



# **WASHINGTON COUNTY BOARD OF EDUCATION SANDERSVILLE, GEORGIA**

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

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



WASHINGTON COUNTY BOARD OF EDUCATION

- TABLE OF CONTENTS -

	<u>Page</u>
SECTION I	
FINANCIAL	
INDEPENDENT AUDITOR'S REPORT	
REQUIRED SUPPLEMENTARY INFORMATION	
MANAGEMENT'S DISCUSSION AND ANALYSIS	i
EXHIBITS	
BASIC FINANCIAL STATEMENTS	
DISTRICT-WIDE FINANCIAL STATEMENTS	
A STATEMENT OF NET POSITION	1
B STATEMENT OF ACTIVITIES	2
FUND FINANCIAL STATEMENTS	
C BALANCE SHEET	
GOVERNMENTAL FUNDS	4
D RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET	
TO THE STATEMENT OF NET POSITION	5
E STATEMENT OF REVENUES, EXPENDITURES AND CHANGES	
IN FUND BALANCES	
GOVERNMENTAL FUNDS	6
F RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT	
OF REVENUES, EXPENDITURES AND CHANGES IN FUND	
BALANCES TO THE STATEMENT OF ACTIVITIES	7
G STATEMENT OF FIDUCIARY NET POSITION	
FIDUCIARY FUNDS	8
H STATEMENT OF CHANGES IN FIDUCIARY NET POSITION	
FIDUCIARY FUNDS	9
I NOTES TO THE BASIC FINANCIAL STATEMENTS	11
SCHEDULES	
REQUIRED SUPPLEMENTARY INFORMATION	
1 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES	
IN FUND BALANCES - BUDGET AND ACTUAL	
GENERAL FUND	29



WASHINGTON COUNTY BOARD OF EDUCATION

- TABLE OF CONTENTS -

	<u>Page</u>
SECTION I	
FINANCIAL	
SCHEDULES	
SUPPLEMENTARY INFORMATION	
2	30
3	31
4	32
5	33
GENERAL FUND - QUALITY BASIC EDUCATION PROGRAMS (QBE) BY PROGRAM	
SECTION II	
COMPLIANCE AND INTERNAL CONTROL REPORTS	
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133	
SECTION III	
AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS	
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS	
SECTION IV	
FINDINGS AND QUESTIONED COSTS	
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	



SECTION I  
FINANCIAL





## DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

March 4, 2015

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

### INDEPENDENT AUDITOR'S REPORT

Ladies and Gentlemen:

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

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

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

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

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

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

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





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

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

### ***Opinions***

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

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

As described in Note 2 to the financial statements, in 2014 the Washington County Board of Education adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual, as presented on pages i through x and page 29, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Washington County Board of Education's basic financial statements. The accompanying supplementary information, consisting of Schedules 2 through 5, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.



The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2015, on our consideration of the Washington County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Washington County Board of Education's internal control over financial reporting and compliance.

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

Respectfully submitted,



Greg S. Griffin  
State Auditor

GSG:as  
2014ARL-11



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

The discussion and analysis of the Washington County Board of Education's financial performance provides an overall review of the Board's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the Board's financial performance as a whole. Readers are encouraged to review the basic financial statements, and the accompanying notes to the basic financial statements to enhance their understanding of the Board's financial performance.

## **FINANCIAL HIGHLIGHTS**

Key financial highlights for fiscal year 2014 are as follows:

- In total, net position increased \$9.3 million, which represents an increase of 20.24 percent over 2013. All of the increase is in governmental activities. The Board has no business-type activities.
- General revenues accounted for \$16.0 million. This represents 38.16 percent of all revenues. Program specific revenues in the form of grants and contributions, and charges for services accounted for \$25.26 million or 61.84 percent of total revenues.
- The Board had \$31.6 million in expenses related to governmental activities. Program specific grants and contributions, and charges for services of \$25.26 million did not cover these expenses. General revenues, primarily property taxes and sales taxes, of \$14.9 million provided additional revenue for these programs.
- Among major funds, the General Fund had \$29.08 million in revenues and \$29.92 million in expenditures. The fund balance for the General Fund decreased slightly by \$844 thousand.

## **USING THE BASIC FINANCIAL STATEMENTS**

This annual report consists of a series of financial statements: the District-wide and fund statements.

The District-wide financial statements, the Statement of Net Position and the Statement of Activities, are designed to illustrate the School District as an aggregate of its financial activities and present a longer-term view of its finances.

The next level of detail is provided by the fund financial statements. These statements reflect the short-term finances as well as the balances available for future needs. For the Washington County Board of Education, the General Fund, District-wide Capital Projects Fund and the Debt Service Fund are the most significant funds.

## **REPORTING THE BOARD AS A WHOLE (DISTRICT-WIDE)**

### **The Statement of Net Position and the Statement of Activities**

While this document includes a number of funds used by the Board to provide programs and activities, a view of the Board as a whole requires a look at all financial transactions to ask the question "How did we do financially during 2014?" The Statement of Net Position and the Statement of Activities answers this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

These two statements report the Board's net position and changes in those assets. This change in net position is important because it tells the reader whether, for the Board as a whole, the financial position of the Board has improved or diminished. The causes of this change may be a result of many factors, some financial, some not. Nonfinancial factors include statewide and local political decisions, facility conditions, required educational programs, and other factors.

The Statement of Net Position and the Statement of Activities is normally divided into two distinct types of activities, governmental and business type activities. All of the Board's activities are reflected as governmental activities. This includes instruction, pupil services, improvement of instructional services, educational media services, general administration, school administration, business administration, maintenance and operation of plant, student transportation services, other support services, food services, and interest on short-term and long-term debt.

### **REPORTING THE BOARD'S MOST SIGNIFICANT FUNDS (FUND FINANCIALS)**

The fund financial statements provide detailed information about the Board's major funds. The Board's major governmental funds are the General Fund, District-wide Capital Projects Fund, and the Debt Service Fund.

Governmental Funds - Most of the Board's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and financial assets that can readily be converted to cash. The governmental fund statements offer a short-term view of the Board's financial activities.

A reconciliation of net changes in governmental fund balances to the governmental activities changes in net position illustrate the relationships (or differences) between the governmental activities reported in the Statement of Net Position and the Statement of Activities to the governmental funds presented in the fund financial statements.

Fiduciary Funds - The Board is the trustee, or fiduciary, for assets that belong to others, such as scholarships, school clubs, and organizations within the principals' accounts. The Board is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. These activities are reported in a separate Statement of Fiduciary Net Position. The Board has excluded these activities from the District-wide financial statements because the Board cannot use these assets to finance its operations.

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

**THE BOARD AS A WHOLE**

The Statement of Net Position provides the perspective of the Board as a whole. Table 1 provides a summary of the Board's Net Position for fiscal year 2014 compared to fiscal year 2013.

**Table 1  
Net Position**

	Governmental Activities	
	Fiscal Year 2014	Fiscal Year 2013
<b>Assets</b>		
Current and Other Assets	\$ 18,628,772.51	\$ 25,779,191.74
Capital Assets, Net	<u>58,128,452.04</u>	<u>44,462,914.78</u>
<b>Total Assets</b>	<u>76,757,224.55</u>	<u>70,242,106.52</u>
<b>Liabilities</b>		
Current and Other Liabilities	5,540,371.12	4,750,801.04
Long-Term Liabilities	<u>16,037,324.77</u>	<u>19,602,340.24</u>
<b>Total Liabilities</b>	<u>21,577,695.89</u>	<u>24,353,141.28</u>
<b>Net Position</b>		
Net Investment in Capital Assets	44,458,846.90	34,024,260.65
Restricted	4,563,509.14	4,448,156.83
Unrestricted	<u>6,157,172.62</u>	<u>7,416,547.76</u>
<b>Total Net Position</b>	<u>\$ 55,179,528.66</u>	<u>\$ 45,888,965.24</u>

Total Net Position increased \$9,290,563.42 in fiscal year 2014.

