

DOUGHERTY COUNTY BOARD OF EDUCATION
ALBANY, GEORGIA

ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2013
(Including Independent Auditor's Reports)

DOUGHERTY COUNTY BOARD OF EDUCATION

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FINANCIAL

DEPARTMENT OF AUDITS AND ACCOUNTS

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

July 21, 2014

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

INDEPENDENT AUDITOR'S REPORT

Ladies and Gentlemen:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information (Exhibits A through H) of the Dougherty County Board of Education, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Dougherty County Stadium Authority, which is a discretely presented component unit. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Dougherty County Stadium Authority is based solely on the report of other auditors.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether

due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Dougherty County Board of Education, as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the financial statements, in 2013, the Dougherty County Board of Education adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus - An Amendment of GASB Statements No. 14 and No. 34* and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinion is not modified with respect to these matters.

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 27 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 Dougherty 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 July 21, 2014, on our consideration of the Dougherty 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 Dougherty County Board of Education's internal control over financial reporting and compliance.

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

Respectfully submitted,



Greg S. Griffin
State Auditor

GSG:as
2013ARL-12

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

Management's discussion and analysis of the Dougherty County School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to present the School District's overall financial performance. Readers should also review the financial statements and notes to the financial statements to further enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2013 are as follows:

- The School District's financial status continued to improve in fiscal year 2013.
- The District maintained a stable general fund balance of $18.3 million.
- Total Net Position increased nearly $7.8 million in fiscal year 2013.
- The Unrestricted Net Position at June 30, 2013 remained steady at $14.2 million.

Using the Basic Financial Statements

The annual report consists primarily of a series of financial statements and notes to those statements. These statements are organized and presented in a manner intended to assist the reader in understanding the Dougherty County School District as a complete operating entity.

System-wide Statements

The *Statement of Net Position* and *Statement of Activities* provide information about the School District as a whole using accounting methods similar to those used by industry. The increases and decreases in the School District's net position are an indicator of whether the financial position of the district has improved or diminished. There are many factors that can affect the overall financial condition of the School District such as the District's property tax base, State and Federal funding, and the condition of buildings and equipment.

All of the School District's programs and activities included in the System-wide Statements are reported as Governmental Activities. These include instruction, support services, staff development, operation and maintenance of facilities, pupil transportation, food service, after school programs, school administration, and various others functions.

These statements report all assets and liabilities using the *accrual* basis of accounting. The basis of accounting determines when transactions are reported on the financial statements. The *accrual* basis of accounting records revenues when they are earned regardless of when payment (cash) is received. Expenditures are recorded at the time the liability is incurred regardless of when the actual payment is made.

The *Statement of Activities* reflects the governmental activities of the School by programs and services and distinguishes the revenue sources for these activities. The statement also helps identify how much local revenue is required to support the School's activities.

Fund Financial Statements

Fund financial reports provide detail information about the School District's major funds. Funds are accounting devices the School District uses to keep track of general operations, Federal and state grants, building programs, debt payments, worker's compensation claims, and student activity funds.

The Dougherty County School District has **two major funds** - **Governmental Funds and Fiduciary Funds.**

Governmental Funds

Most of the School District's financial activities are reported in governmental funds. The fund statements provide more detailed information about the School District's funds, focusing on its most significant "major" funds - not the School District as a whole. Governmental funds record how money flows in and out within the current period, and reports the balances remaining at year-end available for spending in future periods. The governmental fund statements provide a short-term view of the School District's general governmental operations and the basic services they provide. This governmental fund information can be used to identify financial resources available for financing educational programs. The differences between governmental activities (reported in the *Statement of Net Position* and the *Statement of Activities*) and governmental funds are reconciled in the financial statements.

The School District's governmental funds are the General Fund and Capital Projects Fund. General operations, school food services, other Federal and State grant programs, the general operating portion of principal accounts, and workers compensation claims are consolidated in the General Fund.

Fiduciary Funds

The School District is the trustee, or *fiduciary,* for assets that belong to others. An example is funds belonging to school clubs and organizations whose records are maintained at the individual schools. These funds are generally referred to as "Activity Funds". The School District is responsible for ensuring that the assets recorded in these funds are used only for their intended purposes and only by those to whom the assets belong. The School District excludes these fund activities from the System-wide financial statements because these fund assets cannot be used to finance its operations.

Presentation of Financial Data

The next section of this discussion will provide more specific information as reported on the financial statements discussed above. For comparison purposes, this information will be presented for both fiscal year 2012 and fiscal year 2013.

Statement of Net Position (Analysis of the District as a Whole)

As previously stated above, the *Statement of Net Position* presents consolidated financial data for the School District as a whole. Table 1 provides a summary of the District's net position for fiscal year 2013 and the comparative amount for fiscal year 2012.

Table 1
Net Position
(In Thousands)

	Governmental Activities		
	Fiscal Year 2013	Fiscal Year 2012	Increase (Decrease)
Assets			
Current and Other Assets	$ 62,193	$ 52,697	$ 9,496
Capital Assets, Net	246,007	249,406	-3,399
Total Assets	$ 308,200	$ 302,103	$ 6,097
Liabilities			
Current and Other Liabilities	$ 19,390	$ 20,919	$ -1,529
Long-Term Liabilities	1,052	1,169	-117
Total Liabilities	$ 20,442	$ 22,088	$ -1,646
Net Position			
Net Investment in Capital Assets	$ 246,007	$ 249,406	$ -3,399
Restricted	27,520	15,679	11,841
Unrestricted	14,231	14,930	-699
Total Net Position	$ 287,758	$ 280,015	$ 7,743

See Table 5 for an analysis of the increase in Capital Assets.

See Table 6 for complete analysis of the decrease on Long-Term Debt at June 30.

Restricted or designated assets are assets that must be used for a specific purpose. Restricted assets increased $11.8 million and include funds restricted for the continuation of Federal programs and for capital projects.

Unrestricted Net Position for Governmental Activities decreased slightly from a $14.9 million balance at the end of fiscal year 2012 to a $14.2 million balance at the end of fiscal year 2013.

Statement of Activities

Table 2 shows the changes in net position for fiscal year 2013 and fiscal year 2012 as reported on the *Statement of Activities*.

Table 2
Change in Net Position
(In Thousands)

	Governmental Activities		
	Fiscal Year 2013	Fiscal Year 2012	Increase (Decrease)
Revenues			
Program Revenues:			
Charges for Services and Sales	$ 2,026	$ 2,078	$ -52
Operating Grants and Contributions	91,083	94,679	-3,596
Capital Grants and Contributions	762	839	-77
Total Program Revenues	$ 93,871	$ 97,596	$ -3,725
General Revenues:			
Taxes			
Property Taxes			
For Maintenance and Operations	$ 40,205	$ 37,981	$ 2,224
Other Taxes	43	50	-7
Sales Taxes			
Special Purpose Local Option Sales Tax			
For Capital Projects	16,413	17,412	-999
Other Sales Tax	306	241	65
Grants and Contributions not			
Restricted to Specific Programs	10,377	9,478	899
Investment Earnings	61	58	3
Miscellaneous	1,126	1,448	-322
Total General Revenues	$ 68,531	$ 66,668	$ 1,863
Total Revenues	$ 162,402	$ 164,264	$ -1,862
Program Expenses:			
Instruction	$ 94,026	$ 95,122	$ -1,096
Support Services			
Pupil Services	4,430	4,620	-190
Improvement of Instructional Services	5,672	6,936	-1,264
Educational Media Services	3,295	3,371	-76
General and School Administration	11,566	11,389	177
Business Administration	1,468	1,619	-151
Maintenance and Operation of Plant	13,900	13,352	548
Student Transportation Services	6,744	6,479	265
Central and Other Support Services	3,408	3,647	-239
Operations of Non-Instructional Services			
Enterprise Operations	391	490	-99
Community Services	527	540	-13
Food Services	9,233	9,206	27
Interest on Long-Term Debt		107	-107
Total Expenses	$ 154,660	$ 156,878	$ -2,218
Increase in Net Position	$ 7,742	$ 7,386	$ 356

Net Position increased $7.7 million from fiscal year 2012 to fiscal year 2013.

