CITY OF BREMEN
BOARD OF EDUCATION

FY 2014

ANNUAL FINANCIAL REPORT



HARALSON COUNTY, GEORGIA
FOR THE FISCAL YEAR
ENDED JUNE 30, 2014

INCLUDING INDEPENDENT AUDITOR'S REPORT

CITY OF BREMEN BOARD OF EDUCATION - HARALSON COUNTY

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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 24, 2015

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

INDEPENDENT AUDITOR'S REPORT

Ladies and Gentlemen:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information (Exhibits A through H) of the City of Bremen 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.

Basis for Disclaimer of Opinion

The financial statements of Bremen Educational Foundation, Inc. (Foundation) have not been audited, and we were not engaged to audit the Foundation's financial statements as part of our audit of the City of Bremen Board of Education's basic financial statements. The Foundation's financial activities are included in the City of Bremen Board of Education's basic financial statements as a discretely presented component unit.

Disclaimer of Opinion

Because of the matter discussed in the "Basis for Disclaimer of Opinion" paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements of the Foundation as of and for the year ended June 30, 2014.

Unmodified Opinions

In our opinion, the basic financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information for the City of Bremen 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 City of Bremen Board of Education adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The School District restated beginning Net Position for the cumulative effect of this accounting change. 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 City of Bremen 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 24, 2015, on our consideration of the City of Bremen 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 City of Bremen 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-24

INTRODUCTION

The School District's financial statements for the fiscal year ended June 30, 2014, includes a series of basic financial statements that report financial information for the School District as a whole, its funds, and its fiduciary responsibilities. The Statement of Net Position and the Statement of Activities provide financial information about all of the School District's activities and present both a short-term and long-term view of the School District's finances on a global basis. The fund financial statements provide information about all of the School District's funds. Information about these funds, such as the School District's General Fund, is important in its own right, but will also give insight into the School District's overall soundness as reported in the Statement of Net Position and the Statement of Activities.

FINANCIAL HIGHLIGHTS

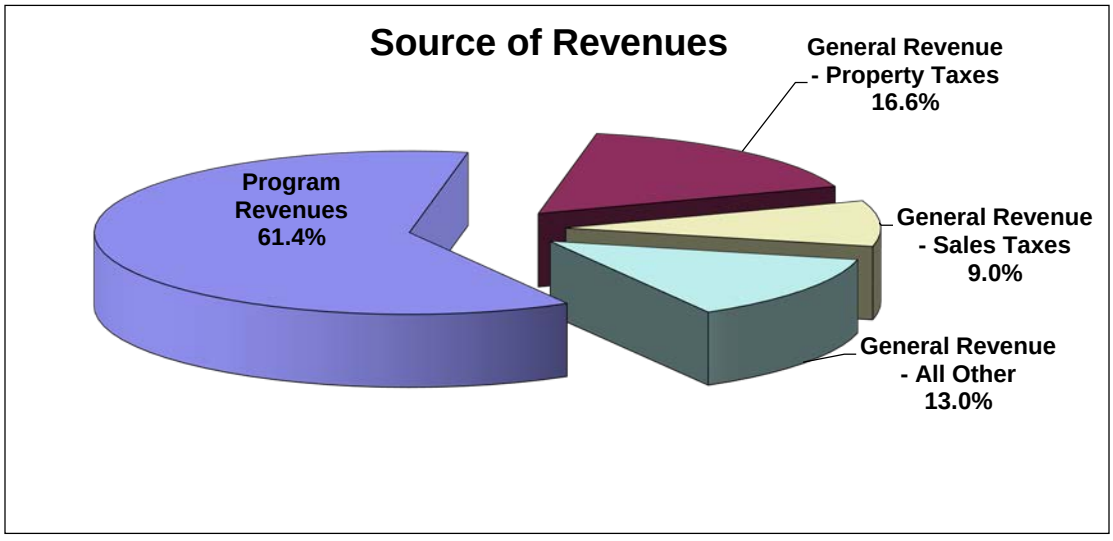
Key financial highlights associated with the Primary Government for fiscal year 2014 are as follows:

On the District-wide financial statements:

- The School District's net position for the Primary Government at June 30, 2014, was $26.4 million. Net position reflects the difference between all assets of the School District (including capital assets, net of depreciation) and all liabilities, both short-term and long-term. The net position at June 30, 2014 of $26.4 million represented an increase of almost $1.2 million when compared to the prior year, after an adjustment for capitalized bond issuance costs.

- The School District had $19.8 million in expenses relating to governmental activities; about $12.9 million of these expenses were offset by program specific charges for services, grants and contributions. However, general revenues (primarily property and sales taxes) of $8.1 million were adequate to provide for these programs.

- As stated above, general revenues accounted for $8.1 million or about 38.6% of all revenues totaling almost $21.0 million. Program specific revenues in the form of charges for services, grants, and contributions accounted for the balance of these revenues.



On the fund financial statements:

- Among major funds, the General Fund had roughly $18.8 million in both revenues and expenditures. The General Fund balance of $3.6 million at June 30, 2014 decreased by roughly $200,000 from the prior year. This decrease in General Fund Balance of $200,000 occurred primarily because of a transfer to capital projects to reimburse certain expenditures that occurred in a prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

District-wide Statements

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

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

When analyzing District-wide financial statements, it is important to remember these statements are prepared using an economic resources measurement focus (accrual accounting) and involve the following steps to format the Statement of Net Position:

- Capitalize current outlays for capital assets
- Depreciate capital assets
- Report long-term debt as a liability
- Calculate revenue and expense using the economic resources measurement focus and the accrual basis of accounting
- Allocate net position as follows:

    - *Net Investment in Capital Assets*
    - *Restricted net position* amounts with constraints placed on the use by external sources such as creditors, grantors, contributors or laws and regulations.
    - *Unrestricted for no specific use*

Fund Financial Statements

The School District uses many funds or sub-funds to account for a multitude of financial transactions during the fiscal year. The fund financial statements presented in this report provide detail information about the School District's significant or major funds. As discussed previously, the School District reported no nonmajor Funds as defined by generally accepted accounting principles.

The School District has two kinds of funds as discussed below:

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

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

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Net position, which is the difference between total assets and total liabilities, is one indicator of the financial condition of the School District. When revenues exceed expenses, the result is an increase in net position. When expenses exceed revenues, the result is a decrease in net position. The relationship between revenues and expenses can be thought of as the School District's operating results. The School District's net position, as measured in the Statement of Net Position is one way to measure the School District's financial health, or financial position. Over time, increases or decreases in the School District's net position, as measured in the Statement of Activities, are one indicator of whether its financial health is improving or deteriorating. However, the School District's goal and mission is to provide success for each child's education, not to generate profits as private corporations do. For this reason, many other nonfinancial factors should be considered in assessing the overall health of the School District.

In the case of the City of Bremen School District, assets exceeded liabilities by $26.4 million at June 30, 2014. To better understand the School District's actual financial position and ability to deliver services in future periods, it is necessary to review the various components of the net position category. For example, of the $26.4 million of net position, around $900,000 was restricted for continuation of various state and federal programs, debt service and ongoing capital projects. Accordingly, these funds were not available to meet the School District's ongoing obligations to citizens and creditors.

In addition, the School District had almost $22.0 million (net of related debt) invested in capital assets (e.g., land, buildings, and equipment). The School District uses these capital assets to provide educational services to students within geographic boundaries served by the School District. Because of the very nature and on-going use of the assets being reported in this component of net position, it must be recognized that this portion of the net position is not available for future spending.

The remaining balance of *unrestricted net position* of over $3.5 million may be used to meet the School District's ongoing obligations to citizens and creditors.

Table 1 provides a summary of the School District's net position for this fiscal year as compared to the prior fiscal year.

Table 1
Net Position

	Governmental Activities	
	Fiscal Year 2014	Fiscal Year 2013
Assets		
Current and Other Assets (2013 restated)	$ 7,075,751	$ 7,267,957
Capital Assets, Net	32,514,027	32,491,823
Total Assets	39,589,778	39,759,780
Liabilities		
Current and Other Liabilities	2,635,023	2,653,165
Long-Term Liabilities	10,526,655	11,866,847
Total Liabilities	13,161,678	14,520,012
Net Position		
Net Investment in Capital Assets	21,987,372	21,256,921
Restricted	906,890	986,396
Unrestricted (2013 restated)	3,533,838	2,996,451
Total Net Position	$ 26,428,100	$ 25,239,768

Total net position increased almost 1.2 million in fiscal year 2014 from the prior year. This change in net position is detailed in Table 2 as presented below. Table 2 also shows the changes in net position as compared to the prior fiscal year.