Table 2 shows the changes in Net Position for fiscal year 2014 compared to the changes in Net Position for fiscal year 2013.





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

**Governmental Activities**

The Board is dependent upon operating grants and property taxes to support governmental activities. Instruction comprises 57.80 percent, Support Services 34.78 percent, Food Services 5.6 percent, and Interest 1.82 percent of government program expenses.

The State's QBE funding does not provide an adequate level of funding to provide basic education services and to adequately maintain facilities. The Board levies a millage rate of 15.249 to provide additional local funding.

The Statement of Activities details the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services for governmental activities comparing fiscal year 2014 with fiscal year 2013. 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 2014	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2013
Instruction	\$ 18,243,464.72	\$ 17,254,260.75	\$ 1,018,904.94	\$ 7,059,769.74
Support Services:				
Pupil Services	988,668.90	1,110,899.78	772,377.44	730,112.39
Improvement of Instructional Services	1,455,260.19	1,122,162.93	751,008.24	506,780.88
Educational Media Services	397,696.71	443,967.71	-4,534.29	15,936.36
General Administration	833,409.18	755,928.55	282,181.40	135,315.90
School Administration	2,175,866.29	1,931,690.41	1,360,970.28	960,394.19
Business Administration	512,163.87	501,635.53	453,948.81	466,948.68
Maintenance and Operation of Plant	2,485,926.80	2,285,084.39	679,386.46	1,330,720.68
Student Transportation Services	2,024,890.65	1,897,285.76	1,196,722.91	986,597.99
Other Support Services	103,548.59	109,794.85	44,929.56	40,742.14
Operations of Non-Instructional Services:				
Food Services	1,769,679.84	1,686,151.09	-380,961.16	46,037.71
Interest on Short-Term and Long-Term Debt	574,787.88	660,557.84	128,902.44	200,978.72
<b>Total Expenses</b>	<b>\$ 31,565,363.62</b>	<b>\$ 29,759,419.59</b>	<b>\$ 6,303,837.03</b>	<b>\$ 12,480,335.38</b>

Although program revenues make up a majority of the revenues, the Board is still dependent upon tax revenues for governmental activities.

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

**THE BOARD'S FUNDS**

The Board's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues and other financing sources of \$43.37 million and expenditures and other financing uses of \$51.11 million. The general fund reflected a decrease of \$844 thousand, the debt service fund decreased by \$5 thousand, and the District-wide capital projects funds decreased \$6.89 million. The decrease in the capital projects funds was due to the outlay of previously received construction funds. The negative change in the fund balance of the general fund indicates the Board was able to utilize the fund balance to meet current expenditures despite the shortage of revenue.

**GENERAL FUND BUDGET HIGHLIGHTS**

The Board's budget is prepared according to Georgia law. The most significant budgeted fund is the General Fund. During the course of fiscal year 2014, the Board amended its general fund budget as needed. Site-based budgeting is used by the Board and is designed to tightly control total site budgets but allow some management flexibility.

For the general fund, the final budgeted revenues of \$27.98 million increased the original budgeted amount of \$27.91 million by \$69.5 thousand. This difference was mainly due to an increase of \$314 thousand in state revenues and a decrease of \$248 thousand in federal revenues. The actual revenue was more than the budgeted amount by \$1.1 million. The majority of the variances between the final budget and actual revenue in 2014 are due to the student activity funds, on behalf payments for health and retirement that are not budgeted.

The final budgeted expenditures of \$27.98 million is less than the original budget of \$28.08 million by \$102 thousand. The difference was due to various adjustments in budgeted expenditure accounts. The actual expenditures were \$1.94 million more than the budgeted amount. The majority of the variances between the final budgeted expenditures and actual are due to underestimates in various areas, on behalf payments for health and retirement not budgeted, Student activity fund expenditures not budgeted.

General fund revenues are less than expenditures and other financing uses by \$844 thousand.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal year 2014, the Board had capital assets of \$58.1 million, net of accumulated depreciation. Table 4 shows fiscal year 2014 balances compared with fiscal year 2013 balances.

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

**Table 4**  
**Capital Assets**  
**(Net of Depreciation)**

	Governmental Activities	
	Fiscal	Fiscal
	Year 2014	Year 2013
Land	\$ 2,056,702.12	\$ 2,056,702.12
Construction In Progress	22,935,962.34	9,821,631.71
Building and Improvements	29,138,079.11	29,305,605.82
Equipment	1,683,085.71	1,794,892.55
Land Improvements	2,314,622.76	1,484,082.58
<b>Total</b>	<b>\$ 58,128,452.04</b>	<b>\$ 44,462,914.78</b>

A net decrease was made in equipment and buildings and building improvements due to depreciation exceeding any new purchases.

Partial completion of the New High School Project resulted in Construction in Progress and Land Improvements increasing by \$13.11 million and \$830 thousand, respectively, in fiscal year 2014.

**Long-Term Liabilities**

At June 30, 2014, the Board had \$15.9 million in general obligation bonds, with \$1.6 million due within one year. \$14.3 million of the general obligation bonds are in Qualified School Construction Bonds (QSCBs) with no principal payment due within one year. The Board expects to receive a 100% interest subsidy on the QSCBs subsequent to June 30, 2014. Table 5 shows fiscal year 2014 balances compared with fiscal year 2013 balances.

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

	Governmental Activities	
	Fiscal	Fiscal
	Year 2014	Year 2013
General Obligation Bonds	\$ 15,920,000.00	\$ 19,420,000.00
Bond Premiums Amortized	58,482.77	116,965.53
Compensated Absences	58,842.00	65,374.71
<b>Total</b>	<b>\$ 16,037,324.77</b>	<b>\$ 19,602,340.24</b>

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

**CURRENT FINANCIAL ISSUES AND CONCERNS**

Georgia's school systems continue to contend with the negative effects of funding shortfalls from the state. In fiscal year 2014, Washington County's state funding amount was reduced by \$1.9 million. This brings the cumulative state shortfall (since fiscal year 2003) for Washington County schools to \$15.4 million. The impact of this shortfall continues to be effectively managed by the Board. Operational costs are closely monitored and reduced when possible. Mainly through attrition, the system has reduced the number of employees, and is realizing the financial benefits of consolidated campuses. Despite the funding reductions from the state, the Board held their fiscal year 2014 Maintenance and Operations millage rate at the rollback rate, while at the same time maintaining a sufficient fund balance for increased financial security. Unlike two thirds of the systems in the state, Washington County has not implemented furlough days for its employees.

The millage rate for the Board of Education for fiscal year 2014 was 15.249 for Maintenance and Operations. This millage has been flat (or at the rollback rate) since fiscal year 2008, although adjustments to the tax digest have resulted in lowered revenues. In an effort to be responsive to taxpayer concerns surrounding property tax rates, the Board intentionally under-assessed fiscal year 2014 property taxes, opting instead to use a portion of the fund balance to fulfill expenditure requirements.

General Fund revenues were positively impacted in fiscal year 2014 by the Board's decision to implement the newly offered Community Eligibility Plan (CEP) for school food reimbursements.

This change resulted in additional revenues versus fiscal year 2013 in excess of \$400 thousand. Additionally, the General Fund received another \$400 thousand in revenues from the newly legislated Title Ad Valorem Tax bill. Despite the negative impact of this legislation on sales tax revenue, the General Fund benefited. The Board remains vigilant at controlling costs, and maintained General Fund expenditures comparable to fiscal year 2013. Year over year spending increases were attributable to state mandated increases for teacher salaries, increased Special Education costs, and increased health insurance costs due to the full implementation of the Affordable Care Act. As expected, expenditures in fiscal year 2014 exceeded revenues. Through rigorous controls, the amount of the fund balance consumed was limited to \$844 thousand. When the fiscal year 2014 millage rate was set by the Board, the amount expected to be provided from fund balance was in excess of \$2.0 million.

