance of \$93,148,611, \$15,907,030 was restricted for debt service, capital projects, continuation of Federal programs, and permanent funds. Accordingly, these funds were not available to meet the District's ongoing obligations to citizens and creditors.

In addition, the District had a net investment in capital assets (e.g., land, buildings, and equipment) of \$75,096,104. The District uses these capital assets to provide educational services to students within the 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 total net position is *not* available for future spending.

The remaining balance of *unrestricted net position* of \$2,145,477 may be used to meet the District's ongoing obligations to citizens and creditors.



**JACKSON COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Table 1 provides a summary of the School District's net position for this fiscal year and a comparison to the previous fiscal year (fiscal year 2012).

**Table 1  
Net Position**

	Governmental Activities	
	Fiscal Year 2013	Fiscal Year 2012
<b>Assets</b>		
Current and Other Assets	\$ 31,468,344	\$ 40,971,198
Capital Assets, Net	145,869,150	139,609,266
<b>Total Assets</b>	<b>\$ 177,337,494</b>	<b>\$ 180,580,464</b>
<b>Liabilities</b>		
Current and Other Liabilities	\$ 10,774,173	\$ 10,328,713
Long-Term Liabilities	73,414,710	76,359,866
<b>Total Liabilities</b>	<b>\$ 84,188,883</b>	<b>\$ 86,688,579</b>
<b>Net Position</b>		
Investment in Capital Assets	\$ 75,096,104	\$ 66,035,690
Restricted	15,907,030	21,802,500
Unrestricted	2,145,477	6,053,695
<b>Total Net Position</b>	<b>\$ 93,148,611</b>	<b>\$ 93,891,885</b>

Table 2 shows the Changes in Net Position for the current fiscal year (fiscal year 2013) and compares it to the previous fiscal year (fiscal year 2012).

**JACKSON COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Table 2  
Change in Net Position**

	Governmental Activities	
	Fiscal Year	Fiscal Year
	2013	2012
<b>Revenues</b>		
Program Revenues:		
Charges for Services and Sales	\$ 1,492,837	\$ 1,476,085
Operating Grants and Contributions	37,941,706	36,256,155
Capital Grants and Contributions	152,438	152,439
Total Program Revenues	\$ 39,586,981	\$ 37,884,679
General Revenues:		
Taxes		
Property Taxes		
For Maintenance and Operations	\$ 26,117,633	\$ 28,413,071
For Debt Services	4,556,973	4,951,117
Railroad Cars		32,410
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Capital Projects	5,797,511	5,737,293
Other Sales Tax	880,384	469,808
Investment Earnings	42,099	40,598
Miscellaneous	1,028,332	1,046,616
Special Items		
Proceeds from Sale of Surplus Equipment	2,300	2,500
Total General Revenues and Special Item	\$ 38,425,232	\$ 40,693,413
Total Revenues	\$ 78,012,213	\$ 78,578,092
<b>Program Expenses:</b>		
Instruction	\$ 48,072,671	\$ 47,745,322
Support Services		
Pupil Services	1,889,276	1,874,387
Improvement of Instructional Services	2,468,264	2,626,579
Educational Media Services	1,527,638	1,493,408
General Administration	916,278	1,023,878
School Administration	4,307,962	4,454,339
Business Administration	1,175,429	480,076
Maintenance and Operation of Plant	6,027,810	6,359,599
Student Transportation Services	3,594,495	3,658,586
Central Support Services	993,712	828,690
Other Support Services	486,308	410,111
Operations of Non-Instructional Services		
Enterprise Operations	475,897	465,687
Community Services	359,421	310,688
Food Services	4,271,029	4,138,958
Interest on Short-Term and Long-Term Debt	2,064,329	2,803,910
Total Expenses	\$ 78,630,519	\$ 78,674,218
Decrease in Net Position	\$ -618,306	\$ -96,126

**JACKSON COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Governmental Activities**

The Statement of Activities shows the cost of program services and the charges for services, grants revenues and contributions offsetting these services. Table 3 shows the total cost of services and the net cost of services for governmental activities. 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.

**Table 3  
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	Fiscal Year 2013	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2012
Instruction	\$ 48,072,671	\$ 47,745,322	\$ 23,080,502	\$ 23,915,340
Support Services:				
Pupil Services	1,889,276	1,874,387	1,591,377	1,563,189
Improvement of Instructional Services	2,468,264	2,626,579	1,246,328	1,179,476
Educational Media Services	1,527,638	1,493,408	479,413	571,904
General Administration	916,278	1,023,878	-409,154	-118,016
School Administration	4,307,962	4,454,339	1,872,957	2,249,863
Business Administration	1,175,429	480,076	1,141,418	438,315
Maintenance and Operation of Plant	6,027,810	6,359,599	3,674,730	3,996,681
Student Transportation Services	3,594,495	3,658,586	2,289,908	2,310,575
Central Support Services	993,712	828,690	943,580	769,696
Other Support Services	486,308	410,111	177,456	177,245
Operations of Non-Instructional Services:				
Enterprise Operations	475,897	465,687	447,850	465,687
Community Services	359,421	310,688	328,754	259,398
Food Services	4,271,029	4,138,958	114,090	206,276
Interest on Short-Term and Long-Term Debt	2,064,329	2,803,910	2,064,329	2,803,911
Total Expenses	<u>\$ 78,630,519</u>	<u>\$ 78,674,218</u>	<u>\$ 39,043,538</u>	<u>\$ 40,789,540</u>

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

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The governmental funds had total revenues of \$78,167,954 and total expenditures of \$87,269,327 during fiscal year 2013. Included in the amount of total expenditures was \$9,972,475 of capital outlay expenditures. These expenditures were funded with SPLOST revenue, for which proceeds were received monthly.

**General Fund Budgeting Highlights**

The School District's budget is prepared according to Georgia Law. The most significant budgeted fund is the General Fund. During the course of fiscal year 2013, the School District made amendments to its original General Fund budget.

**JACKSON COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

For the General Fund, the actual revenue amounts of \$67,637,413 exceeded the final budgeted revenues of \$66,758,472 by \$878,941. This difference (final actual vs. final budget) was due mostly to the increase in miscellaneous revenues in excess of the final budget of \$873,617. This difference is attributed to the revenues from the school level activity accounts being included in the actual figures of the general fund but they are not included as part of the original or final budget figures. The remaining source of the difference is as follows: an increase in state revenues in excess of budget of \$37,490, a decrease in property taxes collected less than budget of \$648,251; an increase in sales taxes collected in excess of budget of \$276,350, an increase in Federal revenues in excess of budget of \$320,871, an increase in charges for services in excess of budget of \$20,217; and a decrease in investment earnings less than budget of \$1,353.

The actual expenditure amount of \$70,987,819 exceeded the final budgeted expenditures amount of \$70,683,771 by \$304,048. This difference (final actual vs. final budget) was due mostly to Enterprise Operations expenditures exceeding the final budget by \$475,897. As was noted in the previous paragraph describing revenue differences, this difference is attributed to the expenditures from the school level activity accounts being included in the actual figures of the general fund but they are not included as part of the original or final budget figures. The remaining source of the difference is as follows: This difference was due to expenditures for Pupil Services, Improvement of Instruction Services, Media Services, General Administration, School Administration, Business Administration, Maintenance and Operation of Plant, Student Transportation Services, Central Support Services, and Other Support Services collectively being less than the budget by \$651,667 and expenditures for Instruction, Community Services, Food Services Operation and Capital Outlay collectively exceeding the budget by \$479,819.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At fiscal year ended June 30, 2013, the School District had \$145,869,150 invested in capital assets, all in governmental activities. Table 4 reflects a summary of these balances net of accumulated depreciation.

