



OCONEE COUNTY BOARD OF EDUCATION

WATKINSVILLE, GEORGIA

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED

JUNE 30, 2013

(INCLUDING INDEPENDENT AUDITOR'S REPORTS)

OCONEE COUNTY BOARD OF EDUCATION

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SECTION I
FINANCIAL



DEPARTMENT OF AUDITS AND ACCOUNTS

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Greg S. Griffin
STATE AUDITOR
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October 27, 2014

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

INDEPENDENT AUDITOR'S REPORT

Ladies and Gentlemen:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Oconee 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 Oconee 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 Oconee 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual, as presented on pages i through viii and page 29 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 Oconee County Board of Education's basic financial statements. The accompanying supplementary information, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2014, on our consideration of the Oconee 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 Oconee 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

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

INTRODUCTION

This discussion and analysis of the Oconee County Board of Education's financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2013. The intent of the discussion and analysis is to look at the School District's financial performance as a whole; readers should 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 HIGHLIGHTS

Key financial highlights for fiscal year 2013 are as follows:

- On the district-wide financial statements, the assets of the School District exceeded liabilities by \$102.48 million, or an increase of \$5.18 million when compared to 2012.
- The School District had \$60.36 million in expenses relating to governmental activities; only \$32.46 million of these expenses were offset by program specific charges for services, grants and contributions. However, general revenues (primarily property and sales taxes) of \$33.07 million were more than adequate to provide for these programs.
- As stated above, General Revenues accounted for \$33.07 million or about 50% of all revenues totaling \$65.54 million. Program specific revenues in the form of charges for services, grants and contributions accounted for the rest.
- The School District's M&O millage rate was 17.50 mills for the 2013 school year. The Bond millage rate was 1 mill, giving the District an overall millage rate of 18.50 mills. However, without digest growth, which is limited by current economic conditions, the Board of Education could be required to increase the millage rate or reduce programs in the future.
- The School District is in very stable financial condition despite current economic conditions. The General fund balance reflects the full accrual of contracted salaries and benefits unpaid at June 30 in full compliance of GASB 34 and 54 regulations.

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.

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

The fund financial statements focus on individual parts of the School District, reporting the School District's operation in more detail. The 'Governmental Funds' statements disclose how basic services are financed in the short-term as well as what remains for future spending. The 'Fiduciary Funds' statements provide information about the financial relationships in which the School District acts solely as a trustee or agent for the benefit of others. In the case of the Oconee County Board of Education, the General Fund, Capital Projects Funds, and Debt Service Funds are all considered to be major funds. The District has no nonmajor funds as defined by GASB Statement 34 for the purposes of this report.

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

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

District-Wide Statements

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

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

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 the School District's significant or major funds. As discussed previously, the District has no nonmajor Funds as defined by GASB Statement 34.

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

Fiduciary Funds - The School District is the trustee, or fiduciary, for assets that belong to others and 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 Oconee County Board of Education, assets exceeded liabilities by \$102.48 million 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 asset category. For example, of the \$102.48 million of net position, \$5.16 million was restricted for continuation of federal programs, debt service, and completion of ongoing capital projects. Accordingly, these funds were not available to meet the District's ongoing obligations to citizens and creditors.

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

In addition, the District had \$86.9 million (net of related debt) invested in capital assets (e.g., land, buildings, and equipment). The District uses these capital assets to provide educational services to students within geographic boundaries served by the District. Because of the very nature and on-going use of the assets being reported in this component of net assets, it must be recognized that this portion of the net position is *not* available for future spending.

The remaining balance of *unrestricted net position* of \$10.48 million may be used to meet the District's ongoing obligations to citizens and creditors. The funds are used to meet payroll and operational costs through the month of September; after which, local tax revenues are received and permit the infusion of cash necessary to operate the school system. **Table 1** provides a summary of the School District's net assets for the current fiscal year and for prior year fiscal year 2012.

	Table 1		
	Net Assets		
	Governmental Activities FY 2013	Governmental Activities FY 2012	Current Year to Prior Year Difference
Assets			
Current and Other Assets	\$ 26,061,480	\$ 33,094,904	\$ (7,033,424)
Capital Assets, Net	100,554,269	97,300,199	3,254,070
Total Assets	\$ 126,615,749	\$ 130,395,103	\$ (3,779,354)
Liabilities			
Current and Other Liabilities	\$ 12,995,180	\$ 16,787,041	\$ (3,791,861)
Long-Term Liabilities	11,138,965	16,306,697	(5,167,732)
Total Liabilities	\$ 24,134,145	\$ 33,093,738	\$ (8,959,593)
Net Assets			
Invested in Capital Assets, Net of Related Debt	\$ 86,837,137	\$ 81,400,430	\$ 5,436,707
Restricted	5,163,484	4,795,932	367,552
Unrestricted	\$ 10,480,983	\$ 11,105,003	\$ (624,020)
Total Net Position	\$ 102,481,604	\$ 97,301,365	\$ 5,180,239

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

Table 2 shows categorical **Changes in Net Position** for the current fiscal year and for prior year fiscal year 2012.

Table 2
Change in Net Assets

	Governmental Activities	
	FY 2013	FY 2012
Revenues		
Program Revenues:		
Charges for Services and Sales	\$ 1,696,701	\$ 1,724,024
Operating Grants and Contributions	30,543,441	29,362,159
Capital Grants and Contributions	217,321	547,454
Total Program Revenues	\$ 32,457,463	\$ 31,633,637
General Revenues:		
Property Taxes for		
Maintenance and Operations	\$ 23,922,422	\$ 23,987,072
Debt Service	1,407,893	1,492,261
Sales Taxes		
Special Purpose Local Option		
For Debt Service	5,599,414	5,464,240
Intangible Recording & Real Estate Transfer	731,095	554,426
Investment Earnings	61,882	75,502
Miscellaneous	1,363,933	1,435,646
Total General Revenues	\$ 33,086,639	\$ 33,009,147
Total Revenues	\$ 65,544,102	\$ 64,642,784
Program Expenses		
Instruction	\$ 38,816,722	\$ 39,707,224
Support Services		
Pupil Services	1,846,099	1,611,171
Improvement of Instructional Services	1,071,704	1,065,242
Educational Media Services	955,692	1,026,166
Federal Grant Administration	165,896	0
General Administration	1,116,141	1,280,171
School Administration	4,882,205	5,058,782
Business Administration	339,591	333,179
Maintenance and Operation of Plant	4,082,570	4,150,173
Student Transportation Services	3,393,861	2,954,036
Central Support Services	155,598	136,994
Other Support Services	162,533	305,037
Operations of Non-Instructional Services		
Enterprise Operations	697,955	532,826
Food Services	2,318,016	2,240,482
Interest on Short-Term/Long-Term Debt	359,280	625,969
Total Expenses	\$ 60,363,863	\$ 61,027,452
 Increase in Net Position	 \$ 5,180,239	 \$ 3,615,332