A bond millage of 1.627 was assessed in fiscal year 2014 for bond principal and interest. This millage covered annual principal and interest payments due on bond debt issued in 1993 for capital improvements. The issuance of the debt and the designation of property tax assessment as the repayment method were approved through a voter referendum in 1992. This was the final assessment of this millage. This debt was paid in full in December of 2013.

Sales tax collections continued their downward trend in fiscal year 2014. The state enacted legislation that provided for sales tax exemptions on agricultural purchases as well as for energy used in manufacturing. Washington County is a historically agricultural community and also has a significant industrial base. This legislation has had a downward impact on the county's sales tax revenue stream. Additionally, legislation was enacted that eliminated traditional sales tax paid on automobile purchases and replaced it with a title tax. Although additional revenue is received through this title tax on the maintenance and operations side of the ledger, sales tax revenues have decreased. Regardless of these reductions in sales tax revenues, the Board is positioned to meet its current obligations as related to capital construction and ESPLOST funded debt service.

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

Fiscal year 2014 saw the completion of the second major portion of the New High School Construction and Renovation project. In addition to the athletic facilities that were completed in 2013, the instructional facilities were substantially complete in June 2014. Students started the 2015 school year in the new facilities. This project will be fully completed in the fall of 2015 after the construction of the Theater and Fine Arts wing. Upon completion, the cost of the New High School Construction and Renovation Project is projected to be on budget at \$30.7 million. New projects are under consideration for a field house and additional building renovations at the high school, athletic field relocations, parking lots, and bus loading ramps. Preliminary estimates indicate a cost of \$10.0 million for these additional projects, which will be funded from ESPLOST revenues not required for debt service.

The Board is well positioned to satisfy its current debt obligations through the accumulation and disbursement of ESPLOST revenues. As of December 1, 2014, ESPLOST II revenues will have funded \$6.3 million in the full repayment of the tax-exempt bonds issued for the New High School project. Also in December 2014, the first of eight annual payments will be made to a sinking fund to repay the debt associated with the interest subsidized Qualified School Construction Bonds (QSCBs) issued for the same purpose. In fiscal year 2016, ESPLOST III will commence and provide revenues to continue annual deposits to the sinking fund through December 2021. Interest from a negotiated repurchase agreement on the sinking fund will provide \$1.3 million in earnings, correspondingly reducing the overall re-payment made from ESPLOST funds on the debt. Total debt service payments, including interest, for the New High School equal \$25.4 million. Total repayments from ESPLOST II and III funds will equal \$19.3 million. The balance will come from federal interest subsidies on the QSCBs and from the aforementioned interest earnings on the repurchase agreement.

Fiscal year 2015 is well underway and the financial picture for the Board continues to be mainly positive. Although austerity reductions from state funding have continued, the amount of the reduction was lower than in recent years. In fiscal year 2015, the Board funded nominal salary increases for its employees and continues to operate a full standard calendar year for students and staff. The bond debt millage was eliminated in fiscal year 2015, and a Maintenance and Operations millage rate increase equivalent to the bond debt millage decrease was approved by the Board. This action maintained a stable overall millage rate for the school system's portion of the county's millage. The increased maintenance and operations revenue of \$1.0 million will help in offsetting the continuing shortfall from state revenues and further protect the Board's fund balance. Programmatically, the Board continues to offer a progressive curriculum to the county's students in a technologically enhanced environment. Projected revenues are sufficient to cover planned expenses, and debt service funding is available to make the required principal and interest payments.

The continuing shift of the financial burden for public schooling from the state to the local taxpayers presents major challenges for small rural systems such as ours, and remains as the most significant financial concern for the Board. Although there are signs that the state funding reductions are lessening, this relief is offset by increases in operational costs, most of which are mandated by the state. Furthermore, Washington County's own tax base is flat at best, limiting expectations for revenue growth at the local level. The ability of management to recognize these factors, anticipate their impact, and react accordingly has provided for the continuation of funding for sufficient programs in state of the art facilities for the students of Washington County.

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

**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 Board's finances and to reflect the Board's accountability for the monies it receives. For additional financial information, or with questions about this report, please contact Sandra McMaster, Director of Finance and Business Operations, Washington County Board of Education, P. O. Box 716, Sandersville, Georgia 31082.

WASHINGTON COUNTY BOARD OF EDUCATION





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

EXHIBIT "A"

		<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$	10,619,571.78
Investments		4,117,099.61
Accounts Receivable, Net		
Taxes		761,430.75
State Government		2,480,119.78
Federal Government		574,222.92
Other		35,063.05
Inventories		34,802.07
Prepaid Items		6,462.55
Capital Assets, Non-Depreciable		24,992,664.46
Capital Assets, Depreciable (Net of Accumulated Depreciation)		<u>33,135,787.58</u>
 Total Assets		 <u>76,757,224.55</u>
<u>LIABILITIES</u>		
Accounts Payable		361,561.13
Salaries and Benefits Payable		3,209,921.09
Interest Payable		4,050.00
Retainages Payable		1,155,101.90
Deposits and Unearned Revenues		809,737.00
Long-Term Liabilities		
Due Within One Year		1,678,482.77
Due in More Than One Year		<u>14,358,842.00</u>
 Total Liabilities		 <u>21,577,695.89</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets		44,458,846.90
Restricted for		
Continuation of Federal Programs		242,083.56
Debt Service		2,907,932.56
Capital Projects		1,413,493.02
Unrestricted		<u>6,157,172.62</u>
 Total Net Position	 \$	 <u><u>55,179,528.66</u></u>

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

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

	EXPENSES	CHARGES FOR SERVICES
<u>GOVERNMENTAL ACTIVITIES</u>		
Instruction	\$ 18,243,464.72	\$ 551,209.65
Support Services		
Pupil Services	988,668.90	
Improvement of Instructional Services	1,455,260.19	
Educational Media Services	397,696.71	
General Administration	833,409.18	
School Administration	2,175,866.29	
Business Administration	512,163.87	
Maintenance and Operation of Plant	2,485,926.80	
Student Transportation Services	2,024,890.65	
Other Support Services	103,548.59	
Operations of Non-Instructional Services		
Food Services	1,769,679.84	41,367.51
Interest on Short-Term and Long-Term Debt	574,787.88	
Total Governmental Activities	\$ 31,565,363.62	\$ 592,577.16
General Revenues		
Taxes		
Property Taxes		
For Maintenance and Operations		
For Debt Services		
Railroad Cars		
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Capital Projects		
Other Sales Tax		
Investment Earnings		
Miscellaneous		
Total General Revenues		
Change in Net Position		
Net Position - Beginning of Year		
Net Position - End of Year		

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

EXHIBIT "B"

PROGRAM REVENUES		NET (EXPENSES)
OPERATING	CAPITAL	REVENUES
GRANTS AND	GRANTS AND	AND CHANGES IN
CONTRIBUTIONS	CONTRIBUTIONS	NET POSITION
\$ 9,235,518.64	\$ 5,903,319.49	\$ -2,553,416.94
216,291.46		-772,377.44
528,490.14	175,761.81	-751,008.24
402,231.00		4,534.29
625,560.73		-207,848.45
814,896.01		-1,360,970.28
199,606.51	51,169.42	-261,387.94
1,243,204.73	892,452.24	-350,269.83
1,285,091.93	154,440.00	-585,358.72
58,619.03		-44,929.56
2,171,477.21	264,933.64	708,098.52
445,885.44		-128,902.44
<u>\$ 17,226,872.83</u>	<u>\$ 7,442,076.60</u>	<u>-6,303,837.03</u>
		10,774,216.66
		1,091,951.40
		52,738.85
		2,911,239.24
		79,476.72
		39,293.92
		<u>645,483.66</u>
		<u>15,594,400.45</u>
		9,290,563.42
		<u>45,888,965.24</u>
		\$ <u>55,179,528.66</u>