Table 2
Change in Net Position

	Governmental Activities	
	Fiscal Year 2014	Fiscal Year 2013 (1)
Revenues		
Program Revenues:		
Charges for Services and Sales	$ 1,601,393	$ 1,531,406
Operating Grants and Contributions	10,911,556	11,072,722
Capital Grants and Contributions	359,069	
Total Program Revenues	12,872,018	12,604,128
General Revenues:		
Taxes		
Property Taxes	3,488,585	3,169,805
Sales Taxes	1,895,964	1,893,864
Grants and Contributions not Restricted to Specific Programs	1,766,590	1,820,683
Investment Earnings	12,189	16,753
Miscellaneous	959,886	841,365
Total General Revenues	8,123,214	7,742,470
Total Revenues	20,995,232	20,346,598
Program Expenses:		
Instruction	13,234,975	12,757,507
Support Services		
Pupil Services	578,633	583,667
Improvement of Instructional Services	170,964	60,200
Educational Media Services	310,127	304,509
General Administration	596,910	568,791
School Administration	1,212,561	1,175,438
Business Administration	154,976	204,760
Maintenance and Operation of Plant	1,440,366	1,430,639
Student Transportation Services	112,582	176,568
Central Support Services	23,645	24,145
Other Support Services	312,408	287,955
Operations of Non-Instructional Services		
Enterprise Operations	403,402	407,594
Food Services	828,203	903,251
Interest on Short-Term and Long-Term Debt	427,147	464,427
Total Expenses	19,806,899	19,349,451
Increase in Net Position	$ 1,188,333	$ 997,147

(1) Fiscal Year 2013 balances do not reflect the effects of the restatement of Net Position.
See Note 2 in the Notes to the Basic Financial Statements for additional information.

Cost of Providing Services

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting these services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. Net cost of services can be defined as the total cost less fees generated by the activities and intergovernmental revenue provided for specific programs. The net cost reflects the financial burden on the School District's taxpayers by each activity as compared to the prior fiscal year.

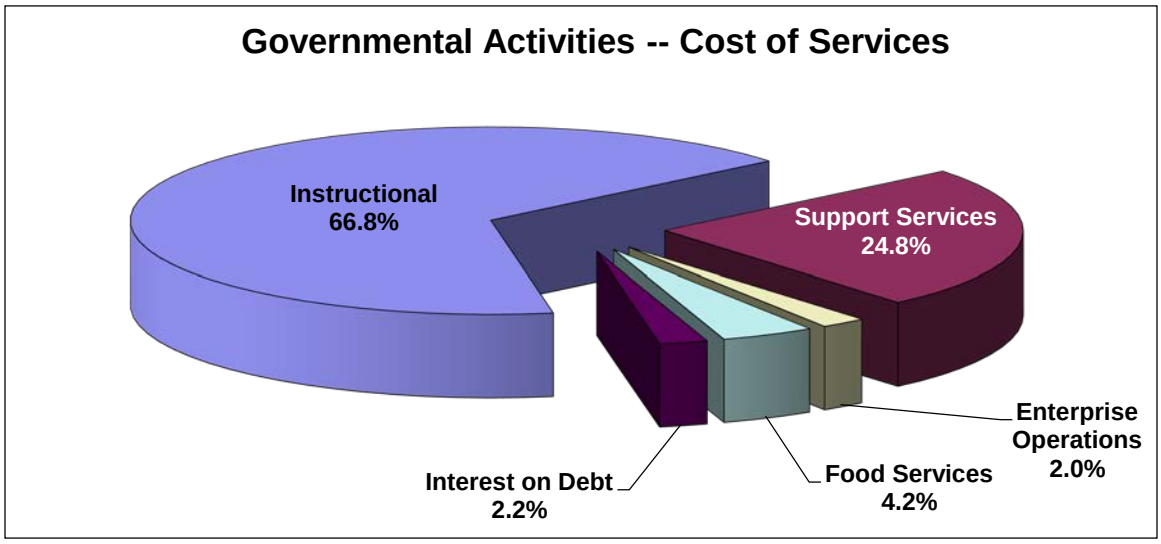
Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	Fiscal Year 2014	Fiscal Year 2013 (1)	Fiscal Year 2014	Fiscal Year 2013 (1)
Instruction	$ 13,234,975	$ 12,757,507	$ 3,741,184	$ 3,793,422
Support Services:				
Pupil Services	578,633	583,667	459,672	358,436
Improvement of Instructional Services	170,964	60,200	104,767	-17,933
Educational Media Services	310,127	304,509	47,912	23,276
General Administration	596,910	568,791	73,238	-34,204
School Administration	1,212,561	1,175,438	587,445	470,969
Business Administration	154,976	204,760	154,976	192,351
Maintenance and Operation of Plant	1,440,366	1,430,639	803,174	770,174
Student Transportation Services	112,582	176,568	99,699	160,838
Central Support Services	23,645	24,145	23,645	24,145
Other Support Services	312,408	287,955	265,733	237,596
Operations of Non-Instructional Services:				
Enterprise Operations	403,402	407,594	162,030	173,451
Food Services	828,203	903,251	-15,740	128,375
Interest on Short-Term and Long-Term Debt	427,147	464,427	427,147	464,427
Total Expenses	$ 19,806,899	$ 19,349,451	$ 6,934,882	$ 6,745,323

(1) Fiscal Year 2013 balances do not reflect the effects of the restatement of Net Position.
See Note 2 in the Notes to the Basic Financial Statements for additional information.

Expenditures increased about $457,000 from the prior year, while net costs of services only increased about $190,000 from the prior year. The apparent disparity in the increase of the net cost of services in fiscal year 2014 versus the increase in expenditures resulted because State Capital Outlay Grants increased by about $359,000 in fiscal year 2014 as compared to the prior year.

The chart below shows a functional summary of the expenses made by the District during fiscal year 2014.



FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

Information about the School District's governmental funds is presented starting on Exhibit "C" of this report. Governmental funds are accounted for using the modified accrual basis of accounting. The governmental funds had total revenues of almost $21.0 million and total expenditures of $21.2 million in fiscal year 2014. Total governmental fund balances of $4.5 million at June 30, 2014, decreased about $190,000 from the prior year.

General Fund Budget Highlights

The School District's budget is prepared according to Georgia Law. The most significant budgeted fund is the General Fund. During the course of fiscal year 2014, the School District amended its general fund budget as needed.

The School District budget is adopted at the aggregate level and maintained at the program, function, object, and site levels to facilitate budgetary control. The budgeting systems are designed to control the total budget, but provide flexibility to meet the ongoing programmatic needs. The budgeting systems are also designed to control total site budgets but provide flexibility for site management as well.

For the General Fund, the final actual revenues of $18.8 million were more than the final budget by $1.8 million. The variance was caused primarily by actual revenues for State Funds exceeding final budget by $440,000, actual revenues for Charges for Services exceeding final budget by $336,000 and actual revenues from Miscellaneous sources exceeding final budget by $894,000.

Additionally, the School District did not include revenues in the final budget for school activity accounts (included in miscellaneous revenues) and revenues for the Prekindergarten program (mostly state funds), which accounted for a large portion of the budget variances above.

The General Fund's final actual expenditures of almost $18.8 million were more than the final budget by $1.6 million. This variance was primarily due to actual expenditures for instruction exceeding the final budget amount by $939,000 and actual expenditures for enterprise operations exceeding the final budget by $403,000. Various other functions had smaller budget overages for expenditures.

Additionally, the School District did not include expenditures in the final budget for school activity accounts and for the Prekindergarten programs, which accounted for some of the budget variances above.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At fiscal year ended June 30, 2014, the School District had $32.5 million invested in capital assets, net of accumulated depreciation, all in governmental activities. These assets are made up of a broad range of items including buildings; land; land improvements; and food service, transportation and maintenance equipment. Table 4 reflects a summary of these balances, net of accumulated depreciation, as compared to the prior fiscal year.