OCONEE 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 and grants offsetting these services. **Table 3** shows, for governmental activities, the total cost of services and the net cost of services. Data are presented for the current fiscal year and for prior fiscal year fiscal year 2012. 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 costs reflect the financial burden on the School District's taxpayers by each activity.**

Table 3
Governmental Activities

	Total Cost of Services	Total Cost of Services	Net Cost of Services	Net Cost of Services
	FY 2013	FY 2012	FY 2013	FY 2012
Instruction	\$38,816,722	\$39,707,224	\$16,475,841	\$ 18,379,151
Support Services				
Pupil Services	1,846,099	1,611,171	1,526,441	1,305,048
Improvement of Instructional Services	1,071,704	1,065,242	484,441	592,166
Educational Media Services	955,692	1,026,166	66,288	181,089
Federal Grant Administration	165,896	0	165,896	0
General Administration	1,116,141	1,280,171	(131,823)	74,119
School Administration	4,882,205	5,058,782	3,052,258	3,015,318
Business Administration	339,591	333,179	336,219	302,149
Maintenance and Operation of Plant	4,082,570	4,150,173	2,068,340	1,992,789
Student Transportation Services	3,393,861	2,954,036	2,449,160	1,985,430
Central Support Services	155,598	136,994	151,527	124,424
Other Support Services	162,533	305,037	145,273	238,677
Operations of Non-Instructional Services				
Enterprise Operations	697,955	532,826	697,955	532,826
Food Services	2,318,016	2,240,482	59,304	44,660
Interest on Short-term & Long-term Debt	359,280	625,969	359,280	625,969
Total Expenses	\$60,363,863	\$61,027,452	\$27,906,400	\$29,393,815

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 \$65.86 million and total expenditures of \$71.51 million. Included in the expenditures of \$71.51 million were capital project expenditures of \$4.48 million which do not constitute recurring expenditures and \$8.26 million in debt service payments.

General Fund Budget Highlights

The School District's budget is prepared according to Georgia Law. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2013, the School District amended its general fund budget as needed. The School District uses site-based budgeting as a part of the budget process. The budgeting systems are designed to control total site budgets but provide flexibility for site management.

For the General Fund, the final actual revenues of \$58.41 million were more than the final budgeted amounts of \$58.00 million, a difference of \$0.41 million. This major portion of the difference demonstrates that the District underestimated its final revenues which are primarily the result of mid-year State QBE formula allotments.

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

Final actual expenditures of \$58.77 million **are less than** the final budgeted amount of \$59.64 million by \$864.69 thousand. This difference (final actual vs. final budget) was due to a combination of expenditure controls and revenue conservation efforts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the School District had \$100.55 million invested in capital assets, including land, buildings and furniture and equipment for its governmental activities. **Table 4** reflects a summary of these balances net of accumulated depreciation for the current year and for the prior year of fiscal year 2012.

Table 4
Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities FY 2013	Governmental Activities FY 2012
Land	\$ 4,753,482	\$ 4,753,482
Construction in Progress	5,496,630	3,742,934
Land Improvements	4,643,935	4,725,290
Buildings	82,763,604	81,021,093
Equipment	2,896,618	3,057,400
Total	\$ 100,554,269	\$ 97,300,199

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

Debt

At June 30, 2013, the School District had \$16.06 million in debt outstanding. This debt is the result of General Obligation Bonds (repaid through a property tax levy) originally sold by the District in 1993 and 1995 (refinanced in 2004 and 2005) for the purpose of the acquisition, construction, equipping, renovating, and repairing of school facilities. In the fall of 2006, the School District sold \$24 million in Revenue Bonds (repaid through local option sales tax) for the purpose of the acquisition of land for future schools, construction of new classrooms, renovations of current facilities, a new elementary school, and other facilities as approved by the board of Education. In February of 2012, the district sold \$13.5 million in new Revenue Bonds (to be repaid by the extension of the special purpose local option sales tax) for the purpose of additions, modifications and renovations to school facilities and for system-wide technology.

Oconee County School District's most recent rating (January 2012) by *Moody's Investors Service, Inc.* and *Standard and Poor's Ratings Services* have assigned underlying bond ratings to the District of "Aa2" and "AA+", respectively. Part of the basis for the ratings is the inclusion of the bond indebtedness in the State Aid Intercept Program. **Table 5** summarizes the School District's debt.

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

Table 5
Debt at June 30

	Governmental Activities FY 2013	Governmental Activities FY 2012
Installment Sales Agreement	\$ 182,151	\$ 200,283
General Obligation Bonds	15,400,000	22,990,000
Bond Premium	479,227	698,007
Total Debt Outstanding	\$ 16,061,378	\$ 23,888,290
Installment Sales Agreement	22,413	21,593
General Obligation Bonds	4,900,000	7,560,000
Due within One Year	\$ 4,922,413	\$ 7,581,593

Additional Information can be found on the District's Debt obligations in the Notes to the Financial Statements.

FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE

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:

- Local Revenue - Oconee County School Districts' priority on academic instruction continues to attract new residents and businesses into the county because of the public school system's focus on quality instructional programs. The District consistently ranks within the top five (5) achieving school systems in Georgia. In February 2012, *Caterpillar, Inc.* announced that it would begin immediately to build a \$200 million manufacturing plant on land shared by Oconee and Clarke counties. The plant has the potential to eventually bring over 2,000 jobs to the area. In addition, the county continues to experience local commercial development centered around U.S. Highway 316, Oconee Connector, and the U.S. 10 Loop.

Oconee County generally collects above 98% of the assessed taxes. This consistent collection of property taxes has assisted the local school district to meet financial obligations. State QBE funding austerity reductions and declining local digest value required the Oconee County Board of Education to increase the M&O rate to 17.5 mills for fiscal year 2013 and reduced expenses in order to maintain quality instructional services. Less than 18% of the local property digest consists of commercial, utility and retail properties.

Education-Special-Purpose-Local-Option-Sales-Tax (ELOST) receipts may be used to pay for specified capital improvements. Receipts continue to be dependent on the local businesses and the citizens' ability to spend. There has been, and continues to be, increased commercial development.