Property tax revenues increased by $2.2 million, while program revenues decreased by $3.7 million alluding to the increase in the 2012 property tax digest, the new TAVT (Title Ad Valorem Tax) and the decrease in Federal and State funding respectively. Sales tax revenue decreased by $934,000, indicating a continuation of the slow economic recovery. Although program revenues make up a majority of the total revenue, the District is still dependent upon tax revenues for the funding of governmental activities.

Total Program Expenses decreased $2.2 million for fiscal year 2013 compared to the previous fiscal year. The greatest decrease occurred in the categories of Instruction and Improvement of Instructional Services.

Descriptions of Expense Categories

Instruction includes activities relating to the teaching of pupils and the interaction between teacher and pupil.

Pupil Services are activities designed to assess and improve the well being of students and to supplement the teaching process.

Improvement of Instructional Services are activities which are designed primarily for assisting instructional staff in planning, developing, and evaluating the process of providing challenging learning experiences for students.

Educational Media Services are activities that direct, manage and operate educational media centers.

General Administration establishes and administers policy for operating the local school district.

School Administration includes the activities of principals, assistant principals, and clerical staff in administering school operations.

Business Administration includes the financial and warehouse operations of the school district.

Maintenance and Operation of Plant Activities involve keeping the schools grounds, buildings, and equipment in an effective working condition.

Student Transportation includes activities associated with the transporting of students to and from school, as well as to and from school activities, as provided by state law.

Central and Other Support Services include all other support services including personnel services, management information services, and public relations services.

Enterprise Operations are activities that are operated in a manner similar to business enterprises where the intent is to recover costs through user charges. This would include athletic events and child nutrition catering activities.

Community Services are activities concerned with providing community services to staff or students such as after school programs and student activity accounts.

Food Services are activities associated with the preparation and serving of meals for students. The school food service program is funded by Federal and State grants and revenues from the sale of meals to students and teachers. The cost of meals for students and teachers is determined by the School District.

Governmental Activities

Table 3 shows, for governmental activities, the total cost of services and the net cost of services for fiscal year 2012 and fiscal year 2013. This information is presented on the *Statement of Activities*.

Table 3
Governmental Activities
(In Thousands)

	Total Cost of Services		Net Cost of Services	
	Fiscal Year 2013	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2012
Instruction	$ 94,026	$ 95,122	$ 35,009	$ 33,887
Support Services:				
Pupil Services	4,430	4,620	2,620	2,600
Improvement of Instructional Services	5,672	6,936	1,813	1,392
Educational Media Services	3,295	3,371	982	1,238
General Administration	1,765	1,568	-648	-709
School Administration	9,801	9,821	4,601	5,038
Business Administration	1,468	1,619	1,367	1,506
Maintenance and Operation of Plant	13,900	13,352	8,282	7,581
Student Transportation Services	6,744	6,479	3,512	3,169
Central Support Services	2,830	3,008	2,772	2,924
Other Support Services	578	639	11	1
Operations of Non-Instructional Services:				
Enterprise Operations	391	490	391	490
Community Services	527	540	527	540
Food Services	9,233	9,206	-450	-482
Interest on Short-Term and Long-Term Debt		107		107
Total Expenses	$ 154,660	$ 156,878	$ 60,789	$ 59,282

The Net Cost of Services reflects the balance of costs that were funded by taxes and other General Revenues.

The School District's Funds

Table 4 shows the change in fund balance for Governmental Funds as reported on the *Statement of Revenues, Expenditures and Changes in Fund Balances*.

Table 4
Governmental Funds
Net Change in Fund Balance
(in Thousands)

	General Fund	Capital Projects	Totals
REVENUES			
Property Taxes	$ 39,787		$ 39,787
Sales Taxes	306	$ 16,413	16,719
State Funds	80,028		80,028
Federal Funds	22,195		22,195
Charges for Services	2,026		2,026
Investment Earnings	30	31	61
Miscellaneous	1,126		1,126
Total Revenues	$ 145,498	$ 16,444	$ 161,942
EXPENDITURES			
Current			
Instruction	$ 88,234	$ 561	$ 88,795
Support Services	47,890	1,254	49,144
Enterprise Operations	388		388
Community Services	522		522
Food Service Operations	8,679	117	8,796
Capital Outlay	762	3,325	4,087
Total Expenditures	$ 146,475	$ 5,257	$ 151,732
Excess of Revenues over (under) Expenditures	$ -977	$ 11,187	$ 10,210
OTHER FINANCING SOURCES (USES)			
Transfers In		$ 108	$ -108
Transfers Out	$ -108		108
Total Other Financing Sources (Uses)	$ -108	$ 108	$ 0
Net Change in Fund Balances	$ -1,085	$ 11,295	$ 10,210
Fund Balances - Beginning	19,369	13,095	32,464
Fund Balances - Ending	$ 18,284	$ 24,390	$ 42,674

Total Revenues for all governmental funds were $161.9 million and total expenditures were $151.7 million. Total Revenues were $10.2 million more than total expenditures. The fund balance for governmental funds increased from $32.4 million at the beginning of the fiscal year to $42.6 million at June 30, 2013 averaging an increase of over $6.0 million in the last two years.

The fund balance reported for the General Fund decreased from $19.3 million at the beginning of the fiscal year to $18.3 million at June 30, 2013.

The fund balance reported for the Capital Projects Fund increased from $13.0 million at the beginning of the fiscal year to $24.3 million at June 30, 2013.

General Fund Budgeting Highlights

The school district's budget is prepared according to Georgia law and in compliance with Georgia Department of Education requirements. The district uses site-based budgeting. The budgeting process is designed to control site budgeted expenditures while providing spending flexibility to site administration. General Fund Budget compared to Actual is presented in the *Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual - Schedule "1."*

During fiscal year 2013, the district amended its general fund budget as needed. The Original Budget approved by the school district's Board in June, 2012, included revenues and expenditures for State and Federal Grants that were known at the time. Amendments are made to the budget to include grants awarded to the district later in the fiscal year. The receipt of these additional grants requires an increase in revenues and expenditures. This is because grant funds are restricted for a specific purpose can only be used to fund **additional** programs. Also, Federal grants **cannot be used to fund** State mandated programs or replace local funds that previously funded the same activities.

Some of the budgeting challenges the School District faced in fiscal year 2013 included a reduction of the State educational formula allotment coupled with a decline of Federal Funds received. In addition, the State has not provided inflationary adjustments to non-salary expenditure items since fiscal year 2002.

Capital Assets

Since fiscal year 2002, the school district has developed ongoing capital programs that have aggressively sought to upgrade its aging school facilities, many of which are 50 to 60 years old.

In December, 2008, the district began receiving the proceeds from a newly approved Special Purpose Local Option Sales Tax referendum. The approved referendum provides for the renovation of three of the district's high schools. Most of the work on these projects was delayed until fiscal year 2009 when the district received additional start up proceeds from the issuance of a General Obligation Bond. However, fiscal year 2008 capital project activities included some preparation work on these renovation projects.

At the end of fiscal year 2013 the school district had invested $246.0 million in capital assets. *Table 5* compares fiscal year 2013 Capital Asset balances to fiscal year 2012 balances.

Table 5
Capital Assets at June 30
(Net of Depreciation, in Thousands)

	Governmental Activities		
	Fiscal Year 2013	Fiscal Year 2012	Increase (Decrease)
Land	$ 9,051	$ 9,051	$ 0
Construction in Progress	685	9,308	-8,623
Buildings and Building Improvements	232,619	228,425	4,194
Equipment	3,652	2,622	1,030
Total	$ 246,007	$ 249,406	$ -3,399

Table 5 shows that Total Capital Assets decrease $3.4 million in fiscal year 2013. The decrease in Construction in Progress and the increase in Buildings and Building Improvements are due to the completion of renovation at several schools. All construction projects were funded by a one percent special purpose local option sales tax approved by the voters of Dougherty County.

Debt

Table 6 summarizes the long-term debt outstanding at June 30 for fiscal year 2012 and fiscal year 2013.

Table 6
Debt at June 30
(in Thousands)

	Governmental Activities		
	Fiscal Year 2013	Fiscal Year 2012	Increase (Decrease)
Compensated Absences	$ 1,052	$ 1,169	$ -117

As shown in *Table 6*, the $1 million debt for Compensated Absences is the District's estimated financial obligation for future payments to employees for accumulated unused vacation leave.

