

CHATTOOGA COUNTY BOARD OF EDUCATION
SUMMERVILLE, GEORGIA

ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2014
(Including Independent Auditor's Reports)

CHATTOOGA COUNTY BOARD OF EDUCATION

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CHATTOOGA COUNTY BOARD OF EDUCATION

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SECTION I

FINANCIAL

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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 2, 2016

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

INDEPENDENT AUDITOR'S REPORT

Ladies and Gentlemen:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Emphasis of Matter

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

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual, as presented on page 27, 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.

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Other Information

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2016, on our consideration of the Chattooga County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Chattooga County Board of Education's internal control over financial reporting and compliance.

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

Respectfully submitted,



Greg S. Griffin
State Auditor

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2014ARL-11

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CHATTOOGA COUNTY BOARD OF EDUCATION

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

EXHIBIT "A"

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and Cash Equivalents	$ 20,350,380.59
Investments	2,890,497.13
Accounts Receivable	
Interest	39,953.15
Taxes	1,002,591.43
State Government	5,632,024.46
Federal Government	543,512.61
Other	12,539.01
Inventories	105,459.05
Capital Assets-Non Depreciable	4,968,634.79
Capital Assets-Depreciable	19,057,804.48
Total Assets	$ 54,603,396.70
LIABILITIES	
Interest Payable	$ 131,937.50
Salaries and Benefits Payable	2,673,434.96
Contracts Payable	497,911.00
Retainages Payable	335,180.00
Long-Term Debt	
Due within one Year	1,235,532.18
Due in more than one Year	14,197,740.70
Total Liabilities	$ 19,071,736.34
NET POSITION	
Net Investment in Capital Assets	$ 20,450,677.14
Restricted	
Continuation of State and Federal Programs	873,144.70
Bus Replacement	46,863.14
Debt Service	5,540,817.01
Capital Projects	442,007.81
Unrestricted	8,178,150.56
Total Net Position	$ 35,531,660.36

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

CHATTOOGA COUNTY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

GOVERNMENTAL ACTIVITIES	EXPENSES	CHARGES FOR SERVICES
Instruction	$ 16,081,732.57	$ 79,500.96
Support Services		
Pupil Services	1,102,518.11	
Improvement of Instructional Services	1,008,960.48	
Educational Media Services	409,210.79	
General Administration	310,131.55	
School Administration	1,498,995.00	
Business Administration	253,192.48	
Maintenance And Operation Of Plant Services	1,545,231.26	
Student Transportation Service	1,283,524.69	
Support Services - Central	300,488.29	
Other Support Services	160,790.81	
Operation of Non-Instructional Services		
Food Services	1,479,946.97	185,511.89
Interest On Short-Term And Long-Term Debt & Fees	217,822.40	
Total Governmental Activities	$ 25,652,545.40	$ 265,012.85

General Revenues
Taxes
Property Taxes
For Maintenance and Operations
Other
Sales Tax
Education Local Option Sales Tax
Special Purpose Local Option Sales Tax
For Capital Projects/Debt Services
Other Sales Taxes
Grants and Contributions not
Restricted to Specific Programs
Investment Earnings
Miscellaneous

Total General Revenues

Change in Net Position

Net Position - Beginning of Year

Net Position - End of Year

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

PROGRAM REVENUES		
OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	NET(EXPENSES) REVENUES AND CHANGES IN NET POSITION
$ 10,923,364.27	$ 3,315,078.28	$ -1,763,789.06
438,525.01		-663,993.10
565,377.55		-443,582.93
343,587.00		-65,623.79
539,132.40	5,402.98	234,403.83
896,069.88		-602,925.12
12,578.48		-240,614.00
859,060.22	157,582.65	-528,588.39
445,864.63	79,913.86	-757,746.20
13,540.31	1,632.74	-285,315.24
136,319.96	1,493.75	-22,977.10
1,256,006.29	325,202.10	286,773.31
		-217,822.40
$ 16,429,426.00	$ 3,886,306.36	-5,071,800.19
		5,458,602.27
		92,677.31
		1,628,044.33
		1,587,866.63
		76,255.17
		1,548,500.00
		101,131.40
		787,253.10
		11,280,330.21
		6,208,530.02
		29,323,130.34
		$ 35,531,660.36

CHATOOGA COUNTY BOARD OF EDUCATION
GOVERNMENTAL FUNDS
JUNE 30, 2014

EXHIBIT "C"