The current ELOST was extended by the voters in November 2012 and therefore will continue to collect the extra one-cent on most retail goods sold in the county through December 2018. The District sold \$13.5 million in bonds in January 2012. Bond proceeds will be used to fund the renovation of two current facilities, the completion of an All-Sports athletic facility and to fund system-wide technology improvements.

- Capital Improvements - The School District continues to implement the capital improvement plan approved by the Board in 2006.
- State Revenue - Legislation over the past years has reduced revenue sources available for education, and when coupled with poor economic conditions, the State has had to drastically reduce funding available to public schools and other State services. State funds are providing no more than 50% of the local budget where a number of years ago the State funded closer to 60%.

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

Despite these challenges, the Oconee County Board of Education is strong financially and we remain optimistic about the ability of the School District to maximize all of the financial resources to provide an exceptional educational experience for our students. However, the District may find it challenging to maintain services for the 2014 school year (2013-14 fiscal year) if State funding for K-12 education is not restored. The challenge will be to balance revenue streams (the State not fully funding education, and little growth or decline in the local tax digest) with occurring increases in expenses (personnel, employer paid benefits, and operational costs). The long-term solution can only be found when the State fully funds the Quality Basic Education program. The School District continues to maintain a very active process of monitoring departments and programs for efficiency and to evaluate areas to sustain services without additional personnel or operational costs.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Dan Smith, Chief Financial Officer, Oconee County Board of Education, Post Office Box 146, 34 School Street, Watkinsville, Georgia 30677. You may also email your questions to Mr. Smith at jdsmith@oconeeschools.org.

OCONEE COUNTY BOARD OF EDUCATION

OCONEE COUNTY BOARD OF EDUCATION

STATEMENT OF NET POSITION

JUNE 30, 2013

ASSETS	Governmental Activities	
Cash and cash equivalents	\$	17,170,033
Investments		3,066,541
Receivables:		
Taxes		1,289,995
Intergovernmental:		
State		3,912,618
Federal		326,086
Inventory		100,237
Deferred charges on issuance		195,970
Capital assets (nondepreciable)		10,250,112
Capital assets (net of accumulated depreciation)		90,304,157
Total assets		<u>126,615,749</u>
LIABILITIES		
Accounts payable		272,857
Salaries and benefits payable		6,926,183
Contracts payable		651,330
Accrued expenses		151,432
Retainage payable		70,965
Bonds payable due within one year		4,900,000
Bonds payable due in more than one year		10,979,227
Installment sales agreement due within one year		22,413
Installment sales agreement due in more than one year		159,738
Total liabilities		<u>24,134,145</u>
NET POSITION		
Net investment in capital assets		86,837,137
Restricted for:		
Continuation of federal programs		392,717
Capital projects		1,980,097
Debt service		2,790,670
Unrestricted		10,480,983
Total net position	\$	<u><u>102,481,604</u></u>

The accompanying notes are an integral part of these financial statements.

OCONEE COUNTY BOARD OF EDUCATION

STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 38,816,722	\$ 580,715	\$ 21,760,166	\$ -	\$ (16,475,841)
Support services:					
Pupil services	1,846,099	-	319,658	-	(1,526,441)
Improvement of instructional services	1,071,704	-	586,863	400	(484,441)
Educational media services	955,692	-	887,652	1,752	(66,288)
Federal grant administration	165,896	-	-	-	(165,896)
General administration	1,116,141	-	1,247,564	400	131,823
School administration	4,882,205	-	1,827,357	2,590	(3,052,258)
Business administration	339,591	-	52	3,320	(336,219)
Maintenance and operation of facilities	4,082,570	-	2,005,546	8,684	(2,068,340)
Student transportation services	3,393,861	-	755,052	189,649	(2,449,160)
Central support services	155,598	-	30	4,041	(151,527)
Other support services	162,533	-	17,260	-	(145,273)
Enterprise operation	697,955	-	-	-	(697,955)
Food services operation	2,318,016	1,115,986	1,136,241	6,485	(59,304)
Interest on long-term debt	359,280	-	-	-	(359,280)
Total governmental activities	<u>\$ 60,363,863</u>	<u>\$ 1,696,701</u>	<u>\$ 30,543,441</u>	<u>\$ 217,321</u>	<u>(27,906,400)</u>
General revenues:					
Taxes:					
Property taxes, levied for general purposes					23,922,422
Property taxes, levied for debt service					1,407,893
Sales taxes:					
For debt service					5,599,414
Other taxes					731,095
Miscellaneous revenues					1,363,933
Unrestricted investment earnings					61,882
Total general revenues					<u>33,086,639</u>
Change in net position					5,180,239
Net position, beginning of year					97,301,365
Net position, end of year					<u>\$ 102,481,604</u>

The accompanying notes are an integral part of these financial statements.

OCONEE COUNTY BOARD OF EDUCATION

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2013

ASSETS	General	District- Wide Capital Projects	Debt Service	Total Governmental Funds
Cash and cash equivalents	\$ 12,183,189	\$ 2,509,324	\$ 2,477,520	\$ 17,170,033
Investments	-	3,066,541	-	3,066,541
Receivables:				
Taxes	801,329	-	488,666	1,289,995
Intergovernmental:				
State	3,912,618	-	-	3,912,618
Federal	326,086	-	-	326,086
Inventory	100,237	-	-	100,237
Total assets	<u>\$ 17,323,459</u>	<u>\$ 5,575,865</u>	<u>\$ 2,966,186</u>	<u>\$ 25,865,510</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 269,955	\$ 2,902	\$ -	\$ 272,857
Salaries and benefits payable	6,926,183	-	-	6,926,183
Unavailable revenue - property taxes	356,522	-	24,084	380,606
Retainage payable	-	70,965	-	70,965
Contracts payable	-	651,330	-	651,330
Total liabilities	<u>7,552,660</u>	<u>725,197</u>	<u>24,084</u>	<u>8,301,941</u>
FUND BALANCES				
Nonspendable for inventory	100,237	-	-	100,237
Restricted for capital projects	-	4,850,668	-	4,850,668
Restricted for debt service	-	-	2,942,102	2,942,102
Restricted for continuance of federal programs	326,086	-	-	326,086
Assigned for future debt service	1,500,000	-	-	1,500,000
Assigned for appropriation of fund balance for next year's budget	1,000,000	-	-	1,000,000
Assigned for principal discretionary funds	699,921	-	-	699,921
Unassigned	6,144,555	-	-	6,144,555
Total fund balances	<u>9,770,799</u>	<u>4,850,668</u>	<u>2,942,102</u>	<u>17,563,569</u>
Total liabilities and fund balances	<u>\$ 17,323,459</u>	<u>\$ 5,575,865</u>	<u>\$ 2,966,186</u>	
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				
	Cost	123,660,768		
	Less accumulated depreciation	<u>(23,106,499)</u>		100,554,269
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.				
	Property taxes			380,606
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.				
	Bonds	(15,400,000)		
	Bond premium, net of amortization	(479,227)		
	Bond issuance costs, net of amortization	195,970		
	Accrued interest	(151,432)		
	Installment sales agreement	<u>(182,151)</u>		(16,016,840)
Net position of governmental activities				<u>\$ 102,481,604</u>

The accompanying notes are an integral part of these financial statements.

