



CITY OF VALDOSTA BOARD OF EDUCATION LOWNDES COUNTY, GEORGIA

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



CITY OF VALDOSTA BOARD OF EDUCATION – LOWNDES COUNTY

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SECTION I
FINANCIAL



DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

June 7, 2016

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
City of Valdosta 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 City of Valdosta Board of Education, as of and for the year ended June 30, 2015, and the related notes to the financial statements (Exhibits A through H), which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Valdosta Board of Education, as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the financial statements, in 2015, the City of Valdosta Board of Education adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The School District restated beginning Net Position for the cumulative effect of these accounting changes. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedules of Proportionate Share of the Net Pension Liability, Schedules of Contributions to Retirement Systems, Notes to the Required Supplementary Information and the Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual as presented on pages i through vii and pages 30 through 37 respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Valdosta Board of Education's basic financial statements. The accompanying supplementary information, consisting of Schedules 7 through 10, 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 June 7, 2016, on our consideration of the City of Valdosta Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Valdosta Board of Education's internal control over financial reporting and compliance.

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

Respectfully submitted,

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

Greg S. Griffin
State Auditor

GSG:cb
2015ARL-11

CITY OF VALDOSTA BOARD OF EDUCATION – LOWNDES COUNTY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Introduction

The discussion and analysis of the City of Valdosta Board of Education provides an overall review of financial activities for the fiscal year ending June 30, 2015. The intent of this discussion and analysis is to look at the financial performance of the School District as a whole. Readers should review the transmittal letter, notes to the basic financial statements, and the financial statements to enhance their understanding of the financial performance of the School District.

In fiscal year 2015, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition For Contribution Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. The adoption of these statements had a significant impact on the School District’s District-wide financial statements, and in many cases distorts comparability of fiscal year 2015 financial statements with those of the prior year. Prior year financial statements, as presented within the Management’s Discussion and Analysis, have not been restated for implementation of GASB No. 68 and GASB No. 71. The District’s Governmental Fund Financial Statements were not affected by implementation of GASB No. 68 or GASB No. 71.

Financial Highlights

Key financial highlights for fiscal year 2015 are as follows:

- ❑ The financial status of the School District changed during fiscal year 2015. The total net position decreased 45.8 percent from fiscal year 2014. This decrease was due to the implementation of GASB 68 and GASB 71. After restating fiscal year 2014 for GASB 68 and GASB 71, Net Position increased \$5.1 million during the fiscal year.
- ❑ The School District had \$76.4 million in expenses relating to governmental activities, and \$46.4 million of these expenses are offset by program specific charges for services, grants and contributions. General revenues (primarily property and sales taxes) of \$35.1 million were adequate to provide for these programs.
- ❑ As stated above, general revenues accounted for \$35.1 million or 43.1% of all revenues totaling \$81.5 million. Program specific revenues in the form of charges for services, grants and contributions accounted for the additional revenue.
- ❑ Among major funds, the General Fund has \$72.7 million in revenues and \$73.5 million in expenditures. The General Fund balance decreased slightly from \$13.5 million to \$12.6 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

CITY OF VALDOSTA BOARD OF EDUCATION – LOWNDES COUNTY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

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

District-wide Statements

Since the City of Valdosta School District has no operations classified as “Business Activities,” the District-wide financial statements are a consolidation of all operating funds into one column called governmental activities. In reviewing the District-wide financial statements, a reader might ask are we in a better financial position than last year? The “Statement of Net Position” and the “Statement of Activities” provides the basis for answering this question. These financial statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the School District and use the **accrual basis of accounting** similar to the accounting used by most private-sector companies. The basis of accounting includes all revenue and expenses of the current year regardless of when cash is received or paid.

These two statements report the net position and any changes in net position of the School District. 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. This change may be the result of many factors including those not under the School District's control such as the property tax base, facility conditions, required educational programs, and other factors.

The “Statement of Net Position” and “Statement of Activities” reflect governmental activities of the School District for fiscal year 2015.

Fund Financial Statements

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

Governmental Funds – Most activities of the School District are reported in the governmental fund, which focuses on how money flows in and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the **modified accrual method of accounting** which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of general government operations of the School District 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 difference between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

CITY OF VALDOSTA BOARD OF EDUCATION – LOWNDES COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Fiduciary Funds – The School District is the trustee, or fiduciary, for assets that belong to others, such as school clubs and organizations within the principals' accounts. The School District is responsible for ensuring 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. Table 1 provides a summary of the School District's net position for fiscal year 2015 compared to fiscal year 2014.

Table 1
Net Position

	Governmental Activities	
	Fiscal Year 2015	Fiscal Year 2014 (1)
Assets		
Current and Other Assets	\$ 30,780,378	\$ 36,600,585
Capital Assets, Net	<u>125,033,831</u>	<u>121,501,791</u>
Total Assets	<u>155,814,209</u>	<u>158,102,376</u>
Deferred Outflows of Resources	<u>5,196,557</u>	<u>0</u>
Liabilities		
Current and Other Liabilities	8,933,293	8,923,564
Long-Term Liabilities	<u>65,006,682</u>	<u>21,830,355</u>
Total Liabilities	<u>73,939,975</u>	<u>30,753,919</u>
Deferred Inflows of Resources	<u>18,014,802</u>	<u>0</u>
Net Position		
Net Investment in Capital Assets	108,590,055	102,943,174
Restricted	10,390,244	12,480,761
Unrestricted	<u>-49,924,310</u>	<u>11,924,522</u>
Total Net Position	<u>\$ 69,055,989</u>	<u>\$ 127,348,457</u>

(1) The Fiscal Year 2014 amounts do not reflect the effects of the restatement of July 1, 2014 net position. See Note 2 in the Notes to the Financial Statements for more information.

Total net position decreased \$58.3 million in fiscal year 2015, primarily due to the implementation of GASB 68 and GASB 71. After restating fiscal year 2014 for GASB 68 and GASB 71, Net Position increased \$5.1 million during the fiscal year.

CITY OF VALDOSTA BOARD OF EDUCATION – LOWNDES COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Table 2 shows the changes in net position for fiscal year 2015 compared to the changes in net position for fiscal year 2014.

Table 2
Change in Net Position

	Governmental Activities	
	Fiscal Year	Fiscal Year
	2015	2014 (1)
Revenues		
Program Revenues:		
Charges for Services and Sales	\$ 438,640	\$ 435,155
Operating Grants and Contributions	45,938,886	44,579,264
Capital Grants and Contributions		96,219
Total Program Revenues	46,377,526	45,110,638
General Revenues:		
Taxes		
Property Taxes		
For Maintenance and Operations	24,451,443	25,761,156
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Capital Projects	9,035,203	8,839,599
Other Sales Tax	270,604	291,997
Grants and Contributions not		
Restricted to Specific Programs		154,008
Investment Earnings	48,187	37,472
Miscellaneous	1,307,856	1,579,200
Special Items		
Loss on Demolition of Building		-85,334
Total General Revenues	35,113,293	36,578,098
Total Revenues and Special Items	81,490,819	81,688,736
Program Expenses:		
Instruction	46,807,833	50,154,949
Support Services		
Pupil Services	3,261,071	3,086,746
Improvement of Instructional Services	3,344,566	3,355,257
Educational Media Services	908,228	915,734
General Administration	696,348	991,115
School Administration	4,599,295	4,799,089
Business Administration	658,515	595,776
Maintenance and Operation of Plant	6,572,752	5,796,704
Student Transportation Services	2,821,347	2,908,832
Central Support Services	275,660	275,763
Other Support Services	131,407	183,320
Operations of Non-Instructional Services		
Enterprise Operations	455,003	427,809
Food Services	5,134,209	4,759,201
Interest on Short-Term and Long-Term Debt	693,875	812,433
Total Expenses	76,360,109	79,062,728
Increase in Net Position	\$ 5,130,710	\$ 2,626,008

(1) The Fiscal Year 2014 amounts do not reflect the effects of the restatement of July 1, 2014 net position. See Note 2 in the Notes to the Financial Statements for more information.

CITY OF VALDOSTA BOARD OF EDUCATION – LOWNDES COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Governmental Activities

Instruction comprised 61.3 percent of governmental program expenses in fiscal year 2015. City of Valdosta Board of Education incurred interest expense of 693,875 during fiscal year 2015.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services comparing fiscal year 2015 with fiscal year 2014. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	Fiscal Year 2015	Fiscal Year 2014 (1)	Fiscal Year 2015	Fiscal Year 2014 (1)
Instruction	\$ 46,807,833	\$ 50,154,949	\$ 15,538,380	\$ 20,317,517
Support Services:				
Pupil Services	3,261,071	3,086,746	2,596,755	2,461,534
Improvement of Instructional Services	3,344,566	3,355,257	892,603	501,352
Educational Media Services	908,228	915,734	-92,461	-89,623
General Administration	696,348	991,115	-429,534	-121,910
School Administration	4,599,295	4,799,089	2,907,068	3,108,341
Business Administration	658,515	595,776	639,251	594,846
Maintenance and Operation of Plant	6,572,752	5,796,704	4,127,373	3,451,693
Student Transportation Services	2,821,347	2,908,832	2,517,568	2,426,775
Central Support Services	275,660	275,763	270,004	275,368
Other Support Services	131,407	183,320	35,977	40,194
Operations of Non-Instructional Services:				
Enterprise Operations	455,003	427,809	455,003	427,809
Food Services	5,134,209	4,759,201	-169,279	-254,239
Interest on Short-Term and Long-Term Debt	693,875	812,433	693,875	812,433
Total Expenses	<u>\$ 76,360,109</u>	<u>\$ 79,062,728</u>	<u>\$ 29,982,583</u>	<u>\$ 33,952,090</u>

(1) The Fiscal Year 2014 amounts do not reflect the effects of the restatement of July 1, 2014 net position. See Note 2 in the Notes to the Financial Statements for more information.