	GENERAL FUND	DISTRICT-WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
ASSETS				
Cash and Cash Equivalents	$ 8,418,360.68	$ 9,326,217.06	$ 2,605,802.85	$ 20,350,380.59
Investments			2,890,497.13	2,890,497.13
Accounts Receivable, Net				
Interest			39,953.15	39,953.15
Taxes	866,090.05		136,501.38	1,002,591.43
State Government	1,825,631.96	3,806,392.50		5,632,024.46
Federal Government	543,512.61			543,512.61
Other	12,539.01			12,539.01
Inventories	105,459.05			105,459.05
Total Assets	$ 11,771,593.36	$ 13,132,609.56	$ 5,672,754.51	$ 30,576,957.43
LIABILITIES				
Salaries and Benefits Payable	$ 2,673,434.96			$ 2,673,434.96
Contracts Payable		$ 497,911.00		497,911.00
Retainages Payable		335,180.00		335,180.00
Total Liabilities	2,673,434.96	833,091.00		3,506,525.96
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	461,699.27	3,806,392.50		4,268,091.77
FUND BALANCES				
Nonspendable	105,459.05			105,459.05
Restricted	814,548.79	8,493,126.06	$ 5,672,754.51	14,980,429.36
Assigned	233,248.02			233,248.02
Unassigned	7,483,203.27			7,483,203.27
Total Fund Balances	8,636,459.13	8,493,126.06	5,672,754.51	22,802,339.70
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 11,771,593.36	$ 13,132,609.56	$ 5,672,754.51	$ 30,576,957.43

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

CHATTOOGA COUNTY BOARD OF EDUCATION
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")		$ 22,802,339.70
Amounts reported for Governmental Activities in the Statement of Net Position are different because:		
Capital Assets used in Governmental Activities are not financial resources and therefore are not reported as assets in governmental funds. These assets consist of:		
Land	$ 503,666.51	
Land Improvements	703,668.55	
Accumulated Depreciation - Land Improvements	-655,135.59	
Buildings	29,037,877.66	
Accumulated Depreciation - Buildings	-11,402,898.93	
Machinery and Equipment	4,832,932.09	
Accumulated Depreciation - Machinery and Equipment	-3,458,639.30	
Construction in Progress	4,464,968.28	
Total Capital Assets		24,026,439.27
Some of the School Districts revenues are deferred on the Fund Statements because they are not available soon enough after fiscal year end to pay for the current period's expenditures. These taxes are not deferred on the Governmental Activities Statement of Net Position.		
Deferred Inflows of Resources		
Property Taxes	$ 461,699.27	
State Grants- Reimbursement on Construction Projects-GSFIC	3,806,392.50	4,268,091.77
Some Liabilities reported in the Govermental Activities do not require the use of current financial resources, and therefore are not reported as expenditures in the Governmental Fund Statements.		-131,937.50
Long-Term Liabilities, including Bonds Payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-Term Liabilities at year-end consist of:		
General Obligation Bonds Payable	$ -14,589,015.45	
Bond Premiums, Net of Amortization	-844,257.43	
Total Long-Term Liabilities		-15,433,272.88
Net Position of Governmental Activities (Exhibit "A")		$ 35,531,660.36

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

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

EXHIBIT "E"

	GENERAL FUND	DISTRICT-WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
REVENUES				
Property Taxes	$ 5,507,710.62			$ 5,507,710.62
Sales Taxes	1,704,299.50		$ 1,587,866.63	3,292,166.13
State Funds	14,843,518.31			14,843,518.31
Federal Funds	3,214,321.55			3,214,321.55
Charges for Services	265,012.85			265,012.85
Investment Earnings	8,213.22	$ 17,205.65	75,712.53	101,131.40
Miscellaneous	790,062.37	73.02		790,135.39
Total Revenues	26,333,138.42	17,278.67	1,663,579.16	28,013,996.25
EXPENDITURES				
Current				
Instruction	15,142,444.77			15,142,444.77
Support Services				
Pupil Services	1,102,518.11			1,102,518.11
Improvement of Instructional Services	1,008,960.48			1,008,960.48
Educational Media Services	409,210.79			409,210.79
General Administration	307,471.89		700.38	308,172.27
School Administration	1,498,995.00			1,498,995.00
Business Administration	253,192.48			253,192.48
Maintenance and Operation of Plant	1,610,294.10			1,610,294.10
Student Transportation Services	1,320,035.25			1,320,035.25
Central Support Services	305,421.21			305,421.21
Other Support Services	160,129.13		120.00	160,249.13
Food Services Operation	1,452,305.61			1,452,305.61
Capital Outlay		4,246,821.98		4,246,821.98
Debt Services				
Principal			345,000.00	345,000.00
Dues and Fees			1,182.50	1,182.50
Interest			349,782.50	349,782.50
Total Expenditures	24,570,978.82	4,246,821.98	696,785.38	29,514,586.18
Excess of Revenues over (under) Expenditures	1,762,159.60	-4,229,543.31	966,793.78	-1,500,589.93
OTHER FINANCING SOURCES (USES)				
Transfers In			2,227,150.38	2,227,150.38
Transfers Out		-2,227,150.38		-2,227,150.38
Total Other Financing Sources (Uses)		-2,227,150.38	2,227,150.38	0.00
Net Change in Fund Balances	1,762,159.60	-6,456,693.69	3,193,944.16	-1,500,589.93
Fund Balances - Beginning	6,874,299.53	14,949,819.75	2,478,810.35	24,302,929.63
Fund Balances - Ending	$ 8,636,459.13	$ 8,493,126.06	$ 5,672,754.51	$ 22,802,339.70