**Table 4  
Capital Assets**

	Governmental Activities	
	Fiscal	Fiscal
	Year 2013	Year 2012
Land	\$ 6,688,060	\$ 6,002,541
Construction In Progress	10,158,364	1,055,070
Land Improvements	3,241,429	3,230,101
Buildings	160,424,150	160,253,816
Equipment	12,038,947	11,721,776
Less: Accumulated Depreciation	-46,681,800	-42,654,038
Total	\$ 145,869,150	\$ 139,609,266

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

**JACKSON COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

As of June 30, 2013, the School District completed the following capital projects: replaced flooring in high traffic areas of several elementary schools and a middle school, installed new bleachers at West Jackson Middle School and East Jackson Middle School, finalized the installation of air conditioning in the cafeteria of several elementary schools and a middle school, installed multi-field fencing at East Jackson High School and completed the installation of core wireless at several facilities. Construction in progress consisted of the addition of a high school gymnasium and fine arts classroom building and installation of a new HVAC system in the West Jackson Primary School's gymnasium.

**Debt**

For fiscal year ended June 30, 2013, the School District had \$73,414,710 in long-term liabilities. Of this amount, \$3,621,941 represents compensated absences, general obligation bonds, and installment sales agreements due within one year; \$69,792,769 represents compensated absences, general obligation bonds and installment sales agreements due in more than one year. Table 5 summarizes the School District's long-term liabilities.

**Table 5  
Debt at June 30**

	Governmental Activities	
	Fiscal	Fiscal
	Year 2013	Year 2012
Bonds Payable	\$ 68,890,000	\$ 71,305,000
Installment Sales Agreement	539,814	605,121
Compensated Absences	282,073	301,731
Unamortized Bond Premium	9,869,302	10,839,300
Unamortized Bond Deferred Gain/Loss	-6,166,479	-6,691,286
<b>Total</b>	<b>\$ 73,414,710</b>	<b>\$ 76,359,866</b>

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

**CURRENT ISSUES**

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

- For the period under review, State funding for education continued to decrease while the School District was faced with absorbing additional costs for health insurance coverage. In addition to State declines the local tax digest is projected to decline by another 5.25% in fiscal year 2014. Despite these challenges, the Jackson County School District is strong financially and we remain optimistic about the ability of the School District to maximize all of the financial resources. In order to provide a quality education for our students we have made, and will continue to make, efforts to match any reduction in revenues with corresponding reductions in expenditures.

**JACKSON COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

- Capital Improvements - The School District plans capital improvements as future capital needs arise due to increased student population and facility repair and maintenance needs. Specific capital expenditure plans have been formalized in conjunction with special local option sales tax (SPLOST) revenue for board approved projects. The School District regularly monitors anticipated capital outlay needs.

**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 Ms. Betty Varnadore, Director of Finance or Annah Dodge, Assistant Director of Finance for the Jackson County School District, 1660 Winder Highway, Jefferson, GA 30549-5458. You may also email your question to Ms. Varnadore at [bvarnadore@jackson.k12.ga.us](mailto:bvarnadore@jackson.k12.ga.us) or Ms. Dodge at [adodge@jackson.k12.ga.us](mailto:adodge@jackson.k12.ga.us).



JACKSON COUNTY BOARD OF EDUCATION





JACKSON COUNTY BOARD OF EDUCATION  
STATEMENT OF NET POSITION  
JUNE 30, 2013

EXHIBIT "A"

	GOVERNMENTAL ACTIVITIES
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 4,215,263.96
Investments	17,923,475.26
Accounts Receivable, Net	
Taxes	3,037,515.39
State Government	4,205,781.32
Federal Government	774,294.30
Local	85,261.20
Other	15,037.86
Inventories	140,141.34
Prepaid Items	476,045.79
Deferred Charges	121,051.91
Capitalized Bond and Other Debt Issuance Costs	474,475.89
Capital Assets, Non-Depreciable	16,846,424.26
Capital Assets, Depreciable (Net of Accumulated Depreciation)	129,022,725.47
 Total Assets	 \$ 177,337,493.95
<u>LIABILITIES</u>	
Accounts Payable	\$ 2,020,405.94
Salaries and Benefits Payable	6,936,283.39
Interest Payable	1,018,741.68
Contracts Payable	275,283.00
Retainages Payable	523,459.80
Long-Term Liabilities	
Due Within One Year	3,621,940.96
Due in More Than One Year	69,792,768.67
 Total Liabilities	 \$ 84,188,883.44
<u>NET POSITION</u>	
Net Investment in Capital Assets	\$ 75,096,103.53
Restricted for	
Continuation of Federal Programs	782,117.60
Debt Service	7,132,851.42
Capital Projects	7,916,944.09
Permanent Funds	75,117.11
Unrestricted	2,145,476.76
 Total Net Position	 \$ 93,148,610.51

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

JACKSON COUNTY BOARD OF EDUCATION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013

	EXPENSES	CHARGES FOR SERVICES
<u>GOVERNMENTAL ACTIVITIES</u>		
Instruction	\$ 48,072,671.14	\$ 259,743.46
Support Services		
Pupil Services	1,889,276.09	497.09
Improvement of Instructional Services	2,468,264.82	6,674.05
Educational Media Services	1,527,638.50	
General Administration	916,278.03	12,734.41
School Administration	4,307,961.91	
Business Administration	1,175,428.62	
Maintenance and Operation of Plant	6,027,809.79	15,720.00
Student Transportation Services	3,594,494.60	
Central Support Services	993,712.01	
Other Support Services	486,307.54	53,645.41
Operations of Non-Instructional Services		
Enterprise Operations	475,896.86	28,046.93
Community Services	359,420.62	
Food Services	4,271,029.04	1,115,775.60
Interest on Short-Term and Long-Term Debt	2,064,329.36	
	\$ 78,630,518.93	\$ 1,492,836.95
General Revenues		
Taxes		
Property Taxes		
For Maintenance and Operations		
For Debt Services		
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Capital Projects		
Other Sales Tax		
Investment Earnings		
Miscellaneous		
Special Items		
Proceeds from Sale of Equipment		
Total General Revenues and Special Items		
Change in Net Position		
Net Position - Beginning of Year (Restated)		
Net Position - End of Year		

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

EXHIBIT "B"

PROGRAM REVENUES		NET (EXPENSES)
OPERATING	CAPITAL	REVENUES
GRANTS AND	GRANTS AND	AND CHANGES IN
CONTRIBUTIONS	CONTRIBUTIONS	NET POSITION
\$ 24,732,426.12		\$ -23,080,501.56
297,402.66		-1,591,376.34
1,215,262.53		-1,246,328.24
1,048,225.01		-479,413.49
1,312,697.69		409,154.07
2,435,005.15		-1,872,956.76
34,010.29		-1,141,418.33
2,337,359.90		-3,674,729.89
1,152,148.40	\$ 152,438.00	-2,289,908.20
50,132.33		-943,579.68
255,205.57		-177,456.56
		-447,849.93
30,666.87		-328,753.75
3,041,163.54		-114,089.90
		-2,064,329.36
<u>\$ 37,941,706.06</u>	<u>\$ 152,438.00</u>	<u>\$ -39,043,537.92</u>
		\$ 26,117,632.75
		4,556,972.73
		5,797,510.69
		880,384.24
		42,099.33
		1,028,332.42
		<u>2,300.00</u>
		<u>\$ 38,425,232.16</u>
		\$ -618,305.76
		<u>93,766,916.27</u>
		<u>\$ 93,148,610.51</u>

JACKSON COUNTY BOARD OF EDUCATION  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013

	<u>GENERAL FUND</u>	<u>DISTRICT- WIDE CAPITAL PROJECTS FUND</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 4,018,597.86	\$ 133,880.62
Investments	1,912,504.29	8,209,124.73
Accounts Receivable, Net		
Taxes	2,198,572.69	476,864.21
State Government	4,205,781.32	
Federal Government	774,294.30	
Local	85,261.20	
Other	15,037.86	
Inventories	140,141.34	
Prepaid Items	476,045.79	
Deferred Charges	<u>69,623.33</u>	
Total Assets	<u>\$ 13,895,859.98</u>	<u>\$ 8,819,869.56</u>
 <u>LIABILITIES AND FUND BALANCES</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 2,006,942.17	\$ 13,463.77
Salaries and Benefits Payable	6,936,283.39	
Contracts Payable		275,283.00
Retainages Payable		523,459.80
Deposits and Deferred Revenue	<u>1,153,023.83</u>	
Total Liabilities	<u>\$ 10,096,249.39</u>	<u>\$ 812,206.57</u>
 <u>FUND BALANCES</u>		
Nonspendable	\$ 616,187.13	
Restricted	636,182.96	\$ 8,007,662.99
Committed	403,881.47	
Unassigned	<u>2,143,359.03</u>	
Total Fund Balances	<u>\$ 3,799,610.59</u>	<u>\$ 8,007,662.99</u>
Total Liabilities and Fund Balances	<u>\$ 13,895,859.98</u>	<u>\$ 8,819,869.56</u>