Although program revenues make up a majority of the revenues, the School District is dependent upon tax revenues for governmental activities. Property taxes for maintenance and operations decreased \$1.0 million from fiscal year 2014. The majority of the decrease in property taxes is attributable to a \$699,476.67 overpayment from the Lowndes County Tax Commissioner that took place in fiscal year 2014. During fiscal year 2015, the Lowndes County Tax Commissioner deducted the overpayment from the amounts remitted to the School District.

33.2 percent of instruction activities are supported through taxes and other general revenues; for all governmental activities general revenue support is 39.3 percent.

CITY OF VALDOSTA BOARD OF EDUCATION – LOWNDES COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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 and other financing sources of \$87.0 million and total expenditures and other financing uses of \$92.8 million.

General Fund Budgeting Highlights

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

For the General Fund, the final actual revenues of \$72.7 million exceeded the original budgeted amount of \$71.8 million by \$0.9 million. This difference was primarily due to a slight increase in QBE Midterm adjustments and increased miscellaneous revenues (Medicaid and Facility Rentals).

Final budgeted expenditures and other financing uses of \$76.4 million exceeded the original budgeted amount of \$75.4 million by \$1.0 million. The final budgeted expenditures of \$76.4 million exceeded the actual expenditures of \$73.5 million by \$2.9 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At fiscal year end June 30, 2015 the School District had \$125.0 million invested in capital assets, all in governmental activities. Table 4 shows fiscal year 2014 balances compared with fiscal year 2015 balances.

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

	Governmental Activities	
	Fiscal Year 2015	Fiscal Year 2014
Land	\$ 4,353,020	\$ 4,353,020
Construction In Progress	7,515,265	1,154,178
Building and Improvements	109,257,027	111,490,588
Equipment	2,861,157	3,209,884
Infrastructure	323,250	366,350
Land Improvements	540,759	624,310
Intangible Assets	183,354	303,461
Total	<u>\$ 125,033,832</u>	<u>\$ 121,501,791</u>

The School District has numerous construction projects including additions and renovations.

CITY OF VALDOSTA BOARD OF EDUCATION – LOWNDES COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Debt

At June 30, 2015, the School District had \$15.2 million in bonds outstanding with \$5.0 million due within one year.

Table 5
Debt at June 30

	Governmental Activities	
	Fiscal Year 2015	Fiscal Year 2014
General Obligation Bonds	\$ 15,190,000	\$ 20,120,000

Current Issues

Valdosta is located in the south central portion of Georgia and is the tenth largest metropolitan area in the state. Valdosta has a successful business climate, proactive government, and is easily accessed from Interstates I-75 and I-10. Travel is convenient to the Valdosta area through the Valdosta Regional Airport. Valdosta is also a regional rail center for CSX, Norfolk Southern and Valdosta Railway. Valdosta is located 240 miles south of the state capital of Atlanta and approximately fifteen miles north of the Florida border. As of 2014, the Valdosta population consists of approximately 57,000 citizens, and the estimated metropolitan area population is approximately 143,000. According to 2013 estimates, the median household income in Valdosta is \$29,371 and approximately 33% of the population lives in poverty. Over 22% of the population over 25 years of age have a bachelor's degree or higher. Children living in the metro Valdosta area are served by two public School Districts, City of Valdosta Schools and Lowndes County Schools, and other private, charter, and parochial schools. Lowndes County is the home of Moody Air Force Base and Valdosta State University. As of 2015, over 8,000 students are served in City of Valdosta Schools. Our District has seen a 13% increase in enrollment since 2006. The District's campuses include five elementary schools, two middle schools, a high school, alternative school, and Early College program. Our majority-minority School District represents a diverse population with approximately 75% of students being eligible for Free and Reduced Rate meals. City of Valdosta Schools is the fifth largest employer in the community with over 1,100 employees. Special services are provided to students through special education (12.6%), gifted education (5.3%), and English Learners (2.6%). In 2015, 438 graduates received a regular diploma. Valdosta-Lowndes county residents have approved multiple Education Special Purpose Local Option Sales Tax (ESPLOST) initiatives to support funding education in the community. The most recent ESPLOST V was approved in March 2015 and is projected to generate approximately \$9.0 million in revenue annually for the two School Districts. Valdosta is the hub of retail trade for many of the surrounding counties, and over half of funds raised from sales tax collections come from non-residents of our community.

Contacting the Board's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the City of Valdosta School District's finances and show the district's accountability for the money received. For questions concerning this report or for information on financial information, contact Mr. Bob Jones, Director of Finance, Valdosta City Schools, 1204 Williams Street, PO Box 5407, Valdosta, GA. 31603-5407. Email: rejones@gocats.org

CITY OF VALDOSTA BOARD OF EDUCATION – LOWNDES COUNTY

CITY OF VALDOSTA BOARD OF EDUCATION - LOWNDES COUNTY
STATEMENT OF NET POSITION
JUNE 30, 2015

EXHIBIT "A"

	GOVERNMENTAL ACTIVITIES
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 3,401,606.20
Investments	18,357,050.18
Accounts Receivable, Net	
Taxes	2,846,435.07
State Government	4,841,648.37
Federal Government	988,755.86
Other	147,676.26
Inventories	197,205.84
Capital Assets, Non-Depreciable	11,868,285.23
Capital Assets, Depreciable (Net of Accumulated Depreciation)	<u>113,165,546.30</u>
Total Assets	<u>155,814,209.31</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Related to Defined Benefit Pension Plans	<u>5,196,557.36</u>
<u>LIABILITIES</u>	
Salaries and Benefits Payable	7,946,877.37
Interest Payable	253,166.65
Contracts Payable	109,759.28
Retainages Payable	601,409.66
Deposits and Unearned Revenues	22,079.94
Long-Term Liabilities	
Due Within One Year	5,412,588.76
Due in More Than One Year	11,060,177.51
Net Pension Liability	<u>48,533,916.00</u>
Total Liabilities	<u>73,939,975.17</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Related to Defined Benefit Pension Plans	<u>18,014,802.00</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	108,590,055.27
Restricted for	
Continuation of Federal Programs	2,154,485.03
Debt Service	5,410,202.53
Capital Projects	2,825,556.64
Unrestricted (Deficit)	<u>-49,924,309.97</u>
Total Net Position	<u>\$ 69,055,989.50</u>

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

CITY OF VALDOSTA BOARD OF EDUCATION - LOWNDES COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

EXHIBIT "B"

		PROGRAM REVENUES		NET (EXPENSES)
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	REVENUES AND CHANGES IN NET POSITION
<u>GOVERNMENTAL ACTIVITIES</u>				
Instruction	\$ 46,807,833.20	\$ 355,779.18	\$ 30,913,673.85	\$ -15,538,380.17
Support Services				
Pupil Services	3,261,070.77		664,315.33	-2,596,755.44
Improvement of Instructional Services	3,344,566.20		2,451,963.69	-892,602.51
Educational Media Services	908,227.81		1,000,689.00	92,461.19
General Administration	696,348.59		1,125,882.14	429,533.55
School Administration	4,599,295.04		1,692,227.04	-2,907,068.00
Business Administration	658,515.09		19,264.52	-639,250.57
Maintenance and Operation of Plant	6,572,751.74		2,445,379.18	-4,127,372.56
Student Transportation Services	2,821,347.13		303,778.89	-2,517,568.24
Central Support Services	275,660.20		5,655.89	-270,004.31
Other Support Services	131,407.48		95,430.13	-35,977.35
Operations of Non-Instructional Services				
Enterprise Operations	455,002.69			-455,002.69
Food Services	5,134,208.61	82,861.26	5,220,626.33	169,278.98
Interest on Short-Term and Long-Term Debt	693,874.95			-693,874.95
Total Governmental Activities	\$ 76,360,109.50	\$ 438,640.44	\$ 45,938,885.99	-29,982,583.07
General Revenues				
Taxes				
Property Taxes				
For Maintenance and Operations				24,451,443.17
Sales Taxes				
For Capital Projects				9,035,203.41
Other Sales Tax				270,603.81
Investment Earnings				48,186.41
Miscellaneous				1,307,856.38
Total General Revenues				35,113,293.18
Change in Net Position				5,130,710.11
Net Position - Beginning of Year, Restated				63,925,279.39
Net Position - End of Year			\$	69,055,989.50