Current Financial Issues

Like most school districts in Georgia, the Dougherty County School District has faced several financial challenges in the recent years. Such challenges include the rising costs in employee benefits, state mandated teacher salary increases, utilities and the continued state formula allotment reductions. Other challenges include a slow decline in student enrollment (FTE) over the years and a stagnant local tax digest.

Twice, since increasing the millage rate to 19 mills in fiscal year 2004, the School Board voted to roll the millage rate back, once in fiscal year 2007 (2006 digest) and again in fiscal year 2008 (2007 digest). The current millage rate has remained at 18.445 since fiscal year 2008 (2007 digest).

Student enrollment is a factor in the State's education funding formula. According to the State's funding formula, student enrollment is converted to a "Full Time Equivalent (FTE)" count. As student enrollment, or FTE, decreases, so does State funding. After a decrease in the previous five years, there was a small increase in the FTE count for fiscal year 2013.

FY 2008	16,208
FY 2009	16,134
FY 2010	15,962
FY 2011	15,628
FY 2012	15,497
FY 2013	15,676

In August, 2008, the district was notified of the decline in State revenues and the resulting additional reduction in educational funding for fiscal year 2009. In total, State funding for fiscal year 2009 was reduced $5.2 million. Expenditure reduction measures were taken in all areas with the purpose of preserving the fund balance. Management has continued to monitor expenditures and identify additional costs savings and reductions on a monthly basis, which contributed to the preservation of the general fund balance.

In March of fiscal year 2007, the voters of Dougherty County approved the continuation of the one percent sales tax (Sales Tax for Educational Progress). These sales tax revenues will be used to complete the renovation of schools outlined by the long-range facilities plan. Other sales tax projects include the installation of safety and access controls, and the purchase of musical instruments and other academic/instruction related equipment. In the fall of fiscal year 2009 the School District issued General Obligation Bonds in the amount of $18.0 million. At the end of fiscal year 2013 there were no bonds outstanding.

The School District continues to be financially challenged by multiple years of reductions in State funding to local districts. Austerity reductions to State funding are budgeted again for fiscal year 2013. Even with these reductions in State resources (and the local tax digest), the School District has maintained the current millage of 18.445 mills since fiscal year 2009 and has been able to maintain a healthy General Fund Balance.

In spite of the continued challenges, The Dougherty County School District recognizes its responsibility as a steward of taxpayer dollars and State and Federal funds. There was a nominal increase in FTE in fiscal year 2013 with a slight increase in funding. The District has begun an occupancy and space utilization assessment aimed at ensuring the District is using its facilities space efficiently. Preliminary data indicates that up to three schools (two elementary and on middle) may be closed at the end of the 2013 school year, resulting in an operational cost savings of approximately $2 million. The School District strives to emphasize student achievement while maintaining sound fiscal management.

Contacting the District's Financial Management

This management's discussion and analysis report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the district's finances, and to document the Board's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kenneth Dyer, Executive Director for Finance and Operations, Dougherty County School System, P.O. Box 3170, 200 Pine Avenue, Albany, Georgia 31701. You may also email your questions to kenneth.dyer@docoschools.org.

DOUGHERTY COUNTY BOARD OF EDUCATION

DOUGHERTY COUNTY BOARD OF EDUCATION
STATEMENT OF NET POSITION
JUNE 30, 2013

EXHIBIT "A"

	PRIMARY GOVERNMENTAL GOVERNMENTAL ACTIVITIES	COMPONENT UNIT DOUGHERTY COUNTY STADIUM AUTHORITY (1)
ASSETS		
Cash and Cash Equivalents	$ 12,407,242.97	$ 150,340.00
Investments	25,710,558.64	
Accounts Receivable, Net		
Taxes	5,126,785.99	
State Government	9,672,925.15	
Federal Government	8,302,969.80	
Local	50,799.82	
Other	417,370.76	
Inventories	475,098.37	
Prepaid Items	28,875.00	
Capital Assets, Non-Depreciable	9,736,078.83	410,000.00
Capital Assets, Depreciable (Net of Accumulated Depreciation)	236,271,306.77	2,223,877.00
Total Assets	$ 308,200,012.10	$ 2,784,217.00
LIABILITIES		
Accounts Payable	$ 253,551.82	$ 15,996.00
Salaries and Benefits Payable	17,292,131.06	
Claims Incurred but not Reported (IBNR)	1,110,722.97	
Payroll Withholdings Payable	625,583.78	
Retainages Payable	29,719.43	
Deposits and Deferred Revenues	78,421.31	
Long-Term Liabilities		
Due Within One Year	73,662.84	
Due in More Than One Year	978,663.37	
Total Liabilities	$ 20,442,456.58	$ 15,996.00
NET POSITION		
Investment in Capital Assets	$ 246,007,385.60	$ 2,633,878.00
Restricted for		
Continuation of Federal Programs	3,129,951.84	
Capital Projects	24,389,968.13	
Unrestricted	14,230,249.95	134,343.00
Total Net Position	$ 287,757,555.52	$ 2,768,221.00

(1) Financial information for the Dougherty County Stadium Authority contains activity for a two year period ending June 30, 2013.

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

DOUGHERTY COUNTY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

	EXPENSES	CHARGES FOR SERVICES
GOVERNMENTAL ACTIVITIES		
Instruction	$ 94,025,834.21	$ 1,081,705.71
Support Services		
Pupil Services	4,429,616.63	
Improvement of Instructional Services	5,672,269.88	
Educational Media Services	3,294,623.38	
General Administration	1,765,203.78	
School Administration	9,800,706.62	
Business Administration	1,468,284.75	
Maintenance and Operation of Plant	13,900,360.53	92,390.45
Student Transportation Services	6,744,169.21	192,224.79
Central Support Services	2,829,997.56	
Other Support Services	578,313.13	
Operations of Non-Instructional Services		
Enterprise Operations	391,250.67	
Community Services	527,036.78	
Food Services	9,232,951.76	659,634.87
Total Governmental Activities	$ 154,660,618.89	$ 2,025,955.82
COMPONENT UNIT		
Dougherty County Stadium Authority	$ 471,648.00	$ 200,000.00
General Revenues		
Taxes		
Property Taxes		
For Maintenance and Operations		
Railroad Cars		
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Capital Projects		
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		
Net Position - End of Year		

(1) Financial information for the Dougherty County Stadium Authority contains activity for a two year period ending June 30, 2013.

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	
OPERATING	CAPITAL	GOVERNMENT	COMPONENT UNIT
GRANTS AND	GRANTS AND	GOVERNMENTAL	DOUGHERTY COUNTY
CONTRIBUTIONS	CONTRIBUTIONS	ACTIVITIES	STADIUM AUTHORITY (1)
$ 57,934,736.72		$ -35,009,391.78	
1,809,989.31		-2,619,627.32	
3,859,487.30		-1,812,782.58	
2,312,613.02		-982,010.36	
2,413,034.12		647,830.34	
5,199,573.80		-4,601,132.82	
101,236.51		-1,367,048.24	
5,526,510.40		-8,281,459.68	
2,277,525.50	$ 762,195.00	-3,512,223.92	
58,442.38		-2,771,555.18	
567,466.61		-10,846.52	
		-391,250.67	
		-527,036.78	
9,022,667.46		449,350.57	
$ 91,083,283.13	$ 762,195.00	$ -60,789,184.94	
			$ 271,648.00
		$ 40,204,271.54	
		43,340.20	
		16,412,793.32	
		306,291.35	
		10,377,281.00	
		61,338.96	$ 3,333.00
		1,126,336.72	64,301.00
		$ 68,531,653.09	$ 67,634.00
		$ 7,742,468.15	$ -204,014.00
		280,015,087.37	2,972,235.00
		$ 287,757,555.52	$ 2,768,221.00

DOUGHERTY COUNTY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

EXHIBIT "C"