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

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

EXHIBIT "F"

Total Net Change in Fund Balances - Governmental Funds (Exhibit "E")		$ -1,500,589.93
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 - Net Change	$ 4,601,026.80	
Depreciation Expense-Buildings	-902,517.50	
Depreciation Expense-Equipment	-310,129.31	
Depreciation Expense-Land Improvements	-4,481.81	
Excess of Capital Outlay over Depreciation Expense		3,383,898.18
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, and disposals) is to decrease Net Position.		-2,882.29
Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Deferred Inflows - Unavailable Property Taxes		
June 30, 2013	$ -418,130.31	
June 30, 2014	461,699.27	43,568.96
Grant Revenues from the Georgia State Financing Investments not available to pay current expenditures are not required to be deferred in the Statement of Activities as they are in the Fund Statements.		3,806,392.50
Repayment of Long-Term Debt is reported as an expenditure in Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Position. In the current year, these amounts consist of:		
Bond Principal Retirements	$ 345,000.00	
Amortization of Bond Premium	105,532.18	
Total Long-Term Debt Repayments		450,532.18
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in Governmental Funds.		
Accrued Interest Expense		
June 30, 2013	$ 159,547.92	
June 30, 2014	-131,937.50	27,610.42
Change in Net Position of Governmental Activities (Exhibit "B")		$ 6,208,530.02

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

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

EXHIBIT "G"

	AGENCY FUNDS
ASSETS	
Cash and Cash Equivalents	$ 30,573.39
LIABILITIES	
Funds Held for Others	$ 30,573.39

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

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

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

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

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

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

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

The School District reports the following major governmental funds:

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

- District-wide Capital Projects Fund accounts for and reports financial resources including Education Special Purpose Local Option Sales Tax (ESPLOST) and Bond Proceeds 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 school activity accounts and a flower fund for school food services.

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, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities 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 net assets available to finance the program. It is the School District's policy to first apply grant resources to such programs, followed by cost-reimbursement grants, then general revenues.

NEW ACCOUNTING PRONOUNCEMENTS

In fiscal year 2014, the School District adopted the Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The provisions of this statement establish accounting and financial reporting standards that reclassify, as deferred outflows or 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.

In fiscal year 2015, the School District will adopt Governmental Account 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 in fiscal year 2015 will result in a restatement to beginning net position. Based on current actuarial estimates, the School District's liability for the proportionate share of the Net Pension Liability of the pension plan administered through the Teacher Retirement System of Georgia (TRS) is estimated to be $14.6 million at June 30, 2014.

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 and equity investments 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 Chattooga County Board of Commissioners adopted the property tax levy for the 2013 tax digest year (calendar year) on August 26, 2013 (levy date) based on property values as of January 1, 2013. Taxes were due on December 3, 2013 (lien date). The Chattooga County Tax Commissioner bills and collects the property taxes for the School District, withholds 2.5% of taxes collected as a fee for tax collection and remits the balance of taxes collected to the School District. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2014, for maintenance and operations amounted to $4,983,222.64.

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

School Operations	14.223 mills

Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, which are included in property taxes above, amounted to $431,810.67 during fiscal year ended June 30, 2014

SALES TAXES

Local Option Sales Tax revenue, at the fund reporting level, during the fiscal year amounted to $1,628,044.33 and was recorded in the General Fund. Local Option Sales Tax is to be used for the maintenance and operation of the School District.

Education Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to $1,587,866.63 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 authorization expires on May 31, 2017.