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

	General	District - Wide Capital Projects	Debt Service	Total Governmental Funds
REVENUES				
Property taxes	\$ 23,852,792	\$ -	\$ 1,401,577	\$ 25,254,369
Sales taxes	-	-	5,599,414	5,599,414
Other taxes	690,664	-	40,431	731,095
State funds	27,537,920	383,678	-	27,921,598
Federal funds	3,234,179	-	-	3,234,179
Charges for services	1,696,700	-	-	1,696,700
Investment earnings	33,238	24,082	4,562	61,882
Miscellaneous	1,363,933	-	-	1,363,933
Total revenues	<u>58,409,426</u>	<u>407,760</u>	<u>7,045,984</u>	<u>65,863,170</u>
EXPENDITURES				
Current:				
Instruction	38,064,618	-	-	38,064,618
Support services:				
Pupil services	1,846,099	-	-	1,846,099
Improvement of instructional services	1,069,634	-	-	1,069,634
Educational media services	942,382	4,229	-	946,611
Federal grant administration	165,896	-	-	165,896
General administration	1,106,443	7,625	-	1,114,068
School administration	4,868,783	-	-	4,868,783
Business administration	229,993	-	-	229,993
Maintenance and operation of facilities	4,037,570	-	-	4,037,570
Student transportation services	3,130,215	-	-	3,130,215
Central support services	134,659	-	-	134,659
Other support services	128,927	-	-	128,927
Enterprise operations	697,955	-	-	697,955
Food services operation	2,318,016	-	-	2,318,016
Capital outlay	-	4,469,757	-	4,469,757
Debt service:				
Principal retirement	18,132	-	7,590,000	7,608,132
Interest and fees	12,032	-	668,778	680,810
Total expenditures	<u>58,771,354</u>	<u>4,481,611</u>	<u>8,258,778</u>	<u>71,511,743</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(361,928)</u>	<u>(4,073,851)</u>	<u>(1,212,794)</u>	<u>(5,648,573)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	56,546	-	-	56,546
Transfers in	-	934,874	540,786	1,475,660
Transfers out	(540,786)	-	(934,874)	(1,475,660)
Total other financing sources (uses)	<u>(484,240)</u>	<u>934,874</u>	<u>(394,088)</u>	<u>56,546</u>
Net changes in fund balance	(846,168)	(3,138,977)	(1,606,882)	(5,592,027)
FUND BALANCE, beginning of year	<u>10,616,967</u>	<u>7,989,645</u>	<u>4,548,984</u>	<u>23,155,596</u>
FUND BALANCE, end of year	<u>\$ 9,770,799</u>	<u>\$ 4,850,668</u>	<u>\$ 2,942,102</u>	<u>\$ 17,563,569</u>

The accompanying notes are an integral part of these financial statements.

OCONEE COUNTY BOARD OF EDUCATION

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$	(5,592,027)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.

Capital outlay	\$	5,307,907	
Depreciation expense		<u>(1,988,179)</u>	3,319,728

The net effect of the sale of fixed assets is to decrease net assets		(65,658)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes	\$	75,946	
GSFIC Funding		<u>(395,014)</u>	(319,068)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments - bonds	\$	7,590,000	
Principal payments - installment sales agreement		18,132	
Bond premium amortization expense		218,780	
Bond issuance costs amortization expense		<u>(92,398)</u>	7,734,514

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in accrued interest	\$	<u>102,750</u>	<u>102,750</u>
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Change in net position - governmental activities	\$	<u><u>5,180,239</u></u>
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The accompanying notes are an integral part of these financial statements.

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OCONEE COUNTY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
JUNE 30, 2013

	ASSETS	Agency Fund
Cash		\$ 145,262
		<u>145,262</u>
	LIABILITIES	
Funds held for others		\$ 145,262
		<u>145,262</u>

The accompanying notes are an integral part of these financial statements.

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

Note 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

Reporting Entity

The Oconee County Board of Education (the "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 Oconee 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.

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The School District reports the following major governmental funds:

- *General Fund* is the School District's primary operating fund. It accounts for all financial resources of the School District, except those resources required to be accounted for in another fund.
- *District-Wide Capital Projects Fund* accounts for financial resources including Special Purpose Local Option Sales Tax (SPLOST), Bond Proceeds and grants from Georgia State Financing and Investment Commission to be used for the acquisition, construction or renovation of major capital facilities.
- *Debt Service Fund* accounts for taxes (property and sales) legally restricted for the payment of general long-term principal, interest and paying agent's fees.

The School District reports the following fiduciary fund type:

- *Agency Fund* accounts for assets held by the School District as an agent for various governments or individuals.

Basis of Accounting

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

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

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

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

New Accounting Pronouncements

In fiscal year 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.

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. Georgia Laws OCGA 45-8-14 authorize the School District to deposit its funds in one or more solvent banks or insured Federal savings and loan associations.

Investments

COMPOSITION OF INVESTMENTS

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

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

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- (6) The Local Government Investment Pool administered by the State of Georgia, Office of Treasury and Fiscal Services,
- (7) Repurchase agreements, and
- (8) Obligations of other political subdivisions of the State of Georgia.

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

Receivables

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

Property Taxes

The Oconee County Board of Commissioners fixed the property tax levy for the 2012 tax digest year (calendar year) on August 7, 2012 (levy date). Taxes were due on November 15, 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 Oconee 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 \$23,852,792 and for school bonds amounted to \$1,401,577. The Georgia Constitution, Article VIII, Section VI, Paragraph I requires the board of education of each school system to annually certify to its fiscal authority or authorities a school tax not greater than 20 mills per dollar for the support and maintenance of education. The Oconee County Board of Education is in compliance with this law.