WASHINGTON COUNTY BOARD OF EDUCATION  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014

EXHIBIT "C"

	GENERAL FUND	DISTRICT- WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 7,484,165.62	\$ 248,839.55	\$ 2,886,566.61	\$ 10,619,571.78
Investments		4,117,099.61		4,117,099.61
Accounts Receivable, Net				
Taxes	494,693.97	233,461.30	33,275.48	761,430.75
State Government	1,670,382.78	809,737.00		2,480,119.78
Federal Government	574,222.92			574,222.92
Other	35,063.05			35,063.05
Inventories	34,802.07			34,802.07
Prepaid Items	6,462.55			6,462.55
Total Assets	\$ 10,299,792.96	\$ 5,409,137.46	\$ 2,919,842.09	\$ 18,628,772.51
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 361,561.13			\$ 361,561.13
Salaries and Benefits Payable	3,209,921.09			3,209,921.09
Retainages Payable		\$ 1,155,101.90		1,155,101.90
Deposits and Unearned Revenue		809,737.00		809,737.00
Total Liabilities	3,571,482.22	1,964,838.90		5,536,321.12
 <u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable Revenue - Property Taxes	132,449.40		\$ 7,859.53	140,308.93
 <u>FUND BALANCES</u>				
Nonspendable	41,264.62			41,264.62
Restricted	207,281.49	3,444,298.56	2,911,982.56	6,563,562.61
Assigned	1,397,295.16			1,397,295.16
Unassigned	4,950,020.07			4,950,020.07
Total Fund Balances	6,595,861.34	3,444,298.56	2,911,982.56	12,952,142.46
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 10,299,792.96	\$ 5,409,137.46	\$ 2,919,842.09	\$ 18,628,772.51

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

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

EXHIBIT "D"

Total Fund Balances - Governmental Funds (Exhibit "C") \$ 12,952,142.46

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

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

Land	\$	2,056,702.12	
Construction in Progress		22,935,962.34	
Land Improvements		2,794,798.71	
Buildings		37,639,488.24	
Equipment		5,858,708.85	
Accumulated Depreciation		<u>-13,157,208.22</u>	
Total Capital Assets			58,128,452.04

Taxes that are not available to pay for current period expenditures are deferred in the governmental funds. 140,308.93

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

Long-Term Liabilities at year-end consist of:

Bonds Payable	\$	-15,920,000.00	
Accrued Interest Payable		-4,050.00	
Compensated Absences Payable		-58,842.00	
Bond Premiums, Net of Amortization		<u>-58,482.77</u>	
Total Long-Term Liabilities			<u>-16,041,374.77</u>

Net Position of Governmental Activities (Exhibit "A") \$ 55,179,528.66

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

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

EXHIBIT "E"

	<u>GENERAL FUND</u>	<u>DISTRICT- WIDE CAPITAL PROJECTS FUND</u>	<u>DEBT SERVICE FUND</u>	<u>TOTAL</u>
<u>REVENUES</u>				
Property Taxes	\$ 10,815,281.68		\$ 1,103,944.29	\$ 11,919,225.97
Sales Taxes	69,777.13	\$ 2,911,239.24	9,699.59	2,990,715.96
State Funds	12,824,083.73	7,287,636.60		20,111,720.33
Federal Funds	4,111,343.66		445,885.44	4,557,229.10
Charges for Services	592,577.16			592,577.16
Investment Earnings	21,562.89	17,731.03		39,293.92
Miscellaneous	645,483.66			645,483.66
	<u>29,080,109.91</u>	<u>10,216,606.87</u>	<u>1,559,529.32</u>	<u>40,856,246.10</u>
<u>EXPENDITURES</u>				
Current				
Instruction	17,418,335.38			17,418,335.38
Support Services				
Pupil Services	988,668.90			988,668.90
Improvement of Instructional Services	1,460,479.92			1,460,479.92
Educational Media Services	397,696.71			397,696.71
General Administration	833,409.18			833,409.18
School Administration	2,175,866.29			2,175,866.29
Business Administration	504,854.79			504,854.79
Maintenance and Operation of Plant	2,358,448.24			2,358,448.24
Student Transportation Services	1,951,405.16			1,951,405.16
Other Support Services	103,548.59			103,548.59
Food Services Operation	1,731,836.51			1,731,836.51
Capital Outlay		14,586,451.86		14,586,451.86
Debt Services				
Principal			3,500,000.00	3,500,000.00
Dues and Fees			2,040.00	2,040.00
Interest			578,760.38	578,760.38
	<u>29,924,549.67</u>	<u>14,586,451.86</u>	<u>4,080,800.38</u>	<u>48,591,801.91</u>
Excess of Revenues under Expenditures	<u>-844,439.76</u>	<u>-4,369,844.99</u>	<u>-2,521,271.06</u>	<u>-7,735,555.81</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In			2,515,820.00	2,515,820.00
Transfers Out		-2,515,820.00		-2,515,820.00
		<u>-2,515,820.00</u>	<u>2,515,820.00</u>	<u>0.00</u>
Net Change in Fund Balances	-844,439.76	-6,885,664.99	-5,451.06	-7,735,555.81
Fund Balances - Beginning	<u>7,440,301.10</u>	<u>10,329,963.55</u>	<u>2,917,433.62</u>	<u>20,687,698.27</u>
Fund Balances - Ending	<u>\$ 6,595,861.34</u>	<u>\$ 3,444,298.56</u>	<u>\$ 2,911,982.56</u>	<u>\$ 12,952,142.46</u>

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

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

EXHIBIT "F"

Total Net Change in Fund Balances - Governmental Funds (Exhibit "E") \$ -7,735,555.81

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	\$ 14,813,986.23	
Depreciation Expense	-1,148,448.97	
Excess of Capital Outlay over Depreciation Expense		13,665,537.26

Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. -319.06

Bond issuance costs, deferred gains on refundings and similar items when debt is first issued are reported as an expenditure in Governmental Funds, but are reported as deferred charges on the Statement of Net Position and amortized over the term of the debt, using the straight-line method. The details of this difference in the current period are as follows:

Amortization of Bond Issuance Costs		-210,126.94
-------------------------------------	--	-------------

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		3,500,000.00
----------------------------	--	--------------

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

Net Increase (Decrease) in Accrued Interest on Issuance of Bonds	\$ 6,012.50	
Increase (Decrease) in Compensated Absences	6,532.71	
Amortization of Bond Premiums	58,482.76	
Total Additional Expenditures		71,027.97

Change in Net Position of Governmental Activities (Exhibit "B") \$ 9,290,563.42



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

EXHIBIT "G"

	PRIVATE PURPOSE TRUSTS	AGENCY FUNDS
<u>ASSETS</u>		
Cash and Cash Equivalents		\$ 93,455.21
Investments	\$ 45,437.70	26,713.43
	45,437.70	120,168.64
Total Assets	45,437.70	\$ 120,168.64
<u>LIABILITIES</u>		
Funds Held for Others		\$ 120,168.64
		120,168.64
<u>NET POSITION</u>		
Held in Trust for Private Purposes	\$ 45,437.70	

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

WASHINGTON COUNTY BOARD OF EDUCATION  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2014

EXHIBIT "H"

	<u>PRIVATE PURPOSE TRUSTS</u>
<u>ADDITIONS</u>	
Investment Earnings	
Interest	\$ <u>90.88</u>
<u>DEDUCTIONS</u>	
Scholarships	<u>90.88</u>
Change in Net Position	0.00
Net Position - Beginning	<u>45,437.70</u>
 Net Position - Ending	 \$ <u><u>45,437.70</u></u>

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

(This page left intentionally blank)

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

**REPORTING ENTITY**

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

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**BASIS OF PRESENTATION**

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

**District-wide Statements:**

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

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

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

**Fund Financial Statements:**

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

The School District reports the following major governmental funds:

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

The School District reports the following fiduciary fund types:

- Private Purpose Trust funds report trust arrangements under which principal and income benefit scholarships for selected students.
- Agency funds account for assets held by the School District as an agent for various funds, governments or individuals.