	GENERAL FUND	DISTRICT-WIDE CAPITAL PROJECTS FUND	TOTAL
ASSETS			
Cash and Cash Equivalents	$ 14,520,003.50		$ 14,520,003.50
Investments	1,717,217.24	$ 23,993,341.40	25,710,558.64
Accounts Receivable, Net			
Taxes	2,537,441.26	2,589,344.73	5,126,785.99
State Government	9,672,925.15		9,672,925.15
Federal Government	8,302,969.80		8,302,969.80
Local	50,799.82		50,799.82
Other	417,370.76		417,370.76
Inventories	475,098.37		475,098.37
Prepaid Items	28,875.00		28,875.00
Total Assets	$ 37,722,700.90	$ 26,582,686.13	$ 64,305,387.03
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Cash Overdraft		$ 2,112,760.53	$ 2,112,760.53
Accounts Payable	$ 203,313.78	50,238.04	253,551.82
Salaries and Benefits Payable	17,292,131.06		17,292,131.06
Payroll Withholdings Payable	625,583.78		625,583.78
Retainages Payable		29,719.43	29,719.43
Deposits and Deferred Revenue	1,317,756.77		1,317,756.77
Total Liabilities	$ 19,438,785.39	$ 2,192,718.00	$ 21,631,503.39
FUND BALANCES			
Nonspendable	$ 503,973.37		$ 503,973.37
Restricted	2,979,392.51	$ 24,389,968.13	27,369,360.64
Committed	2,450,990.55		2,450,990.55
Assigned	3,058,735.86		3,058,735.86
Unassigned	9,290,823.22		9,290,823.22
Total Fund Balances	$ 18,283,915.51	$ 24,389,968.13	$ 42,673,883.64
Total Liabilities and Fund Balances	$ 37,722,700.90	$ 26,582,686.13	$ 64,305,387.03

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

DOUGHERTY COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2013

EXHIBIT "D"

Total Fund Balances - Governmental Funds (Exhibit "C")		$ 42,673,883.64
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	$ 9,051,054.08	
Construction in Progress	685,024.75	
Buildings	339,613,760.08	
Equipment	9,309,699.37	
Accumulated Depreciation	-112,652,152.68	
Total Capital Assets		246,007,385.60
Taxes that are not available to pay for current period expenditures are deferred in the governmental funds.		
Property Taxes		1,239,335.46
Long-Term Liabilities, 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:		
Compensated Absences Payable	$ -1,052,326.21	
Claims and Judgments Payable	-1,110,722.97	
Total Long-Term Liabilities		-2,163,049.18
Net Position of Governmental Activities (Exhibit "A")		$ 287,757,555.52

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

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

EXHIBIT "E"

	GENERAL FUND	DISTRICT-WIDE CAPITAL PROJECTS FUND	TOTAL
REVENUES			
Property Taxes	$ 39,786,682.58		$ 39,786,682.58
Sales Taxes	306,291.35	$ 16,412,793.32	16,719,084.67
State Funds	80,028,038.70		80,028,038.70
Federal Funds	22,194,720.43		22,194,720.43
Charges for Services	2,025,955.82		2,025,955.82
Investment Earnings	30,060.90	31,278.06	61,338.96
Miscellaneous	1,126,336.72		1,126,336.72
Total Revenues	$ 145,498,086.50	$ 16,444,071.38	$ 161,942,157.88
EXPENDITURES			
Current			
Instruction	$ 88,234,304.89	$ 561,028.12	$ 88,795,333.01
Support Services			
Pupil Services	4,497,884.65		4,497,884.65
Improvement of Instructional Services	5,585,963.19		5,585,963.19
Educational Media Services	3,079,315.24		3,079,315.24
General Administration	1,656,218.82	91,011.96	1,747,230.78
School Administration	9,375,391.70	473.75	9,375,865.45
Business Administration	1,356,398.86		1,356,398.86
Maintenance and Operation of Plant	12,589,877.23	1,010,300.60	13,600,177.83
Student Transportation Services	6,188,858.10	27,600.00	6,216,458.10
Central Support Services	2,987,224.38	123,984.07	3,111,208.45
Other Support Services	572,879.43		572,879.43
Enterprise Operations	387,906.86		387,906.86
Community Services	522,160.38		522,160.38
Food Services Operation	8,678,872.72	116,619.04	8,795,491.76
Capital Outlay	762,195.00	3,325,362.98	4,087,557.98
Total Expenditures	$ 146,475,451.45	$ 5,256,380.52	$ 151,731,831.97
Excess of Revenues over (under) Expenditures	$ -977,364.95	$ 11,187,690.86	$ 10,210,325.91
OTHER FINANCING SOURCES (USES)			
Transfers In		$ 107,712.17	107,712.17
Transfers Out	$ -107,712.17		-107,712.17
Total Other Financing Sources (Uses)	$ -107,712.17	$ 107,712.17	$ 0.00
Net Change in Fund Balances	$ -1,085,077.12	$ 11,295,403.03	$ 10,210,325.91
Fund Balances - Beginning	19,368,992.63	13,094,565.10	32,463,557.73
Fund Balances - Ending	$ 18,283,915.51	$ 24,389,968.13	$ 42,673,883.64

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

DOUGHERTY COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2013

EXHIBIT "F"

Total Net Change in Fund Balances - Governmental Funds (Exhibit "E")		$ 10,210,325.91
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	$ 4,087,557.98	
Depreciation Expense	-6,092,936.28	
Excess of Capital Outlay over Depreciation Expense		-2,005,378.30
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, and disposals) is to decrease net position.		-1,393,255.81
Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		460,929.16
Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in Governmental Funds. These activities consist of:		
Decrease in Compensated Absences	$ 116,666.74	
Decrease in Claims and Judgments	353,180.45	
Total Additional Expenditures		469,847.19
Change in Net Position of Governmental Activities (Exhibit "B")		$ 7,742,468.15

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

DOUGHERTY COUNTY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013

EXHIBIT "G"

	AGENCY FUNDS
ASSETS	
Cash and Cash Equivalents	$ 383,972.76
Accounts Receivable, Net	
Local	15,996.97
Total Assets	$ 399,969.73
LIABILITIES	
Accounts Payable	$ 6,398.60
Funds Held for Others	393,571.13
Total Liabilities	$ 399,969.73

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 Dougherty 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.

DISCRETELY PRESENTED COMPONENT UNIT

The non-profit organization, Dougherty County Stadium Authority, operates the Hugh Mills Memorial Stadium. The School District has a contract with Dougherty County Stadium Authority relative to the use, maintenance, and control of the Stadium.

The Stadium Authority's financial data (Statement of Net Position and Statement of Activities) is included within the School District's basic financial statements as a discretely presented component unit. See Note 17 for additional component unit disclosures.

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 Dougherty 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. Eliminations have been made to minimize the double counting of internal activities. Separate statements for each category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds.

The School District reports the following major governmental funds:

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

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

The School District reports the following fiduciary fund type:

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

BASIS OF ACCOUNTING

The basis of accounting determines when transactions are reported on the financial statements. The District-wide governmental and fiduciary financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the School District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, sales taxes, 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, both restricted and unrestricted resources are available to finance the program. It is the School District's policy to first apply grant resources to such programs, followed by cost-reimbursement grants, then general revenues.

NEW ACCOUNTING PRONOUNCEMENTS

In fiscal year 2013, the School District adopted the Governmental Accounting Standards Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The provisions of this Statement establish accounting and financial reporting standards for governments who enter into Service Concession Arrangements (SCA) with other governmental or nongovernmental entities. As of June 30, 2013, the School District has not entered into any arrangements that meet the qualifications to be reported as a SCA in accordance with this standard.

In fiscal year 2013, the School District adopted the Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus - An Amendment of GASB Statements No. 14 and No. 34*. The provisions of this Statement modify certain requirements for

inclusion of component units in the financial reporting entity. The effects of the adoption of this statement did not change the reporting of the School District's discretely presented component unit, Dougherty County Stadium Authority. There were no other applicable reporting changes for the School District.

In fiscal year 2013, the School District adopted the Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The provisions of this Statement incorporate certain accounting and financial reporting guidance into authoritative GASB literature.

In fiscal year 2013, the School District adopted the Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. The provisions of this Statement establish financial reporting standards for the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. The School District changed its presentation of net assets to net position for fiscal year 2013. There were no other applicable reporting changes for the School District.