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

EXHIBIT "C"

DEBT SERVICE FUND	NONMAJOR GOVERNMENTAL FUND	TOTAL
\$ 12,968.49	\$ 49,816.99	\$ 4,215,263.96
7,776,546.12	25,300.12	17,923,475.26
362,078.49		3,037,515.39
		4,205,781.32
		774,294.30
		85,261.20
		15,037.86
		140,141.34
		476,045.79
		69,623.33
<u>\$ 8,151,593.10</u>	<u>\$ 75,117.11</u>	<u>\$ 30,942,439.75</u>
	\$ 0.00	\$ 2,020,405.94
		6,936,283.39
		275,283.00
		523,459.80
\$ <u>191,424.49</u>		<u>1,344,448.32</u>
\$ <u>191,424.49</u>	\$ <u>0.00</u>	\$ <u>11,099,880.45</u>
	\$ 25,000.00	\$ 641,187.13
\$ 7,960,168.61	50,117.11	16,654,131.67
		403,881.47
		2,143,359.03
\$ <u>7,960,168.61</u>	\$ <u>75,117.11</u>	\$ <u>19,842,559.30</u>
<u>\$ 8,151,593.10</u>	<u>\$ 75,117.11</u>	<u>\$ 30,942,439.75</u>

(This page left intentionally blank)

JACKSON COUNTY BOARD OF EDUCATION  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET POSITION  
 JUNE 30, 2013

EXHIBIT "D"

Total Fund Balances - Governmental Funds (Exhibit "C") \$ 19,842,559.30

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	\$	6,688,059.88	
Construction in Progress		10,158,364.38	
Land Improvements		3,241,428.70	
Buildings		160,424,150.27	
Equipment		12,038,946.79	
Accumulated Depreciation		<u>-46,681,800.29</u>	
Total Capital Assets			145,869,149.73

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

Property Taxes			1,344,448.32
----------------	--	--	--------------

Other Long-Term Assets not available to pay for current period expenditures and therefore, are deferred on the Statement of Net Position.

Deferred Charges	\$	51,428.58	
Capitalized Bond Issuance Costs		<u>474,475.89</u>	
Total Other Long-Term Assets			525,904.47

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	\$	-68,890,000.00	
Accrued Interest		-1,018,741.68	
Compensated Absences Payable		-282,072.53	
Unamortized Bond Premiums		-9,869,301.90	
Deferred Loss for Bond Refunding		6,166,478.94	
Installment Sales		<u>-539,814.14</u>	
Total Long-Term Liabilities			<u>-74,433,451.31</u>

Net Position of Governmental Activities (Exhibit "A") \$ 93,148,610.51

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



JACKSON COUNTY BOARD OF EDUCATION  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2013

	GENERAL FUND	DISTRICT- WIDE CAPITAL PROJECTS FUND
<u>REVENUES</u>		
Property Taxes	\$ 26,254,557.36	
Sales Taxes	756,350.13	\$ 5,797,510.69
State Funds	31,351,619.48	
Federal Funds	6,742,524.58	
Charges for Services	1,492,836.95	
Investment Earnings	11,192.18	18,322.27
Miscellaneous	1,028,332.42	
	\$ 67,637,413.10	\$ 5,815,832.96
Total Revenues		
<u>EXPENDITURES</u>		
Current		
Instruction	\$ 44,430,932.66	\$ 781,136.53
Support Services		
Pupil Services	1,835,003.00	
Improvement of Instructional Services	2,466,049.47	
Educational Media Services	1,429,002.71	
General Administration	836,606.54	44,059.67
School Administration	4,140,626.78	
Business Administration	411,330.88	
Maintenance and Operation of Plant	5,902,235.80	53,918.37
Student Transportation Services	3,298,016.13	
Central Support Services	911,907.76	247,596.00
Other Support Services	486,307.54	
Enterprise Operations	475,896.86	
Community Services	359,420.62	
Food Services Operation	3,999,182.23	
Capital Outlay	5,300.00	9,967,175.03
Debt Services		
Principal		65,306.69
Dues and Fees		
Interest		25,834.35
	\$ 70,987,818.98	\$ 11,185,026.64
Total Expenditures		
Excess of Revenues over (under) Expenditures	\$ -3,350,405.88	\$ -5,369,193.68
<u>OTHER FINANCING SOURCES (USES)</u>		
Sale of Equipment	\$ 2,300.00	
Transfers In		
Transfers Out		\$ -1,249,950.00
	\$ 2,300.00	\$ -1,249,950.00
Total Other Financing Sources (Uses)		
Net Change in Fund Balances	\$ -3,348,105.88	\$ -6,619,143.68
Fund Balances - Beginning (Restated)	7,147,716.47	14,626,806.67
Fund Balances - Ending	\$ 3,799,610.59	\$ 8,007,662.99

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

EXHIBIT "E"

DEBT SERVICE FUND	NONMAJOR GOVERNMENTAL FUND	TOTAL
\$ 4,578,088.97		\$ 30,832,646.33
124,034.11		6,677,894.93
		31,351,619.48
		6,742,524.58
		1,492,836.95
12,195.64	\$ 389.24	42,099.33
<u>                    </u>	<u>                    </u>	<u>1,028,332.42</u>
\$ <u>4,714,318.72</u>	\$ <u>389.24</u>	\$ <u>78,167,954.02</u>
	\$ 859.29	\$ 45,212,928.48
		1,835,003.00
		2,466,049.47
		1,429,002.71
		880,666.21
		4,140,626.78
		411,330.88
		5,956,154.17
		3,298,016.13
		1,159,503.76
		486,307.54
		475,896.86
		359,420.62
		3,999,182.23
		9,972,475.03
\$ 2,415,000.00		2,480,306.69
4,675.00		4,675.00
<u>2,675,946.81</u>	<u>                    </u>	<u>2,701,781.16</u>
\$ <u>5,095,621.81</u>	\$ <u>859.29</u>	\$ <u>87,269,326.72</u>
\$ <u>-381,303.09</u>	\$ <u>-470.05</u>	\$ <u>-9,101,372.70</u>
	\$ 0.00	\$ 2,300.00
\$ 1,249,950.00		1,249,950.00
<u>                    </u>	<u>                    </u>	<u>-1,249,950.00</u>
\$ <u>1,249,950.00</u>	\$ <u>0.00</u>	\$ <u>2,300.00</u>
\$ 868,646.91	\$ -470.05	\$ -9,099,072.70
<u>7,091,521.70</u>	<u>75,587.16</u>	<u>28,941,632.00</u>
\$ <u><u>7,960,168.61</u></u>	\$ <u><u>75,117.11</u></u>	\$ <u><u>19,842,559.30</u></u>

JACKSON 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, 2013

EXHIBIT "F"

Total Net Change in Fund Balances - Governmental Funds (Exhibit "E") \$ -9,099,072.70

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	\$ 10,377,908.15	
Depreciation Expense	<u>-4,118,024.12</u>	
Excess of Capital Outlay over Depreciation Expense		6,259,884.03

Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. -158,040.85

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	\$ 2,415,000.00	
Installment Sale Agreement Payments	<u>65,306.69</u>	
Total Long-Term Debt Repayments		2,480,306.69

Interest expense reported in the Statement of Activities is recorded as incurred, whereas interest expense in the governmental fund statements is reported when paid. -327,871.40

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

Amortization of Bond Premium	\$ 969,998.20	
Amortization of Bond Issue Costs	-55,731.25	
Amortization of Deferred Charges on Refunding of Bonds	-182,629.85	
Amortization of Deferred Loss on Refunding of Bonds	-524,806.72	
Decrease in Compensated Absences	<u>19,658.09</u>	
Total Additional Expenditures		<u>226,488.47</u>

Change in Net Position of Governmental Activities (Exhibit "B") \$ -618,305.76

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

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

EXHIBIT "G"

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ <u>189,896.62</u>
<u>LIABILITIES</u>	
Funds Held for Others	\$ <u>189,896.62</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 Jackson 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 Jackson 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. All remaining governmental funds are aggregated and reported as nonmajor funds.