### **BASIS OF ACCOUNTING**

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

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

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

### **NEW ACCOUNTING PRONOUNCEMENTS**

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

### **FUTURE ACCOUNTING PRONOUNCEMENTS**

In fiscal year 2015, the School District will adopt Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. The provisions of this Statement establish accounting and financial reporting standards for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts. Implementation of this Statement will require the School District to record a liability for

its proportionate share of the Net Pension Liability of pension plans in which it participates. Actuarial estimates are currently being made to determine the School District's liability, the effects of which are believed to be material.

## **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 risks, custodial credit risks, concentration of credit risks, interest rate risks, or foreign currency risks.

## **RECEIVABLES**

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

## **PROPERTY TAXES**

The Washington County Board of Commissioners adopted the property tax levy for the 2013 tax digest year (calendar year) on September 12, 2013 (levy date) based on property values as of January 1, 2013. Taxes were due on December 10, 2013 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2013 tax digest are reported as revenue in the governmental funds for fiscal year 2014. The Washington County Tax Commissioner bills and

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

EXHIBIT "I"

collects the property taxes for the School District, withholds 2.5% of taxes collected as a fee for tax collection and remits the balance of taxes collected to the School District. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2014, for maintenance and operations amounted to \$10,333,027.99 and for school bonds amounted to \$1,103,944.29.

Tax millage rates levied for the 2013 tax year (calendar year) for the Washington County Board of Education were as follows (a mill equals \$1 per thousand dollars of assessed value):

School Operations	15.249 mills
School Bonds	<u>1.627</u> mills
	<u>16.876</u> mills

Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to \$429,514.84 during fiscal year ended June 30, 2014.

### SALES TAXES

Education Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to \$2,911,239.24 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.

### PREPAID ITEMS

Payments made to vendors for services that will benefit periods subsequent to June 30, 2014, are recorded as prepaid items.

### CAPITAL ASSETS

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

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

		Capitalization Policy	Estimated Useful Life
Land		All	N/A
Land Improvements	\$	5,000.00	up to 50 years
Buildings and Improvements		5,000.00	up to 80 years
Equipment		5,000.00	3 to 20 years
Intangible Assets		300,000.00	10 to 20 years

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

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

**DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

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

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

**COMPENSATED ABSENCES**

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

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

**GENERAL OBLIGATION BONDS**

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



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

#### NET POSITION

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

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

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

#### FUND BALANCES

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

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

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

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

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

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

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

EXHIBIT "I"

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

Nonspendable		
Inventories	\$ 34,802.07	
Prepaid Assets	6,462.55	\$ 41,264.62
Restricted		
Continuation of Federal Programs	207,281.49	
Capital Projects	3,444,298.56	
Debt Service	2,911,982.56	6,563,562.61
Assigned		
Contracts	1,161,231.16	
School Activity Accounts	185,141.07	
Self-Insurance	50,922.93	1,397,295.16
Unassigned		4,950,020.07
Fund Balance, June 30, 2014		\$ 12,952,142.46

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 and debt service funds. There is no statutory prohibition regarding over expenditure of the budget at any level. The budget for all governmental funds is prepared and adopted by fund and function. The legal level of budgetary control was established by the Board at the function level. The budget for the General Fund was prepared in accordance with accounting principles generally accepted in the United States of America.

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

The Superintendent is authorized by the Board to approve adjustments in any budget function for any fund. Any position or expenditure not previously approved in the annual budget that exceeds \$30,000.00 shall require Board approval unless the Superintendent deems the position or purchase an emergency. In such case, the expenditure shall be reported to the Board within 48 hours of the purchase. Revenues and Expenditures versus budget are reviewed at each monthly Board Meeting.

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

**NOTE 4: DEPOSITS AND INVESTMENTS**

**COLLATERALIZATION OF DEPOSITS**

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

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

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

**CATEGORIZATION OF DEPOSITS**

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At June 30, 2014, the School District had deposits with a carrying amount of \$10,785,178.12, which includes \$72,151.13 in Certificates of Deposit that are reported as Investments in Fiduciary Funds, and a bank balance of \$11,962,268.62. The bank balances insured by Federal depository insurance were \$723,721.61.

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.

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

EXHIBIT "I"

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

Custodial Credit Risk Category	Bank Balance
1	\$ 220,310.77
2	0.00
3	11,018,256.24
Total	\$ 11,238,567.01

The uncollateralized balance was the result of deposits wired into the School District's general operating account within ten days from the fiscal year-end and is not considered a violation of O.C.G.A Section 45-8-12.

**CATEGORIZATION OF INVESTMENTS**

At June 30, 2014, the carrying value of the School District's total investments was \$4,117,099.61, which is materially the same as fair value. This investment consisted entirely of funds invested in the Georgia Fund 1 (local government investment pool) administered by the State of Georgia, Office of the State Treasurer, which is not required to be categorized since the School District did not own any specific identifiable securities in the pool. The investment policy of the State of Georgia, Office of the State Treasurer, for the Georgia Fund 1 (Primary Liquidity Portfolio) does not provide for investment in derivatives or similar investments. Additional information on the Georgia Fund 1 is disclosed in the *State of Georgia* Comprehensive Annual Financial Report. This audit can be obtained from the Georgia Department of Audits and Accounts at <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. The investment is valued at the pool's share price, \$1.00 per share. The pool is an AAf rated investment pool by Standard and Poor's. The weighted average maturity for Georgia Fund 1 on June 30, 2014, was 62 days.

**NOTE 5: NON-MONETARY TRANSACTIONS**

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

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

EXHIBIT "I"

**NOTE 6: CAPITAL ASSETS**

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

	Balances July 1, 2013	Increases	Decreases	Transfers	Balances June 30, 2014
Governmental Activities					
Capital Assets, Not Being Depreciated:					
Land	\$ 2,056,702.12				\$ 2,056,702.12
Construction in Progress	9,821,631.71	\$ 14,459,518.70	\$ 0.00	\$ -1,345,188.07	22,935,962.34
Total Capital Assets Not Being Depreciated	11,878,333.83	14,459,518.70	0.00	-1,345,188.07	24,992,664.46
Capital Assets Being Depreciated					
Buildings and Improvements	37,105,169.19	123,453.10		410,865.95	37,639,488.24
Equipment	5,634,877.17	230,682.68	6,851.00		5,858,708.85
Land Improvements	1,860,144.84	331.75		934,322.12	2,794,798.71
Less Accumulated Depreciation for:					
Buildings and Improvements	7,799,563.37	701,845.76			8,501,409.13
Equipment	3,839,984.62	342,489.52	6,851.00		4,175,623.14
Land Improvements	376,062.26	104,113.69			480,175.95
Total Capital Assets, Being Depreciated, Net	32,584,580.95	-793,981.44	0.00	1,345,188.07	33,135,787.58
Governmental Activity Capital Assets - Net	\$ 44,462,914.78	\$ 13,665,537.26	\$ 0.00	\$ 0.00	\$ 58,128,452.04

Current year depreciation expense by function is as follows:

Instruction		\$	754,054.51
Support Services	\$		
Improvements of Instructional Services			22,424.12
Business Administration			6,528.32
Maintenance and Operation of Plant			113,861.23
Student Transportation Services			217,779.91
Food Services			33,800.88
		\$	1,148,448.97

**NOTE 7: INTERFUND TRANSFERS**

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

<u>Transfer to</u>	<u>Transfers From</u>
	District-wide Capital Projects
Debt Service Fund	\$ 2,515,820.00

Transfers are used to move ESPLOST revenue to the Debt Service Fund for the payment of bonds.