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 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 Dougherty County Board of Commissioners adopted the property tax levy for the 2012 tax digest year (calendar year) on July 16, 2012 (levy date) based on property values as of January 1, 2012. Taxes were due on December 20, 2012 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2012 tax digest are reported as revenue in the governmental funds for fiscal year 2013. The Dougherty County Board of Commissioners bills and collects the property taxes for the School District, withholds 2.1% of taxes collected as a fee for tax collection and remits the balance of taxes collected to the School District. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2013, for maintenance and operations amounted to $39,322,879.72.

The tax millage rate levied for the 2012 tax year (calendar year) for the Dougherty County Board of Education was as follows (a mill equals $1 per thousand dollars of assessed value):

School Operations	18.445 mills

Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to $420,462.66 during fiscal year ended June 30, 2013.

SALES TAXES

Education Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to $16,412,793.32 and is to be used for capital outlay for educational purposes. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

INVENTORIES

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

Consumable Supplies
On the basic financial statements, consumable supplies are reported at cost (first in, first out). The School District uses the consumption method to account for consumable supplies inventory whereby an asset is recorded when supplies are purchased and expenses are recorded at the time the supplies are consumed.

PREPAID ITEMS

Payments made to vendors for services that will benefit periods subsequent to June 30, 2013, are recorded as prepaid items.

CAPITAL ASSETS

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

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

	Capitalization Policy	Estimated Useful Life
Land	Any amount	N/A
Buildings and Improvements	$ 100,000.00	20 to 80 years
Equipment	$ 50,000.00	4 to 10 years
Intangible Assets	$ 1,000,000.00	4 to 8 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 4 to 8 years.

COMPENSATED ABSENCES

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

Vacation leave of 18 days is awarded on a fiscal year basis to all full time personnel employed on a twelve month basis. No other employees are eligible to earn vacation leave. Vacation leave not utilized during the fiscal year may be carried over to the next fiscal year, providing such vacation leave does not exceed 30 days.

	Beginning of Year Liability	Increases	Decreases	End of Year Liability
2011	$ 1,115,407.32	$ 947,171.63	$ 868,509.68	$ 1,194,069.27
2012	$ 1,194,069.27	$ 870,137.27	$ 895,213.59	$ 1,168,992.95
2013	$ 1,168,992.95	$ 815,575.40	$ 932,242.14	$ 1,052,326.21

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 continuation of Federal Programs 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, 2013, are as follows:

Nonspendable			
Inventories	$ 475,098.37		
Prepaid Assets	28,875.00	$	503,973.37
Restricted			
Continuation of Federal Programs	$ 2,979,392.51		
Capital Projects	24,389,968.13		27,369,360.64
Committed			
Self-Insurance			2,450,990.55
Assigned			
Subsequent Period Expenditures	$ 2,734,985.00		
School Activity Accounts	323,750.86		3,058,735.86
Unassigned			9,290,823.22
Fund Balance, June 30, 2013		$	42,673,883.64

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 8% to 12% of annual operating 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 and capital projects funds. There is no statutory prohibition regarding over expenditure of the budget at any level. The budget for all governmental funds, except the various school activity (principal) accounts, is prepared and adopted by fund, function and object. The legal level of budgetary control was established by the Board at the aggregate level. The budget for the General Fund was prepared in accordance with accounting principles generally accepted in the United States of America.

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

See Schedule 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

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, 2013, the bank balances were $17,502,075.39. The amounts exposed to custodial credit risk are classified into three categories as follows:

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

The School District's deposits by custodial risk category at June 30, 2013, are as follows:

Custodial Credit Risk Category	Bank Balance
1	$ 0.00
2	0.00
3	16,528,728.20
Total	$ 16,528,728.20

Component Unit
At June 30, 2013, Dougherty County Stadium Authority's bank balance of $150,340.00 was insured through Federal Depository Insurance Corporation (FDIC) and the National Credit Union Administration (NCUA).

CATEGORIZATION OF INVESTMENTS

At June 30, 2013, the carrying value of the School District's total investments was $25,685,246.96,which is materially the same as fair value. This investment consisted entirely of funds invested in the Georgia Fund 1, formerly referred to as LGIP, administered by the State of Georgia, Office of the State Treasurer which is not required to be categorized since the School District did not own any specific identifiable securities in the pool. The investment policy of the State of Georgia, Office of the State Treasurer for the Georgia Fund 1 (Primary Liquidity Portfolio) does not provide for investment in derivatives or similar investments. Additional information on the Georgia Fund 1 is disclosed in the *State of Georgia* Comprehensive Annual Financial Report. This audit can be obtained from the Georgia Department of Audits and Accounts at http://www.audits.ga.gov/SGD/cafr.html.

The Primary Liquidity Portfolio consists of Georgia Fund 1 which is not registered with the SEC as an investment company but does operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. The investment is valued at the pool's share price, $1.00 per share. The pool is an AAAf rated investment pool by Standard and Poor's. The weighted average maturity of Georgia Fund 1 may not exceed 60 days. The weighted average maturity for Georgia Fund 1 on June 30, 2013, was 43 days.

NOTE 5: NON-MONETARY TRANSACTIONS

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

NOTE 6: CAPITAL ASSETS

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

PRIMARY GOVERNMENT

	Balances July 1, 2012	Increases	Decreases	Balances June 30, 2013
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	$ 9,051,054.08			$ 9,051,054.08
Construction in Progress	9,307,583.15	$ 571,558.73	$ 9,194,117.13	685,024.75
Total Capital Assets Not Being Depreciated	$ 18,358,637.23	$ 571,558.73	$ 9,194,117.13	$ 9,736,078.83
Capital Assets Being Depreciated				
Buildings and Improvements	$ 330,073,721.80	$ 11,168,778.88	$ 1,628,740.60	$ 339,613,760.08
Equipment	7,768,361.87	1,541,337.50		9,309,699.37
Less Accumulated Depreciation for:				
Buildings and Improvements	101,648,919.88	5,581,413.00	235,484.79	106,994,848.09
Equipment	5,145,781.31	511,523.28		5,657,304.59
Total Capital Assets, Being Depreciated, Net	$ 231,047,382.48	$ 6,617,180.10	$ 1,393,255.81	$ 236,271,306.77
Governmental Activity Capital Assets - Net	$ 249,406,019.71	$ 7,188,738.83	$ 10,587,372.94	$ 246,007,385.60

Current year depreciation expense by function is as follows:

Instruction		$ 4,392,231.26
Support Services		
Pupil Services	$ 14,801.63	
Improvements of Instructional Services	25,441.04	
Educational Media Services	186,328.45	
School Administration	337,484.03	
Business Administration	99,067.94	
Maintenance and Operation of Plant	175,852.17	
Student Transportation Services	468,358.41	
Central Support Services	41,457.26	1,348,790.93
Food Services		351,914.09
		$ 6,092,936.28

COMPONENT UNIT

	Balances July 1, 2011 (1)	Increases (1)	Decreases	Balances June 30, 2013 (1)
Capital Assets, Not Being Depreciated:				
Land	$ 410,000.00	$ 0.00	$ 0.00	$ 410,000.00
Capital Assets Being Depreciated				
Buildings and Improvements	$ 308,976.00		$ 0.00	$ 308,976.00
Equipment	239,886.00			239,886.00
Stadium Improvements	2,586,683.00	$ 21,300.00		2,607,983.00
Less Accumulated Depreciation for:				
Buildings and Improvements	57,931.00	15,447.00		73,378.00
Equipment	185,285.00	43,778.00		229,063.00
Stadium Improvements	495,387.00	135,140.00		630,527.00
Total Capital Assets, Being Depreciated, Net	$ 2,396,942.00	$ -173,065.00	$ 0.00	$ 2,223,877.00
Capital Assets - Net	$ 2,806,942.00	$ -173,065.00	$ 0.00	$ 2,633,877.00

(1) Financial information for the Dougherty County Stadium Authority contains activity for a two year period ending June 30, 2013.

NOTE 7: INTERFUND TRANSFERS

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

Transfer to	Transfers From General Fund
District-wide Capital Projects	$ 107,712.17

Transfers are used to move property tax revenues collected by the General Fund to the District-wide Capital Projects Fund to cover a portion of the employees' salaries not funded as part of the Education Special Purpose Local Option Sales Tax (ESPLOST) projects.