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

School Operations	17.50 mills
School Bonds	<u>1.00</u> mills
Total	<u>18.50</u> mills

Sales Taxes

Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to \$5,599,414 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

Inventories

FOOD INVENTORIES

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

Capital Assets

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

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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	\$25,000	70 years
Buildings and Improvements	\$25,000	15 to 70 years
All Equipment	\$5,000	5 to 25 years
Intangible Assets	\$25,000	15 to 20 years

Depreciation is used to allocate the actual or estimated historical cost of all capital assets over estimated useful lives.

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 effective interest 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. 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.

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.

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Data

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

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.

Net Position

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

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

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

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

Fund Balance

Generally, the fund balance represents the difference between assets and liabilities under the current financial resources measurement focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on extent to which the School Board is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

- (1) **Nonspendable** - Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.
- (2) **Restricted** - Fund balances are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- (3) **Committed** - Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the School District Board through the adoption of a resolution. Only the School District Board may modify or rescind the commitment.
- (4) **Assigned** - Fund balances are reported as assigned when amounts are constrained by the School District's intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the School District Board has authorized the School District's finance committee or the School District's finance director to assign funds.
- (5) **Unassigned** - Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The School District reports positive unassigned fund balance only in the general fund. Negative fund balances may be reported in all funds.

Flow Assumptions - When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the School District's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the School District's policy to use fund balance in the following order:

- Committed
- Assigned
- Unassigned

Note 3: DEPOSITS AND INVESTMENTS

COLLATERALIZATION OF DEPOSITS

Official Code of Georgia Annotated (OCGA) Section 45-8-12 provides that there shall not be on deposit at any time in any depository for a period 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 (OCGA 45-8-13.1) the aggregate of the market value of the securities pledged to secure a pool of public funds shall be not less than 110 percent of the daily pool balance. At June 30, 2013, all deposits were secured by surety bond, insurance or collateral as specified above.

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

Note 3: DEPOSITS AND INVESTMENTS (Continued)

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

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

INVESTMENTS

The School District's investments as of June 30, 2013, are presented below.

<u>Investment Type</u>	<u>Maturities</u>	<u>Rating</u>	<u>Fair Value</u>	<u>Concentration</u>
Federal Home Loan - MTG Corp Note	10 years	AAA	\$ 500,855	17%
Federal Home Loan - MTG Corp Medium Tem Note	3 years	AAA	<u>2,365,640</u>	<u>83%</u>
Total			2,866,495	<u>100%</u>
Other				
Certificate of Deposits			<u>200,046</u>	
Total Investments			<u>\$ 3,066,541</u>	

Certificates of deposits noted above were considered in the collateralization of deposits disclosure.

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

Note 3: DEPOSITS AND INVESTMENTS (Continued)

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. The School District's investments in obligations of the United States Government and United States Government Agencies had ratings of AAA, respectively, by Moody's.

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.

CREDIT QUALITY RISK

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

CONCENTRATION OF CREDIT RISK

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The School District does not have a formal policy for managing concentration of credit risk.

Investments in Federal Home Loans represent 93 percent of total investments.

Note 4: 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**

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

Note 5: CAPITAL ASSETS

The following is a summary of changes in the capital assets during the fiscal year:

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Capital assets not being depreciated				
Land	\$ 4,753,482	\$ -	\$ -	\$ 4,753,482
Construction in progress	3,742,934	2,982,291	(1,228,595)	5,496,630
Total capital assets not being depreciated	8,496,416	2,982,291	(1,228,595)	10,250,112
Capital assets being depreciated				
Buildings and improvements	96,831,763	3,239,561	(170,756)	99,900,568
Equipment	7,568,569	314,650	(68,000)	7,815,219
Land improvements	5,694,869	-	-	5,694,869
Total capital assets being depreciated	110,095,201	3,554,211	(238,756)	113,410,656
Less accumulated depreciation for				
Buildings and improvements	(15,810,670)	(1,458,592)	132,298	(17,136,964)
Equipment	(4,511,169)	(448,232)	40,800	(4,918,601)
Land improvements	(969,579)	(81,355)	-	(1,050,934)
Total accumulated depreciation	(21,291,418)	(1,988,179)	173,098	(23,106,499)
Total capital assets being depreciated, net	88,803,783	1,566,032	(65,658)	90,304,157
Total governmental activities capital assets, net	\$ 97,300,199	\$ 4,548,323	\$ (1,294,253)	\$ 100,554,269

Current year depreciation expense by function is as follows.

Instruction	\$ 1,581,142
Support Services	
Improvement of Instructional Services	2,070
Educational Media Services	9,081
General Administration	2,073
School Administration	13,422
Business Administration	17,200
Maintenance and Operations of Facilities	45,000
Student Transportation Services	263,646
Central Support Services	20,939
Food Services Operation	33,606
	<u>\$ 1,988,179</u>

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

Note 6: INTERFUND TRANSFERS

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

Transfers To	Transfers From	
	Debt Service Fund	General Fund
District - Wide Capital Projects Fund	\$ 934,874	\$ -
Debt Service Fund	-	540,786

Transfers are used to move SPLOST funds from the Debt Service Fund to the District-wide Capital Projects Fund for capital outlay projects and to move funds from the General Fund and District-wide Capital Projects Fund to the Debt Service Fund to pay debt service.

Note 7: RISK MANAGEMENT

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

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

The School District has obtained commercial insurance for all losses related to acts of God. The School District has not experienced any losses related to this risk in the past three years.

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

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

	Beginning of Year	Claims and Changes in Estimates	Claims Paid	End of Year
2012	\$ -	\$ 7,260	\$ 7,260	\$ -
2013	\$ -	\$ 6,624	\$ 6,624	\$ -

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

Note 7: RISK MANAGEMENT (Continued)

The School District pays an annual premium to the Fund for its general insurance coverage. Additional insurance coverage is provided through an agreement by the Fund with the Safety National Casualty Corporation to provide coverage for potential losses sustained by the Fund in excess of \$400,000 loss per occurrence, up to \$1,000,000.

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

<u>Position Covered</u>	<u>Amount</u>
Superintendent	\$100,000

Note 8: LONG - TERM DEBT

INSTALLMENT SALES AGREEMENT

The Oconee County Board of Education entered into an agreement dated June 1, 2006, with the Northeast Georgia Regional Educational Service Agency 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.

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. This balance was immaterial to the financial statements for the current year.