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

CITY OF VALDOSTA BOARD OF EDUCATION - LOWNDES COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

EXHIBIT "C"

	GENERAL FUND	DISTRICT- WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 2,350,170.43	\$ 955,619.47	\$ 95,816.30	\$ 3,401,606.20
Investments	10,970,703.42	1,818,793.88	5,567,552.88	18,357,050.18
Accounts Receivable, Net				
Taxes	2,084,122.84	762,312.23		2,846,435.07
State Government	4,841,648.37			4,841,648.37
Federal Government	988,755.86			988,755.86
Other	147,676.26			147,676.26
Inventories	197,205.84			197,205.84
 Total Assets	 \$ 21,580,283.02	 \$ 3,536,725.58	 \$ 5,663,369.18	 \$ 30,780,377.78
<u>LIABILITIES</u>				
Salaries and Benefits Payable	\$ 7,946,877.37			\$ 7,946,877.37
Contracts Payable		\$ 109,759.28		109,759.28
Retainages Payable		601,409.66		601,409.66
Deposits and Unearned Revenue	22,079.94			22,079.94
 Total Liabilities	 7,968,957.31	 711,168.94		 8,680,126.25
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable Revenue - Property Taxes	976,756.65			976,756.65
<u>FUND BALANCES</u>				
Nonspendable	197,205.84			197,205.84
Restricted	1,957,279.19	2,825,556.64	\$ 5,663,369.18	10,446,205.01
Committed	210,472.92			210,472.92
Unassigned	10,269,611.11			10,269,611.11
 Total Fund Balances	 12,634,569.06	 2,825,556.64	 5,663,369.18	 21,123,494.88
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	 \$ 21,580,283.02	 \$ 3,536,725.58	 \$ 5,663,369.18	 \$ 30,780,377.78

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

CITY OF VALDOSTA BOARD OF EDUCATION - LOWNDES COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015

EXHIBIT "D"

Total Fund Balances - Governmental Funds (Exhibit "C") \$ 21,123,494.88

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. These assets consist of:

Land	\$	4,353,019.97	
Construction in Progress		7,515,265.26	
Land Improvements		2,736,355.77	
Buildings and Improvements		132,495,423.42	
Equipment		8,709,622.72	
Intangible Assets		1,416,653.46	
Infrastructure		431,000.00	
Accumulated Depreciation		<u>-32,623,509.07</u>	
Total Capital Assets			125,033,831.53

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

Net Pension Liability		-48,533,916.00
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Deferred Outflows and Inflows of Resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.

-12,818,244.64

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

Property Taxes		976,756.65
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Long-Term Liabilities, including Bonds Payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. These consist of:

Bonds Payable	\$	-15,190,000.00	
Accrued Interest Payable		-253,166.65	
Bond Premium, Net of Amortization		<u>-1,282,766.27</u>	
Total Long-Term Liabilities			<u>-16,725,932.92</u>

Net Position of Governmental Activities (Exhibit "A") \$ 69,055,989.50

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

CITY OF VALDOSTA BOARD OF EDUCATION - LOWNDES COUNTY
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

EXHIBIT "E"

	GENERAL FUND	DISTRICT- WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
<u>REVENUES</u>				
Property Taxes	\$ 24,590,943.17			\$ 24,590,943.17
Sales Taxes	270,603.81	\$ 9,035,203.41		9,305,807.22
State Funds	34,589,597.36			34,589,597.36
Federal Funds	11,479,829.00			11,479,829.00
Charges for Services	438,640.44			438,640.44
Investment Earnings	32,448.56	6,351.84	\$ 9,386.01	48,186.41
Miscellaneous	1,299,124.39	8,731.99		1,307,856.38
	<u>72,701,186.73</u>	<u>9,050,287.24</u>	<u>9,386.01</u>	<u>81,760,859.98</u>
Total Revenues				
<u>EXPENDITURES</u>				
Current				
Instruction	44,571,302.01	1,164,395.06		45,735,697.07
Support Services				
Pupil Services	3,361,363.14			3,361,363.14
Improvement of Instructional Services	3,441,603.49			3,441,603.49
Educational Media Services	939,702.51			939,702.51
General Administration	716,021.02			716,021.02
School Administration	4,789,828.52			4,789,828.52
Business Administration	675,496.87			675,496.87
Maintenance and Operation of Plant	6,526,268.51			6,526,268.51
Student Transportation Services	2,463,176.45	95,150.00		2,558,326.45
Central Support Services	283,730.05			283,730.05
Other Support Services	136,471.06			136,471.06
Enterprise Operations	451,626.48			451,626.48
Food Services Operation	5,182,604.26			5,182,604.26
Capital Outlay		7,028,682.18		7,028,682.18
Debt Services				
Principal			4,930,000.00	4,930,000.00
Interest			755,500.00	755,500.00
	<u>73,539,194.37</u>	<u>8,288,227.24</u>	<u>5,685,500.00</u>	<u>87,512,921.61</u>
Total Expenditures				
Excess of Revenues over (under) Expenditures	<u>-838,007.64</u>	<u>762,060.00</u>	<u>-5,676,113.99</u>	<u>-5,752,061.63</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In			5,266,000.00	5,266,000.00
Transfers Out		-5,266,000.00		-5,266,000.00
		<u>-5,266,000.00</u>	<u>5,266,000.00</u>	<u>0.00</u>
Total Other Financing Sources (Uses)				
Net Change in Fund Balances	-838,007.64	-4,503,940.00	-410,113.99	-5,752,061.63
Fund Balances - Beginning	<u>13,472,576.70</u>	<u>7,329,496.64</u>	<u>6,073,483.17</u>	<u>26,875,556.51</u>
Fund Balances - Ending	<u>\$ 12,634,569.06</u>	<u>\$ 2,825,556.64</u>	<u>\$ 5,663,369.18</u>	<u>\$ 21,123,494.88</u>

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

CITY OF VALDOSTA BOARD OF EDUCATION - LOWNDES COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2015

EXHIBIT "F"

Total Net Change in Fund Balances - Governmental Funds (Exhibit "E") \$ -5,752,061.63

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

Capital Outlays are reported as expenditures in Governmental Funds. However, in the Statement of Activities, the cost of Capital Assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital Outlay	\$ 6,663,519.41	
Depreciation Expense	-3,127,684.59	
Excess of Capital Outlay over Depreciation Expense		3,535,834.82

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, and disposals) is to decrease net position. -3,794.25

Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. -139,500.00

Repayment of Long-Term Debt is reported as an expenditure in Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Position. In the current year, these amounts consist of:

Bond Principal Retirements	\$ 4,930,000.00	
Amortization of Bond Premium	427,588.76	
Total Long-Term Debt Repayments		5,357,588.76

Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in Governmental Funds. The net effect of there adjustments are:

Accrued Interest	\$ 61,625.05	
Pension Expense	2,071,017.36	
Total Additional Expenditures		2,132,642.41

Change in Net Position of Governmental Activities (Exhibit "B") \$ 5,130,710.11

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

CITY OF VALDOSTA BOARD OF EDUCATION - LOWNDES COUNTY
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015

EXHIBIT "G"

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ <u>154,982.31</u>
<u>LIABILITIES</u>	
Funds Held for Others	\$ <u>154,982.31</u>

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

NOTE 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

REPORTING ENTITY

The City Of Valdosta Board of Education (School District) was established under the laws of the State of Georgia and operates under the guidance of a school board elected by the voters and a Superintendent appointed by the Board. The Board is organized as a separate legal entity and has the power to levy taxes and issue bonds. Its budget is not subject to approval by any other entity. Accordingly, the School District is a primary government and consists of all the organizations that compose its legal entity.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

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

District-wide Statements:

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

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

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

Fund Financial Statements:

The fund financial statements provide information about the School District's funds, including fiduciary funds. Eliminations have been made to minimize the double counting of internal activities. Separate statements for each category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds.

The School District reports the following major governmental funds:

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

The School District reports the following fiduciary fund type:

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

BASIS OF ACCOUNTING

The basis of accounting determines when transactions are reported on the financial statements. The District-wide governmental and fiduciary 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, and grants. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from sales taxes is recognized in the fiscal year in which the underlying transaction (sale) takes place. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. 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 are reported as other financing sources.

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

RESTATEMENT OF PRIOR YEAR NET POSITION

For fiscal year 2015, the School District made several prior period adjustments due to the adoption of GASB Statement No. 68 and GASB Statement No. 71, as described in "New Accounting Pronouncements" below, which require the restatement of the June 30, 2014, Net Position in Governmental Activities. The result is a decrease in Net Position at July 1, 2014 of \$63,423,178.00. This change is in accordance with generally accepted accounting principles.