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities	
	Fiscal Year 2014	Fiscal Year 2013
Land	$ 1,737,269	$ 1,737,269
Construction In Progress	390,693	306,637
Land Improvements	162,441	178,489
Building and Improvements	30,018,266	30,010,170
Equipment	205,358	259,257
Total	$ 32,514,027	$ 32,491,822

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

Long-Term Debt

At June 30, 2014, the School District had just over $10.5 million in total debt outstanding which consisted of $10.5 million in bond debt, and roughly $11,600 in capital lease debt. Table 5 summarizes the School District's debt as compared to the prior fiscal year.

Table 5
Debt at June 30

	Governmental Activities	
	Fiscal Year 2014	Fiscal Year 2013
Bonds Payable	$ 10,515,000	$ 11,705,000
Capital Leases	11,655	161,847
Total	$ 10,526,655	$ 11,866,847

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

FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE

Currently known circumstances that are expected to have a significant effect on financial position or results of operations in future years are as follows:

- Although the economy and property values have shown modest growth in 2014, the School District continues to be financially challenged. On the bright side, the School District's operating millage for fiscal year 2014 was 14.95, the same as previous years. This levy produced approximately $232,000 per mill or about $21,000 per mill more than last year. However, State and Federal revenues combined in 2014 increased roughly by only $200,000 from the prior year. State and Federal revenues accounted for about 68% of the School District's General Fund revenues in fiscal year 2014. The School District plans to fund additional capital outlays with the one percent local sales tax revenue, state capital outlay grants, and general fund reserves.

- The School District is in stable financial condition. The General Fund had an unassigned fund balance of $2.8 million at June 30, 2014, which is down about $278,000 from the prior year. The Board anticipates significant financial challenges going forward due to expected continued slow growth in revenues and higher retirement and health insurance costs for employees. In spite of these challenges, the School District will continue to be a good steward of tax dollars while providing a quality educational opportunity.

- In fiscal year 2015, the School District will adopt Governmental Account Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. Implementation of this statement will require the District to record a charge (decrease) to the District-wide Net Position at July 1, 2014 for the School District's share of the Net Pension Liability of the pension plan administered through the Teacher Retirement System of Georgia (TRS). The amount of the charge applicable for City of Bremen School District has not been determined at this time, but is believed to be material. Readers should understand implementation of (GASB) Statement 68 will not affect the District's Governmental Activities Fund Statements.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. Allen Pullen, Director of Finance, 501 Pacific Avenue, Bremen, Georgia 30110. You may also email your questions to Mr. Pullen at allen.pullen@bremencs.com.

CITY OF BREMEN BOARD OF EDUCATION - HARALSON COUNTY

CITY OF BREMEN BOARD OF EDUCATION - HARALSON COUNTY
STATEMENT OF NET POSITION
JUNE 30, 2014

EXHIBIT "A"

	PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES	COMPONENT UNIT BREMEN EDUCATIONAL FOUNDATION, INC.
ASSETS		
Cash and Cash Equivalents	$ 4,702,364.69	$ 144,363.69
Investments	537,745.70	42,405.39
Accounts Receivable, Net		
Taxes	289,122.10	
State Government	1,329,031.01	
Federal Government	173,978.31	
Other	734.07	
Inventories	42,775.19	
Capital Assets, Non-Depreciable	2,127,962.05	
Capital Assets, Depreciable (Net of Accumulated Depreciation)	30,386,065.00	
Total Assets	39,589,778.12	186,769.08
LIABILITIES		
Accounts Payable	55,813.30	
Salaries and Benefits Payable	2,188,836.89	
Interest Payable	100,143.47	
Contracts Payable	260,641.31	
Retainages Payable	29,587.68	
Long-Term Liabilities		
Due Within One Year	1,276,655.28	
Due in More Than One Year	9,250,000.00	
Total Liabilities	13,161,677.93	
NET POSITION		
Net Investment in Capital Assets	21,987,371.76	
Restricted for		
Continuation of Federal and State Programs	56,746.65	101,671.64
Debt Service	850,143.46	
Unrestricted		
Governmental Activities	3,533,838.32	
Bremen Educational Foundation, Inc.		85,097.44
Total Net Position	$ 26,428,100.19	$ 186,769.08

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

CITY OF BREMEN BOARD OF EDUCATION - HARALSON COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

	EXPENSES	CHARGES FOR SERVICES
GOVERNMENTAL ACTIVITIES		
Instruction	$ 13,234,975.16	$ 937,289.86
Support Services		
Pupil Services	578,633.17	
Improvement of Instructional Services	170,963.64	
Educational Media Services	310,126.55	
General Administration	596,909.91	
School Administration	1,212,561.29	
Business Administration	154,976.48	
Maintenance And Operation of Plant Services	1,440,365.72	
Student Transportation Services	112,582.31	
Support Services - Central	23,645.30	
Other Support Services	312,407.54	
Operations of Non-Instructional Services		
Enterprise Operations	403,402.01	241,371.60
Food Services	828,202.82	422,731.28
Interest on Short-Term And Long-Term Debt	427,147.07	
Total Governmental Activities	$ 19,806,898.97	$ 1,601,392.74
COMPONENT UNIT		
Bremen Educational Foundation, Inc.	$ 80,400.04	
General Revenues		
Taxes		
Property Taxes		
For Maintenance and Operations		
Sales Taxes		
Special Purpose Local Option Sales Tax		
Other Sales Tax		
Grants and Contributions not Restricted to Specific Programs		
Investment Earnings		
Miscellaneous		
Total General Revenues		
Change in Net Position		
Net Position - Beginning of Year - Restated		
Net Position - End of Year		

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

PROGRAM REVENUES		NET (EXPENSES) REVENUES AND CHANGES IN NET POSITION	
		PRIMARY	COMPONENT UNIT
OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENT GOVERNMENTAL ACTIVITIES	BREMEN EDUCATIONAL FOUNDATION, INC.
$ 8,241,120.39	$ 315,381.34	$ -3,741,183.57	
118,961.20		-459,671.97	
66,196.66		-104,766.98	
262,215.00		-47,911.55	
518,533.76	5,138.09	-73,238.06	
616,565.00	8,551.49	-587,444.80	
		-154,976.48	
629,371.31	7,820.50	-803,173.91	
12,883.25		-99,699.06	
		-23,645.30	
46,674.31		-265,733.23	
		-162,030.41	
399,034.76	22,177.12	15,740.34	
		-427,147.07	
$ 10,911,555.64	$ 359,068.54	-6,934,882.05	
			$ -80,400.04
		3,488,585.31	
		1,860,484.23	
		35,480.02	
		1,766,590.00	
		12,189.14	736.98
		959,885.72	80,626.11
		8,123,214.42	81,363.09
		1,188,332.37	963.05
		25,239,767.82	185,806.03
		$ 26,428,100.19	$ 186,769.08

CITY OF BREMEN BOARD OF EDUCATION - HARALSON COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

EXHIBIT "C"

	GENERAL FUND	DISTRICT-WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
ASSETS				
Cash and Cash Equivalents	$ 3,637,028.22	1,065,087.79	$ 248.68	$ 4,702,364.69
Investments	537,745.70			537,745.70
Accounts Receivable, Net				
Taxes	136,089.63	153,032.47		289,122.10
State Government	1,329,031.01			1,329,031.01
Federal Government	173,978.31			173,978.31
Other	734.07			734.07
Inventories	42,775.19			42,775.19
Total Assets	$ 5,857,382.13	$ 1,218,120.26	$ 248.68	$ 7,075,751.07
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	$ 54,255.30	$ 1,558.00		$ 55,813.30
Salaries and Benefits Payable	2,188,836.89			2,188,836.89
Contracts Payable		260,641.31		260,641.31
Retainages Payable		29,587.68		29,587.68
Total Liabilities	2,243,092.19	291,786.99		2,534,879.18
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Taxes	63,337.28			63,337.28
FUND BALANCES				
Nonspendable	42,775.19			42,775.19
Restricted	37,676.44	926,333.27	$ 248.68	964,258.39
Committed	530,454.25			530,454.25
Assigned	115,729.61			115,729.61
Unassigned	2,824,317.17			2,824,317.17
Total Fund Balances	3,550,952.66	926,333.27	248.68	4,477,534.61
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 5,857,382.13	$ 1,218,120.26	$ 248.68	$ 7,075,751.07