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	$ 25,000.00	20 to 80 years
Buildings and Improvements	$ 25,000.00	10 to 60 years
Equipment	$ 5,000.00	3 to 20 years
Intangible Assets	$ 200,000.00	10 to 20 years

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

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

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of net position and/or the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of resources that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense/expenditure) until then. The deferred charge on refunded debt resulting from the difference in the carrying value of the refunded debt and its reacquisition price is deferred and amortized over the shorter of the life of the refunded or refunding debt. 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(s) and therefore will not be recognized as an inflow of resources (revenue) until that time. The School District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reporting only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and grants and these amounts are deferred and will be recognized as an inflow of resources (revenues) 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		$ 105,459.05
Restricted		
Continuation of Federal Programs	$ 767,685.65	
Continuation of State Program - Bus Replacement	46,863.14	
Capital Projects	8,493,126.06	
Debt Service	5,672,754.51	14,980,429.36
Assigned		
School Activity Accounts		233,248.02
Unassigned		7,483,203.27
Fund Balance, June 30, 2014		$ 22,802,339.70

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 various School Activity (principal) Accounts, is prepared and adopted by fund, function and object. The legal level of budgetary control was established by the Board at the aggregate fund level. The budget for the General Fund was prepared in accordance with accounting principles generally accepted in the United States of America.

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

The Superintendent is authorized by the Board to approve adjustments of no more than five percent of the amount budgeted for expenditures in any budget function for any fund. 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 five percent of the budgeted amount, the Superintendent shall request Board approval for the budget amendment. 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 the fiscal year under review.

Note 4: DEPOSITS AND INVESTMENTS

COLLATERALIZATION OF DEPOSITS

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

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

(1) Surety bond signed by a surety company duly qualified and authorized to transact business within the State of Georgia,

(2) Insurance on accounts provided by the Federal Deposit Insurance Corporation,

(3) Bonds, bills, notes, certificates of indebtedness or other direct obligations of the United States or of the State of Georgia,

(4) Bonds, bills, notes, certificates of indebtedness or other obligations of the counties or municipalities of the State of Georgia,

(5) Bonds of any public authority created by the laws of the State of Georgia, providing that the statute that created the authority authorized the use of the bonds for this purpose,

(6) Industrial revenue bonds and bonds of development authorities created by the laws of the State of Georgia, and

(7) Bonds, bills, notes, certificates of indebtedness, or other obligations of a subsidiary corporation of the United States government, which are fully guaranteed by the United States government both as to principal and interest or debt obligations issued by or securities guaranteed by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, the Central Bank for Cooperatives, the Farm Credit Banks, the Federal Home Loan Mortgage Association, and the Federal National Mortgage Association.

CATEGORIZATION OF DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At June 30, 2014, School District had deposits with a carrying amount of $ 20,380,953.98, and a bank balance of $20,725,642.81. The bank balances insured by Federal depository insurance were $702,519.04.

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	0.00
3	20,023,123.77
Total	$ 20,023,123.77

CATEGORIZATION OF INVESTMENTS

The School District's investments as of June 30, 2014, are presented below. All investments are presented by investment type and debt securities are presented by maturity.

Investment Type	Fair Value	Investment Maturity	
		Less Than 1 Year	1 - 5 Years
Debt Securities			
U. S. Treasuries	$ 1,093,121.63	$ 1,093,121.63	
Municipal Obligation	1,797,375.50	191,985.50	$ 1,605,390.00
	$ 2,890,497.13	$ 1,285,107.13	$ 1,605,390.00

Interest Rate Risk

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

Custodial Credit Risk

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

At June 30, 2014, $2,890,497.13 of the School District's applicable investments were (1) uninsured or unregistered with securities held by the counterparty, or by its trust department or agent but not in the School District's name.

Credit Quality Risk

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

The investments subject to credit quality risk are reflected below:

Rated Debt Investments	Fair Value	Quality Ratings	
		A+	A
Debt Securities			
Municipal Obligation	$ 1,797,375.50	$ 191,985.50	$ 1,605,390.00

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The School District does not have a formal policy for managing concentration of credit risk. More than 5% of the School District's investments are in Municipal Obligations. These investments are 62% of the School District's total investments.

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	Balances June 30, 2014
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	$ 503,666.51			$ 503,666.51
Construction Work In Progress	229,406.80	$ 4,235,561.48	$ 0.00	4,464,968.28
Total Capital Assets, Not Being Depreciated	733,073.31	4,235,561.48	0.00	4,968,634.79
Capital Assets, Being Depreciated:				
Buildings and Improvements	28,992,293.66	45,584.00		29,037,877.66
Equipment	4,682,531.66	316,465.32	166,064.89	4,832,932.09
Land Improvements	700,252.55	3,416.00		703,668.55
Less: Accumulated Depreciation:				
Buildings and Improvements	10,500,381.43	902,517.50		11,402,898.93
Equipment	3,311,692.59	310,129.31	163,182.60	3,458,639.30
Land Improvements	650,653.78	4,481.81		655,135.59
Total Capital Assets, Being Depreciated, Net	19,912,350.07	-851,663.30	2,882.29	19,057,804.48
Governmental Activity Capital Assets - Net	$ 20,645,423.38	$ 3,383,898.18	$ 2,882.29	$ 24,026,439.27