CITY OF VALDOSTA BOARD OF EDUCATION – LOWNDES COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

EXHIBIT "H"

Net position, July 1, 2014 as previously reported	\$	127,348,457.39
Prior Period adjustment - Implementation of GASB 68:		
Net Pension Liability (measurement date)		
TRS	\$	-67,957,903.00
ERS		<u>-281,114.00</u>
		-68,239,017.00
Deferred Outflows - School District's contribution made during fiscal year 2014		
TRS	\$	4,786,982.00
ERS		<u>28,857.00</u>
		<u>4,815,839.00</u>
Net position, July 1, 2014, as restated	\$	<u>63,925,279.39</u>

NEW ACCOUNTING PRONOUNCEMENTS

In fiscal year 2015, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. The provisions of this statement establish accounting and financial reporting standards for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts. The adoption of this statement has a significant impact on the School District's financial statements. As noted above, the School District restated beginning Net Position for the cumulative effect of this accounting change.

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

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

CASH AND CASH EQUIVALENTS

Composition of Deposits

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

INVESTMENTS

Composition of Investments

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

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

The School District does not have a formal policy regarding investment policies that address credit risk, custodial credit risk, concentration of credit risks, interest rate risk 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 Lowndes County Board of Commissioners adopted the property tax levy for the 2014 tax digest year (calendar year) on July 21, 2014 (levy date) based on property values as of January 1, 2014. Taxes were due on November 15, 2014 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2014 tax digest are reported as revenue in the governmental funds for fiscal year 2015. The Lowndes County Tax Commissioner bills and collects the property taxes for the School District and remits the taxes collected to the School District. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2015, for maintenance and operations amounted to \$23,107,308.92.

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

School Operations

16.98 mills

Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to \$1,483,634.25 during fiscal year ended June 30, 2015.

SALES TAXES

Education Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to \$9,035,203.41 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

INVENTORIES

Food Inventories

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

CAPITAL ASSETS

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

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

	Capitalization Policy	Estimated Useful Life
Land	Any Amount	N/A
Land Improvements	\$ 100,000.00	20 to 50 years
Buildings and Improvements	\$ 50,000.00	20 to 80 years
Equipment	\$ 20,000.00	5 to 20 years
Intangible Assets	\$ 100,000.00	5 to 20 years
Infrastructure	\$ 400,000.00	10 to 50 years

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

Amortization of intangible assets such as water, timber, and mineral rights, easements, patents, trademarks, copyrights and internally generated software is computed using the straight-line method over the estimated useful lives of the assets, 5 to 20 years.

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of net position and/or the balance sheet will report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of resources that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense/expenditure) until then. Under the full accrual method of accounting, the School District has reported deferred outflows of resources related to a defined benefit pension plan, as discussed in Note 15 – Retirement Plans.

In addition to liabilities, the statement of net position and/or the balance sheet will report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of resources that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until that time. Under the full accrual method of accounting, the School District has reported defined inflows of resources related to a defined benefit pension plan, as discussed in Note 15 – Retirement Plans. This item is reported only in the District-wide Statement of Net Position. Additionally, the School District has one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and this amount is deferred and will be recognized as an inflow of resources in the period in which the amount becomes available.

GENERAL OBLIGATION BONDS

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

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

PENSIONS

For purposes of measuring the Net Pension Liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers' Retirement System of Georgia (TRS), the Employees' Retirement System of Georgia (ERS) and the Public School Employees Retirement System (PSERS) and additions to/deductions from TRS/ERS/PSERS's fiduciary net position have been determined on the same basis as they are reported by TRS/ERS/PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See Note 15 - Retirement Plans.

NET POSITION

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

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

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

Unrestricted Net Position - Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of Net Investment of Capital Assets and Restricted Net Position. Included in the net deficit reported is the School District's Net Pension Liability of \$48,533,916.00 which is required for financial reporting.

FUND BALANCES

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

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

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

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

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

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

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

Nonspendable		
Inventories		\$ 197,205.84
Restricted		
Continuation of Federal Programs	\$ 1,957,279.19	
Capital Projects	2,825,556.64	
Debt Service	<u>5,663,369.18</u>	10,446,205.01
Committed		
School Activity Accounts		210,472.92
Unassigned		<u>10,269,611.11</u>
Fund Balance, June 30, 2015		<u>\$ 21,123,494.88</u>

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

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

USE OF ESTIMATES

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

NOTE 3: BUDGETARY DATA

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

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

See Schedule 6 – General Fund Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual for a detail of any over/under expenditures during the fiscal year under review.

NOTE 4: DEPOSITS AND INVESTMENTS

COLLATERALIZATION OF DEPOSITS

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

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If a depository elects the pooled method (O.C.G.A. Section 45-8-13.1) the aggregate of the market value of the securities pledged to secure a pool of public funds shall be not less than 110 percent of the daily pool balance.

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

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

CATEGORIZATION OF DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At June 30, 2015, the School District had deposits with a carrying amount of \$3,574,607.88, which includes \$18,019.37 in Certificates of Deposit that are reported as Investments, and a bank balance of \$7,667,421.42. The bank balances insured by Federal depository insurance were \$681,517.34.

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

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

The School District's deposits by custodial risk category at June 30, 2015, are as follows:

Custodial Credit Risk Category	Bank Balance
1	\$ 0.00
2	0.00
3	6,985,904.08
Total	\$ 6,985,904.08

CATEGORIZATION OF INVESTMENTS

At June 30, 2015, the carrying value of the School District's total investments was \$18,357,050.18, which is materially the same as fair value. This includes \$18,019.37 invested in Certificates of Deposit, which are collateralized in the same manner as other cash deposits. This investment consisted entirely of funds invested in the Georgia Fund 1 (local government investment pool) administered by the State of Georgia, Office of the State Treasurer which is not required to be categorized since the School District did not own any specific identifiable securities in the pool. The investment policy of the State of Georgia, Office of the State Treasurer for the Georgia Fund 1 (Primary Liquidity Portfolio) does not provide for investment in derivatives or similar investments. Additional information on the Georgia Fund 1 is disclosed in the *State of Georgia* Comprehensive Annual Financial Report. This audit can be obtained from the Georgia Department of Audits and Accounts at <http://www.audits.ga.gov/SGD/cafr.html>.

The Primary Liquidity Portfolio consists of Georgia Fund 1 which is not registered with the SEC as an investment company and does not operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. The investment is valued at the pool's share price, \$1.00 per share. The pool is an AAAf rated investment pool by Standard and Poor's. The weighted average maturity of Georgia Fund 1 may not exceed 60 days. The weighted average maturity for Georgia Fund 1 on June 30, 2015, was 56 days.

NOTE 5: NON-MONETARY TRANSACTIONS

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

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NOTE 6: CAPITAL ASSETS

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

	Balances July 1, 2014	Adjustments	Increases	Decreases	Balances June 30, 2015
Governmental Activities					
Capital Assets, Not Being Depreciated:					
Land	\$ 4,353,019.97				\$ 4,353,019.97
Construction in Progress	1,154,178.19	\$ 0.00	\$ 6,447,464.99	\$ 86,377.92	7,515,265.26
Total Capital Assets, Not Being Depreciated	5,507,198.16	0.00	6,447,464.99	86,377.92	11,868,285.23
Capital Assets, Being Depreciated:					
Buildings and Improvements	132,495,423.42				132,495,423.42
Equipment	8,397,417.38	24,950.00	302,432.34	15,177.00	8,709,622.72
Infrastructure	431,000.00				431,000.00
Land Improvements	2,761,305.77	-24,950.00			2,736,355.77
Intangible Assets	1,416,653.46				1,416,653.46
Less Accumulated Depreciation for:					
Buildings and Improvements	21,004,835.81		2,233,560.36		23,238,396.17
Equipment	5,187,532.91	14,138.56	658,177.27	11,382.75	5,848,465.99
Infrastructure	64,650.00		43,100.00		107,750.00
Land Improvements	2,136,996.23	-14,138.56	72,739.52		2,195,597.19
Intangible Assets	1,113,192.28		120,107.44		1,233,299.72
Total Capital Assets, Being Depreciated, Net	115,994,592.80	0.00	-2,825,252.25	3,794.25	113,165,546.30
Governmental Activity Capital Assets - Net	\$ 121,501,790.96	\$ 0.00	\$ 3,622,212.74	\$ 90,172.17	\$ 125,033,831.53

Current year depreciation expense by function is as follows:

Instruction	\$ 2,476,465.12
Support Services	
Improvements of Instructional Services	\$ 98,224.93
General Administration	5,507.30
Business Administration	43,301.67
Maintenance and Operation of Plant	106,218.95
Student Transportation Services	323,479.86
Enterprise Operations	576,732.71
Food Services	3,021.36
	71,465.40
	\$ 3,127,684.59

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NOTE 7: INTERFUND TRANSFERS

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

<u>Transfers to</u>	<u>Transfers From</u> <u>District-wide</u> <u>Capital Projects</u>
Debt Service Fund	\$ <u>5,266,000.00</u>

Transfers are used to move Education Special Purpose Local Option Sales Tax (ESPLOST) proceeds in the District-wide Capital Projects fund to the Debt Service fund for the retirement of debt.