**NOTE 8: RISK MANAGEMENT**

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

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

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

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

	Beginning of Year Liability	Claims and Changes in Estimates	Claims Paid	End of Year Liability
2013	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
2014	\$ 0.00	\$ 123.83	\$ 0.00	\$ 123.83

The School District participates in the Georgia Education Workers' Compensation Trust, a public entity risk pool organized on December 1, 1991, 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 Trust for its general worker's compensation insurance coverage. Specific excess of

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

EXHIBIT "I"

loss insurance coverage is provided through an agreement by the Trust with the Safety National Casualty Company to provide coverage for potential losses sustained by the Trust in excess of \$1 million loss per occurrence, up to the statutory limit. Employers' Liability insurance coverage is also provided with limits of \$2 million. The Trust covers the first \$1 million of each Employers liability claim with Safety National providing additional Employers Liability limits up to a \$2 million per occurrence maximum. Safety National Casualty Company also provides \$2 million in aggregate coverage to the Trust, attaching at 110% of the loss fund and based on the Fund's annual normal premium.

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

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

**NOTE 9: LONG-TERM LIABILITIES**

**COMPENSATED ABSENCES**

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

**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 2011A	2.0% - 3.0%	\$ 1,620,000.00
General Government - Series 2011B (QSCB)	3.36%	<u>14,300,000.00</u>
		<u>\$ 15,920,000.00</u>

Voters have authorized \$7,290,000.00 in general obligation debt for capital outlay purposes which was not issued as of June 30, 2014.

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

	<u>Governmental Activities</u>				
	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2014</u>	<u>Due Within One Year</u>
G. O. Bonds	\$ 19,420,000.00		\$ 3,500,000.00	\$ 15,920,000.00	\$ 1,620,000.00
Compensated Absences (1)	65,374.71	\$ 81,329.57	87,862.28	58,842.00	
Bond Premiums Amortized	<u>116,965.53</u>		<u>58,482.76</u>	<u>58,482.77</u>	<u>58,482.77</u>
	<u>\$ 19,602,340.24</u>	<u>\$ 81,329.57</u>	<u>\$ 3,646,345.04</u>	<u>\$ 16,037,324.77</u>	<u>\$ 1,678,482.77</u>

(1) The portion of Compensated Absences due within one year has been determined to be immaterial to the basic financial statements.



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

EXHIBIT "I"

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

<u>Fiscal Year Ended June 30:</u>	<u>General Obligation Debt</u>		<u>Unamortized</u>
	<u>Principal</u>	<u>Interest</u>	<u>Bond Premium</u>
2015	\$ 1,620,000.00	\$ 504,780.00	\$ 58,482.77
2016		480,480.00	
2017		480,480.00	
2018		480,480.00	
2019		480,480.00	
2020 - 2022	<u>14,300,000.00</u>	<u>1,201,200.00</u>	
Total Principal and Interest	<u>\$ 15,920,000.00</u>	<u>\$ 3,627,900.00</u>	<u>\$ 58,482.77</u>

In fiscal year 2012, the Washington County Board of Education sold \$14,300,000.00 of Qualified School Construction Bonds (QSCBS) for the purpose of constructing a new High School in the School District. Under Federal Law, these bonds are eligible to receive an interest subsidy from the U.S. Government which will materially offset the School District's liability to make full interest debt service amortization payments as scheduled. To qualify for this subsidy the School District is required to periodically file appropriate documents with the Internal Revenue Service. The amount of interest due on the QSCBS bonds included in the above schedule is \$3,603,600.00. The School District plans to receive 100% interest subsidy from the U.S. Government subsequent to June 30, 2014.

On August 5, 2013, the Board entered into a Repurchase Agreement with Deutsche Bank Securities, Inc. and US Bank, N.A. for the required sinking fund deposits on the \$14,300,000.00 Series 2011B QSCB Bond Debt payable in 2021. Under the agreement, annual deposits will be made into the sinking fund and will earn a guaranteed interest rate of 2.865%. The deposits will be fully collateralized with cash at 100% and/or eligible securities at 103%. The first defined deposit into the sinking fund of \$870,000.00 was made in December of 2014. Subsequent deposits will be made in December of each year. The accumulated balance in the sinking fund, including interest earnings, will repay the debt in full in December of 2021.

**NOTE 10: ON-BEHALF PAYMENTS**

The School District has recognized revenues and costs in the amount of \$1,590,658.50 for health insurance and retirement contributions paid on the School District's behalf by the following State Agencies.

- Georgia Department of Education
  - Paid to the Georgia Department of Community Health
    - For Health Insurance of Certificated Personnel
      - In the amount of \$1,534,512.00
    - Paid to the Teachers' Retirement System of Georgia
      - For Teachers' Retirement System (TRS) Employer's Cost
        - In the amount of \$2,171.50
- 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 \$53,975.00



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

**NOTE 11: SIGNIFICANT COMMITMENTS**

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

Project	Unearned Executed Contracts
New Washington County High School Complex	\$ <u>3,624,066.66</u>

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

**NOTE 12: SIGNIFICANT CONTINGENT LIABILITIES**

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

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

**NOTE 13: POST-EMPLOYMENT BENEFITS**

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

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

**Funding Policy.** The contribution requirements of plan members and participating employers are established by the Board in accordance with the current Appropriations Act and may be amended by the Board. Contributions of plan members or beneficiaries receiving benefits vary based on plan election, dependent coverage, and Medicare eligibility and election. For members with fewer than five years of service as of January 1, 2012, contributions also vary based on years of service. On average, members with five years or more of service as of January 1, 2012, pay approximately 25 percent of the cost of the health insurance coverage. In accordance with the Board resolution dated December 8, 2011, for members with fewer than five years of service as of January 1, 2012, the State provides a premium subsidy in retirement that ranges from 0% for fewer than 10 years of service to 75% (but no greater than the subsidy percentage offered to active employees) for 30 or more years of service. The subsidy for eligible dependents ranges from 0% to 55% (but no greater than the subsidy percentage offered to dependents of active employees minus 20%). No subsidy is available to

Medicare eligible members not enrolled in a Medicare Advantage Option. The Board of Community Health sets all member premiums by resolution and in accordance with the law and applicable revenue and expense projections. Any subsidy policy adopted by the Board may be changed at any time by Board resolution and does not constitute a contract or promise of any amount of subsidy.

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

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

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

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

**For non-certificated school personnel:**

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

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

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

Fiscal Year	Percentage Contributed	Required Contribution
2014	100%	\$ 2,044,980.00
2013	100%	\$ 2,604,915.38
2012	100%	\$ 2,662,322.52

**NOTE 14: RETIREMENT PLANS**

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

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

On October 25, 1996, the Board created the Supplemental Retirement Benefits Plan of the Georgia Teachers' Retirement System (SRBP-TRS). SRBP-TRS was established as a qualified excess benefit plan in accordance with Section 415 of the Internal Revenue Code (IRC) as a portion of TRS. The purpose of SRBP-TRS is to provide retirement benefits to employees covered by TRS whose benefits

are otherwise limited by IRC Section 415. Beginning July 1, 1997, all members and retired former members in TRS are eligible to participate in the SRBP-TRS whenever their benefits under TRS exceed the IRC Section 415 imposed limitation on benefits.

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

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

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

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

Fiscal Year	Percentage Contributed	Required Contribution
2014	100%	\$ 1,973,271.50
2013	100%	\$ 1,810,142.95
2012	100%	\$ 1,682,505.01

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

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

**DEFINED CONTRIBUTION PLAN**

In 1982 the Washington County Board of Education began a tax deferred annuity plan under Internal Revenue Code Section 403(b) for its employees. This plan was established in order to provide retirement benefits in lieu of Social Security,

The Board selected Lincoln National Life (Lincoln Alliance) as the provider of this plan from 1986 until currently. Certain contributions are required of all employees and are based on a percentage of earnings. For full-time employees, the employee and the Board contribute equally to the plan. All employees may contribute additional amounts on a voluntary basis as a pre-tax contribution or an after-tax Roth contribution.