Current year depreciation expense by function is as follows:

Instruction		$ 948,177.30
Support Services		
General Administration	$ 1,959.28	
Maintenance and Operation of Plant	57,144.16	
Student Transportation Services	159,790.76	
Support Services - Central	592.08	
Other Support Services	541.68	220,027.96
Food Services		48,923.36
		$ 1,217,128.62

Note 7: INTERFUND TRANSFERS

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

Transfer to	Transfers From District-wide Capital Projects
Debt Service Fund	$ 2,227,150.38

Transfers are used to move sales tax revenues collected by the District-wide Capital Projects Fund to the Debt Service Fund as a funding source to pay outstanding general obligation debt.

Note 8: RISK MANAGEMENT

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

The School District 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 General Fund 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	$ 3,990.00	$ 3,990.00	$ 0.00
2014	$ 0.00	$ 0.00	$ 0.00	$ 0.00

The School District participates in the Georgia School Boards Association Workers' Compensation Fund, a public entity risk pool organized on July 1, 1992, to develop, implement, and administer a program of workers' compensation self-insurance for its member organizations. The School District

pays an annual premium to the Fund for its Workers' Compensation insurance coverage. Excess insurance coverage is provided through an agreement by the Fund with the Safety National Casualty Corporation to provide coverage for potential losses sustained by the Fund in excess of $550 thousand loss per occurrence, up to the statutory limit. Employers' Liability insurance coverage is also provided by Safety National Casualty Corporation to provide coverage for potential losses sustained by the Fund in excess of $550 thousand loss per occurrence, up to $2 million. In addition to the $550 thousand per occurrence retention, the Fund also retains an additional $150,000 per year corridor retention.

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

Position Covered	Amount
Superintendent	$ 20,000.00
All Principals	$ 5,000.00

Note 9: LONG-TERM LIABILITIES

General Obligation Bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
General Government - QZAB Series 2002	0.00%	$ 2,035,000.00
General Government - QZAB Series 2007	0.00%	1,239,015.45
General Government - Series 2012	3.00%	9,035,000.00
General Government - Series 2013	2.00%	2,280,000.00
		$ 14,589,015.45

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	$ 14,934,015.45		$ 345,000.00	$ 14,589,015.45	$ 1,130,000.00
Unamortized Bond Premiums	949,789.61	$ 0.00	105,532.18	844,257.43	105,532.18
	$ 15,883,805.06	$ 0.00	$ 450,532.18	$ 15,433,272.88	$ 1,235,532.18

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

	General Obligation Debt		Unamortized
	Principal	Interest	Bond Premium
Fiscal Year Ended June 30:			
2015	$ 1,130,000.00	$ 305,350.00	$ 105,532.18
2016	3,185,000.00	282,550.00	105,532.18
2017	1,175,000.00	253,425.00	105,532.18
2018	1,210,000.00	217,650.00	105,532.18
2019	1,245,000.00	180,825.00	105,532.18
2020 - 2023	6,644,015.45	331,575.00	316,596.53
Total Principal and Interest	$ 14,589,015.45	$ 1,571,375.00	$ 844,257.43

Note 10: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of $1,273,723.50 for health insurance and retirement contributions paid on the School District's behalf by the following State Agencies.

Georgia Department of Education
Paid to the Georgia Department of Community Health
For Health Insurance of Certificated Personnel
In the amount of $1,220,124.00

Paid to the Teachers' Retirement System of Georgia
For Teachers' Retirement System (TRS) Employer's Cost
In the amount of $7,928.50

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 $45,671.00

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

Note 11: SIGNIFICANT COMMITMENTS

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

Project	Unearned Executed Contracts	Funding Available From State
14RA-627-001 New Chattooga High	$ 17,381,933.68	$ 4,357,543.50

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

Note 12: SIGNIFICANT CONTINGENT LIABILITIES

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

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

Note 13: POST-EMPLOYMENT BENEFITS

Georgia School Personnel Post-employment Health Benefit Fund

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

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

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

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

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

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

July 1, 2013 – June 30, 2014 $945 per member per month

For non-certificated school personnel:

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

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

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

Fiscal Year	Percentage Contributed	Required Contribution
2014	100%	$ 2,447,246.44
2013	100%	$ 2,312,093.96
2012	100%	$ 2,326,938.91

Note 14: RETIREMENT PLANS

TEACHERS RETIREMENT SYSTEM OF GEORGIA (TRS)

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

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

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

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

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

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

Fiscal Year	Percentage Contributed	Required Contribution
2014	100%	$ 1,459,688.41
2013	100%	$ 1,365,165.48
2012	100%	$ 1,329,190.98

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.