GENERAL OBLIGATION DEBT OUTSTANDING

General Obligation Bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amounts</u>
General Government - Refunding -Series 2004	3.16%	\$ 1,900,000
General Government - Series 2012	1.50% - 4.00%	13,500,000
		<u>\$ 15,400,000</u>

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

Note 8: LONG - TERM DEBT (Continued)

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

	Governmental Activities			
	Installment Sales Agreement	General Obligation Bonds	Bond Premium	Total
Balance July 1, 2012	\$ 200,283	\$ 22,990,000	\$ 698,007	\$ 23,888,290
Additions:				
G.O. Bonds	-	-	-	-
G.O. Bonds Premium	-	-	-	-
Deductions:				
Debt Retired	18,132	7,590,000	-	7,608,132
Bond Premium Amortized	-	-	218,780	218,780
Balance June 30, 2013	<u>\$ 182,151</u>	<u>\$ 15,400,000</u>	<u>\$ 479,227</u>	<u>\$ 16,061,378</u>
Due within One Year	<u>\$ 22,413</u>	<u>\$ 4,900,000</u>	<u>\$ -</u>	<u>\$ 4,922,413</u>

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

Note 8: LONG - TERM DEBT (Continued)

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

Fiscal Year <u>Ended June 30</u>	Installment Sales Agreement	
	Principal	Interest
2014	\$ 22,413	\$ 7,311
2015	23,506	6,493
2016	24,327	5,515
2017	25,420	4,503
2018	26,513	2,894
2019-2021	<u>59,972</u>	<u>2,365</u>
Total	<u>\$ 182,151</u>	<u>\$ 29,081</u>

Fiscal Year <u>Ended June 30</u>	General Obligation Bonds	
	Principal	Interest
2014	\$ 4,900,000	\$ 353,745
2015	2,500,000	233,360
2016	2,575,000	183,360
2017	2,650,000	111,360
2018	<u>2,775,000</u>	<u>48,125</u>
Total	<u>\$ 15,400,000</u>	<u>\$ 929,950</u>

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

Note 9: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of \$3,483,237 for health insurance and retirement contributions paid on the School District's behalf by the following State Agencies.

Georgia Department of Education
Paid the Georgia Department of Community Health
For Health Insurance of Non-Certified Personnel
In the amount of \$ 3,320,700

Georgia Department of Education
Paid the Teachers Retirement System
For Teachers Retirement (TRS)
In the amount of \$37,031

Office of Treasury and Fiscal Services
Paid to the Public School Employees Retirement System
For Public School Employees Retirement (PSERS) Employer's Cost
In the amount of \$125,506

Note 10: 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 11: SIGNIFICANT COMMITMENTS

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

<u>Project</u>	<u>Unearned Contracts</u>
Colham Ferry Elementary School	\$ 428,029
Oconee County High School Field House	819,602
	<u>\$ 1,247,631</u>

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

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

Note 12: 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 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.

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

Note 12: RETIREMENT PLANS (Continued)

<u>Fiscal Year</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>
2013	100%	\$ 4,036,942
2012	100	3,772,203
2011	100	3,656,160

DEFINED CONTRIBUTION PLAN

In 1993, Oconee County Board of Education began an employer paid 403(b) annuity plan for all employees. The plan includes the group of employees covered under the Public School Retirement System (PSERS) and for other employees who are covered under Georgia Teacher Retirement System whose 403(b) contributions are in lieu of Social Security. Recognizing that PSERS was a limited defined contribution and defined benefit plan which did not provide for an adequate retirement for this group of employees, it was the Board's desire to supplement the retirement of this group.

The Board selected Cannon Financial Strategist/Lincoln National Life Insurance (Lincoln Alliance) as the provider of this plan. For each employee, the Board contributes to the plan an amount equal to 4.5 percent of the employee's pay.

The employee becomes vested in the plan at inception. Employees hired at the time the plan was implemented are vested upon enrollment.

Funds accumulated in the employer paid accounts are only available to the employee upon severance from employment with Oconee County Board of Education.

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

<u>Fiscal Year</u>	<u>Amount Contributed</u>
2013	\$ 1,619,972
2012	1,666,794
2011	1,637,152

Note 13: POST-EMPLOYMENT BENEFITS

Georgia Retiree 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.

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

Note 13: POST-EMPLOYMENT BENEFITS (Continued)

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

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

The combined active and retiree contribution rates established by the Board for employers participating in the School OPEB Fund were as follows for the fiscal year ended June 30, 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
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No additional contribution was required by the Board for fiscal year 2013 nor contributed to GRHBF to prefund retire benefits. Such additional contribution amounts are determined annually by the Board of Community Health in accordance with the State plan for other post-employment benefits and are subject to appropriation.

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

Note 13: POST-EMPLOYMENT BENEFITS (Continued)

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

<u>Fiscal Year</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>
2013	100%	\$ 5,529,041
2012	100%	\$ 5,816,448
2011	100%	\$ 5,629,317

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OCONEE COUNTY BOARD OF EDUCATION

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Nonappropriated Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 25,217,593	\$ 25,217,593	\$ 24,543,456	\$ (674,137)
State funds	26,363,058	26,582,876	27,537,920	955,044
Federal funds	2,627,772	3,003,634	3,234,179	230,545
Charges for services	1,750,836	1,750,836	1,696,700	(54,136)
Investment earnings	64,846	64,846	33,238	(31,608)
Miscellaneous	1,380,991	1,380,991	1,363,933	(17,058)
Total revenues	57,405,096	58,000,776	58,409,426	408,650
EXPENDITURES				
Current:				
Instruction	38,026,063	37,898,826	38,064,618	(165,792)
Support services:				
Pupil services	1,660,741	1,922,057	1,846,099	75,958
Improvement of instructional services	1,057,291	1,239,745	1,069,634	170,111
Educational media services	1,041,314	1,005,654	942,382	63,272
Federal grant administration	-	-	165,896	(165,896)
General administration	1,336,618	1,292,455	1,106,443	186,012
School administration	5,534,114	5,270,686	4,868,783	401,903
Business administration	311,472	338,655	229,993	108,662
Maintenance and operation of facilities	4,461,965	4,212,763	4,037,570	175,193
Student transportation services	2,680,742	3,081,457	3,130,215	(48,758)
Central support services	161,161	149,963	134,659	15,304
Other support services	369,479	206,659	128,927	77,732
Enterprise operations	675,104	675,104	697,955	(22,851)
Food services operation	2,315,892	2,310,892	2,318,016	(7,124)
Debt service:				
Principal retirement	19,614	19,614	18,132	1,482
Interest and fiscal charges	11,516	11,516	12,032	(516)
Total expenditures	59,663,086	59,636,046	58,771,354	864,692
Excess (deficiency) of revenues over (under) expenditures	(2,257,990)	(1,635,270)	(361,928)	1,273,342
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	-	56,546	56,546
Transfers out	(600,000)	(600,000)	(540,786)	59,214
Total other financing uses	(600,000)	(600,000)	(484,240)	115,760
Net change in fund balances	(2,857,990)	(2,235,270)	(846,168)	1,389,102
FUND BALANCE, beginning of year	10,616,967	10,616,967	10,616,967	-
FUND BALANCE, end of year	\$ 7,758,977	\$ 8,381,697	\$ 9,770,799	\$ 1,389,102

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

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.