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

EXHIBIT "I"

Full-time employees become vested in the board's contributions to the plan upon completing three years of service. Employee contributions are always vested. If an employee terminates before becoming vested, the Board's contributions and earnings are forfeited. Annually the accumulated forfeited balances are redistributed as a contribution to the accounts of active and vested employees of the Board.

Employee-required contributions and earnings are available to the employee upon termination of service. Employee voluntary contributions are available upon reaching 59.5 or termination of service, and under which certain circumstances, are available as loans or hardship distributions while employed.

Employer contributions and earnings are available to the employee upon termination of service, but are only available in the form of a periodic retirement income payment such as a life-time annuity.

Fiscal Year	Percentage Contributed	Required Contribution
2014	100%	\$ 971,625.60
2013	100%	\$ 959,131.96
2012	100%	\$ 987,621.30

(This page left intentionally blank)

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

SCHEDULE "1"

	NONAPPROPRIATED BUDGETS		ACTUAL AMOUNTS	VARIANCE OVER/UNDER
	ORIGINAL (1)	FINAL (1)		
<b>REVENUES</b>				
Property Taxes	\$ 12,825,583.00	\$ 12,825,583.18	\$ 10,815,281.68	\$ -2,010,301.50
Sales Taxes	5,000.00	5,000.00	69,777.13	64,777.13
State Funds	12,345,403.77	12,659,796.00	12,824,083.73	164,287.73
Federal Funds	2,656,314.38	2,407,937.14	4,111,343.66	1,703,406.52
Charges for Services			592,577.16	592,577.16
Investment Earnings	20,000.00	20,000.00	21,562.89	1,562.89
Miscellaneous	58,867.95	62,367.95	645,483.66	583,115.71
	<u>27,911,169.10</u>	<u>27,980,684.27</u>	<u>29,080,109.91</u>	<u>1,099,425.64</u>
<b>EXPENDITURES</b>				
Current				
Instruction	17,225,527.33	17,063,168.12	17,418,335.38	-355,167.26
Support Services				
Pupil Services	1,086,036.72	1,083,090.46	988,668.90	94,421.56
Improvement of Instructional Services	1,570,790.13	1,432,761.05	1,460,479.92	-27,718.87
Educational Media Services	433,689.29	433,689.29	397,696.71	35,992.58
General Administration	816,841.48	814,499.48	833,409.18	-18,909.70
School Administration	2,133,400.87	2,133,400.87	2,175,866.29	-42,465.42
Business Administration	523,944.99	523,944.99	504,854.79	19,090.20
Maintenance and Operation of Plant	2,640,792.18	2,640,792.18	2,358,448.24	282,343.94
Student Transportation Services	1,520,751.72	1,734,211.02	1,951,405.16	-217,194.14
Central Support Services	2,999.81	2,999.81		2,999.81
Other Support Services	129,373.76	119,127.00	103,548.59	15,578.41
Food Services Operation			1,731,836.51	-1,731,836.51
	<u>28,084,148.28</u>	<u>27,981,684.27</u>	<u>29,924,549.67</u>	<u>-1,942,865.40</u>
Net Change in Fund Balances	-172,979.18	-1,000.00	-844,439.76	-843,439.76
Fund Balances - Beginning	7,436,036.48	7,430,653.10	7,440,301.10	9,648.00
Adjustments	67,456.33	2,919.03		-2,919.03
Fund Balances - Ending	<u>\$ 7,330,513.63</u>	<u>\$ 7,432,572.13</u>	<u>\$ 6,595,861.34</u>	<u>\$ -836,710.79</u>

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

- (1) Original and Final Budget amounts do not include the budgeted revenues or expenditures of the various principal accounts, or revenues or expenditures for health insurance and retirement contributions paid on the School District's behalf. The actual revenues and expenditures of the various principal accounts are \$908,740.27 and \$883,989.56, respectively.

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.

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

SCHEDULE "2"

FUNDING AGENCY PROGRAM/GRANT	CFDA NUMBER	PASS- THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD
Agriculture, U. S. Department of			
Child Nutrition Cluster			
Pass-Through From Georgia Department of Education			
Food Services			
School Breakfast Program	* 10.553	N/A	(2)
National School Lunch Program	* 10.555	N/A	\$ 1,616,351.93 (1)
Total Child Nutrition Cluster			<u>1,616,351.93</u>
Education, U. S. Department of			
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Grants to States	* 84.027	N/A	562,764.00
Preschool Grants	* 84.173	N/A	<u>23,571.00</u>
Total Special Education Cluster			<u>586,335.00</u>
Title I, Part A			
Pass-Through From Georgia Department of Education			
Title I Grants to Local Educational Agencies	84.010	N/A	<u>1,330,512.29</u>
Other Programs			
Pass-Through From Georgia Department of Education			
ARRA - Race-to-the-Top Incentive Grants	84.395	N/A	6,436.95
Career and Technical Education - Basic Grants to States	84.048	N/A	30,222.88
English Language Acquisition Grants	84.365	N/A	2,997.18
Improving Teacher Quality State Grants	84.367	N/A	225,465.00
Rural Education	84.358	N/A	<u>58,305.00</u>
Total Other Programs			<u>323,427.01</u>
Total U. S. Department of Education			<u>2,240,274.30</u>
Labor, U. S. Department of			
Workforce Investment Act Cluster			
Pass-Through From East Central Georgia Consortium			
Workforce Investment Act Youth Activities	17.259	N/A	<u>33,837.00</u>
Defense, U. S. Department of			
Direct			
Department of the Air Force			
R.O.T.C. Program			<u>57,293.19</u>
Total Expenditures of Federal Awards			<u>\$ 3,947,756.42</u>

N/A = Not Available

Notes to the Schedule of Expenditures of Federal Awards

- (1) Includes the Federally assigned value of donated commodities for the Food Donation Program in the amount of \$131,503.81.
- (2) Expenditures for the funds earned on the School Breakfast Program (\$463,758.12) were not maintained separately and are included in the 2014 National School Lunch Program.

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

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

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the Washington County Board of Education and is presented on the modified accrual basis of accounting which is the basis of accounting used in the presentation of the fund financial statements.

See notes to the basic financial statements.

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

SCHEDULE "3"

AGENCY/FUNDING	GOVERNMENTAL FUND TYPES		TOTAL
	GENERAL FUND	CAPITAL PROJECTS FUND	
<b>GRANTS</b>			
Bright From the Start:			
Georgia Department of Early Care and Learning			
Pre-Kindergarten Program	\$ 262,898.43		\$ 262,898.43
Communities in Schools Georgia			
Pass-Through Funds to Local Communities in Schools Organizations			
Washington County Family Connections and Communities in Schools	37,547.04		37,547.04
Education, Georgia Department of			
Quality Basic Education (1)			
Direct Instructional Cost			
Kindergarten Program	1,129,389.00		1,129,389.00
Primary Grades (1-3) Program	2,499,671.00		2,499,671.00
Upper Elementary Grades (4-5) Program	1,079,684.00		1,079,684.00
Middle School (6-8) Program	1,778,719.00		1,778,719.00
High School General Education (9-12) Program	1,627,675.00		1,627,675.00
Vocational Laboratory (9-12) Program	396,190.00		396,190.00
Students with Disabilities	1,986,414.00		1,986,414.00
Gifted Student - Category VI	318,991.00		318,991.00
Remedial Education Program	71,295.00		71,295.00
Alternative Education Program	126,637.00		126,637.00
English Speakers of Other Languages (ESOL)	7,776.00		7,776.00
Media Center Program	315,206.00		315,206.00
20 Days Additional Instruction	97,833.00		97,833.00
Staff and Professional Development	56,408.00		56,408.00
Indirect Cost			
Central Administration	429,827.00		429,827.00
School Administration	605,283.00		605,283.00
Facility Maintenance and Operations	706,715.00		706,715.00
Mid-term Adjustment Hold-Harmless	23,662.00		23,662.00
Amended Formula Adjustment	-1,827,019.00		-1,827,019.00
Categorical Grants			
Pupil Transportation			
Regular	595,525.00		595,525.00
Nursing Services	59,231.00		59,231.00
Vocational Supervisors	13,367.00		13,367.00
Other State Programs			
Food Services	52,431.00		52,431.00
Math and Science Supplements	6,324.53		6,324.53
Preschool Handicapped Program	54,979.00		54,979.00
Pupil Transportation - State Bonds	154,440.00		154,440.00
Teachers' Retirement	2,171.50		2,171.50
Technology to Support Digital Learning Bonds	19,000.00		19,000.00
Vocational Education	36,838.23		36,838.23
Georgia State Financing and Investment			
Commission			
Reimbursement on Construction Projects		7,287,636.60	7,287,636.60
Human Resources, Georgia Department of			
Family Connection	45,000.00		45,000.00
Office of the State Treasurer			
Public School Employees' Retirement	53,975.00		53,975.00
	<u>\$ 12,824,083.73</u>	<u>\$ 7,287,636.60</u>	<u>\$ 20,111,720.33</u>