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

CITY OF BREMEN BOARD OF EDUCATION - HARALSON COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

EXHIBIT "D"

Total Fund Balances - Governmental Funds (Exhibit "C")		$ 4,477,534.61
Amounts reported for Governmental Activities in the Statement of Net Position are different because:		
Capital Assets used in Governmental Activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Land	$ 1,737,268.50	
Land Improvements	306,345.00	
Accumulated Depreciation - Land Improvements	-143,904.00	
Buildings	35,413,533.00	
Accumulated Depreciation - Buildings	-5,395,267.00	
Construction in Progress	390,693.55	
Machinery and Equipment	856,667.00	
Accumulated Depreciation - Machinery and Equipment	-651,309.00	
Total Capital Assets		32,514,027.05
Some of the School District's tax revenues will be collected after year-end but are not available soon enough to pay for the current period expenditures.		
Deferred Inflows of Resources - Unavailable Property Taxes		63,337.28
Long-Term Liabilities, including Bonds Payable and Interest thereon, 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:		
Accrued Interest on Long-Term Liabilities	$ -100,143.47	
General Obligation Bonds Payable	-10,515,000.00	
Capital Leases	-11,655.28	
Total Long-Term Liabilities		-10,626,798.75
Net Position of Governmental Activities (Exhibit "A")		$ 26,428,100.19

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

CITY OF BREMEN BOARD OF EDUCATION - HARALSON COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
JUNE 30, 2014

EXHIBIT "E"

	GENERAL FUND	DISTRICT-WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
REVENUES				
Property Taxes	$ 3,481,930.46			$ 3,481,930.46
Sales Taxes	35,480.02	$ 241,866.59	$ 1,618,617.64	1,895,964.25
State Funds	11,518,464.57	359,068.54		11,877,533.11
Federal Funds	1,159,681.07			1,159,681.07
Charges for Services	1,601,392.74			1,601,392.74
Investment Earnings	12,189.14			12,189.14
Miscellaneous	957,046.48	2,839.24		959,885.72
Total Revenues	18,766,184.48	603,774.37	1,618,617.64	20,988,576.49
EXPENDITURES				
Current				
Instruction	12,619,968.78			12,619,968.78
Support Services				
Pupil Services	578,633.17			578,633.17
Improvement of Instructional Services	170,963.64			170,963.64
Educational Media Services	310,126.55			310,126.55
General Administration	586,660.98			586,660.98
School Administration	1,195,503.66			1,195,503.66
Business Administration	154,976.48			154,976.48
Maintenance and Operation of Plant	1,383,911.15	40,852.03		1,424,763.18
Student Transportation Services	98,450.62			98,450.62
Central Support Services	23,645.30			23,645.30
Other Support Services	311,757.54	650.00		312,407.54
Enterprise Operations	403,402.01			403,402.01
Food Services Operation	783,959.38			783,959.38
Capital Outlay	2,226.51	736,268.77		738,495.28
Debt Services				
Principal	150,191.25		1,190,000.00	1,340,191.25
Dues and Fees			1,743.13	1,743.13
Interest	8,610.99		426,874.51	435,485.50
Total Expenditures	18,782,988.01	777,770.80	1,618,617.64	21,179,376.45
Excess of Revenues under Expenditures	-16,803.53	-173,996.43	0.00	-190,799.96
OTHER FINANCING SOURCES (USES)				
Transfers In	20,000.00	191,153.12		211,153.12
Transfers Out	-191,153.12	-20,000.00		-211,153.12
Total Other Financing Sources (Uses)	-171,153.12	171,153.12		0.00
Net Change in Fund Balances	-187,956.65	-2,843.31	0.00	-190,799.96
Fund Balances - Beginning	3,738,909.31	929,176.58	248.68	4,668,334.57
Fund Balances - Ending	$ 3,550,952.66	$ 926,333.27	$ 248.68	$ 4,477,534.61

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

CITY OF BREMEN BOARD OF EDUCATION - HARALSON COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2014

EXHIBIT "F"

Total Net Change in Fund Balances - Governmental Funds (Exhibit "E")		$ -190,799.96
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	$ 650,947.67	
Depreciation Expense - Buildings	-558,796.00	
Depreciation Expense - Equipment	-53,899.00	
Depreciation Expense - Land Improvements	-16,048.00	
Excess of Capital Outlay over Depreciation Expense		22,204.67
Certain tax revenues are not deferred in the Statement of Activities based on availability as they are in the Governmental Funds.		
Deferred Inflows of Resources - Unavailable Property Taxes		
July 1, 2013	$ -56,682.43	
June 30, 2014	63,337.28	
Total		6,654.85
Accrued Interest on Long-Term Liabilities is reported in the Statement of Activities, but does not require the use of financial resources and therefore is not reported as an expenditure in the Governmental Funds.		
Accrued Interest on Long-Term Debt		
July 1, 2013	$ 110,225.03	
June 30, 2014	-100,143.47	
Total Accrued Interest		10,081.56
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:		
Redemption of Bond Principal	$ 1,190,000.00	
Payment of Principal on Capital Leases	150,191.25	
Total		1,340,191.25
Change in Net Position of Governmental Activities (Exhibit "B")		$ 1,188,332.37

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

CITY OF BREMEN BOARD OF EDUCATION - HARALSON COUNTY
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2014

EXHIBIT "G"

	AGENCY FUNDS
ASSETS	
Cash and Cash Equivalents	$ 130,714.35
LIABILITIES	
Funds Held for Others	$ 130,714.35

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

Note 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

REPORTING ENTITY

The City of Bremen 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.

DISCRETELY PRESENTED COMPONENT UNIT

The Bremen Educational Foundation, Inc. is a non-profit organization established in 2001 as a permanent endowment created by alumni and supporters of the Bremen City School District to support the tradition of excellence in the system. The purpose of the Foundation is to improve the quality of education in the system and act a fiscal agent for donors who wish to sponsor approved projects for the system, its teachers and students. (See Note "18")

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

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

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

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

- Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expenses (expenses of the School District related to the administration and support of the School District's programs, such as office and maintenance personnel and accounting) are not allocated to programs.

- Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

The School District reports the following major governmental funds:

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

- District-wide Capital Projects Fund accounts for and reports financial resources including Education Special Purpose Local Option Sales Tax (ESPLOST), Bond Proceeds and grants from Georgia State Financing and Investment Commission that are restricted, committed or assigned to the expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

- Debt Service Fund accounts for and reports financial resources that are restricted, committed, or assigned including taxes (sales) legally restricted for the payment of general long-term principal and interest.

The School District reports the following fiduciary fund type:

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

BASIS OF ACCOUNTING

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

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

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

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

RESTATEMENT OF PRIOR YEAR NET POSITION

For fiscal year 2014, the School District made a prior period adjustments due to the adoption of GASB Statement No. 65, as described in "New Accounting Pronouncements" below, which require the restatement of the June 30, 2013, net position in Governmental Activities. The result is a decrease in Net Position at July 1, 2013 of $89,188.27. This change is in accordance with generally accepted accounting principles.

Net Position, July 1, 2013, as previously reported	$	25,328,956.09
Reclassification of Bond Issuance Costs		-89,188.27
Net Position, July 1, 2013, as restated	$	25,239,767.82

NEW ACCOUNTING PRONOUNCEMENTS

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

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 City of Bremen adopted the property tax levy for the 2013 tax digest year (calendar year) on August 28, 2013 (levy date) based on property values as of January 1, 2013. Taxes were due on December 2, 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 Bremen City Clerk charges $3.50 per bill as a fee for tax collection. These amounts have been used to reduce the Property tax revenues amounts. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2014, for maintenance and operations amounted to $3,239,629.58.

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

School Operations	14.95 mills

The School District also receives property tax revenues from both Haralson and Carroll Counties, for motor vehicle taxes and Title Ad Valorem taxes, which are included in the property tax revenues shown above and below.

Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, which are included in the property taxes noted above, amounted to $242,300.88 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 $1,860,484.23 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years. The most recent for Haralson County expires on June 30, 2017. The most recent authorization for Carroll County expires on December 31, 2017.