NOTE 8: RISK MANAGEMENT

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

The School District has obtained commercial insurance for risk of loss associated with torts, assets, 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 elected to self-insure 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 expenses/expenditures and liability being reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated.

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

	<u>Beginning of Year Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Paid</u>	<u>End of Year Liability</u>
2014	\$ 1,089.00	\$ 1,799.60	\$ 2,888.60	\$ 0.00
2015	\$ 0.00	\$ 1,650.00	\$ 1,650.00	\$ 0.00

The School District participates in the Georgia School Boards Association Workers' Compensation Fund, a public entity risk pool organized on July 1, 1992, to develop, implement, and administer a program of workers' compensation self-insurance for its member organizations. The School District pays an annual premium to the Fund for its Workers' Compensation insurance coverage. Excess insurance coverage is provided through an agreement by the Fund with the Safety National Casualty Corporation to provide coverage for potential losses sustained by the Fund in excess of \$550 thousand loss per occurrence, up to the statutory limit. Employers' Liability insurance coverage is also provided by Safety National Casualty Corporation to provide coverage for potential losses sustained by the Fund in excess of \$550 thousand loss per occurrence, up to \$2 million. In addition to the \$550,000 per occurrence retention, the Fund also retains an additional \$200,000 per year corridor retention.

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

<u>Position Covered</u>	<u>Amount</u>
Superintendent	\$ 20,000.00
Finance Director	\$ 10,000.00
Assistant Finance Director	\$ 10,000.00
Business Services Director	\$ 10,000.00
Director of Operations	\$ 10,000.00
Payroll Manager	\$ 10,000.00
Purchasing Agent	\$ 10,000.00

NOTE 9: LONG-TERM LIABILITIES

GENERAL OBLIGATION DEBT OUTSTANDING

General Obligation Bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
General Government - Series 2012	2.00% - 4.00%	\$ <u>15,190,000.00</u>

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

	Governmental Activities				
	Balance	Additions	Deductions	Balance	Due Within One
	July 1, 2014			June 30, 2015	Year
G.O. Bonds	\$ 20,120,000.00	\$ 0.00	\$ 4,930,000.00	\$ 15,190,000.00	\$ 4,985,000.00
Bond Premiums Amortized	1,710,355.03		427,588.76	1,282,766.27	427,588.76
	<u>\$ 21,830,355.03</u>	<u>\$ 0.00</u>	<u>\$ 5,357,588.76</u>	<u>\$ 16,472,766.27</u>	<u>\$ 5,412,588.76</u>

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

<u>Fiscal Year Ended June 30:</u>	General Obligation Debt		Unamortized Bond Premium
	<u>Principal</u>	<u>Interest</u>	
2016	\$ 4,985,000.00	\$ 607,600.00	\$ 427,588.76
2017	5,060,000.00	408,200.00	427,588.76
2018	5,145,000.00	205,800.00	427,588.75
Total Principal and Interest	<u>\$ 15,190,000.00</u>	<u>\$ 1,221,600.00</u>	<u>\$ 1,282,766.27</u>

NOTE 10: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of \$193,880.37 for retirement contributions paid on the School District's behalf by the following State Agencies.

Georgia Department of Education

Paid to the Teachers' Retirement System of Georgia

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

In the amount of \$29,685.37

Office of the State Treasurer

Paid to the Public School Employees Retirement System

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

In the amount of \$164,195.00

Funds paid on behalf of the School District are reported in governmental funds. See Note 15 - Retirement Plans for the State support related to the Net Pension Liability.

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, 2015, together with funding available:

Project	Unearned Executed Contracts	Funding Available From State
New Valdosta High School	\$ 6,318,327.00	\$ 13,622,802.00

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

NOTE 12: SIGNIFICANT CONTINGENT LIABILITIES

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

NOTE 13: SUBSEQUENT EVENTS

In the subsequent fiscal year, voters authorized the School District to issue \$73,320,000.00 in general obligation debt and the School District issued general obligation bonds in the amount of \$68,425,000.00. The proceeds from these bonds will be used for capital projects and debt service.

NOTE 14: POST-EMPLOYMENT BENEFITS

GEORGIA SCHOOL PERSONNEL POST-EMPLOYMENT HEALTH BENEFIT FUND

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

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

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

The combined active and retiree contribution rates established by the Board for employers participating in the School OPEB Fund were as follows for the fiscal year ended June 30, 2015:

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

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

For non-certificated school personnel:

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

No additional contribution was required by the Board for fiscal year 2015 nor contributed to the School OPEB Fund to prefund retiree benefits. Such additional contribution amounts are determined annually by the Board in accordance with the School plan for other post-employment benefits and are subject to appropriation.

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

Fiscal Year	Percentage Contributed	Required Contribution
2015	100%	\$ 7,870,339.40
2014	100%	\$ 7,698,183.06
2013	100%	\$ 7,059,571.90

NOTE 15: RETIREMENT PLANS

City Of Valdosta Board of Education participates in various retirement plans administered by the State of Georgia, as further explained below.

TEACHERS' RETIREMENT SYSTEM OF GEORGIA (TRS)

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

Benefits Provided: TRS provides service retirement, disability retirement, and death benefits. Normal retirement benefits are determined as 2% of the average of the employee's two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. An employee is eligible for normal service retirement after 30 years of creditable service, regardless of age, or after 10 years of service and attainment of age 60. Ten years of service is required for disability and death benefits eligibility. Disability benefits are based on the employee's creditable service and compensation up to the time of disability. Death benefits equal the amount that would be payable to the employee's beneficiary had the employee retired on the date of death. Death benefits are based on the employee's creditable service and compensation up to the date of death.

Contributions: Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Pursuant to O.C.G.A. §47-3-63, the employer contributions for certain full-time public school support personnel are funded on behalf of the employer by the State of Georgia. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6% of their annual pay during fiscal year 2015. The school district's contractually required contribution rate for the year ended June 30, 2015 was 13.15% of annual school district payroll.

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

Fiscal Year	Percentage Contributed	Required Contribution
2015	100%	\$ 5,158,772.91
2014	100%	\$ 4,819,106.68
2013	100%	\$ 4,478,407.22

EMPLOYEES' RETIREMENT SYSTEM

Plan description: The Employees' Retirement System of Georgia (ERS) is a cost-sharing multiple-employer defined benefit pension plan established by the Georgia General Assembly during the 1949 Legislative Session for the purpose of providing retirement allowances for employees of the State of Georgia and its political subdivisions. ERS is directed by a Board of Trustees. Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. ERS issues a publicly available financial report that can be obtained at www.ers.ga.gov/formspubs/formspubs.

Benefits provided: The ERS Plan supports three benefit tiers: Old Plan, New Plan, and Georgia State Employees' Pension and Savings Plan (GSEPS). Employees under the old plan started membership prior to July 1, 1982 and are subject to plan provisions in effect prior to July 1, 1982. Members hired

on or after July 1, 1982 but prior to January 1, 2009 are new plan members subject to modified plan provisions. Effective January 1, 2009, new state employees and rehired state employees who did not retain membership rights under the Old or New Plans are members of GSEPS. ERS members hired prior to January 1, 2009 also have the option to irrevocably change their membership to GSEPS.

Under the old plan, the new plan, and GSEPS, a member may retire and receive normal retirement benefits after completion of 10 years of creditable service and attainment of age 60 or 30 years of creditable service regardless of age. Additionally, there are some provisions allowing for early retirement after 25 years of creditable service for members under age 60.

Retirement benefits paid to members are based upon the monthly average of the member's highest 24 consecutive calendar months, multiplied by the number of years of creditable service, multiplied by the applicable benefit factor. Annually, postretirement cost-of-living adjustments may also be made to members' benefits, provided the members were hired prior to July 1, 2009. The normal retirement pension is payable monthly for life; however, options are available for distribution of the member's monthly pension, at reduced rates, to a designated beneficiary upon the member's death. Death and disability benefits are also available through ERS.

Contributions: Member contributions under the old plan are 4% of annual compensation, up to \$4,200, plus 6% of annual compensation in excess of \$4,200. Under the old plan, the state pays member contributions in excess of 1.25% of annual compensation. Under the old plan, these state contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the new plan and GSEPS are 1.25% of annual compensation. The School District's contractually required contribution rate, actuarially determined annually, for the year ended June 30, 2015 was 21.96% of annual covered payroll for old and new plan members and 18.87% for GSEPS members. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

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

Fiscal Year	Percentage Contributed	Required Contribution
2015	100%	\$ 38,255.33
2014	100%	\$ 28,856.79
2013	100%	\$ 22,252.85

PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (PSERS)

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

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

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

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

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

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

At June 30, 2015, the School District reported a liability of \$48,533,916.00 for its proportionate share of the Net Pension Liability for TRS (\$48,273,548.00) and ERS (\$260,368.00).