The School District reports the following major governmental funds:

- General Fund is the School District's primary operating fund. It accounts for and reports all financial resources not accounted for and reported in another fund.
- District-wide Capital Projects Fund accounts for and reports financial resources including Education Special Purpose Local Option Sales Tax (ESPLOST) and Bond Proceeds 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 (property and sales) legally restricted for the payment of general long-term principal and interest.

The School District reports the following nonmajor governmental fund:

- Permanent Fund accounts for and reports financial resources that are legally restricted to the extent that only earnings and not principal, may be used for purposes that support the reporting government or its citizenry.

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, clubs, governments or individuals.

### **BASIS OF ACCOUNTING**

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

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

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

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

### **RESTATEMENT OF PRIOR YEAR NET POSITION/FUND BALANCE**

For fiscal year 2013, the School District made a variety of prior period adjustments due to various errors or omissions, which require the restatement of the June 30, 2012, net position in Governmental Activities and fund balance in the General Fund and District-wide Capital Projects Fund. The result is a decrease in Net Position at July 1, 2012 of \$124,969.18, a decrease in Fund Balance in the General Fund at July 1, 2012 of \$215,687.33, and an increase in the Fund Balance in the District-wide Capital Projects Fund at July 1, 2012 of \$90,718.15. These changes are in accordance with generally accepted accounting principles.

JACKSON COUNTY BOARD OF EDUCATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2013

EXHIBIT "H"

Net position, July 1, 2012 as previously reported	\$	93,891,885.45		
Rutland Center Investment		-124,969.18		
Net position, July 1, 2012, as restated	\$	<u>93,766,916.27</u>		
		<u>General</u>	<u>District-wide</u>	
		Fund	Capital Projects	
		<u>Fund</u>	<u>Fund</u>	
Fund Balance, July 1, 2012, as previously reported	\$	7,363,403.80	\$	14,536,088.52
Reclassification of Rutland Center Investment		-215,687.33		215,687.33
Correction of Rutland Center Investment Balance		-124,969.18		<u>-124,969.18</u>
Fund Balance, July 1, 2012, as restated	\$	<u>7,147,716.47</u>	\$	<u>14,626,806.67</u>

**NEW ACCOUNTING PRONOUNCEMENTS**

In fiscal year 2013, the School District adopted the Governmental Accounting Standards Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The provisions of this Statement establish accounting and financial reporting standards for governments who enter into Service Concession Arrangements (SCA) with other governmental or nongovernmental entities. As of June 30, 2013, the School District has not entered into any arrangements that meet the qualifications to be reported as a SCA in accordance with this standard.

In fiscal year 2013, the School District adopted the Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The provisions of this Statement incorporate certain accounting and financial reporting guidance into authoritative GASB literature.

In fiscal year 2013, the School District adopted the Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. The provisions of this Statement establish financial reporting standards for the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. The School District changed its presentation of net assets to net position for fiscal year 2013. There were no other applicable reporting changes for the School District.

**CASH AND CASH EQUIVALENTS**

**Composition of Deposits**

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

**INVESTMENTS**

**Composition of Investments**

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

JACKSON COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013

EXHIBIT "H"

Code of Georgia Annotated Section 36-83-4 authorizes the School District to invest its funds. In selecting among options for investment or among institutional bids for deposits, the highest rate of return shall be the objective, given equivalent conditions of safety and liquidity. Funds may be invested in the following:

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

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

#### RECEIVABLES

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

#### PROPERTY TAXES

The Jackson County Board of Commissioners adopted the property tax levy for the 2012 tax digest year (calendar year) on October 4, 2012 (levy date) based on property values as of January 1, 2012. Taxes were due on December 20, 2012 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2012 tax digest are reported as revenue in the governmental funds for fiscal year 2013. The Jackson 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, 2013, for maintenance and operations amounted to \$25,988,556.34 and for school bonds amounted to \$4,551,429.52.

Tax millage rates levied for the 2012 tax year (calendar year) for the Jackson County Board of Education were as follows (a mill equals \$1 per thousand dollars of assessed value):

School Operations	18.90 mills
School Bonds	<u>3.10 mills</u>
	<u>22.00 mills</u>

Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to \$292,660.47 during fiscal year ended June 30, 2013.



**SALES TAXES**

Education Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to \$5,797,510.69 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

**INVENTORIES**

**Food Inventories**

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

**Consumable Supplies Inventory**

Inventories of consumable supplies are reported on the Combined Balance Sheet at cost (weighted-average). The School District uses the consumption method to account for consumable supplies whereby an asset is recorded when items are purchased and expenses/expenditures are recorded as the inventory items are used.

**PREPAID ITEMS**

Payments made to vendors for services that will benefit periods subsequent to June 30, 2013, are recorded as prepaid items.

**CAPITAL ASSETS**

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

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

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
Land	All	N/A
Land Improvements	\$ 5,000.00	20 years
Buildings and Improvements	\$ 5,000.00	15 to 50 years
Equipment	\$ 5,000.00	5 to 20 years
Intangible Assets	\$ 20,000.00	20 years
Software	\$ 200,000.00	10 years

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

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

### COMPENSATED ABSENCES

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

Vacation leave of 10 days is awarded on a fiscal year basis to all full time personnel employed on a twelve month basis. No other employees are eligible to earn vacation leave. Vacation leave not utilized during the fiscal year may be carried over to the next fiscal year, providing such vacation leave does not exceed 20 days.

	Beginning of Year Liability	Increases	Decreases	End of Year Liability
2011	\$ 341,865.32	\$ 299,522.48	\$ 347,536.03	\$ 293,851.77
2012	\$ 293,851.77	\$ 290,111.39	\$ 282,232.54	\$ 301,730.62
2013	\$ 301,730.62	\$ 258,064.90	\$ 277,722.99	\$ 282,072.53

### 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, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are reported as deferred charges and amortized over the term of the debt.

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. In addition, general obligation bonds have been issued to refund existing general obligation bonds. General obligation bonds are direct obligations and pledge the full faith and credit of the government. The outstanding amount of these bonds is recorded in the Statement of Net Position.

### NET POSITION

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

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

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

JACKSON COUNTY BOARD OF EDUCATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2013

EXHIBIT "H"

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

**FUND BALANCES**

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

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

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

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

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

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

Fund Balances of the Governmental Funds at June 30, 2013, are as follows:

Nonspendable			
Inventories	\$	140,141.34	
Permanent Funds Principal		25,000.00	
Prepaid Assets		476,045.79	\$ 641,187.13
Restricted			
Continuation of Federal Programs	\$	636,182.96	
Capital Projects		8,007,662.99	
Debt Service		7,960,168.61	
Permanent Funds		50,117.11	16,654,131.67
Committed			
School Activity Accounts			403,881.47
Unassigned			2,143,359.03
Fund Balance, June 30, 2013			\$ <u>19,842,559.30</u>

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

## **USE OF ESTIMATES**

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

## **NOTE 3: BUDGETARY DATA**

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

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

The Superintendent has the authority to amend the budget without Board approval. Financial statements are presented to the Board monthly for review and discussion of actual revenues, expenditures and changes in fund balance as compared to the budget balances.

See Schedule 1 – General Fund Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual for a detail of any over/under expenditures during the fiscal year under review.