INVENTORIES

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

CAPITAL ASSETS

Capital assets purchased, including capital outlay costs, are recorded as expenditures in the fund financial statements at the time of purchase (including ancillary charges). On the District-wide financial statements, all purchased capital assets are valued at cost where historical records are available and at estimated historical cost based on appraisals or deflated current replacement cost where no historical records exist. Donated capital assets are recorded at estimated fair market value on the date donated. Disposals are deleted at depreciated recorded cost. The cost of normal maintenance and repairs that do not add to the value of assets or materially extend the useful lives of the assets is not capitalized. Depreciation is computed using the straight-line method. The School District does not capitalize book collections or works of art. During fiscal year 2014, no events or changes in circumstances affecting a capital asset that may indicate impairment were known to the School District.

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

	Capitalization Policy	Estimated Useful Life
Land	All	N/A
Land Improvements	$ 10,000.00	10 to 60 years
Buildings and Improvements	$ 50,000.00	45 to 60 years
Equipment	$ 10,000.00	5 to 30 years
Intangible Assets	$ 250,000.00	individually determined

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.

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, which qualifies for reporting in this category. Accordingly, the item, unavailable revenue (consisting normally of property taxes), is reported only in the governmental funds Balance Sheet. These amounts are deferred and will be recognized as an inflow of resources (revenue) in the period in which the amounts become available.

GENERAL OBLIGATION BONDS

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

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

NET POSITION

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

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

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

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

FUND BALANCES

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

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

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

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

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

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

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

Nonspendable		
Inventories		$ 42,775.19
Restricted		
Bus Replacement	$ 13,946.00	
Continuation of Other Sponsored Programs	25.46	
Debt Service	950,286.93	964,258.39
Committed		
School Activity Accounts		530,454.25
Assigned		
After School Programs		115,729.61
Unassigned		2,824,317.17
Fund Balance, June 30, 2014		$ 4,477,534.61

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

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

USE OF ESTIMATES

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

Note 3: BUDGETARY DATA

The budget is a complete financial plan for the School District's fiscal year, and is based upon careful estimates of expenditures together with probable funding sources. The budget is legally adopted each year for the general fund. There is no statutory prohibition regarding over expenditure of the budget at any level. The budget for all governmental funds, except for the Race to the Top Program, the various School Activity (principal) accounts, Family Connection Program, Prekindergarten Program and After School Program, is prepared and adopted by fund, function and object. The legal level of budgetary control was established by the Board at the aggregate fund/function level. The budget for the General Fund was prepared in accordance with accounting principles permitted by the State of Georgia, but not 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 of no more than 10 percent of the amount budgeted for expenditures in any budget function for any fund, with exception of the personnel area. The Superintendent shall report any such adjustments to the Board. If expenditure of funds in any budget function for any fund is anticipated to be more than 10 percent of the budgeted amount, the Superintendent shall request Board approval for the budget amendment In such case, the expenditure shall be reported to the Board at its regularly scheduled meeting. Under no circumstance is the Superintendent or other staff person authorized to spend funds that exceed the total budget without approval by the Board.

See Schedule 1 – General Fund Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual for a detail of any over/under expenditures during fiscal year 2014.

Budgetary/GAAP Basis Reconciliation

In the General Fund, accounting principles used in developing budgets on a budgetary basis differ from those used in preparing financial statements in conformity with generally accepted accounting principles (GAAP).

The primary differences between the budget basis and GAAP basis are:

1. State QBE revenue is recorded when received (budget) rather than when susceptible to accrual (GAAP).
2. Salaries and employee benefits paid to teachers under contract are recorded when paid (budget) rather than when the liability is incurred (GAAP).
3. Omission of revenues and expenditures of the Race to Top Program, School Principals Accounts, Family Connection Program, Pre-Kindergarten Program and After School Program.

Thus, there is an accounting basis difference between the budget and actual Statement of Revenues, Expenditures and Changes in Fund Balances in the General Fund that is reconciled as follows:

Actual Revenues, GAAP Basis		$ 18,766,184.48
Revenue Budget Differences		
State Revenues Receivable Increase (Net)	$ -10,578.00	
On-Behalf Benefit Contribution	-21,542.00	
Omission of Funds Discussed Above	-1,354,316.52	-1,386,436.52
Actual Revenues, Budgetary Basis		$ 17,379,747.96
Actual Expenditures, GAAP Basis		$ 18,782,988.01
Expenditure Budget Differences		
Accrued Salaries Increase (Net)	$ -30,664.75	
On-Behalf Benefits Expenditure	-21,542.00	
Omission of Funds Discussed Above	-1,298,108.40	-1,350,315.15
Actual Expenditures, Budgetary Basis		$ 17,432,672.86

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 - PRIMARY GOVERNMENT

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 $5,370,824.74, which includes $537,745.70 in Certificates of Deposit that are reported as Investments, and a bank balance of $5,790,710.75. The bank balances insured by Federal depository insurance were $853,655.38.

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

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

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

Custodial Credit Risk Category	Bank Balance
1	$ 0.00
2	4,626,720.29
3	310,335.08
Total	$ 4,937,055.37

COLLATERALIZATION OF DEPOSITS - COMPONENT UNIT

Custodial credit risk is the risk that in the event of a bank failure the Foundation's deposits may not be returned to it. The Foundation does not have a deposit policy for custodial credit risk. At June 30, 2014, the Foundation had deposits with a carrying value of $186,769.08, which includes $42,405.39 in certificates of deposit that are reported as investments, and bank balances of $192,524.53. The bank balances were entirely covered by Federal depository insurance.

CATEGORIZATION OF INVESTMENTS

As of June 30, 2014, the Primary Government's investments were $537,745.70 and the Component Unit's investments were $42,405.39. These amounts were investment in certificates of deposit and are included in the collateralization of deposits previously discussed above.

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

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	$ 1,737,268.50				$ 1,737,268.50
Construction Work In Progress	306,637.88	$ 573,447.27	$ -19,999.60	$ -469,392.00	390,693.55
Total Capital Assets, Not Being Depreciated	2,043,906.38	573,447.27	-19,999.60	-469,392.00	2,127,962.05
Capital Assets, Being Depreciated:					
Buildings and Improvements	306,345.00				306,345.00
Equipment	34,846,641.00	97,500.00	0.00	469,392.00	35,413,533.00
Land Improvements	856,667.00				856,667.00
Less: Accumulated Depreciation:					
Buildings and Improvements	127,856.00	16,048.00			143,904.00
Equipment	4,836,471.00	558,796.00			5,395,267.00
Land Improvements	597,410.00	53,899.00			651,309.00
Total Capital Assets, Being Depreciated, Net	30,447,916.00	-531,243.00	0.00	469,392.00	30,386,065.00
Governmental Activity Capital Assets - Net	$ 32,491,822.38	$ 42,204.27	$ -19,999.60	$ 0.00	$ 32,514,027.05

Current year depreciation expense by function is as follows:

Instruction		$ 539,838.00
Support Services		
General Administration	$ 8,997.00	
School Administration	14,974.00	
Maintenance and Operation of Plant	13,694.00	
Student Transportation Services	12,407.00	50,072.00
Food Services		38,833.00
		$ 628,743.00

Capital assets being acquired under capital leases as of June 30, 2014, are as follows:

	Governmental Funds
Equipment	$ 35,000.00
Less: Accumulated Depreciation	10,500.00
	$ 24,500.00

Note 7: INTERFUND TRANSFERS

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

	Transfers From	
Transfer to	General Fund	District-wide Capital Projects
General Fund		$ 20,000.00
District-wide Capital Projects	$ 191,153.12	
Total	$ 191,153.12	$ 20,000.00

During fiscal year 2014, the General Fund transferred $191,153.12 to the Capital Projects Fund to fund, in part, locally funded renovation projects. Additionally the Capital Projects Fund transferred $20,000.00 to the General Fund to reimburse the General Fund for expenditures made in a prior fiscal year.