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 has established a limited risk management program for workers' compensation claims. A premium is charged when needed by the Internal Service Fund to each user program on the basis of the percentage of that program's payroll to total payroll in order to cover estimated claims budgeted by management based on known claims and prior experience. The School District accounts for claims with expense and liability being reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. An excess coverage insurance policy covers individual claims in excess of $350,000.00 loss per occurrence, up to the statutory limit.

Changes in the workers' 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
2012	$ 814,693.53	$ 1,293,911.32	$ 644,701.43	$ 1,463,903.42
2013	$ 1,463,903.42	$ 934,091.09	$ 1,287,271.54	$ 1,110,722.97

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

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

	Beginning of Year Liability	Claims and Changes in Estimates	Claims Paid	End of Year Liability
2012	$ 0.00	$ 87,162.00	$ 87,162.00	$ 0.00
2013	$ 0.00	$ 63,106.45	$ 63,106.45	$ 0.00

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

Position Covered	Amount
Superintendent	$ 50,000.00
All Other Employees	$ 100,000.00

NOTE 9: OPERATING LEASES

Dougherty County Board of Education has entered into various leases as lessee for copiers and fax machines. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the year ended June 30, 2013, for governmental funds amounted to $353,108.16. Future minimum lease payments for these leases are as follows:

Year Ending	Governmental Funds
2014	$ 352,680.16
2015	29,717.68
Total	$ 382,397.84

NOTE 10: SHORT-TERM DEBT

The School District issues tax anticipation notes in advance of property tax collections, depositing the proceeds in its General Fund. This short-term debt is to provide cash for operations until property tax collections are received by the School District. Article IX, Section V, Paragraph V of the Constitution of the State of Georgia limits the aggregate amount of short-term debt to 75 percent of the total gross income from taxes collected in the preceding year and requires all short-term debt to be repaid no later than December 31 of the calendar year in which the debt was incurred.

Short-term debt activity for the fiscal year is as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance
Tax Anticipation Notes	$ 0.00	$ 9,000,000.00	$ 9,000,000.00	$ 0.00

NOTE 11: LONG-TERM DEBT

COMPENSATED ABSENCES

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

GENERAL OBLIGATION DEBT OUTSTANDING

Voters have authorized $40,000,000.00 in general obligation debt for (a) renovation and improvement of one or more existing schools, administration and related facilities, (b) acquisition, construction and equipping of new schools, administration and related facilities, (c) acquisition of school buses, vehicles and other transportation equipment, (d) acquisition, construction and equipping of new athletic facilities, (e) acquisition of software, hardware and computer equipment for the use of both staff and students and (f) acquisition of real and personal property necessary for the foregoing. These bonds have not been issued as of June 30, 2013.

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

	Governmental Activities				
	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013	Due Within One Year
Compensated Absences	$ 1,168,992.95	$ 815,575.40	$ 932,242.14	$ 1,052,326.21	$ 73,662.84

NOTE 12: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of $8,850,064.43 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 $8,508,720.00
- Paid to the Teachers' Retirement System of Georgia
  - For Teachers' Retirement System (TRS) Employer's Cost
    - In the amount of $41,870.43

Office of the State Treasurer
Paid to the Public School Employees' Retirement System
For Public School Employees' Retirement (PSERS) Employer's Cost
In the amount of $299,474.00

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 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: SUBSEQUENT EVENTS

On November 13, 2013, general obligation sales tax bonds in the amount of $32,450,000.00 were issued as authorized by the voters of Dougherty County. The proceeds of the bonds may be used for any of the following capital outlay projects:

(a) Renovation and improvement of one or more existing schools, administration and related facilities, including the provision of safety and security equipment for these facilities.
(b) Acquisition, construction and equipping of new schools, administration and related facilities.
(c) Acquisition of school buses, vehicles for maintenance and transportation use and other maintenance and transportation equipment.
(d) Acquisition, construction and equipping of new athletic facilities.
(e) Acquisition of software, hardware, and computer equipment for the use of both staff and students.
(f) Acquisition of real and personal property necessary for the foregoing.
(g) Paying cost of issuing the Bonds.

NOTE 15: 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, 2013:

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

July 2012 - February 2013	$912.34 per member per month
March 2013 - June 2013	$937.34 per member per month

For non-certificated school personnel:

July 2012 - June 2013	$446.20 per member per month

No additional contribution was required by the Board for fiscal year 2013 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
2013	100%	$ 14,708,855.59
2012	100%	$ 14,352,395.01
2011	100%	$ 12,582,772.13

NOTE 16: 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, 2013, were 6.00% of annual salary. Employer contributions required for fiscal year 2013 were 11.41% of annual salary as required by the June 30, 2010, actuarial valuation. The employer contribution rate will increase to 12.28% effective July 1, 2013.

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

Fiscal Year	Percentage Contributed	Required Contribution
2013	100%	$ 8,933,693.84
2012	100%	$ 8,086,748.31
2011	100%	$ 8,168,630.90

PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS)

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

DEFINED CONTRIBUTION PLAN

In August 1996, Dougherty County Board of Education began an employer paid 403(b) annuity plan for the group of employees covered under the Public School Employees' Retirement System (PSERS). Recognizing that PSERS was a limited defined contribution and defined benefit plan which did not provide for an adequate retirement for this group of employees, it was the Board's desire to supplement the retirement of this group.

The Board selected VALIC as the provider of this plan. For each employee covered under PSERS, employees contribute 1% of their base pay and the Board matches 3% of the employee's contribution.

The employee becomes vested in the plan with 5 years of experience. Funds accumulated in the employer paid accounts are only available to the employee upon termination of employment and 5 years of service to Dougherty County Board of Education. If an employee terminates employment prior to achieving 5 years of service, funds paid on behalf of the non-vested employee are credited back to the Board.

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

Fiscal Year	Percentage Contributed		Required Contribution
2013	100%	$	173,175.01
2012	100%	$	173,373.75
2011	100%	$	152,167.86

NOTE 17: COMPONENT UNIT

The Dougherty County Stadium Authority (Authority) is a legally separate tax-exempt component unit of the Dougherty County Board of Education (School District). Because the Authority has a fiscal dependency on the School District, it is considered a component unit of the School District and is discretely presented in the School District's financial statements.

The Authority utilizes the modified accrual method of accounting. The Authority has implemented the financial reporting requirement of GASB Statements Nos. 33 and 34. The authority's fiscal year is July 1 through June 30.

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DOUGHERTY COUNTY BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2013

SCHEDULE "1"

	NONAPPROPRIATED BUDGETS		ACTUAL	VARIANCE
	ORIGINAL (1)	FINAL (1)	AMOUNTS	OVER/UNDER
REVENUES				
Property Taxes	$ 38,167,233.00	$ 40,594,298.14	$ 39,786,682.58	$ -807,615.56
Sales Taxes	45,000.00	306,291.35	306,291.35	0.00
State Funds	78,803,449.00	79,497,713.43	80,028,038.70	530,325.27
Federal Funds	26,856,728.00	29,848,509.94	22,194,720.43	-7,653,789.51
Charges for Services	1,650,312.63	1,047,222.61	2,025,955.82	978,733.21
Investment Earnings	32,000.00	17,501.90	30,060.90	12,559.00
Miscellaneous	1,608,455.37	2,099,610.28	1,126,336.72	-973,273.56
Total Revenues	$ 147,163,178.00	$ 153,411,147.65	$ 145,498,086.50	$ -7,913,061.15
EXPENDITURES				
Current				
Instruction	$ 87,756,886.21	$ 90,793,426.97	$ 88,234,304.89	$ 2,559,122.08
Support Services				
Pupil Services	4,593,451.91	5,068,991.02	4,497,884.65	571,106.37
Improvement of Instructional Services	8,171,787.05	8,140,138.04	5,585,963.19	2,554,174.85
Educational Media Services	3,001,082.00	3,043,996.58	3,079,315.24	-35,318.66
General Administration	2,306,649.31	2,765,801.09	1,656,218.82	1,109,582.27
School Administration	8,809,610.82	8,858,782.35	9,375,391.70	-516,609.35
Business Administration	1,419,174.00	1,370,257.87	1,356,398.86	13,859.01
Maintenance and Operation of Plant	13,660,512.14	13,183,441.87	12,589,877.23	593,564.64
Student Transportation Services	5,824,952.99	7,285,566.10	6,188,858.10	1,096,708.00
Central Support Services	3,115,785.00	2,752,583.28	2,987,224.38	-234,641.10
Other Support Services	783,876.57	758,506.60	572,879.43	185,627.17
Enterprise Operations	347,000.00	357,993.43	387,906.86	-29,913.43
Community Services	541,850.00	471,350.00	522,160.38	-50,810.38
Food Services Operation	9,930,424.00	10,963,972.79	8,678,872.72	2,285,100.07
Capital Outlay			762,195.00	-762,195.00
Total Expenditures	$ 150,263,042.00	$ 155,814,807.99	$ 146,475,451.45	$ 9,339,356.54
Excess of Revenues over (under) Expenditures	$ -3,099,864.00	$ -2,403,660.34	$ -977,364.95	$ 1,426,295.39
OTHER FINANCING SOURCES (USES)				
Other Transfers From Other Funds	$ 608,436.00	$ 293,436.00		$ -293,436.00
Sale or Compensation of Fixed Assets	12,000.00	57,813.77		-57,813.77
Other Sources	1,233,710.00	1,083,167.03		-1,083,167.03
Other Transfers To Other Funds	-748,436.00	-755,506.00	$ -107,712.17	647,793.83
Total Other Financing Sources (Uses)	$ 1,105,710.00	$ 678,910.80	$ -107,712.17	$ -786,622.97
Net Change in Fund Balances	$ -1,994,154.00	$ -1,724,749.54	$ -1,085,077.12	$ 639,672.42
Fund Balances - Beginning	16,586,802.00	19,495,849.17	19,368,992.63	-126,856.54
Adjustments		-342,504.25		342,504.25
Fund Balances - Ending	$ 14,592,648.00	$ 17,428,595.38	$ 18,283,915.51	$ 855,320.13