The TRS Net Pension Liability reflected a reduction for support provided to the School District by the State of Georgia for certain public school support personnel. The amount recognized by the School District as its proportionate share of the Net Pension Liability, the related State of Georgia support, and the total portion of the Net Pension Liability that was associated with the School District were as follows:

School District's proportionate share of the Net Pension Liability	\$ 48,273,548.00
State of Georgia's proportionate share of the Net Pension Liability associated with the School District	<u>319,758.00</u>
Total	<u>\$ 48,593,306.00</u>

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

At June 30, 2014, the School District's TRS proportion was 0.382102%, which was a decrease of 0.007903% from its proportion measured as of June 30, 2013. At June 30, 2014, the School District's ERS proportion was 0.006942%, which was an increase of 0.001149% from its proportion measured as of June 30, 2013.

CITY OF VALDOSTA BOARD OF EDUCATION – LOWNDES COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

EXHIBIT "H"

At June 30, 2015, the School District did not have a PSERS liability for a proportionate share of the Net Pension Liability because of a Special Funding Situation with the State of Georgia, which is responsible for the Net Pension Liability of the plan. The amount of the State's proportionate share of the Net Pension Liability associated with the School District is \$667,958.00.

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

For the year ended June 30, 2015, the School District recognized pension expense of \$3,053,881.00 for TRS, \$37,347.00 for ERS and \$58,008.00 for PSERS. Revenue of \$5,332.00 for TRS and \$58,008.00 for PSERS. The revenue is support provided by the State of Georgia. For TRS the State of Georgia support is provided only for certain support personnel.

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

	TRS		ERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments		\$ 16,829,182.00		\$ 63,548.00
Changes in proportion and differences between School District contributions and proportionate share of contributions		1,122,072.00	\$ 34,312.00	
School District contributions subsequent to the measurement date	\$ 5,123,990.03		38,255.33	
Total	\$ 5,123,990.03	\$ 17,951,254.00	\$ 72,567.33	\$ 63,548.00

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

Year Ended June 30:	TRS	ERS
2016	\$ -4,462,311.00	\$ 5,558.00
2017	\$ -4,462,311.00	\$ -3,020.00
2018	\$ -4,462,311.00	\$ -15,887.00
2019	\$ -4,462,315.00	\$ -15,877.00
2020	\$ -102,006.00	

CITY OF VALDOSTA BOARD OF EDUCATION – LOWNDES COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

EXHIBIT "H"

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

Teachers' Retirement System:

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

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

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

Employees' Retirement System

Inflation	3.00%
Salary increases	5.45 – 9.25%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

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

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

Public School Employees Retirement System

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

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

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

CITY OF VALDOSTA BOARD OF EDUCATION – LOWNDES COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

EXHIBIT "H"

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return*
Fixed income	30.00%	3.00%
Domestic large stocks	39.70%	6.50%
Domestic mid stocks	3.70%	10.00%
Domestic small stocks	1.60%	13.00%
International developed market stocks	18.90%	6.50%
International emerging market stocks	6.10%	11.00%
Total	100.00%	

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

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

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

Teachers' Retirement System:

	1% Decrease (6.5%)	Current discount rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the Net Pension Liability	\$ 88,961,672.00	\$ 48,273,548.00	\$ 14,767,723.00

Employees' Retirement System:

	1% Decrease (6.5%)	Current discount rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the Net Pension Liability	\$ 379,668.00	\$ 260,368.00	\$ 158,816.00

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

DEFINED CONTRIBUTION PLAN

In January 1981, City Of Valdosta Board of Education began an employer paid 403(b) annuity plan for the group of employees covered under the Public School Employees Retirement System (PSERS), Teachers' Retirement System (TRS) and Employees' Retirement System (ERS). The Board then decided to supplement the retirement of these groups at 4.415 percent. The Copeland Company was selected for investments using Travelers investment products.

In 1998, CitiCorp and Travelers merged. In January 2000, the record keeping was assumed by CitiStreet which was the result of a joint venture between CitiGroup and State Street. In June 2004, City of Valdosta Board of Education decided to bring on VALIC (Variable Annuity Life Insurance Company) as an additional vendor. In October 2006, MetLife purchased the portion of CitiStreet retirement business that included Valdosta City Schools. In February 2008, City of Valdosta Board of Education entered into an information sharing agreement with ING Life Insurance and Annuity Company. In July 2011, City of Valdosta Board of Education initiated a three year cliff investing schedule for all employees under TRS and ERS. In September 2011, City of Valdosta Board of Education reduced the employer amount to 2 percent for TRS and ERS employees and continued with 4.415 percent for full-time PSERS employees.

All Valdosta City Schools employees have the opportunity to invest in the 403(b) because of universal availability. However, Valdosta City Schools contributes only to full-time (30 hours a week) employees.

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

<u>Fiscal Year</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>
2015	100%	\$ 1,461,418.66
2014	100%	\$ 1,215,872.89
2013	100%	\$ 938,485.84

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

SCHEDULE "1"

	<u>2015</u>
School District's proportion of the net pension liability	0.382102%
School District's proportionate share of the net pension liability	\$ 48,273,548.00
State of Georgia's proportionate share of the net pension liability associated with the School District	<u>319,758.00</u>
Total	<u>\$ 48,593,306.00</u>
School District's covered-employee payroll	\$ 39,243,539.74
School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	123.01%
Plan fiduciary net position as a percentage of the total pension liability	84.03%

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

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

SCHEDULE "2"

	<u>2015</u>
School District's proportion of the net pension liability	0.006942%
School District's proportionate share of the net pension liability	\$ 260,368.00
School District's covered-employee payroll	\$ 156,320.94
School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	166.56%
Plan fiduciary net position as a percentage of the total pension liability	77.99%

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

CITY OF VALDOSTA BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
TEACHERS' RETIRMENT SYSTEM OF GEORGIA
FOR THE YEAR ENDED JUNE 30

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 5,158,772.91	\$ 4,819,106.68	\$ 4,478,407.22
Contributions in relation to the contractually required contribution	<u>\$ 5,158,772.91</u>	<u>\$ 4,819,106.68</u>	<u>\$ 4,478,407.22</u>
Contribution deficiency (excess)	\$ 0.00	\$ 0.00	\$ 0.00
School District's covered-employee payroll	\$ 39,230,212.24	\$ 39,243,539.74	\$ 39,249,844.17
Contributions as a percentage of covered-employee payroll	13.15%	12.28%	11.41%

This schedule is intended to show information for 10 years. Due to the retention policy of the City of Valdosta Board of Education, the School District is only able to display 6 years of information. Additional years will be displayed as they become available.

SCHEDULE "3"

<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 4,018,137.00	\$ 4,085,136.86	\$ 4,008,295.90
<u>\$ 4,018,137.00</u>	<u>\$ 4,085,136.86</u>	<u>\$ 4,008,295.90</u>
\$ 0.00	\$ 0.00	\$ 0.00
\$ 39,086,935.80	\$ 39,738,685.41	\$ 41,152,935.32
10.28%	10.28%	9.74%

CITY OF VALDOSTA BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
EMPLOYEERS' RETIREMENT SYSTEM OF GEORGIA
FOR THE YEAR ENDED JUNE 30

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 38,255.33	\$ 28,856.79	\$ 22,252.85
Contributions in relation to the contractually required contribution	<u>\$ 38,255.33</u>	<u>\$ 28,856.79</u>	<u>\$ 22,252.85</u>
Contribution deficiency (excess)	\$ 0.00	\$ 0.00	\$ 0.00
School District's covered-employee payroll	\$ 174,204.78	\$ 156,320.94	\$ 149,348.02
Contributions as a percentage of covered-employee payroll	21.96%	18.46%	14.90%

This schedule is intended to show information for 10 years. Due to the retention policy of the City of Valdosta Board of Education, the School District is only able to display 6 years of information. Additional years will be displayed as they become available.

SCHEDULE "4"

<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 13,434.95	\$ 11,190.91	\$ 10,690.52
<u>\$ 13,434.95</u>	<u>\$ 11,190.91</u>	<u>\$ 10,690.52</u>
\$ 0.00	\$ 0.00	\$ 0.00
\$ 115,520.03	\$ 107,501.29	\$ 102,694.49
11.63%	10.41%	10.41%

CITY OF VALDOSTA BOARD OF EDUCATION
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015

SCHEDULE "5"

Teachers' Retirement System

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

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

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

Employees' Retirement System

Changes of assumptions : There were no changes in assumptions or benefits that affect the measurement of the total pension liability since the prior measurement date.