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 job related illness or injuries to employees. 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. The School District accounts for claims within the same fund that employee's salary and benefits were paid. The School District accounts for claims with expenses/expenditures and the related 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	$ 38,281.00	$ 38,281.00	$ 0.00
2014	$ 0.00	$ 934.82	$ 934.82	$ 0.00

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

Position Covered	Amount
Superintendent	$ 50,000.00

Note 9: OPERATING LEASES

The City of Bremen Board of Education has entered into various leases as lessee for various copiers. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the year ended June 30, 2014, for governmental funds amounted to $34,182.72. Future minimum lease payments for these leases are as follows:

Year Ending	Governmental Funds
2015	$ 16,233.00
2016	3,223.00
Total	$ 19,456.00

Note 10: LONG-TERM LIABILITIES

CAPITAL LEASES

The City of Bremen Board of Education entered into various leases with Dell Financial Services for various computers and equipment. Under the terms of the agreement, the School District will make annual payments through October 1, 2014. These lease agreements qualify as capital leases for accounting purposes, and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

GENERAL OBLIGATION DEBT OUTSTANDING

General Obligation Bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
General Government - Series 2006	4.10% - 4.38%	$ 6,000,000.00
General Government - Series 2007	3.869%	2,040,000.00
General Government - Series 2011	2.64%	2,475,000.00
		$ 10,515,000.00

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

	Governmental Activities				
	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014	Due Within One Year
G. O. Bonds	$ 11,705,000.00	$ 0.00	$ 1,190,000.00	$ 10,515,000.00	$ 1,265,000.00
Capital Leases	161,846.53		150,191.25	11,655.28	11,655.28
	$ 11,866,846.53	$ 0.00	$ 1,340,191.25	$ 10,526,655.28	$ 1,276,655.28

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

	General Obligation Debt		Capital Leases	
	Principal	Interest	Principal	Interest
Fiscal Year Ended June 30:				
2015	$ 1,265,000.00	$ 386,065.11	$ 11,655.28	$ 648.27
2016	1,310,000.00	342,774.54		
2017	1,355,000.00	297,604.49		
2018	1,410,000.00	249,586.76		
2019	1,220,000.00	198,580.26		
2020 - 2023	3,955,000.00	353,914.41		
Total Principal and Interest	$ 10,515,000.00	$ 1,828,525.57	$ 11,655.28	$ 648.27

Note 11: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of $852,332.00 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 $830,880.00

Office of State Treasurer
Paid to the Public School Employees' Retirement System
For Public School Employees' Retirement (PSERS) Employer's Cost
In the amount of $21,452.00

Note 12: SIGNIFICANT COMMITMENTS

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

Project	Unearned Executed Contracts	Funding Available From State
High School Stadium Renovation	$ 167,368.42	$ 461,805.00
Jones Elementary School Renovation	237,257.35	
	$ 404,625.77	$ 461,805.00

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

Note 13: 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 14: RELATED PARTY TRANSACTIONS

During fiscal year 2014, the School District incurred expenses of $1,962.00 to Mr. Brian Wheeler, Technology Director, for acquisition of technology materials Mr. Wheeler had retained from a former business. The School District documented the cost of the materials purchased from Mr. Wheeler was at a savings compared to similar materials available in the market place.

Note 15: SUBSEQUENT EVENTS

In fiscal year 2015, the School District issued general obligation bonds in the amount of $5,885,000.00. The purpose of the debt issue is to refund the 2006 series bonds at a costs savings to the School District.

Note 16: POST-EMPLOYMENT BENEFITS

Georgia School Personnel Post-employment Health Benefit Fund

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

for retirees, to the Board of Community Health (Board). The Department of Community Health, which includes the School OPEB Fund, issues a separate stand alone financial audit report and a copy can be obtained from the Georgia Department of Audits and Accounts.

Funding Policy. The contribution requirements of plan members and participating employers are established by the Board in accordance with the current Appropriations Act and may be amended by the Board. Contributions of plan members or beneficiaries receiving benefits vary based on plan election, dependent coverage, and Medicare eligibility and election. For members with fewer than five years of service as of January 1, 2013, contributions also vary based on years of service. On average, members with five years or more of service as of January 1, 2013 pay approximately 25 percent of the cost of the health insurance coverage. In accordance with the Board resolution dated December 8, 2011, for members with fewer than five years of service as of January 1, 2013, the State provides a premium subsidy in retirement that ranges from 0% for fewer than 10 years of service to 75% (but no greater than the subsidy percentage offered to active employees) for 30 or more years of service. The subsidy for eligible dependents ranges from 0% to 55% (but no greater than the subsidy percentage offered to dependents of active employees minus 20%). No subsidy is available to Medicare eligible members not enrolled in a Medicare Advantage Option. The Board of Community Health sets all member premiums by resolution and in accordance with the law and applicable revenue and expense projections. Any subsidy policy adopted by the Board may be changed at any time by Board resolution and does not constitute a contract or promise of any amount of subsidy.

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

The combined active and retiree contribution rates established by the Board for employers participating in the School OPEB Fund were as follows for the fiscal year ended June 30, 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%	$ 1,900,030.16
2013	100%	$ 1,734,472.26
2012	100%	$ 1,777,314.61

Note 17: RETIREMENT PLANS

TEACHERS RETIREMENT SYSTEM OF GEORGIA (TRS)

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

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

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

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

Funding Policy. TRS is funded by member and employer contributions as adopted and amended by the Board of Trustees. Members become fully vested after 10 years of service. If a member terminates with less than 10 years of service, no vesting of employer contributions occurs, but the member's contributions may be refunded with interest. Member contributions are limited by State law to not less than 5% or more than 6% of a member's earnable compensation. Member contributions as adopted by the Board of Trustees for the fiscal year ended June 30, 2013, were 6.00% of annual salary. Employer contributions required for fiscal year 2014 were 12.28% of annual salary as required by the June 30, 2011, actuarial valuation. The employer contribution rate will increase to 13.15 effective July 1, 2014.

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

Fiscal Year	Percentage Contributed	Required Contribution
2014	100%	$ 1,330,533.39
2013	100%	$ 1,197,770.22
2012	100%	$ 1,070,048.17

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.

Note 18: COMPONENT UNIT

The Bremen Educational Foundation, Inc. (Foundation) is a legally separate tax-exempt component unit of the City of Bremen Board of Education (School District). It was organized on December 17, 2001, as a Georgia Corporation pursuant to the provisions of the Georgia Non-Profit Corporation Code. The Foundation's governing board consists of 8 members consisting of alumni and or local business persons plus ex-officio member to include the superintendent of the Bremen City School System. New members are elected by the Foundation Board. Although the School District does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon the Foundation holds and invests are restricted to the improvement of the quality of education of the School District and acts as a fiscal agent for donors who wish to sponsor approved projects for the system, its teachers, and students. Consequently, the Foundation is considered a component unit of the School District and is discretely presented in the School District's financial statements.

The Foundation utilizes the accrual method of accounting. The Foundation is subject to Statement of Financial Standards (SFAS) 117, "Financial Statement of Not-for-Profit Organizations". As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the School District's financial reporting entity for these differences. The Foundation's fiscal year is July 1, 2013, through June 30, 2014.

During the year ended June 30, 2014, the Foundation made contributions to the District in the form of grants and gifts in the amount $67,707.65. These contributions consisted of gifts to the District of $59,633.65 for the new stadium and $2,000.00 for playground equipment at Jones Elementary School and grants of $1,500.00 to Bremen High School, $1,375.00 to Bremen Middle School, $1,699.00 to Bremen Academy and $1,500.00 to Jones Elementary School.

Complete audited financial statements for the Foundation were not available as of the date of this report. Any inquiries or information about the Foundation can be obtained from Bremen Educational Foundation, Inc. The contacts are as follows: Mr. Dave Pollard, President, 201 Maple Street, Carrollton, Georgia 30117, 770-214-7277, e-mail address, david.pollard@raymondjames.com or Ms. Joanie Lowe, Treasurer, 214 Tallapoosa Street, Bremen, Georgia 30110, 770-537-1110, e-mail address, joanielowe@bellsouth.net.