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 actual revenues ($829,166.53) or expenditures ($813,180.29) of the various principal accounts.

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.

DOUGHERTY COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

SCHEDULE "2"

FUNDING AGENCY PROGRAM/GRANT		CFDA NUMBER	PASS-THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD	
Agriculture, U. S. Department of					
Child Nutrition Cluster					
Pass-Through From Georgia Department of Education					
Food Services					
School Breakfast Program	*	10.553	N/A	(2)	
National School Lunch Program	*	10.555	N/A	$ 8,895,639.55	(1)
Total U. S. Department of Agriculture				$ 8,895,639.55	
Education, U. S. Department of					
Impact Aid Cluster					
Direct					
Impact Aid		84.041		(3)	
School Improvement Grants Cluster					
Pass-Through From Georgia Department of Education					
ARRA - School Improvement Grants	*	84.388	N/A	$ 58,627.96	
School Improvement Grants	*	84.377	N/A	260,332.86	
Total School Improvement Grants Cluster				$ 318,960.82	
Special Education Cluster					
Pass-Through From Georgia Department of Education					
Special Education					
Grants to States		84.027	N/A	$ 4,107,640.15	
Preschool Grants		84.173	N/A	167,011.38	
Total Special Education Cluster				$ 4,274,651.53	
Title I, Part A Cluster					
Pass-Through From Georgia Department of Education					
Title I Grants to Local Educational Agencies	*	84.010	N/A	$ 6,036,486.24	
Other Programs					
Pass-Through From Georgia Department of Education					
ARRA - Race-to-the-Top Incentive Grants	*	84.395	N/A	$ 1,283,754.56	
Career and Technical Education - Basic Grants to States		84.048	N/A	222,888.17	
Education for Homeless Children and Youth		84.196	N/A	9,657.91	
Education Jobs Fund		84.410	N/A	5,917.00	
English Language Acquisition Grants		84.365	N/A	21,866.59	
Improving Teacher Quality State Grants	*	84.367	N/A	736,587.13	
Migrant Education - State Grant Program		84.011	N/A	43,033.96	
Safe and Drug-Free Schools and Communities - State Grants		84.186	N/A	589.72	
Special Education					
State Program Improvement		84.323	N/A	71,604.54	
Twenty-First Century Community Learning Centers		84.287	N/A	18,523.96	
Pass-Through From Georgia Professional Standards Commission					
Transition to Teaching		84.350	N/A	3,000.00	
Total Other Programs				$ 2,417,423.54	
Total U. S. Department of Education				$ 13,047,522.13	

FUNDING AGENCY PROGRAM/GRANT	CFDA NUMBER	PASS-THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD
Health and Human Services, U. S. Department of			
Child Care and Development Fund Cluster			
Pass-Through From Bright From the Start:			
Child Care and Development Block Grant	93.575	N/A	$ 46,234.20
Pass-Through From Georgia Department of Behavioral Health and Developmental Disabilities			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	62,842.13
Total U. S. Department of Health and Human Services			$ 109,076.33
Labor, U. S. Department of			
Pass-Through From Southwest Georgia Development Center			
Workforce Investment Act Youth Activities	17.259	N/A	$ 71,626.59
Defense, U. S. Department of			
Direct			
Department of the Air Force			
R.O.T.C. Program			$ 58,383.45
Department of the Marines			
R.O.T.C. Program			125,854.97
Total U. S. Department of Defense			$ 184,238.42
Total Expenditures of Federal Awards			$ 22,308,103.02

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 $507,363.94.
(2) Expenditures for the funds earned on the School Breakfast Program ($2,538,026.89) were not maintained separately and are included in the 2013 National School Lunch Program.
(3) Funds earned on the Impact Aid Program, in the amount of $8,631.50 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 Dougherty 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.

DOUGHERTY COUNTY BOARD OF EDUCATION
SCHEDULE OF STATE REVENUE
YEAR ENDED JUNE 30, 2013

SCHEDULE "3"

AGENCY/FUNDING	GOVERNMENTAL FUND TYPE GENERAL FUND
GRANTS	
Bright From the Start:	
Georgia Department of Early Care and Learning	
Pre-Kindergarten Program	$ 1,017,817.77
Education, Georgia Department of	
Quality Basic Education (1)	
Direct Instructional Cost	
Kindergarten Program	7,012,643.00
Kindergarten Program - Early Intervention Program	77,256.00
Primary Grades (1-3) Program	13,378,064.00
Primary Grades - Early Intervention (1-3) Program	1,237,597.00
Upper Elementary Grades (4-5) Program	6,952,112.00
Upper Elementary Grades - Early Intervention (4-5) Program	1,186,077.00
Middle Grades (6-8) Program	1,598,600.00
Middle School (6-8) Program	7,831,098.00
High School General Education (9-12) Program	8,848,617.00
Vocational Laboratory (9-12) Program	2,581,706.00
Students with Disabilities	7,906,762.00
Gifted Student - Category VI	2,001,568.00
Remedial Education Program	94,519.00
Alternative Education Program	811,942.00
English Speakers of Other Languages (ESOL)	255,429.00
Media Center Program	1,817,854.00
20 Days Additional Instruction	570,284.00
Staff and Professional Development	311,922.00
Indirect Cost	
Central Administration	1,821,253.00
School Administration	3,844,364.00
Facility Maintenance and Operations	4,055,866.00
Mid-term Adjustment Hold-Harmless	147,796.00
Amended Formula Adjustment	-11,500,636.00
Categorical Grants	
Pupil Transportation	
Regular	1,575,670.00
Nursing Services	270,325.00
Education Equalization Funding Grant	10,377,281.00
Other State Programs	
Food Services	249,042.00
GNETS State Grant	2,129,228.00
Math and Science Supplements	63,065.18
Move on When Ready	200.00
Preschool Handicapped Program	268,500.00
Pupil Transportation - State Bonds	762,195.00
Teachers' Retirement	41,870.43
Vocational Education	131,274.41
Vocational Construction Related Equipment - State Bonds	-597.09
Office of the State Treasurer	
Public School Employees' Retirement	299,474.00
	$ 80,028,038.70

(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 $8,508,720.00 are included as part of the Quality Basic Education revenue allotments above.

See notes to the basic financial statements.