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CHATOOGA COUNTY BOARD OF EDUCATION SCHEDULE "1"

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2014

	NONAPPROPRIATED BUDGETS		ACTUAL	VARIANCE
	ORIGINAL (1)	FINAL (1)	AMOUNTS	OVER/UNDER
REVENUES				
Property Taxes	$ 5,025,000.00	$ 5,490,000.00	$ 5,507,710.62	$ 17,710.62
Sales Taxes	1,605,000.00	1,626,000.00	1,704,299.50	78,299.50
State Funds	12,825,344.00	13,750,163.31	14,846,212.17	1,096,048.86
Federal Funds	1,180,848.00	3,152,065.00	3,214,321.55	62,256.55
Charges for Services	194,679.00	194,679.00	265,012.85	70,333.85
Investment Earnings	4,345.00	7,845.00	8,213.22	368.22
Miscellaneous	138,000.00	253,960.00	787,368.51	533,408.51
Total Revenues	20,973,216.00	24,474,712.31	26,333,138.42	1,858,426.11
EXPENDITURES				
Current				
Instruction	13,607,852.76	15,144,594.63	15,142,444.77	2,149.86
Support Services				
Pupil Services	744,803.12	1,175,038.12	1,102,518.11	72,520.01
Improvement of Instructional Services	554,329.26	1,039,493.95	1,008,960.48	30,533.47
Educational Media Services	399,160.71	405,160.71	409,210.79	-4,050.08
General Administration	336,773.76	339,196.76	307,471.89	31,724.87
School Administration	1,408,878.67	1,499,461.06	1,498,995.00	466.06
Business Administration	251,669.75	251,197.06	253,192.48	-1,995.42
Maintenance and Operation of Plant	1,643,940.18	1,663,940.18	1,610,294.10	53,646.08
Student Transportation Services	1,092,802.54	1,350,176.94	1,320,035.25	30,141.69
Central Support Services	331,318.43	335,718.43	305,421.21	30,297.22
Other Support Services	20,870.00	149,892.00	160,129.13	-10,237.13
Food Services Operation	1,749,782.00	1,774,986.43	1,452,305.61	322,680.82
Total Expenditures	22,142,181.18	25,128,856.27	24,570,978.82	557,877.45
Net Change in Fund Balances	-1,168,965.18	-654,143.96	1,762,159.60	2,416,303.56
Fund Balances - Beginning	6,365,716.60	6,292,599.49	6,874,299.53	581,700.04
Adjustments	-7,477.70	-5,100.98		5,100.98
Fund Balances - Ending	$ 5,189,273.72	$ 5,633,354.55	$ 8,636,459.13	$ 3,003,104.58

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

(1) Original and Final Budget amounts do not include the budgeted revenues or expenditures of the various principal accounts. The actual revenues and expenditures of the various principal accounts are $601,312.55 and $621,605.15, respectively.

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

See notes to the basic financial statements.

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

FUNDING AGENCY PROGRAM/GRANT		CFDA NUMBER	PASS-THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD
Agriculture, U. S. Department of				
Child Nutrition Cluster				
Pass-Through From Georgia Department of Education				
Food Services				
School Breakfast Program	*	10.553	N/A	(2)
National School Lunch Program	*	10.555	N/A	$ 1,278,762.54 (1)
Pass-Through From Bright from the Start				
Georgia Department of Early Care and Learning				
Summer Food Service Program for Children	*	10.559	N/A	119,843.70
Total Child Nutrition Cluster				1,398,606.24
Forest Service Schools and Roads Cluster				
Pass-Through From Office of the State Treasurer				
Schools and Roads - Grants to States		10.665	N/A	(3)
Total U. S. Department of Agriculture				1,398,606.24
Education, U. S. Department of				
Special Education Cluster				
Pass-Through From Georgia Department of Education				
Special Education				
Grants to States		84.027	N/A	620,010.65
Preschool Grants		84.173	N/A	38,420.32
Total Special Education Cluster				658,430.97
Other Programs				
Pass-Through From Georgia Department of Education				
Career and Technical Education - Basic Grants to States		84.048	N/A	37,191.49
Education for Homeless Children and Youth		84.196	N/A	46,575.06
Improving Teacher Quality State Grants		84.367	N/A	142,396.04
Rural Education		84.358	N/A	75,187.14
Title I Grants to Local Educational Agencies	*	84.010	N/A	999,060.27
Total Other Programs				1,300,410.00
Total U. S. Department of Education				1,958,840.97
Labor, U. S. Department of				
Workforce Investment Act Cluster				
Pass-Through From Georgia Department of Labor				
Workforce Investment Act Youth Activities		17.259	N/A	62,802.34
Total Expenditures of Federal Awards				$ 3,420,249.55

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 $9,531.25.
(2) Expenditures for the funds earned on the School Breakfast Program ($287,020.33) were not maintained separately and are included in the 2014 National School Lunch Program.
(3) Funds earned on this program, in the amount of $24,562.16, do not require reporting of expenditures.