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CITY OF BREMEN BOARD OF EDUCATION - HARALSON COUNTY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
JUNE 30, 2014

SCHEDULE "1"

	NONAPPROPRIATED BUDGETS		ACTUAL	VARIANCE
	ORIGINAL (1)	FINAL (1)	AMOUNTS	OVER/UNDER
REVENUES				
Property Taxes	$ 3,416,066.57	$ 3,416,066.57	$ 3,481,930.46	$ 65,863.89
Sales Taxes			35,480.02	35,480.02
State Funds	11,111,542.00	11,078,915.54	11,518,464.57	439,549.03
Federal Funds	362,965.00	1,145,923.00	1,159,681.07	13,758.07
Charges for Services	1,265,400.00	1,265,400.00	1,601,392.74	335,992.74
Investment Earnings	3,500.00	3,500.00	12,189.14	8,689.14
Miscellaneous	62,750.00	62,750.00	957,046.48	894,296.48
Total Revenues	16,222,223.57	16,972,555.11	18,766,184.48	1,793,629.37
EXPENDITURES				
Current				
Instruction	11,008,019.55	11,681,189.40	12,619,968.78	-938,779.38
Support Services				
Pupil Services	483,052.98	547,369.98	578,633.17	-31,263.19
Improvement of Instructional Services	171,160.35	174,072.60	170,963.64	3,108.96
Educational Media Services	323,922.03	323,922.03	310,126.55	13,795.48
General Administration	533,768.63	533,768.63	586,660.98	-52,892.35
School Administration	1,208,312.17	1,208,312.17	1,195,503.66	12,808.51
Business Administration	164,774.04	164,774.04	154,976.48	9,797.56
Maintenance and Operation of Plant	1,316,942.55	1,316,942.55	1,383,911.15	-66,968.60
Student Transportation Services	90,499.15	90,499.15	98,450.62	-7,951.47
Central Support Services	33,319.00	33,319.00	23,645.30	9,673.70
Other Support Services	356,750.08	356,750.08	311,757.54	44,992.54
Enterprise Operations			403,402.01	-403,402.01
Food Services Operation	779,008.00	779,008.00	783,959.38	-4,951.38
Capital Outlay			2,226.51	-2,226.51
Debt Service			158,802.24	-158,802.24
Total Expenditures	16,469,528.53	17,209,927.63	18,782,988.01	-1,573,060.38
Excess of Revenues under Expenditures	-247,304.96	-237,372.52	-16,803.53	220,568.99
OTHER FINANCING SOURCES (USES)				
Transfers In			20,000.00	20,000.00
Transfers Out			-191,153.12	-191,153.12
Total Other Financing Sources (Uses)			-171,153.12	-171,153.12
Net Change in Fund Balances	-247,304.96	-237,372.52	-187,956.65	49,415.87
Fund Balances - Beginning	3,186,635.96	3,653,210.05	3,738,909.31	85,699.26
Adjustments		19,622.75		-19,622.75
Fund Balances - Ending	$ 2,939,331.00	$ 3,435,460.28	$ 3,550,952.66	$ 115,492.38

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 following Funds as shown below.

	Revenues	Expenditures
Race-to-the-Top Program	$ 172.48	$ 172.48
School Principals Accounts	903,539.59	852,992.49
Family Connection Program	45,000.00	45,000.00
Prekindergarten Program	285,701.03	296,028.45
After School Program	119,903.42	103,914.98
	$ 1,354,316.52	$ 1,298,108.40

The accompanying schedule of revenues, expenditures and changes in fund balances budget and actual is presented on the modified accrual basis of accounting which is the basis of accounting used in the presentation of the fund financial statements.

See notes to the basic financial statements.

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	$ 786,057.93	(1)
Total U. S. Department of Agriculture				786,057.93	
Education, U. S. Department of					
Special Education Cluster					
Pass-Through From Georgia Department of Education					
Special Education					
Grants to States	*	84.027	N/A	357,468.41	
Preschool Grants	*	84.173	N/A	30,436.87	
Total Special Education Cluster				387,905.28	
Other Programs					
Pass-Through From Georgia Department of Education					
ARRA - Race-to-the-Top Incentive Grants		84.395	N/A	172.48	
Career and Technical Education - Basic Grants to States		84.048	N/A	29,431.00	
Improving Teacher Quality State Grants		84.367	N/A	52,832.00	
Title I Grants to Local Educational Agencies		84.010	N/A	323,207.00	
Total Other Programs				405,642.48	
Total U. S. Department of Education				793,547.76	
Total Expenditures of Federal Awards				$ 1,579,605.69	

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 $61,218.19.

(2) Expenditures for the funds earned on the School Breakfast Program ($46,939.03) 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 City of Bremen 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.

CITY OF BREMEN BOARD OF EDUCATION - HARALSON COUNTY
SCHEDULE OF STATE REVENUE
YEAR ENDED JUNE 30, 2014

SCHEDULE "3"

AGENCY/FUNDING	GOVERNMENTAL FUND TYPES: GENERAL FUND	GOVERNMENTAL FUND TYPES: CAPITAL PROJECTS FUND	TOTAL
GRANTS			
Bright From the Start:			
Georgia Department of Early Care and Learning			
Pre-Kindergarten Program	$ 285,701.03		$ 285,701.03
Education, Georgia Department of			
Quality Basic Education			
Direct Instructional Cost			
Kindergarten Program	735,285.00		735,285.00
Kindergarten Program - Early Intervention Program	88,056.00		88,056.00
Primary Grades (1-3) Program	1,589,858.00		1,589,858.00
Primary Grades - Early Intervention (1-3) Program	217,203.00		217,203.00
Upper Elementary Grades (4-5) Program	561,748.00		561,748.00
Upper Elementary Grades - Early Intervention (4-5) Program	122,431.00		122,431.00
Middle School (6-8) Program	1,157,956.00		1,157,956.00
High School General Education (9-12) Program	1,156,664.00		1,156,664.00
Vocational Laboratory (9-12) Program	318,461.00		318,461.00
Students with Disabilities	1,271,234.00		1,271,234.00
Gifted Student - Category VI	1,367,245.00		1,367,245.00
Remedial Education Program	143,853.00		143,853.00
Alternative Education Program	81,969.00		81,969.00
English Speakers of Other Languages (ESOL)	8,603.00		8,603.00
Media Center Program	238,079.00		238,079.00
20 Days Additional Instruction	67,212.00		67,212.00
Staff and Professional Development	47,735.00		47,735.00
Indirect Cost			
Central Administration	464,130.00		464,130.00
School Administration	554,099.00		554,099.00
Facility Maintenance and Operations	565,029.00		565,029.00
Amended Formula Adjustment	-2,343,891.00		-2,343,891.00
Categorical Grants			
Pupil Transportation			
Regular	11,899.00		11,899.00
Nursing Services	38,884.00		38,884.00
Vocational Supervisors	6,683.00		6,683.00
State Health Reimbursement (1)	830,880.00		830,880.00
Education Equalization Funding Grant	1,766,590.00		1,766,590.00
Other State Programs			
Food Services	23,244.00		23,244.00
Math and Science Supplements	10,706.54		10,706.54
Preschool Handicapped Program	45,412.00		45,412.00
Vocational Education	19,054.00		19,054.00
Georgia State Financing and Investment Commission			
Reimbursement on Construction Projects		$ 359,068.54	359,068.54
Human Resources, Georgia Department of			
Family Connection	45,000.00		45,000.00
Office of the State Treasurer			
Public School Employees' Retirement	21,452.00		21,452.00
	$ 11,518,464.57	$ 359,068.54	$ 11,877,533.11

(1) Payments to the Georgia Department of Community Health by the Georgia Department of Education on behalf of the School District are reported separately in the schedule above, however, the payments are part of the Quality Basic Education revenue allotments for the School District.

See notes to the basic financial statements.