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

### **COLLATERALIZATION OF DEPOSITS**

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

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,

JACKSON COUNTY BOARD OF EDUCATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2013

EXHIBIT "H"

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, 2013, the bank balances were \$5,519,279.68. 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 risk category at June 30, 2013, are as follows:

Custodial Credit Risk Category	Bank Balance
1	\$ 0.00
2	4,535,888.62
3	0.00
Total	\$ 4,535,888.62

**CATEGORIZATION OF INVESTMENTS**

The School District's investments as of June 30, 2013, are presented below. All investments are presented by investment type and debt securities are presented by maturity.

Investment Type	Fair Value	Investment Maturity Less Than 1 Year
Debt Securities		
U. S. Treasuries		
Money Market Funds	\$ 90,718.90	\$ <u>90,718.90</u>
Investment Pools		
Office of the State Treasurer		
Georgia Fund 1	<u>17,807,456.24</u>	
Total Investments	\$ <u>17,898,175.14</u>	

The Georgia Fund 1, formerly referred to as LGIP, administered by the State of Georgia, Office of the State Treasurer is not required to be categorized since the School District did not own any specific identifiable securities in the pool. The investment policy of the State of Georgia, Office of the State Treasurer for the Georgia Fund 1 (Primary Liquidity Portfolio) does not provide for investment in derivatives or similar investments. Additional information on the Georgia Fund 1 is disclosed in the *State of Georgia* Comprehensive Annual Financial Report. This audit can be obtained from the Georgia Department of Audits and Accounts at <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 but does 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 AAAf rated investment pool by Standard and Poor's. The weighted average maturity of Georgia Fund 1 may not exceed 60 days. The weighted average maturity for Georgia Fund 1 on June 30, 2013, was 43 days.

**Interest Rate Risk**

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

**Custodial Credit Risk**

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

At June 30, 2013, \$90,718.90 of the School District's applicable investments were uninsured and unregistered, with securities held by the counterparty's trust department or agent in the name of the School District.

**Credit Quality Risk**

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

The investments subject to credit quality risk are reflected below:

<u>Rated Debt Investments</u>	<u>Fair Value</u>	<u>Quality Ratings</u>
		AAAm
Debt Securities		
U. S. Treasuries		
Money Market Funds	\$ 90,718.90	\$ 90,718.90

**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**

JACKSON COUNTY BOARD OF EDUCATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2013

EXHIBIT "H"

**NOTE 6: CAPITAL ASSETS**

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

	Balances July 1, 2012	Increases	Decreases	Balances June 30, 2013
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 6,002,541.17	\$ 685,518.71		\$ 6,688,059.88
Construction in Progress	1,055,069.78	9,267,385.64	\$ 164,091.04	10,158,364.38
Total Capital Assets Not Being Depreciated	\$ 7,057,610.95	\$ 9,952,904.35	\$ 164,091.04	\$ 16,846,424.26
Capital Assets Being Depreciated				
Buildings and Improvements	\$ 160,253,816.05	\$ 170,334.22		\$ 160,424,150.27
Equipment	11,721,776.15	407,433.12	\$ 90,262.48	12,038,946.79
Land Improvements	3,230,101.20	11,327.50		3,241,428.70
Less Accumulated Depreciation for:				
Buildings and Improvements	32,147,032.55	3,363,927.05		35,510,959.60
Equipment	8,328,671.38	663,500.05	90,262.48	8,901,908.95
Land Improvements	2,178,334.72	90,597.02		2,268,931.74
Total Capital Assets, Being Depreciated, Net	\$ 132,551,654.75	\$ -3,528,929.28	\$ 0.00	\$ 129,022,725.47
Governmental Activity Capital Assets - Net	\$ 139,609,265.70	\$ 6,423,975.07	\$ 164,091.04	\$ 145,869,149.73

Capital assets being acquired under installment sales agreement as of June 30, 2013, are as follows:

	Governmental Activities
Buildings	\$ 784,882.94
Less: Accumulated Depreciation	70,488.07
	\$ 714,394.87

Current year depreciation expense by function is as follows:

Instruction		\$ 2,920,181.27
Support Services		
Pupil Services	\$ 53,796.06	
Improvement of Instructional Services	2,195.88	
Educational Media Services	97,768.83	
General Administration	35,298.82	
School Administration	165,864.36	
Business Administration	921.75	
Maintenance and Operation of Plant	71,025.81	
Student Transportation Services	455,498.19	
Central Support Services	46,015.72	928,385.42
Food Services		269,457.43
		\$ 4,118,024.12

JACKSON COUNTY BOARD OF EDUCATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2013

EXHIBIT "H"

**NOTE 7: INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 2013, consisted of the following:

<u>Transfer to</u>	<u>Transfers From</u> <u>District-wide</u> <u>Capital</u> <u>Projects</u>
Debt Service Fund	\$ <u>1,249,950.00</u>

Transfers are used to move sales tax revenues collected by the District-wide Capital Projects Fund to the Debt Service Fund for payment of bonds.

**NOTE 8: RISK MANAGEMENT**

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

The School District has obtained commercial insurance for risk of loss associated with torts, assets, errors or omissions, job related illness or injuries to employees, and acts of God. However, the errors or omissions policy excludes coverage for sexual harassment and discrimination. The School District has neither significantly reduced coverage for these risks nor incurred losses (settlements) which exceeded the School District's insurance coverage in any of the past three years.

The School District is self-insured with regard to unemployment compensation claims. Claims are accounted for within the same fund that the employee's salary and benefits are paid. The School District accounts for claims with expenses/expenditures and liability being reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated.

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

	<u>Beginning</u> <u>of Year</u> <u>Liability</u>	<u>Claims and</u> <u>Changes in</u> <u>Estimates</u>	<u>Claims</u> <u>Paid</u>	<u>End of Year</u> <u>Liability</u>
2012	\$ 0.00	\$ 45,319.00	\$ 45,319.00	\$ 0.00
2013	\$ 0.00	\$ 43,420.00	\$ 43,420.00	\$ 0.00

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

<u>Position Covered</u>	<u>Amount</u>
Superintendent	\$ 50,000.00
All Employees	\$ 100,000.00

**NOTE 9: OPERATING LEASES**

Jackson County Board of Education has entered into various leases as lessee for copiers and postage machines. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the year ended June 30, 2013, for governmental funds amounted to \$319,102.14. Future minimum lease payments for these leases are as follows:



JACKSON COUNTY BOARD OF EDUCATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2013

EXHIBIT "H"

Year Ending	Governmental Funds
2014	\$ 167,995.33
2015	105,738.12
2016	41,784.79
2017	5,490.00
Total	\$ 321,008.24

**NOTE 10: SHORT-TERM DEBT**

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

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

	Beginning Balance	Issued	Redeemed	Ending Balance
Tax Anticipation Notes	\$ 0.00	\$ 2,935,000.00	\$ 2,935,000.00	\$ 0.00

**NOTE 11: LONG-TERM DEBT**

**COMPENSATED ABSENCES**

Compensated absences represent obligations of the School District relating to employees' rights to receive compensation for future absences based upon service already rendered. This obligation relates only to vesting accumulating leave in which payment is probable and can be reasonably estimated. Typically, the General Fund is the fund used to liquidate this long-term debt. The School District uses the vesting method to compute compensated absences.

**INSTALLMENT SALES AGREEMENT**

The Jackson County Board of Education entered into an agreement with the Northeast Georgia Regional Educational Service Agency dated June 1, 2006, for the construction and subsequent lease of the Rutland Center. Under the terms of the agreement, the School District will make annual payments through July 15, 2020.