OCONEE COUNTY BOARD OF EDUCATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2013 (Restricted for Management Use Only)

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 - Cash	10.555	N/A	1,968,450
National School Lunch Program - Commodities (1)	10.555	N/A	<u>216,400</u>
Subtotal Child Nutrition Cluster			<u>2,184,850</u>
Total U. S. Department of Agriculture			<u>2,184,850</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	1,167,773
Preschool Grants	84.173	N/A	<u>13,130</u>
Total Special Education Cluster			<u>1,180,903</u>
Title I, Part A Cluster			
Pass-Through From Georgia Department of Education			
Title I, Part A			
Title I Grants to Local Education Agencies	84.010	N/A	<u>665,486</u>
Total Title I, Part A Cluster			<u>665,486</u>
Other Programs			
Pass-Through From Georgia Department of Education			
Title II			
Improving Teacher Quality State Grants	84.367	N/A	<u>159,070</u>
Title III			
English Language Acquisition Grant	84.365	N/A	<u>45,190</u>

OCONEE COUNTY BOARD OF EDUCATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2013 (Restricted for Management Use Only)

Funding Agency Program/Grant	CFDA Number	Pass- Through Entity ID Number	Expenditures In Period
Vocational Education-Basic Grants to States Career and Technical Education	84.048	N/A	\$ 41,949
Total U. S. Department of Education			2,092,598
Total Expenditures of Federal Awards			\$ 4,277,448

N/A = Not Available

Notes to the Schedule of Expenditures of Federal Awards

- (1) The amounts shown for the Food Donation Program represent the Federally assigned value of nonmonetary assistance for donated commodities received and/or consumed by the School District during the current fiscal year.
- (2) Expenditures for the funds earned on the School Breakfast Program were not maintained separately and are included in the National School Lunch Program.

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 Oconee County Board of Education and is presented on the modified accrual basis of accounting which is the basis of accounting used in the presentation of the fund financial statements.

See notes to the basic financial statements.

OCONEE COUNTY BOARD OF EDUCATION

SCHEDULE OF STATE REVENUE FOR THE FISCAL YEAR ENDED JUNE 30, 2013

<u>Agency/Funding</u>	Governmental Fund Types		Total
	General Fund	Capital Projects Fund	
Grants			
Education, Georgia Department of			
Quality Basic Education			
Direct Instructional Cost			
Kindergarten Program	\$ 1,958,648	\$ -	\$ 1,958,648
Kindergarten Program - Early Intervention Program	103,695	-	103,695
Primary Grades (1-3) Program	4,574,234	-	4,574,234
Primary Grades - Early Intervention (1-3) Program	162,154	-	162,154
Upper Elementary Grades (4-5) Program	2,483,531	-	2,483,531
Primary Grades - Early Intervention (4-5) Program	53,332	-	53,332
Middle Grades (6-8) Program	4,346,683	-	4,346,683
High School General Education (9-12) Program	3,324,370	-	3,324,370
Vocational Laboratory (9-12) Program	1,176,694	-	1,176,694
Program for Intellectually Gifted Students - Category VI	2,504,955	-	2,504,955
Remedial Education Program	444,021	-	444,021
Alternative Education Program	321,874	-	321,874
English Speakers of Other Languages (ESOL)	172,250	-	172,250
Media Center Program	715,377	-	715,377
20 Days Additional Instruction	213,735	-	213,735
Staff and Professional Development	129,107	-	129,107
Indirect Cost			
Central Administration	1,004,935	-	1,004,935
School Administration	1,471,555	-	1,471,555
Facility Maintenance and Operations	1,614,810	-	1,614,810
Categorical Grants			
Pupil Transportation			
Pupil Transportation	657,383	-	657,383
Nursing Services	108,931	-	108,931
Vocational Supervisors	28,123	-	28,123
Food Services	70,490	-	70,490
Vocational Education	70,147	-	70,147
Amended Formula Adjustment	(4,813,423)	-	(4,813,423)
Preschool Handicapped Program	177,504	-	177,504
	<u>23,075,115</u>	<u>-</u>	<u>23,075,115</u>

OCONEE COUNTY BOARD OF EDUCATION

SCHEDULE OF STATE REVENUE FOR THE FISCAL YEAR ENDED JUNE 30, 2013

<u>Agency/Funding</u>	<u>Governmental Fund Types</u>		<u>Total</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>	
Grants			
Total Quality Basic Education Formula Earnings (State and Local Funds)			
Special Education Programs	5,094,404	-	5,094,404
	<u>5,094,404</u>	<u>-</u>	<u>5,094,404</u>
QBE Allotment (Operating Costs)			
Special Education Programs	100,331	-	100,331
	<u>100,331</u>	<u>-</u>	<u>100,331</u>
QBE Contra Account (Debit)			
Special Education Programs	(1,008,184)	-	(1,008,184)
	<u>(1,008,184)</u>	<u>-</u>	<u>(1,008,184)</u>
Capital Outlay Grants			
Misc.	-	383,678	383,678
	<u>-</u>	<u>383,678</u>	<u>383,678</u>
Other Grants From Georgia Department of Education			
Pupil Transportation - State Bonds	228,659	-	228,659
Math And Science Supplement	47,395	-	47,395
Move on When Ready Grant	200	-	200
	<u>276,254</u>	<u>-</u>	<u>276,254</u>
Total State Funds	<u>\$ 27,537,920</u>	<u>\$ 383,678</u>	<u>\$ 27,921,598</u>

See notes to the basic financial statements.