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

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

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

See notes to the basic financial statements.

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

SCHEDULE "3"

AGENCY/FUNDING	GOVERNMENTAL FUND TYPE GENERAL FUND
GRANTS	
Bright From the Start:	
Georgia Department of Early Care and Learning	
Pre-Kindergarten Program	$ 350,726.50
Education, Georgia Department of	
Quality Basic Education (1)	
Direct Instructional Cost	
Kindergarten Program	963,694.00
Kindergarten Program - Early Intervention Program	141,875.00
Primary Grades (1-3) Program	1,874,646.00
Primary Grades - Early Intervention (1-3) Program	516,268.00
Upper Elementary Grades (4-5) Program	711,729.00
Upper Elementary Grades - Early Intervention (4-5) Program	337,223.00
Middle Grades (6-8) Program	-100,852.00
Middle School (6-8) Program	1,824,805.00
High School General Education (9-12) Program	1,394,579.00
Vocational Laboratory (9-12) Program	530,070.00
Students with Disabilities	2,408,751.00
Gifted Student - Category VI	649,897.00
Remedial Education Program	133,394.00
Alternative Education Program	119,745.00
English Speakers of Other Languages (ESOL)	57,738.00
Media Center Program	299,839.00
20 Days Additional Instruction	89,927.00
Staff and Professional Development	62,498.00
Indirect Cost	
Central Administration	461,762.00
School Administration	748,774.00
Facility Maintenance and Operations	711,516.00
Mid-term Adjustment Hold-Harmless	43,241.00
Amended Formula Adjustment	-1,948,045.00
Categorical Grants	
Pupil Transportation	
Regular	368,104.00
Nursing Services	53,111.00
Vocational Supervisors	13,367.00
Education Equalization Funding Grant	1,548,500.00
Other State Programs	
Food Services	33,488.16
Math and Science Supplements	12,187.31
Move on When Ready Grant	100.00
Preschool Handicapped Program	89,694.00
Pupil Transportation - State Bonds	77,220.00
Teachers' Retirement	7,928.50
Technology to Support Digital Bonds	19,000.00
Vocational Education	146,351.00
Office of the State Treasurer	
Public School Employees Retirement	45,671.00
Human Resources, Georgia Department of	
Family Connection	44,995.84
	$ 14,843,518.31

(1) Payments to the Georgia Department of Community Health by the Georgia Department of Education on behalf of the School District in the amount of $1,220,124.00 are included as part of the Quality Basic Education revenue allotments above.

See notes to the basic financial statements.

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

SCHEDULE "4"

PROJECT	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3) (4)	AMOUNT EXPENDED IN PRIOR YEARS (3)	TOTAL COMPLETION COST	EXCESS PROCEEDS NOT EXPENDED	ESTIMATED COMPLETION DATE
2002/2003 SPLOST							
Acquisition, constrcution and equipping of a new elementary school; acquiring any necessary property therefore, both real and personal; rehamibilitating, adding to, repairing, renovating, extending and improving Pennville Elementary School, North Summerville Elementary School, Summerville Elementary School and Menlo School and related facilities useful or roof replacements and repairs, mechanical system repairs and systems; system-wide technology additions and improvements; and purchasing school frunishings, equipment and fixtures.	$ 8,550,000.00	$ 11,311,372.85	$ 18,295.01	$ 11,293,077.84	$ 11,311,372.85	$ 0.00	COMPLETE
2007/2008 SPLOST							
(2) the addition, revovation, repair and improvement to existing school buildings and facilities, including, but not limited to, all existing schools, athletic facilities, transportation facilities and administrative offices,	12,225,000.00	12,225,000.00	10,925.00	6,959,436.66			7/1/2015
(4) the acquisition and purchase of school vehicles, including, but not limited to, school buses and maintenance vehicles,	575,000.00	575,000.00	0.00	495,670.00			7/1/2015
(5) the addition, renovation, repair, paving and improvement to driveways and parking facilities,	500,000.00	500,000.00	0.00	0.00			7/1/2015
(6) the acquisition and purchase of any property necessary and desirable therefor, both real and personal	200,000.00	200,000.00	0.00	53,462.00			7/1/2015
2012/2013 SPLOST							
To pay or to be applied toward the cost of acquiring, constructing and equipping a new high school and gymnasium, acquiring land and conducting site preparation of real estate for School District purposes.	12,448,551.93	12,448,551.93	4,217,601.97	393,893.55			6/1/2015
	$ 34,498,551.93	$ 37,259,924.78	$ 4,246,821.98	$ 19,195,540.05	$ 11,311,372.85	$ 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 Chattooga County approved the imposition of a 1% sales tax to fund the above projects and retire associated debt. Amounts expended for these projects may include sales tax proceeds, state, local property taxes and/or other funds over the life of the projects.