**GENERAL OBLIGATION DEBT OUTSTANDING**

General Obligation Bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
General Government - Series 2005	3.25% - 5.00%	\$ 8,715,000.00
General Government - Refunding - Series 2008	4.30% - 5.00%	1,650,000.00
General Government - Refunding - Series 2012	3.00% - 5.00%	58,525,000.00
		\$ 68,890,000.00

JACKSON COUNTY BOARD OF EDUCATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2013

EXHIBIT "H"

The changes in Long-Term Debt during the fiscal year ended June 30, 2013, were as follows:

	Governmental Activities				
	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013	Due Within One Year
G. O. Bonds	\$ 71,305,000.00		\$ 2,415,000.00	\$ 68,890,000.00	\$ 2,915,000.00
Compensated Absences	301,730.62	\$ 258,064.90	277,722.99	282,072.53	193,962.79
Installment Sales Agreement	605,120.83		65,306.69	539,814.14	67,786.69
Bond Premiums Amortized	10,839,300.10		969,998.20	9,869,301.90	969,998.20
Bond Refunding Deferred Loss	-6,691,285.66		-524,806.72	-6,166,478.94	-524,806.72
	<u>\$ 76,359,865.89</u>	<u>\$ 258,064.90</u>	<u>\$ 3,203,221.16</u>	<u>\$ 73,414,709.63</u>	<u>\$ 3,621,940.96</u>

At June 30, 2013, payments due by fiscal year which includes principal and interest for these items are as follows:

	Installment Sales Agreement		Refunding Deferred
	Principal	Interest	Loss
<u>Fiscal Year Ended June 30:</u>			
2014	\$ 67,786.69	\$ 22,456.24	\$ 524,806.72
2015	71,093.36	19,636.32	524,806.72
2016	73,573.96	16,678.23	524,806.72
2017	76,880.03	13,618.18	524,806.72
2018	80,186.70	10,419.97	524,806.72
2019 - 2023	170,293.40	10,695.09	2,624,033.60
2024 - 2025			918,411.74
Total Principal and Interest	<u>\$ 539,814.14</u>	<u>\$ 93,504.03</u>	<u>\$ 6,166,478.94</u>
	General Obligation Debt		Unamortized
	Principal	Interest	Bond Premium
<u>Fiscal Year Ended June 30:</u>			
2014	\$ 2,915,000.00	\$ 3,080,884.25	\$ 969,998.20
2015	3,525,000.00	3,036,609.25	969,998.20
2016	3,925,000.00	2,835,700.00	969,998.20
2017	4,355,000.00	2,639,450.00	795,349.40
2018	4,830,000.00	2,421,700.00	795,349.40
2019 - 2023	32,045,000.00	8,561,350.00	3,976,747.02
2024 - 2025	17,295,000.00	1,316,500.00	1,391,861.48
Total Principal and Interest	<u>\$ 68,890,000.00</u>	<u>\$ 23,892,193.50</u>	<u>\$ 9,869,301.90</u>

**NOTE 12: PRIOR YEAR DEFEASEMENT OF DEBT**

In 2012, the School District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the School District's basic financial statements. At June 30, 2013, \$60,065,000.00 of bonds are outstanding and are considered defeased.

**NOTE 13: ON-BEHALF PAYMENTS**

The School District has recognized revenues and costs in the amount of \$4,485,800.12 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 \$4,341,744.00

Paid to the Teachers' Retirement System of Georgia

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

In the amount of \$16,065.12

Office of the State Treasurer

Paid to the Public School Employees' Retirement System

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

In the amount of \$127,991.00

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 14: SIGNIFICANT COMMITMENTS**

The following is an analysis of significant outstanding construction or renovation contracts executed by the School District as of June 30, 2013:

Project	Unearned Executed Contracts
Jackson County Comprehensive High School Gym/ Fine Arts Building	\$ <u>899,379.24</u>

The amount described in this note is not reflected in the basic financial statements.

**NOTE 15: 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 16: POST-EMPLOYMENT BENEFITS**

**GEORGIA SCHOOL PERSONNEL POST-EMPLOYMENT HEALTH BENEFIT FUND**

**Plan Description.** The Georgia School Personnel Post-employment Health Benefit Fund (School OPEB Fund) is a cost-sharing multiple-employer defined benefit post-employment healthcare plan that covers eligible former employees of public school systems, libraries and regional educational service agencies. The School OPEB Fund provides health insurance benefits to eligible former employees and their qualified beneficiaries through the State Employees Health Benefit Plan administered by

the Department of Community Health. The Official Code of Georgia Annotated (O.C.G.A.) assigns the authority to establish and amend the benefit provisions of the group health plans, including benefits for retirees, to the Board of Community Health (Board). The Department of Community Health, which includes the School OPEB Fund, issues a separate stand alone financial audit report and a copy can be obtained from the Georgia Department of Audits and Accounts.

**Funding Policy.** The contribution requirements of plan members and participating employers are established by the Board in accordance with the current Appropriations Act and may be amended by the Board. Contributions of plan members or beneficiaries receiving benefits vary based on plan election, dependent coverage, and Medicare eligibility and election. For members with fewer than five years of service as of January 1, 2013, contributions also vary based on years of service. On average, members with five years or more of service as of January 1, 2013, 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, 2013, 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, 2013:

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

July 2012 - February 2013	\$912.34 per member per month
March 2013 - June 2013	\$937.34 per member per month

**For non-certificated school personnel:**

July 2012 - June 2013	\$446.20 per member per month
-----------------------	-------------------------------

No additional contribution was required by the Board for fiscal year 2013 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.

JACKSON COUNTY BOARD OF EDUCATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2013

EXHIBIT "H"

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

Fiscal Year	Percentage Contributed	Required Contribution
2013	100%	\$ 7,221,820.60
2012	100%	\$ 6,775,952.82
2011	100%	\$ 6,241,762.02

**NOTE 17: RETIREMENT PLANS**

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

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

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

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

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

**Funding Policy.** TRS is funded by member and employer contributions as adopted and amended by the Board of Trustees. Members become fully vested after 10 years of service. If a member terminates with less than 10 years of service, no vesting of employer contributions occurs, but the member's contributions may be refunded with interest. Member contributions are limited by State law to not less than 5% or more than 6% of a member's earnable compensation. Member contributions as adopted by the Board of Trustees for the fiscal year ended June 30, 2013, were 6.00% of annual salary. Employer contributions required for fiscal year 2013 were 11.41% of annual salary as required by the June 30, 2010, actuarial valuation. The employer contribution rate will increase to 12.28% effective July 1, 2013.

JACKSON COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013

EXHIBIT "H"

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>
2013	100%	\$ 4,443,293.96
2012	100%	\$ 3,989,317.47
2011	100%	\$ 3,854,568.61

**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.

(This page left intentionally blank)

JACKSON COUNTY BOARD OF EDUCATION  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2013

SCHEDULE "1"