OCONEE COUNTY BOARD OF EDUCATION

SCHEDULE OF APPROVED LOCAL OPTION SALES TAX (ELOST) PROJECTS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Original Estimated Cost(1)	Current Estimated Costs(2)	Expended In Current Year (3) (4)	Expended In Prior Years (3) (4)	Total Completion Cost	Estimated Completion Date
2006 Referendum - ELOST III Projects						
Providing funds to pay the costs of:						
1. Acquiring real property (improved or unimproved) for future school sites;	\$ 1,000,000	\$ 815,747	\$ -	\$ 815,747	\$ 815,747	FY 2009
2. Acquiring, constructing and equipping a new elementary school;	\$ 10,914,803	\$ 11,222,896	\$ -	\$ 11,222,896	\$ 11,222,896	FY 2007
3. Adding to, renovating, repairing, improving and equipping existing educational buildings, properties and facilities of the School District, including, without limitation, athletic facilities, road improvement and technology infrastructure and equipment, and to the extent there are additional funds available, constructing additional new schools and administrative facilities	\$ 21,972,577	\$ 12,448,266	\$ 279,318	\$ 11,549,696	\$ -	FY 2014
4. And pay expenses incident thereto, including the payment of any capitalized interest at a cost of approximately \$38,000,000 and the issuance of general obligation debt of Oconee County School principal amount of \$24,000,000 for the above purpose.	\$ 4,112,620	\$ 4,321,620	\$ 285,280	\$ 4,036,340	\$ 4,321,620	FY 2013
TOTAL - ELOST III	\$ 38,000,000	\$ 28,808,529	\$ 564,598	\$ 27,624,679	\$ 16,360,263	FY 2014
2012 Referendum - ELOST IV Projects						
Providing funds to pay the costs of:						
1. Adding to, renovating, repairing, improving and equipping existing educational buildings, properties and facilities of the School District, including, without limitation, athletic facilities, concession areas, road improvements, heating and air systems, classrooms and technology infrastructure and equipment;	\$ 27,353,853	\$ 27,500,000	\$ 4,472,354	\$ 3,845,085	\$ -	FY 2018
2. Retiring that portion of the School District's series 2006 general obligation bonds maturing April 1, 2012, at a maximum cost of \$3,000,000;	\$ 3,000,000	\$ 1,800,000	\$ -	\$ 1,800,000	\$ 1,800,000	FY 2012
3. Paying expenses incident thereto (including capitalized interest);	\$ 711,892	\$ 268,945	\$ -	\$ 268,945	\$ 268,945	FY 2012
4. And, to the extent there are funds available, acquiring real property (improved or unimproved) for future school sites; constructing additional new schools and administrative facilities and purchasing school buses and equipment for the Maintenance Department;	\$ -	\$ -	\$ -	\$ -	\$ -	FY 2018
5. Payment of principal and interest on bonds not to exceed \$16,000,000; and	\$ 14,666,925	\$ 14,666,925	\$ 295,360	\$ -	\$ -	FY 2018
6. Paying up to \$1,000,000 in debt service due July 1, 2013 and January 1, 2014 on the School District's 2004 general obligation bonds.	\$ 1,000,000	\$ 1,000,000	\$ -	\$ -	\$ -	FY 2014
TOTAL - ELOST IV	\$ 46,732,670	\$ 45,235,870	\$ 4,767,714	\$ 5,914,030	\$ 2,068,945	FY 2018
TOTAL - ELOST III and ELOST IV	\$ 84,732,670	\$ 74,044,399	\$ 5,332,312	\$ 33,538,709	\$ 18,429,208	FY 2018
(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 Oconee County approved the imposition of a 1% sales tax to fund the above projects and retire associated debt. Amounts expended for these projects may include sales tax proceeds, state, local property taxes and/or other funds over the life of the projects.						
(4) In addition to the expenditures shown above, the School District has incurred interest to provide advance funding for the above project(s) as follows:						
Prior Years	899,474					
Current Year	-					
Total	<u>899,474</u>					

See notes to the basic financial statements.

OCONEE COUNTY BOARD OF EDUCATION

SCHEDULE OF QUALITY BASIC EDUCATION PROGRAMS (QBE) ALLOTMENTS AND EXPENDITURES BY PROGRAM GENERAL FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Description	Allotments From Georgia Department of Education (1)(2)	Eligible QBE Program Costs		
		Salaries	Operations	Total
Direct Instructional Funds:				
Kindergarten Program	\$ 2,439,402	\$ 2,685,583	\$ 56,817	\$ 2,742,400
Kindergarten Program - Early Intervention Program	110,632	-	119	119
Primary Grades (1-3) Program	5,709,468	6,266,413	217,433	6,483,846
Primary Grades - Early Intervention (1-3) Program	175,957	183,894	783	184,677
Upper Elementary Grades (4-5) Program	3,108,349	3,831,074	70,169	3,901,243
Upper Elementary Grades-Early Intervention (4-5) Program	60,769	-	-	-
Middle School (6-8) Program	5,373,207	6,588,909	218,178	6,807,087
High School General Education (9-12) Program	4,193,678	6,430,364	251,151	6,681,515
Vocational Laboratory (9-12) Program	1,429,571	1,385,232	109,503	1,494,735
Students with Disabilities	5,162,891	-	-	-
Category I	-	245,983	11,968	257,951
Category II	-	156,327	7,574	163,901
Category III	-	3,230,251	46,930	3,277,181
Category IV	-	105,951	-	105,951
Gifted Student - Category VI	2,990,119	2,049,659	30,196	2,079,855
Remedial Education Program	560,922	-	4,289	4,289
Alternative Education Program	400,754	225,668	2,949	228,617
English Speakers of Other Languages (ESOL)	219,582	205,088	8,270	213,358
TOTAL DIRECT INSTRUCTIONAL PROGRAMS	31,935,301	33,590,396	1,036,329	34,626,725
Media Center Program	885,072	787,174	102,485	889,659
Staff and Professional Development	160,275	-	-	90,250
TOTAL QBE FORMULA FUNDS	\$ 32,980,648	\$ 34,377,570	\$ 1,138,814	\$ 35,606,634

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

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

See notes to the basic financial statements.

SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS



DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

October 27, 2014

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
Oconee 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 Oconee 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 Oconee County Board of Education's basic financial statements and have issued our report thereon dated October 27, 2014.

Internal Control Over Financial Reporting

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

We noted certain matters that we have reported to management of Oconee County Board of Education in a separate letter dated October 27, 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 Oconee 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 Oconee 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

October 27, 2014

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

Opinion on Each Major Federal Program

In our opinion, the Oconee 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 Oconee 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 Oconee 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 Oconee 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

OCONEE 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

FINDING CONTROL NUMBER AND STATUS

FS-7081-12-01

Previously Reported Corrective Action Implemented

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV

FINDINGS AND QUESTIONED COSTS

OCONEE 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>
84.027, 84.173	Special Education Cluster

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

Auditee qualified as low-risk auditee? Yes

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.