CITY OF BREMEN BOARD OF EDUCATION - HARALSON COUNTY
SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS
JUNE 30, 2014

SCHEDULE "4"

PROJECT	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3)	AMOUNT EXPENDED IN PRIOR YEARS (3)	TOTAL COMPLETION COST	EXCESS PROCEEDS NOT EXPENDED	ESTIMATED COMPLETION DATE
CARROLL COUNTY III (TANS and Lease Purchase)							
ALL PROJECTS	$ 5,530,000.00	$ 5,530,000.00					
i) consisting of acquiring, constructing, adding to, renovating, modifying, repairing, improving and equipping schools and other buildings and facilities and acquiring any property necessary or desirable therefor, both real and personal;				$ 845,241.85	$ 845,241.85		COMPLETED
ii) acquiring real estate for the construction of new schools and facilities;				22,246.00	22,246.00		COMPLETED
iii) constructing and equipping new schools and facilities and acquiring any property necessary or desirable therefor, both real and personal; including but not limited to the following without prioritizing any of such items: completion and equipping of Bremen Middle School;				726,578.64	726,578.64		COMPLETED
iv) construction and equipping a fourth and fifth grade academy at the Bremen Middle School site;							
v) acquiring real estate for the construction of new schools and facilities, including a new 3-5 school site;							
vi) constructing and equipping a performing arts center;				2,849,213.33	2,849,213.33		COMPLETED
vii) making system-wide technology improvements; and acquiring maintenance and transportation vehicles.			0.00				
Total Carroll County SPLOST III Projects	5,530,000.00	5,530,000.00	0.00	4,443,279.82	4,443,279.82	0.00	
HARALSON COUNTY IV							
ALL PROJECTS	7,920,000.00	7,920,000.00					
i) Funding the cost of the retirement of principal and interest on a portion of the City of Bremen School District General Obligation Bonds, Series 2006 and 2007, in the maximum amount of $5,449,918.00 and;			725,000.00				6/30/2017
ii) the cost of acquiring, constructing, and equipping a new fine arts center;							
iii) renovations and improvements to the stadium at Bremen High School;							
iv) renovations to athletic facilities, maintenance and transportation equipment and facilities;			206,323.53				6/30/2017
v) real estate acquisition, and any real or personal property necessary in connection with such projects within the Bremen School District in a maximum amount equal to the greater of $2,470,082.00 or the maximum amount of net proceeds to be raised by the tax for the Bremen School District after the retirement of said previously incurred general obligation debt.				16,830.35			6/30/2017
Interest on Bonds and Bond Administrative Fees			350,452.12	377,907.64	0.00	0.00	6/30/2017
Total Haralson County SPLOST IV Projects	7,920,000.00	7,920,000.00	1,281,775.65	394,737.99	0.00	0.00	

CITY OF BREMEN BOARD OF EDUCATION - HARALSON COUNTY
SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS
JUNE 30, 2014

SCHEDULE "4"

PROJECT	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3)	AMOUNT EXPENDED IN PRIOR YEARS (3)	TOTAL COMPLETION COST	EXCESS PROCEEDS NOT EXPENDED	ESTIMATED COMPLETION DATE
CARROLL COUNTY IV							
ALL PROJECTS	$ 4,147,500.00	$ 4,147,500.00					
i) Funding the cost of acquiring, constructing, and equipping a new fine arts center;			$ 485,000.00	$ 2,760,181.64			12/31/2017
ii) renovations and improvements to the stadium at Bremen High School;							
iii) renovations to athletic facilities, maintenance and transportation equipment and facilities;							
iv) real estate acquisition, and any real or personal property necessary in connection with such projects within the Bremen School District, together with funding capitalized interest on the Bremen School District Debt hereinafter referred to (the "Bremen School Projects"), the maximum cost of such Bremen School Projects to be funded from the one percent sales and use tax in an amount not to exceed $4,147,500.00.							
Interest on Bonds, Bond Issuance Fees and Bond Administrative Fees			78,916.00	224,083.20	0.00	0.00	12/31/2017
Total Carroll County SPLOST IV Projects	4,147,500.00	4,147,500.00	563,916.00	2,984,264.84	0.00	0.00	
	$ 17,597,500.00	$ 17,597,500.00	$ 1,845,691.65	$ 7,822,282.65	$ 4,443,279.82	$ 0.00	

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

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

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

See notes to the basic financial statements.

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CITY OF BREMEN BOARD OF EDUCATION - HARALSON COUNTY
GENERAL FUND - QUALITY BASIC EDUCATION PROGRAMS (QBE)
ALLOTMENTS AND EXPENDITURES - BY PROGRAM
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	$ 809,787.00	$ 728,028.20	$ 17,983.66	$ 746,011.86
Kindergarten Program-Early Intervention Program	97,344.00	34,995.90		34,995.90
Primary Grades (1-3) Program	1,740,138.00	2,304,100.08	66,262.62	2,370,362.70
Primary Grades-Early Intervention (1-3) Program	238,439.00	225,222.12		225,222.12
Upper Elementary Grades (4-5) Program	630,300.00	1,062,535.85	48,399.56	1,110,935.41
Upper Elementary Grades-Early Intervention (4-5) Program	135,006.00			
Middle School (6-8) Program	1,277,112.00	1,462,914.67	63,172.73	1,526,087.40
High School General Education (9-12) Program	1,284,012.00	1,670,585.76	94,078.77	1,764,664.53
Vocational Laboratory (9-12) Program	343,154.00	518,972.02	25,753.20	544,725.22
Students with Disabilities	1,424,991.00			
Category I		206,843.99		206,843.99
Category II		53,931.32		53,931.32
Category III		450,992.96		450,992.96
Category IV		210,703.24		210,703.24
Category V		173,572.77		173,572.77
Gifted Student - Category VI	1,474,274.00	861,308.91		861,308.91
Remedial Education Program	152,667.00	104,330.82		104,330.82
Alternative Education Program	92,967.00	155,003.52	724.11	155,727.63
English Speakers of Other Languages (ESOL)	9,488.00	22,857.45		22,857.45
TOTAL DIRECT INSTRUCTIONAL PROGRAMS	9,709,679.00	10,246,899.58	316,374.65	10,563,274.23
Media Center Program	261,941.00	261,643.68	48,482.87	310,126.55
Staff and Professional Development	51,181.00	18,990.42		18,990.42
TOTAL QBE FORMULA FUNDS	$ 10,022,801.00	$ 10,527,533.68	$ 364,857.52	$ 10,892,391.20

(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 24, 2015

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

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

Ladies and Gentlemen:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Bremen Board of Education as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise City of Bremen Board of Education's basic financial statements and have issued our report thereon dated March 24, 2015. The report was modified for a scope limitation, as identified in the auditor's report on the basic financial statements and described below.

The financial statements of Bremen Educational Foundation, Inc. (Foundation) have not been audited, and we were not engaged to audit the Foundation's financial statements as part of our audit of the School District's basic financial statements. The Foundation's financial activities are included in the School District's basic financial statements as a discretely presented component unit. We do not express an opinion for the discretely presented component unit.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that

were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item FS 2014-001 to be a material weakness.

Compliance and Other Matters

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

We noted certain matters that we have reported to management of City of Bremen Board of Education in a separate letter dated March 24, 2015.

City of Bremen Board of Education's Response to Findings

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

Purpose of this Report

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

Respectfully submitted,



Greg S. Griffin
State Auditor

GSG:as
2014YB-41

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 24, 2015

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

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

Ladies and Gentlemen:

Report on Compliance for Each Major Federal Program

We have audited City of Bremen 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. City of Bremen Board of Education's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City of Bremen Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

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

GSG:as
2014SA-10

SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

CITY OF BREMEN BOARD OF EDUCATION - HARALSON COUNTY
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

CITY OF BREMEN BOARD OF EDUCATION - HARALSON COUNTY
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
Discretely Presented Component Unit	Disclaimer

Internal control over financial reporting:

▪ Material weakness identified?	Yes
▪ 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-143, Section 510(a)? No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
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

FS 2014-001 Inadequate Controls over Financial Reporting

Control Category: Financial Reporting
Internal Control Impact: Material Weakness

Description:
The School District did not have adequate controls in place to ensure all required activity was included in the financial statement information presented for audit.

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

Condition:
A material audit adjustment of $278,733.07 was proposed and accepted by the client to record contracts and retainage payable in the District-wide Capital Projects Fund and governmental activities.

Cause:
In discussing this deficiency with the School District, they indicated that the material adjustment was due to an oversight of a current year expense and not including a monitoring review over the construction analysis.

Effect or Potential Effect:
Material misstatements were included in the financial statements presented for audit. In addition, the lack of controls and monitoring could impact the reporting of the School District's financial position and results of operations.

Recommendation:
The School District should provide training and strengthen internal controls over the financial reporting process to ensure all required activity is included in the financial statement information.

Views of Responsible Officials and Corrective Action Plans:
We concur with this finding. The deficiency occurred due to an oversight and will be corrected in the subsequent fiscal year. This oversight was, in part, attributable to an off cycle billing and documentation error on behalf of the contractor. The Board has strengthened the internal controls over the financial reporting process to ensure all required activity is included in the financial statement information. All communication regarding construction billing will now be directed to the Director of Finance. Also, the Superintendent, Assistant Superintendent, Director of Finance, and Director of Facilities will meet regularly with construction contractors during ongoing projects. The Board anticipates these changes to be fully implemented by April 2015.

Contact Person: Allen Pullen, Director of Finance
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III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.