	NONAPPROPRIATED BUDGETS		ACTUAL AMOUNTS	VARIANCE OVER/UNDER
	ORIGINAL (1)	FINAL (1)		
<b>REVENUES</b>				
Property Taxes	\$ 29,774,829.01	\$ 26,902,809.00	\$ 26,254,557.36	\$ -648,251.64
Sales Taxes	300,000.00	480,000.00	756,350.13	276,350.13
State Funds	30,922,576.19	31,314,129.19	31,351,619.48	37,490.29
Federal Funds	6,204,827.00	6,421,654.00	6,742,524.58	320,870.58
Charges for Services	1,547,020.00	1,472,620.00	1,492,836.95	20,216.95
Investment Earnings	12,800.00	12,545.00	11,192.18	-1,352.82
Miscellaneous	157,650.00	154,715.00	1,028,332.42	873,617.42
<b>Total Revenues</b>	<b>\$ 68,919,702.20</b>	<b>\$ 66,758,472.19</b>	<b>\$ 67,637,413.10</b>	<b>\$ 878,940.91</b>
<b>EXPENDITURES</b>				
Current				
Instruction	\$ 43,136,824.90	\$ 44,212,094.98	\$ 44,430,932.66	\$ -218,837.68
Support Services				
Pupil Services	1,777,559.65	1,938,623.24	1,835,003.00	103,620.24
Improvement of Instructional Services	2,636,505.20	2,659,011.25	2,466,049.47	192,961.78
Educational Media Services	1,451,464.30	1,429,326.08	1,429,002.71	323.37
General Administration	797,265.32	856,076.45	836,606.54	19,469.91
School Administration	4,120,974.84	4,317,261.33	4,140,626.78	176,634.55
Business Administration	408,792.62	434,566.34	411,330.88	23,235.46
Maintenance and Operation of Plant	6,370,051.44	5,967,226.02	5,902,235.80	64,990.22
Student Transportation Services	3,049,903.76	3,298,716.28	3,298,016.13	700.15
Central Support Services	489,729.04	967,292.91	911,907.76	55,385.15
Other Support Services	422,365.65	500,653.94	486,307.54	14,346.40
Enterprise Operations			475,896.86	-475,896.86
Community Services	343,299.58	343,299.58	359,420.62	-16,121.04
Food Services Operation	3,837,719.93	3,754,622.34	3,999,182.23	-244,559.89
Capital Outlay		5,000.00	5,300.00	-300.00
<b>Total Expenditures</b>	<b>\$ 68,842,456.23</b>	<b>\$ 70,683,770.74</b>	<b>\$ 70,987,818.98</b>	<b>\$ -304,048.24</b>
Excess of Revenues over (under) Expenditures	\$ 77,245.97	\$ -3,925,298.55	\$ -3,350,405.88	\$ 574,892.67
<b>OTHER FINANCING SOURCES (USES)</b>				
Other Sources	\$ 23,373,700.45	\$ 23,373,700.45	\$ 2,300.00	\$ -23,371,400.45
Other Uses	-23,373,700.45	-23,373,700.45		23,373,700.45
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 2,300.00</b>	<b>\$ 2,300.00</b>
<b>Net Change in Fund Balances</b>	<b>\$ 77,245.97</b>	<b>\$ -3,925,298.55</b>	<b>\$ -3,348,105.88</b>	<b>\$ 577,192.67</b>
Fund Balances - Beginning	7,261,776.80	7,262,026.80	7,147,716.47	-114,310.33
Adjustments	-39,149.98	-25.24		25.24
<b>Fund Balances - Ending</b>	<b>\$ 7,299,872.79</b>	<b>\$ 3,336,703.01</b>	<b>\$ 3,799,610.59</b>	<b>\$ 462,907.58</b>

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 (\$1,078,841.71) or expenditures (\$1,100,519.13) of the various principal accounts.

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.



JACKSON COUNTY BOARD OF EDUCATION  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2013

SCHEDULE "2"

	<u>BAND INSTRUMENT FUND</u>	<u>PHYSICAL EDUCATION EQUIPMENT AND SUPPLY FUND</u>	<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>			
Cash and Cash Equivalents		\$ 49,816.99	\$ 49,816.99
Investments	\$ 25,300.12		25,300.12
	<u>25,300.12</u>	<u>49,816.99</u>	<u>75,117.11</u>
Total Assets	\$ <u>25,300.12</u>	\$ <u>49,816.99</u>	\$ <u>75,117.11</u>
 <u>FUND BALANCES</u>			
Nonspendable	\$ 25,000.00		\$ 25,000.00
Restricted	<u>300.12</u>	<u>49,816.99</u>	<u>50,117.11</u>
Total Fund Balances	\$ <u>25,300.12</u>	\$ <u>49,816.99</u>	\$ <u>75,117.11</u>

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

JACKSON COUNTY BOARD OF EDUCATION  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2013

SCHEDULE "3"

	BAND INSTRUMENT FUND	PHYSICAL EDUCATION EQUIPMENT AND SUPPLY FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<u>REVENUES</u>			
Investment Earnings	\$ 144.66	\$ 244.58	\$ 389.24
<u>EXPENDITURES</u>			
Current Instruction		859.29	859.29
Net Change in Fund Balances	\$ 144.66	\$ -614.71	\$ -470.05
Fund Balances - Beginning	25,155.46	50,431.70	75,587.16
Fund Balances - Ending	\$ 25,300.12	\$ 49,816.99	\$ 75,117.11

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

JACKSON COUNTY BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2013

SCHEDULE "4"

FUNDING AGENCY PROGRAM/GRANT	CFDA NUMBER	PASS- THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD
Agriculture, U. S. Department of			
Child Nutrition Cluster			
Pass-Through From Georgia Department of Education			
Food Services			
School Breakfast Program	* 10.553	N/A	(2)
National School Lunch Program	* 10.555	N/A	\$ <u>3,857,634.72</u> (1)
Total Child Nutrition Cluster			\$ 3,857,634.72
Other Programs			
Pass-Through From Georgia Department of Education			
Food Services			
Fresh Fruit and Vegetable Program	10.582	N/A	<u>34,402.31</u>
Total U. S. Department of Agriculture			\$ <u>3,892,037.03</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	\$ 1,214,577.18
Preschool Grants	84.173	N/A	<u>59,240.16</u>
Total Special Education Cluster			\$ <u>1,273,817.34</u>
Title I, Part A Cluster			
Pass-Through From Georgia Department of Education			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ <u>1,775,595.15</u>
Other Programs			
Pass-Through From Georgia Department of Education			
Career and Technical Education - Basic Grants to States	84.048	N/A	\$ 80,302.00
Education Jobs Fund	84.410	N/A	2,961.00
English Language Acquisition Grants	84.365	N/A	47,947.40
Improving Teacher Quality State Grants	84.367	N/A	288,995.94
Mathematics and Science Partnerships	84.366	N/A	171,316.13
Migrant Education - State Grant Program	84.011	N/A	<u>57,446.00</u>
Total Other Programs			\$ <u>648,968.47</u>
Total U. S. Department of Education			\$ <u>3,698,380.96</u>
Health and Human Services, U. S. Department of			
Child Care and Development Fund Cluster			
Pass-Through From Georgia Department of Early Care and Learning			
Child Care and Development Block Grant	93.575	N/A	\$ <u>4,500.00</u>
Defense, U. S. Department of			
Direct			
Department of the Army			
R.O.T.C. Program			\$ <u>104,558.08</u>
Total Expenditures of Federal Awards			\$ <u><u>7,699,476.07</u></u>

N/A = Not Available

JACKSON COUNTY BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2013

SCHEDULE "4"

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 \$311,963.85.
- (2) Expenditures for the funds earned on the School Breakfast Program (\$729,441.85) were not maintained separately and are included in the 2013 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 Jackson 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.

JACKSON COUNTY BOARD OF EDUCATION  
SCHEDULE OF STATE REVENUE  
YEAR ENDED JUNE 30, 2013

SCHEDULE "5"

<u>AGENCY/FUNDING</u>	<u>GOVERNMENTAL FUND TYPE</u>
	<u>GENERAL FUND</u>
<b>GRANTS</b>	
Bright From the Start:	
Georgia Department of Early Care and Learning	
Pre-Kindergarten Program	\$ 686,274.90
Education, Georgia Department of	
Quality Basic Education (1)	
Direct Instructional Cost	
Kindergarten Program	2,201,969.00
Kindergarten Program - Early Intervention Program	307,294.00
Primary Grades (1-3) Program	4,686,584.00
Primary Grades - Early Intervention (1-3) Program	1,444,980.00
Upper Elementary Grades (4-5) Program	2,398,172.00
Upper Elementary Grades - Early Intervention (4-5) Program	522,422.00
Middle School (6-8) Program	4,198,567.00
High School General Education (9-12) Program	3,201,802.00
Vocational Laboratory (9-12) Program	1,167,220.00
Students with Disabilities	5,580,562.00
Gifted Student - Category VI	1,606,692.00
Remedial Education Program	146,520.00
Alternative Education Program	314,663.00
English Speakers of Other Languages (ESOL)	339,146.00
Media Center Program	754,211.00
20 Days Additional Instruction	222,346.00
Staff and Professional Development	143,089.00
Indirect Cost	
Central Administration	996,580.00
School Administration	1,662,218.00
Facility Maintenance and Operations	1,700,584.00
Amended Formula Adjustment	-4,728,276.00
Categorical Grants	
Pupil Transportation	
Regular	892,549.00
Nursing Services	119,593.00
Vocational Supervisors	28,123.00
Other State Programs	
Food Services	106,078.00
Math and Science Supplements	68,711.18
Move on When Ready	200.00
Preschool Handicapped Program	87,529.00
Pupil Transportation - State Bonds	152,438.00
Teachers' Retirement	16,065.12
Vocational Education	198,722.28
Office of the State Treasurer	
Public School Employees' Retirement	<u>127,991.00</u>
	<u>\$ 31,351,619.48</u>

- (1) Payments to the Georgia Department of Community Health by the Georgia Department of Education on behalf of the School District in the amount of \$4,341,744.00 are included as part of the Quality Basic Education revenue allotments above.