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

Valuation date	June 30, 2012
Actuarial cost method	Entry age
Amortization method	Level dollar, open
Remaining amortization period	30 years
Asset valuation method	Seven-year smoothed market
Inflation rate	3.00%
Salary increases	2.725% – 4.625% for FY 2012-2013, 5.45% - 9.25% for FY2014+
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

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

SCHEDULE "6"

	NONAPPROPRIATED BUDGETS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	AMOUNTS	OVER/UNDER
<u>REVENUES</u>				
Property Taxes	\$ 25,081,093.00	\$ 25,081,093.00	\$ 24,590,943.17	\$ -490,149.83
Sales Taxes	230,000.00	230,000.00	270,603.81	40,603.81
State Funds	33,553,896.46	33,533,881.46	34,589,597.36	1,055,715.90
Federal Funds	11,841,281.05	12,505,831.05	11,479,829.00	-1,026,002.05
Charges for Services	386,127.00	386,127.00	438,640.44	52,513.44
Investment Earnings	16,326.00	16,326.00	32,448.56	16,122.56
Miscellaneous	669,174.00	669,174.00	1,299,124.39	629,950.39
Total Revenues	71,777,897.51	72,422,432.51	72,701,186.73	278,754.22
<u>EXPENDITURES</u>				
Current				
Instruction	44,734,904.99	45,454,532.64	44,571,302.01	883,230.63
Support Services				
Pupil Services	3,152,679.27	3,282,993.47	3,361,363.14	-78,369.67
Improvement of Instructional Services	4,086,738.80	4,162,174.79	3,441,603.49	720,571.30
Educational Media Services	946,916.52	945,916.52	939,702.51	6,214.01
General Administration	1,041,102.53	1,070,838.51	716,021.02	354,817.49
School Administration	4,851,986.56	4,851,986.56	4,789,828.52	62,158.04
Business Administration	741,409.63	741,409.68	675,496.87	65,912.81
Maintenance and Operation of Plant	6,621,860.15	6,621,860.15	6,526,268.51	95,591.64
Student Transportation Services	2,196,733.82	2,231,713.09	2,463,176.45	-231,463.36
Central Support Services	327,289.98	327,289.98	283,730.05	43,559.93
Other Support Services	180,804.00	150,728.00	136,471.06	14,256.94
Enterprise Operations	372,782.00	372,762.00	451,626.48	-78,864.48
Food Services Operation	5,757,283.60	5,757,283.60	5,182,604.26	574,679.34
Total Expenditures	75,012,491.85	75,971,488.99	73,539,194.37	2,432,294.62
Excess of Revenues over (under) Expenditures	-3,234,594.34	-3,549,056.48	-838,007.64	2,711,048.84
<u>OTHER FINANCING SOURCES (USES)</u>				
Other Sources	382,192.00	382,192.00		-382,192.00
Other Uses	-382,192.00	-382,192.00		382,192.00
Total Other Financing Sources (Uses)	0.00	0.00		0.00
Net Change in Fund Balances	-3,234,594.34	-3,549,056.48	-838,007.64	2,711,048.84
Fund Balances - Beginning	12,134,495.20	13,326,476.59	13,472,576.70	146,100.11
Adjustments		45,422.83		-45,422.83
Fund Balances - Ending	\$ 8,899,900.86	\$ 9,822,842.94	\$ 12,634,569.06	\$ 2,811,726.12

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.

CITY OF VALDOSTA BOARD OF EDUCATION - LOWNDES COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

SCHEDULE "7"

FUNDING AGENCY PROGRAM/GRANT	CFDA NUMBER	PASS- THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD
Agriculture, U. S. Department of			
Child Nutrition Cluster			
Pass-Through From Georgia Department of Education			
Food Services			
School Breakfast Program	10.553	N/A	(2)
National School Lunch Program	10.555	N/A	<u>4,961,745.03</u> (1)
Total Child Nutrition Cluster			4,961,745.03
Pass-Through From Georgia Department of Education			
Food Services			
Fresh Fruit and Vegetable Program	10.582	N/A	<u>50,546.99</u>
Total U. S. Department of Agriculture			<u>5,012,292.02</u>
Education, U. S. Department of			
Impact Aid Cluster			
Direct			
Impact Aid	84.041		(3)
Education of Homeless Children and Youth Cluster			
Pass-Through From Georgia Department of Education			
Education for Homeless Children and Youth	84.196	N/A	<u>37,480.82</u>
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Grants to States	* 84.027	N/A	1,357,418.52
Preschool Grants	* 84.173	N/A	<u>49,138.00</u>
Total Special Education Cluster			<u>1,406,556.52</u>
Other Programs			
Pass-Through From Georgia Department of Education			
ARRA - Race-to-the-Top Incentive Grant	84.395	N/A	274,154.12
Career and Technical Education - Basic Grants to States	84.048	N/A	102,717.00
English Language Acquisition Grants	84.365	N/A	25,123.86
Improving Teacher Quality State Grants	* 84.367	N/A	584,246.66
Migrant Education - State Grant Program	84.011	N/A	27,162.49
Title I Grants to Local Educational Agencies	* 84.010	N/A	<u>3,869,356.13</u>
Total Other Programs			<u>4,882,760.26</u>
Total U. S. Department of Education			<u>6,326,797.60</u>
Health and Human Services, U. S. Department of			
Child Care and Development Fund Cluster			
Pass-Through From Bright From the Start			
Georgia Department of Early Care and Learning			
Child Care and Development Block Grant	93.575	N/A	<u>23,123.13</u>
Defense, U. S. Department of			
Direct			
Department of the Navy			
R.O.T.C. Program			<u>34,449.94</u>
Total Expenditures of Federal Awards			<u>\$ 11,396,662.69</u>

N/A = Not Available

CITY OF VALDOSTA BOARD OF EDUCATION - LOWNDES COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

SCHEDULE "7"

Notes to the Schedule of Expenditures of Federal Awards

- (1) Includes the Federally assigned value of donated commodities for the Food Donation Program in the amount of \$259,058.71.
- (2) Expenditures for the funds earned on the School Breakfast Program (\$1,215,273.96) were not maintained separately and are included in the 2015 National School Lunch Program.
- (3) Funds earned on the Impact Aid Program, in the amount of \$44,023.39, do not require reporting of expenditures.

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

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

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

CITY OF VALDOSTA BOARD OF EDUCATION - LOWNDES COUNTY
SCHEDULE OF STATE REVENUE
YEAR ENDED JUNE 30, 2015

SCHEDULE "8"

AGENCY/FUNDING	GOVERNMENTAL	
	FUND TYPE	
	GENERAL	
	FUND	
GRANTS		
Bright From the Start:		
Georgia Department of Early Care and Learning		
Pre-Kindergarten Program	\$	519,849.49
Education, Georgia Department of		
Quality Basic Education		
Direct Instructional Cost		
Kindergarten Program		1,501,931.00
Kindergarten Program - Early Intervention Program		1,707,709.00
Primary Grades (1-3) Program		4,619,320.00
Primary Grades - Early Intervention (1-3) Program		3,493,473.00
Upper Elementary Grades (4-5) Program		2,289,371.00
Upper Elementary Grades - Early Intervention (4-5) Program		1,034,375.00
Middle School (6-8) Program		4,163,513.00
High School General Education (9-12) Program		3,428,743.00
Vocational Laboratory (9-12) Program		815,321.00
Students with Disabilities		4,942,799.00
Gifted Student - Category VI		971,182.00
Remedial Education Program		911,498.00
Alternative Education Program		277,385.00
English Speakers of Other Languages (ESOL)		301,111.00
Media Center Program		813,136.00
20 Days Additional Instruction		245,748.00
Staff and Professional Development		147,844.00
Principal Staff and Professional Development		2,175.00
Indirect Cost		
Central Administration		843,301.00
School Administration		1,367,987.00
Facility Maintenance and Operations		1,912,164.00
Categorical Grants		
Pupil Transportation		
Regular		501,656.00
Nursing Services		154,142.00
Food Services		115,676.00
Vocational Education		36,406.00
Vocational Supervisors		13,068.00
Amended Formula Adjustment		-3,202,419.00
Other State Programs		
Math and Science Supplements		64,520.95
Preschool Handicapped Program		331,800.00
Teacher of the Year Grant		1,014.25
Special Education Support Cost - State Instruction		2,000.00
Teachers' Retirement		29,685.37
Technology Infrastructure		22,917.30
Office of the State Treasurer		
Public School Employees Retirement		164,195.00
CONTRACT		
Human Resources, Georgia Department of		
Family Connection		45,000.00
	\$	34,589,597.36

See notes to the basic financial statements.