(1) Payments to the Georgia Department of Community Health by the Georgia Department of Education on behalf of the School District in the amount of \$1,534,512.00 are included as part of the Quality Basic Education revenue allotments above.

See notes to the basic financial statements.



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

SCHEDULE "4"

PROJECT 2007-2011 ESPLOST	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3) (4)	AMOUNT EXPENDED IN PRIOR YEARS (3) (4) (6)	TOTAL COMPLETION COST	EXCESS PROCEEDS NOT EXPENDED	ESTIMATED COMPLETION DATE
<p>The acquisition, construction, equipping and furnishing of new school buildings and facilities, including, but not limited to, a new primary/elementary school complex; the addition, renovation, repair, improvement and equipping of existing school buildings and facilities; the demolition and destruction of existing school buildings and facilities; the addition, renovation, repair, paving and improvement to driveways and parking facilities; the acquisition and purchase of any property necessary and desirable therefore, both real and personal, including, but not limited to, administrative and instructional technology equipment, computer hardware and software, safety and security equipment and transportation and maintenance vehicles and equipment; and the purchase of land</p>							
Project #2							
Unexpended Funds Remaining (5)	\$ 0.00	\$ 287,170.72	\$ 0.00	\$ 0.00	\$ 0.00	\$ 287,170.72	12/31/2021

PROJECT 2011-2015 ESPLOST

The (i) acquisition, construction, equipping and furnishing of a new high school, including related physical education and athletic facilities, (ii) the demolition and destruction of existing school buildings and facilities, (iii) the addition, renovation, repair, improvement and equipping of existing school buildings and facilities, including paving and improvement to driveways and parking facilities, (iv) the acquisition and purchase of any property necessary and desirable therefore, both real and personal, including, but not limited to, administrative and instructional technology equipment, computer hardware and software, safety and security equipment, (v) the acquisition of textbooks, vocational and fine arts equipment, (vi) the purchase of land, and (vii) purchasing school buses and transportation equipment

Project #1							
New High School Complex	\$ 23,000,000.00	\$ 30,056,083.00	\$ 14,586,451.86	\$ 11,602,924.09	\$ 0.00	\$ 3,866,707.05	12/31/2016

- (1) The School District's original funding estimate as specified in the resolution calling for the imposition of the Local Option Sales Tax. This is the maximum amount to be contributed to the total project cost from this ESPLOST.
- (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 Washington 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	\$ 918,207.52
Current Year	565,155.00
Total	\$ 1,483,362.52

Of the Total Interest stated above, \$1,128,353.89 has been reimbursed from Federal Funds.

- (5) The unexpended funds remaining are available for use as approved in the original referendum. Any funds not required for those expenditures will be used to satisfy future debt service payments.
- (6) The amount shown in the "Amount Expended in Prior Years" column does not tie to the amount reported in the prior year audit report due to the current year restatement of project costs. In prior fiscal years, interest expense was included with the actual project costs. For the current fiscal year, the interest expense is reported in footnote 4 on this Schedule.

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

SCHEDULE "5"

DESCRIPTION	ALLOTMENTS FROM GEORGIA DEPARTMENT OF EDUCATION (1) (2) (3)			ELIGIBLE QBE PROGRAM COSTS		
				SALARIES	OPERATIONS	TOTAL
Direct Instructional Programs						
Kindergarten Program	\$	1,438,355.00	\$	947,412.03	\$ 1,614.93	\$ 949,026.96
Kindergarten Program-Early Intervention Program				15,849.26		15,849.26
Primary Grades (1-3) Program		3,184,730.00		2,630,528.12	69,528.76	2,700,056.88
Primary Grades-Early Intervention (1-3) Program				46,167.71		46,167.71
Upper Elementary Grades (4-5) Program		1,362,872.00		1,292,844.81	58,752.81	1,351,597.62
Upper Elementary Grades-Early Intervention (4-5) Program				17,367.94		17,367.94
Middle School (6-8) Program		2,282,750.00		2,390,286.93	58,995.41	2,449,282.34
High School General Education (9-12) Program		2,083,300.00		2,855,257.38	115,583.94	2,970,841.32
Vocational Laboratory (9-12) Program		512,690.00		563,006.18	29,410.64	592,416.82
Students with Disabilities		2,531,280.00				
Category I					436.86	436.86
Category II				303,021.31		303,021.31
Category III				1,572,909.36	238.56	1,573,147.92
Gifted Student - Category VI		400,053.00		262,711.32	361.64	263,072.96
Remedial Education Program		93,913.00		108,406.36		108,406.36
Alternative Education Program		165,259.00		300,904.61	1,056.16	301,960.77
English Speakers of Other Languages (ESOL)		9,925.00				
TOTAL DIRECT INSTRUCTIONAL PROGRAMS		14,065,127.00		13,306,673.32	335,979.71	13,642,653.03
Media Center Program		401,884.00		384,082.32	12,411.39	396,493.71
Staff and Professional Development		70,662.00		94,586.42		94,586.42
TOTAL QBE FORMULA FUNDS	\$	14,537,673.00	\$	13,785,342.06	\$ 348,391.10	\$ 14,133,733.16

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

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

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

See notes to the basic financial statements.



SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS





# DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

March 4, 2015

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

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

Ladies and Gentlemen:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Washington County Board of Education as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Washington County Board of Education's basic financial statements and have issued our report thereon dated March 4, 2015.

## **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Washington County Board of Education's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Washington County Board of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of the Washington County Board of Education's internal control.

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



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

### **Compliance and Other Matters**

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

We noted a certain matter that we have reported to management of Washington County Board of Education in a separate letter dated March 4, 2015.

### **Purpose of this Report**

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

Respectfully submitted,



Greg S. Griffin  
State Auditor

GSG:as  
2014YB-10







# DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

March 4, 2015

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

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Ladies and Gentlemen:

### **Report on Compliance for Each Major Federal Program**

We have audited Washington County Board of Education's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2014. Washington County Board of Education's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

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

Our responsibility is to express an opinion on compliance for each of Washington County Board of Education's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the Washington County Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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



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

In our opinion, the Washington County Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2013.

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

Management of Washington County Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Washington County Board of Education's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Washington County Board of Education's internal control over compliance.

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

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

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

Respectfully submitted,



Greg S. Griffin  
State Auditor



SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS



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

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.





SECTION IV  
FINDINGS AND QUESTIONED COSTS



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

**I SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

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

**Federal Awards**

Internal Control over major programs:	
▪ Material weakness identified?	No
▪ Significant deficiency identified?	None Reported
Type of auditor's report issued on compliance for major programs: All major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)?	No
Identification of major programs:	
<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	Child Nutrition Cluster
84.027, 84.173	Special Education Cluster
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000.00
Auditee qualified as low-risk auditee?	Yes

**II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS**

No matters were reported.

**III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.