See notes to the basic financial statements.

JACKSON COUNTY BOARD OF EDUCATION  
 SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS  
 YEAR ENDED JUNE 30, 2013

SCHEDULE "6"

PROJECT	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3)	AMOUNT EXPENDED IN PRIOR YEARS (3)	TOTAL COMPLETION COST	EXCESS PROCEEDS NOT EXPENDED	ESTIMATED COMPLETION DATE
<b>SPLOST III</b>							
(1) Paying all or a portion of the debt service on outstanding Series 2005 General Obligation Bonds previously issued.	\$ 10,000,000.00	\$ 21,833,296.20	\$ 650,234.97	\$ 21,183,061.23	\$ 21,833,296.20		Complete
<i>All Projects Below</i>	53,015,000.00	53,015,000.00					
(2) Acquiring, constructing and equipping new school buildings and other buildings or facilities useful or desirable in connection therewith,			9,194,824.76	17,805,552.17			7/31/2013
(3) acquiring new school equipment,			101,709.72	1,227,280.09			7/31/2013
(4) adding to, renovating, repairing, improving, and equipping existing school buildings or facilities useful or desirable in connection therewith, and			1,111,506.05	4,438,956.62			3/31/2014
(5) acquiring a portion of a psychoeducational facility,			91,179.34	877,693.52			8/1/2020
(6) acquiring land, and			685,806.77	105,488.62	791,295.39		Complete
(7) acquiring any property necessary or desirable therefore, both real and personal.							Complete
<b>SPLOST IV</b>							
(1) Paying all or a portion of the debt service on outstanding Series 2005 General Obligation Bonds previously issued.	30,000,000.00	30,000,000.00	599,715.03				3/1/2016
<i>All Projects Below</i>	32,699,000.00	32,699,000.00					
(2) Acquiring, constructing and equipping new school buildings and other buildings or facilities useful or desirable in connection therewith, including a new middle school							6/30/2017
(3) acquiring new technology equipment, safety and security equipment and other school equipment							6/30/2017
(4) adding to, renovating, repairing, improving, equipping and furnishing existing school buildings or other buildings or facilities useful or desirable in connection therewith							6/30/2017
(5) acquiring a portion of a psychoeducational facility,							8/1/2020
(6) acquiring land,							6/30/2017
(7) purchasing textbooks and band instruments							6/30/2017
(8) purchasing school buses and school vehicles;							6/30/2017
(9) acquiring any property necessary or desirable therefore, both real and personal.							6/30/2017
	<u>\$ 125,714,000.00</u>	<u>\$ 137,547,296.20</u>	<u>\$ 12,434,976.64</u>	<u>\$ 45,638,032.25</u>	<u>\$ 22,624,591.59</u>	<u>\$ 0.00</u>	

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

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

(3) The voters of Jackson County approved the imposition of a 1% sales tax to fund the above projects and retire associated debt. Amounts expended for these projects may include sales tax proceeds, state, local property taxes and/or other funds over the life of the projects.

See notes to the basic financial statements.

(This page left intentionally blank)

JACKSON COUNTY BOARD OF EDUCATION  
 GENERAL FUND - QUALITY BASIC EDUCATION PROGRAMS (QBE)  
 ALLOTMENTS AND EXPENDITURES - BY PROGRAM  
 YEAR ENDED JUNE 30, 2013

SCHEDULE "7"

DESCRIPTION	ALLOTMENTS FROM GEORGIA DEPARTMENT OF EDUCATION (1) (2) (3)		ELIGIBLE QBE PROGRAM COSTS		
			SALARIES	OPERATIONS	TOTAL
Direct Instructional Programs					
Kindergarten Program	\$ 2,730,794.00	\$ 2,530,925.97	\$ 4,296.00	\$ 2,535,221.97	
Kindergarten Program-Early Intervention Program	418,784.00	448,156.06	25.78	448,181.84	
Primary Grades (1-3) Program	5,921,782.00	6,550,744.04	33,443.77	6,584,187.81	
Primary Grades-Early Intervention (1-3) Program	1,698,180.00	708,769.63	85.69	708,855.32	
Upper Elementary Grades (4-5) Program	2,994,617.00	3,586,464.27	98,579.27	3,685,043.54	
Upper Elementary Grades-Early Intervention (4-5) Program	652,630.00	560,132.94	66.86	560,199.80	
Middle School (6-8) Program	5,231,568.00	6,070,973.24	79,723.72	6,150,696.96	
High School General Education (9-12) Program	3,979,087.00	6,351,524.54	113,646.92	6,465,171.46	
Vocational Laboratory (9-12) Program	1,464,683.00	1,550,288.65	63,109.83	1,613,398.48	
Students with Disabilities	6,954,183.00				
Category II		1,360,588.78		1,360,588.78	
Category III		5,000,270.91	1,295.88	5,001,566.79	
Category IV		672,380.80	97.72	672,478.52	
Category V			63.22	63.22	
Gifted Student - Category VI	1,967,668.00	1,480,491.69	5,918.50	1,486,410.19	
Remedial Education Program	216,299.00	124,197.23	546.53	124,743.76	
Alternative Education Program	391,284.00	390,588.17		390,588.17	
English Speakers of Other Languages (ESOL)	418,980.00	492,523.94		492,523.94	
TOTAL DIRECT INSTRUCTIONAL PROGRAMS	\$ 35,040,539.00	\$ 37,879,020.86	\$ 400,899.69	\$ 38,279,920.55	
Media Center Program	939,106.00	1,375,576.99	50,166.64	1,425,743.63	
Staff and Professional Development	179,179.00			112,345.65	
TOTAL QBE FORMULA FUNDS	\$ 36,158,824.00	\$ 39,254,597.85	\$ 451,066.33	\$ 39,818,009.83	

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

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

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

See notes to the basic financial statements.





SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS





# DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

August 22, 2014

Honorable Nathan Deal, Governor  
Members of the General Assembly  
Members of the State Board of Education  
and  
Superintendent and Members of the  
Jackson 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 the 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 Jackson County Board of Education as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Jackson County Board of Education's basic financial statements and have issued our report thereon dated August 22, 2014.

## **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Jackson 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 Jackson County Board of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of the Jackson 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. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

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

We noted a certain matter that we have reported to management of Jackson County Board of Education in a separate letter dated August 22, 2014.

### **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, not to provide an opinion on the effectiveness of the Jackson County Board of Education'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 Jackson County Board of Education's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Greg S. Griffin  
State Auditor

GSG:as  
2013YB-10





# DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

August 22, 2014

Honorable Nathan Deal, Governor  
Members of the General Assembly  
Members of the State Board of Education  
and  
Superintendent and Members of the  
Jackson 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 Jackson 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, 2013. Jackson 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 Jackson 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 Jackson 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 Jackson County Board of Education's compliance.





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

In our opinion, the Jackson 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, 2013.

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

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

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

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

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

Respectfully submitted,



Greg S. Griffin  
State Auditor



SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS



JACKSON COUNTY BOARD OF EDUCATION  
AUDITEE'S RESPONSE  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.



SECTION IV  
FINDINGS AND QUESTIONED COSTS





JACKSON COUNTY BOARD OF EDUCATION  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED JUNE 30, 2013

**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?	None Reported
Noncompliance material to financial statements noted:	No

**Federal Awards**

Internal Control over major programs:	
▪ Material weakness identified?	No
▪ Significant deficiency identified?	None Reported
Type of auditor's report issued on compliance for major programs: All major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)?	No
Identification of major programs:	
<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	Child Nutrition Cluster
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000.00
Auditee qualified as low-risk auditee?	No

**II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS**

No matters were reported.

**III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.