CITY OF VALDOSTA BOARD OF EDUCATION - LOWNDES COUNTY
SCHEDULE OF APPROVED LOCAL OPTION SALES TAX
PROJECTS
YEAR ENDED JUNE 30, 2015

SCHEDULE "9"

PROJECT	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3) (4)	AMOUNT EXPENDED IN PRIOR YEARS (3) (4)	TOTAL COMPLETION COST	EXCESS PROCEEDS NOT EXPENDED	ESTIMATED COMPLETION DATE
SPLOST IV							
1. The addition, renovation, repair and improvements to existing school buildings, facilities and grounds, including, but not limited to, all existing elementary schools, middle schools and Valdosta High School;	\$ 27,087,000.00	\$ 27,087,000.00	\$ 369,735.87	\$ 1,205,272.73	\$ 0.00	\$ 0.00	6/30/2017
2. Planning, design and construction of new school buildings and facilities, including, but not limited to a new Southeast Elementary School and a new "West District" Elementary School;	1,110,000.00	27,398,056.67	6,661,930.72	20,736,125.95			6/30/2017
3. Renovations and modifications or the relocation and replacement of the Valdosta City School System Central Office Complex;							
4. Equipping system-wide new construction, additions and renovations;	9,144,232.35	9,144,232.35					6/30/2017
5. Making system-wide technology improvements;	2,550,000.00	2,550,000.00	924,247.91	102,388.27			6/30/2017
6. Acquisition of security and safety equipment and/or fencing, textbooks, band and other musical instruments, vocational equipment and physical education and athletic equipment;	1,649,995.98	1,649,995.98	236,556.03	678,728.83			6/30/2017
7. Acquisition of school vehicles, including, but not limited to school buses, maintenance vehicles, and equipment; and		337,033.44	95,150.00	241,883.44			6/30/2017
8. Acquisition of any property necessary and desirable for new construction, expansion and/or improvement of existing facilities, both real and personal.	28,583,771.67	26,583,771.67		70,332.29			6/30/2017
	<u>\$ 70,125,000.00</u>	<u>\$ 94,750,090.11</u>	<u>\$ 8,287,620.53</u>	<u>\$ 23,034,731.51</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	

- (1) The School District's original cost estimate as specified in the resolution calling for the imposition of the Local Option Sales Tax.
- (2) The School District's current estimate of total cost for the projects. Includes all cost from project inception to completion.
- (3) The voters of Lowndes County approved the imposition of a 1% sales tax to fund the above projects and retire associated debt. Amounts expended for these projects may include sales tax proceeds, state, local property taxes and/or other funds over the life of the projects.
- (4) In addition to the expenditures shown above, the School District has incurred interest to provide advance funding for the above projects as follows:

Prior Years	\$ 5,138,337.18
Current Year	<u>755,500.00</u>
Total	<u>\$ 5,893,837.18</u>

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

SCHEDULE "10"

DESCRIPTION	ALLOTMENTS FROM GEORGIA DEPARTMENT OF EDUCATION (1) (2)	ELIGIBLE QBE PROGRAM COSTS		
		SALARIES	OPERATIONS	TOTAL
Direct Instructional Programs				
Kindergarten Program	\$ 1,980,901.00	\$ 2,503,810.17	\$ 52,467.89	\$ 2,556,278.06
Kindergarten Program-Early Intervention Program	2,037,106.00	793,986.24	13,275.92	807,262.16
Primary Grades (1-3) Program	5,802,772.00	6,889,191.39	444,874.10	7,334,065.49
Primary Grades-Early Intervention (1-3) Program	4,067,253.00	1,496,123.74	22,646.79	1,518,770.53
Upper Elementary Grades (4-5) Program	2,818,056.00	3,440,105.01	240,800.84	3,680,905.85
Upper Elementary Grades-Early Intervention (4-5) Program	1,277,605.00	671,067.45	8,944.31	680,011.76
Middle School (6-8) Program	5,171,349.00	6,078,960.84	200,051.80	6,279,012.64
High School General Education (9-12) Program	4,189,341.00	5,765,106.94	422,214.04	6,187,320.98
Vocational Laboratory (9-12) Program	1,000,371.00	1,040,182.51	90,775.21	1,130,957.72
Students with Disabilities	6,105,238.00			
Category I		123,721.28	13,000.00	136,721.28
Category II		329,556.52	2,751.62	332,308.14
Category III		4,091,303.53	42,972.23	4,134,275.76
Category IV		1,167,260.99	17,956.38	1,185,217.37
Category V		349,490.16	22,552.71	372,042.87
Gifted Student - Category VI	1,178,519.00	1,243,758.30	18,259.33	1,262,017.63
Remedial Education Program	1,075,220.00	652,490.42	9,012.66	661,503.08
Alternative Education Program	342,518.00	341,027.06		341,027.06
English Speakers of Other Languages (ESOL)	358,671.00	439,377.14	1,955.43	441,332.57
TOTAL DIRECT INSTRUCTIONAL PROGRAMS	37,404,920.00	37,416,519.69	1,624,511.26	39,041,030.95
Media Center Program	1,001,111.00	830,119.49	109,583.02	939,702.51
Staff and Professional Development	181,652.00	22,795.55	45,421.66	68,217.21
TOTAL QBE FORMULA FUNDS	\$ 38,587,683.00	\$ 38,269,434.73	\$ 1,779,515.94	\$ 40,048,950.67

(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

June 7, 2016

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
City of Valdosta Board of Education

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

Ladies and Gentlemen:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Valdosta Board of Education as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise City of Valdosta Board of Education's basic financial statements, and have issued our report thereon dated June 7, 2016.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items FS 2015-001 and FS 2015-002 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Valdosta 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 City of Valdosta Board of Education in a separate letter dated June 7, 2016.

City of Valdosta Board of Education's Response to Findings

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

Purpose of this Report

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

Respectfully submitted,

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

Greg S. Griffin
State Auditor



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

June 7, 2016

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
City of Valdosta 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 City of Valdosta Board of Education's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015. City of Valdosta 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 City of Valdosta 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 City of Valdosta 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 City of Valdosta Board of Education's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Valdosta Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of City of Valdosta 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 City of Valdosta 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 City of Valdosta 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

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

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV

FINDINGS AND QUESTIONED COSTS

CITY OF VALDOSTA BOARD OF EDUCATION – LOWNDES COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted: No

Federal Awards

Internal Control over major programs:

- Material weakness identified? No
- Significant deficiency identified? None Reported

Type of auditor's report issued on compliance for major programs:
All major programs Unmodified

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>
84.010	Title I Grants to Local Educational Agencies
84.027, 84.173	Special Education Cluster
84.367	Improving Teacher Quality State Grants

Dollar threshold used to distinguish between Type A and Type B programs: \$343,220.58

Auditee qualified as low-risk auditee? No

CITY OF VALDOSTA BOARD OF EDUCATION – LOWNDES COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2015-001	<u>Inadequate Controls over Financial Reporting</u>
Control Category:	Financial Reporting
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None

Description:

The School District did not have adequate internal controls in place over the financial statement reporting process.

Criteria:

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

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

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

Condition:

The School District did not have adequate internal control over the financial statement reporting process:

- An audit adjustment of \$6,700.72 was proposed and accepted by the client to properly record Cash and Funds Held for Others related to school activity agency accounts for the Fiduciary Funds.
- An audit adjustment of \$546,818.84 was proposed and accepted by the client to properly record Accounts Receivable and Property Tax Revenue for the District-wide Financial Statements.
- A significant audit adjustment of \$109,759.28 was proposed and accepted by the client to properly record Contracts Payable for the District-Wide Capital Projects Fund.
- Reclassification audit entries totaling \$4,277,633.40 were proposed and accepted by the client to properly classify Net Position on the Statement of Net Position.
- Other immaterial audit adjustments and reclassifications were proposed and accepted by the client to properly present the School District's financial statements.

Cause:

In discussing this matter with the School District, they indicated that the adjustments were due to oversights in preparing the financial statements.

CITY OF VALDOSTA BOARD OF EDUCATION – LOWNDES COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Effect or Potential Effect:

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

Recommendation:

The School District should strengthen review procedures over the financial reporting process to ensure that the financial statements presented for audit are complete and accurate.

Views of Responsible Officials and Corrective Action Plans:

We concur with this finding. We have implemented procedures to have the Finance Director review the financial statements before turning them over to the auditors.

Contact Person: Ann Boyett

Telephone: 229-671-6045

Fax: 229-247-7757

E-mail: aboyett@gocats.org

FS 2015-002	<u>Inadequate Internal Controls over Payroll Process</u>
Control Category:	Employee Compensation
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Questioned Costs:	\$15,058.00

Description:

Our review of employee compensation revealed weaknesses in internal controls related to the payroll process.

Criteria:

The School District's management is responsible for designing and maintaining internal controls that provide reasonable assurance employees are paid according to the certificate level included on approved contracts or approved salary schedules.

Condition:

Our review of the employee compensation process revealed one employee who was overpaid \$15,058.00, due to the use of an incorrect certificate level.

Questioned Costs:

\$15,058.00 salary overpayment

Cause:

In discussing this matter with the School District, they stated that the overpayment resulted from a keying error when the certificate information for the employee was entered in the payroll system.

Effect or Potential Effect:

The lack of adequate controls over the employee compensation process resulted in payroll disbursements not approved by the Board of Education and could lead to errors occurring and not being detected in a timely manner.

CITY OF VALDOSTA BOARD OF EDUCATION – LOWNDES COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Recommendation

Management should develop and implement a monitoring process to ensure that pay rates entered in the payroll system for employees agree to approved contracts based on appropriate certificate levels or approved salary and supplement schedules so that payroll disbursements are appropriate. In addition, the School District should determine if recovery of funds are needed.

Views of Responsible Officials and Corrective Action Plans:

We concur with this finding. We have implemented procedures to have salaries checked in the Human Resources Department and then they will be checked by the Finance Director before being given to the Payroll Manager to be checked before payroll is processed. The overpayment is being recovered from the employee.

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E-mail: aboyett@gocats.org

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.