(4) In addition to the expenditures shown above, the School District has incurred interest to provide advance funding for the above projects as follows:

Prior Years	$ 1,238,293.07
Current Year	349,782.50
Total	$ 1,588,075.57

See notes to the basic financial statements.

CHATTOOGA COUNTY BOARD OF EDUCATION
GENERAL FUND - QUALITY BASED EDUCATION PROGRAM (QBE)
ALLOTEMENTS AND EXPENDITURES BY PROGRAM
YEAR ENDED JUNE 30, 2014

SCHEDULE "5"

DESCRIPTION	ALLOTMENTS FROM GEORGIA DEPARTMENT OF EDUCATION (1) (2)	ELIGIBLE QBE PROGRAM COSTS SALARIES	OPERATIONS	TOTAL
Direct Instructional Programs				
Kindergarten Programs	$ 1,130,294.00	$ 687,714.44	$ 152,316.45	$ 840,030.89
Kindergarten Program - Early Intervention Program	152,791.00	36,116.50		36,116.50
Primary Grades (1-3) Program	2,153,965.00	2,069,482.51	22,950.64	2,092,433.15
Primary Grades Early Intervention (1-3) Program	559,931.00	361,028.70		361,028.70
Upper Elementary Grades (4-5) Program	834,907.00	1,016,550.38	7,491.06	1,024,041.44
Upper Elementary Grades-Early Intervention (4-5) Program	385,231.00	220,924.64		220,924.64
Middle Grades (6-8) Program		711,321.36	7,670.24	718,991.60
Middle School (6-8) Program	1,971,186.00	1,128,546.66	1,930.66	1,130,477.32
High School General Education (9-12) Program	1,592,700.00	1,768,433.98	958.67	1,769,392.65
Vocational Laboratory (9-12) Program	609,323.00	651,369.75	41,963.67	693,333.42
Students With Disabilities	2,777,907.00			
Category II		654,091.12	30,162.21	684,253.33
Category III		463,431.55	218,706.31	682,137.86
Category IV		14,961.00		14,961.00
Category V		890,013.44		890,013.44
Gifted Student - Category VI	758,668.00	650,746.23	1,525.28	652,271.51
Remedial Education Program	161,439.00			
Alternative Education Program	139,272.00	141,962.04	17,227.61	159,189.65
English Speakers of Other Languages (ESOL)	66,332.00	99,469.16	431.50	99,900.66
TOTAL DIRECT INSTRUCTIONAL PROGRAMS	13,293,946.00	11,566,163.46	503,334.30	12,069,497.76
Media Center Program	345,269.00	383,437.43	19,099.71	402,537.14
Staff and Professional Development	69,612.00	15,531.34	27,794.31	43,325.65
TOTAL QBE FORMULA FUNDS	$ 13,708,827.00	$ 11,965,132.23	$ 550,228.32	$ 12,515,360.55

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

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

See notes to the basic financial statements.

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SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS

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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 2, 2016

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

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

Ladies and Gentlemen:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Chattooga County Board of Education as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Chattooga County Board of Education's basic financial statements and have issued our report thereon dated March 2, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we have reported to management of Chattooga County Board of Education in a separate letter dated March 2, 2016.

Purpose of this Report

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

Respectfully submitted,



Greg S. Griffin
State Auditor

GSG:kt
2014YB-10

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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 2, 2016

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

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

Ladies and Gentlemen:

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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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 Chattooga County Board of Education's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

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

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

Respectfully submitted,



Greg S. Griffin
State Auditor

GSG:kt
2014SA-10

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SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

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

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FINDING CONTROL NUMBER AND STATUS	
FS-6271-13-01	Previously Reported Corrective Action Implemented

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported

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SECTION IV

FINDINGS AND QUESTIONED COSTS

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CHATTOOGA COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:
- Material weakness identified? — No
- Significant deficiency identified? — None Reported

Noncompliance material to financial statements noted: — No

Federal Awards

Internal Control over major programs:
- Material weakness identified? — No
- Significant deficiency identified? — None Reported

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

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)? — No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
10.553, 10.555, 10.559	Child Nutrition Cluster
84.010	Title I Grants to Local Educational Agencies

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

Auditee qualified as low-risk auditee? — No

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.