DOUGHERTY COUNTY BOARD OF EDUCATION
SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS
YEAR ENDED JUNE 30, 2013

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 (4) (5) (6)	ESTIMATED COMPLETION DATE
SPLOST III							
(i) The renovation and improvement of four high schools and five elementary schools, strategic land acquisition for future school expansion, certain other capital repairs and modifications in system-wide schools, buildings and office (including carpet replacement, gym flooring and certain other capital repairs and modifications)	$ 75,200,000.00	$ 73,090,000.00	$ 3,694,125.83	$ 54,822,603.90	$ 58,516,729.73		December 2015
(ii) The provision of additional classroom technology (including hardware, software and computer furniture), regular system-wide replacement of computers five years or older, installing six computers in all K-8th grade classrooms and three computers in all 9th-12th grade classrooms, providing system-wide teacher laptop computers, system-wide "wireless-connectivity" in all classroom and other buildings, upgrading existing computer-aided instructional systems to "Model Classroom" standards and providing three additional "Model Classrooms" per school, providing system-wide upgraded or new servers and upgraded main data frame (MDF) rooms, installing "voice-over-internet-protocol" (VOIP) in various classrooms throughout the school system	10,500,000.00	10,350,000.00	916,237.78	8,259,267.82	$ 9,175,505.60	$ 1,174,494.40	Completed
(iii) The provision of safety and security equipment, including system-wide communication equipment and card access systems at various system-wide buildings and the installation of radio signal-boosters ("radio repeaters") for West Dougherty tower	5,700,000.00	6,160,014.68	175,991.27	5,984,023.41	6,160,014.68	0.00	Completed
(iv) Vehicle and equipment replacement, including school buses and departmental trucks, vans and sedans for system-wide use, major maintenance, supply and service equipment, musical instruments, playground equipment, and other educational related equipment	3,600,000.00	3,600,000.00	355,988.47	2,615,964.63	2,971,953.10	628,046.90	Completed
(v) Funding certain financing, project management and election costs related thereto, the maximum cost of such projects not to exceed $95,000,000.00.		1,813,000.00	6,325.00	1,806,666.52	1,812,991.52	8.48	Completed
Subtotal SPLOST III	$ 95,000,000.00	$ 95,013,014.68	$ 5,148,668.35	$ 73,488,526.28	$ 78,637,194.63	$ 1,802,549.78	
SPLOST IV							
(a) The renovation and improvement of one or more existing schools, administration and related facilities, including the provision of safety and security equipment for these facilities	$ 83,400,000.00	$ 83,400,000.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	June 30, 2018
(b) acquisition, construction and equipping of new schools, administration and related facilities	0.00	0.00					June 30, 2018
(c) the acquisition of school buses, vehicles for maintenance and transportation use and other transportation equipme	6,200,000.00	6,200,000.00					June 30, 2018
(d) acquisition, construction and equipping of new athletic facilities	0.00	0.00					June 30, 2018
(e) acquisition of software, hardware and computer equipment for the use of both staff and students	10,000,000.00	10,000,000.00					June 30, 2018
(f) acquisition of real and personal property necessary for the foregoing	400,000.00	400,000.00					June 30, 2018
Subtotal SPLOST IV	$ 100,000,000.00	$ 100,000,000.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	
Total	$ 195,000,000.00	$ 195,013,014.68	$ 5,148,668.35	$ 73,488,526.28	$ 78,637,194.63	$ 1,802,549.78	

(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 Dougherty 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) SPLOST III Project (ii) was completed in June 2013 with total actual expenditures of $9,175,505.60.
The previous estimated cost was $10,350,000.00. The surplus of SPLOST proceeds will be used to fund other approved SPLOST projects.

(5) SPLOST III Project (iv) was completed in June 2013 with total actual expenditures of $2,971,953.10.
The previous estimated cost was $3,600,000.00. The surplus of SPLOST proceeds will be used to fund other approved SPLOST projects.

(6) SPLOST III Project (v) was completed in June 2013 with total actual expenditures of $1,812,991.52.
The previous estimated cost was $1,813,000.00. The surplus of SPLOST proceeds will be used to fund other approved SPLOST projects.

See notes to the basic financial statements.

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DOUGHERTY COUNTY BOARD OF EDUCATION
GENERAL FUND - QUALITY BASIC EDUCATION PROGRAMS (QBE)
ALLOTMENTS AND EXPENDITURES - BY PROGRAM
YEAR ENDED JUNE 30, 2013

SCHEDULE "5"

DESCRIPTION	ALLOTMENTS FROM GEORGIA DEPARTMENT OF EDUCATION (1) (2) (3)	ELIGIBLE QBE PROGRAM COSTS SALARIES	OPERATIONS	TOTAL
Direct Instructional Programs				
Kindergarten Program	$ 7,891,112.00	$ 6,746,532.04	$ 38,581.91	$ 6,785,113.95
Kindergarten Program-Early Intervention Program	101,992.00	201,928.05		201,928.05
Primary Grades (1-3) Program	15,242,609.00	14,094,579.76	62,223.29	14,156,803.05
Primary Grades-Early Intervention (1-3) Program	1,374,935.00	990,964.78		990,964.78
Upper Elementary Grades (4-5) Program	7,022,221.00	8,904,216.12	399,406.49	9,303,622.61
Upper Elementary Grades-Early Intervention (4-5) Program	1,358,428.00	702,480.01		702,480.01
Middle Grades (6-8) Program	1,849,462.00	2,367,792.94	16,260.06	2,384,053.00
Middle School (6-8) Program	9,916,979.00	10,550,080.96	319,888.04	10,869,969.00
High School General Education (9-12) Program	10,052,802.00	11,298,394.80	1,694,067.82	12,992,462.62
Vocational Laboratory (9-12) Program	2,913,401.00	1,888,088.39	115,751.11	2,003,839.50
Students with Disabilities	8,797,397.00			
Category I		76,868.36	561.65	77,430.01
Category II		3,176,115.61	1,266.27	3,177,381.88
Category III		5,506,868.51	18,493.08	5,525,361.59
Category IV		186,399.54	7,168.89	193,568.43
Gifted Student - Category VI	2,395,441.00	864,583.41	12,425.10	877,008.51
Remedial Education Program	97,622.00			
Alternative Education Program	924,000.00	855,313.03	92,012.56	947,325.59
English Speakers of Other Languages (ESOL)	285,440.00	337,386.15		337,386.15
TOTAL DIRECT INSTRUCTIONAL PROGRAMS	$ 70,223,841.00	$ 68,748,592.46	$ 2,778,106.27	$ 71,526,698.73
Media Center Program	2,064,787.00	2,648,271.56	261,257.19	2,909,528.75
Staff and Professional Development	355,161.00	821.05	32,213.84	33,034.89
TOTAL QBE FORMULA FUNDS	$ 72,643,789.00	$ 71,397,685.07	$ 3,071,577.30	$ 74,469,262.37

(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

July 21, 2014

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
Dougherty 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 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 Dougherty County Board of Education as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Dougherty County Board of Education's basic financial statements, and have issued our report thereon dated July 21, 2014. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component unit, as described in our report on Dougherty County Board of Education's financial statements. This report does not include the results of other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item FS-6471-13-01 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Dougherty 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 Dougherty County Board of Education in a separate letter dated July 21, 2014.

Dougherty County Board of Education's Response to Findings

Dougherty County Board of Education's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Dougherty County 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
2013YB-30

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

July 21, 2014

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
Dougherty 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 Dougherty County Board of Education's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2013. Dougherty 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 Dougherty 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 Dougherty County Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Basis for Qualified Opinion on Title I, Part A Cluster and Improving Teacher Quality State Grants

As described in the accompanying Schedule of Findings and Questioned Costs, Dougherty County Board of Education did not comply with requirements regarding Title I, Part A Cluster as described in item FA-6471-13-02, for Activities Allowed/Unallowed, Allowable Costs/Cost Principles, Period of Availability, and Matching Level of Effort and/or Earmarking, and Improving Teacher Quality State Grants as described in item FA-6471-13-01 for Activities Allowed/Unallowed, and Allowable Costs/Cost Principles. Compliance with such requirements is necessary, in our opinion, for Dougherty County Board of Education to comply with requirements applicable to those programs.

Qualified Opinion on Title I, Part A Cluster and Improving Teacher Quality State Grants

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Dougherty 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 Title I, Part A Cluster and Improving Teacher Quality State Grants for the year ended June 30, 2013.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, Dougherty 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 other major Federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2013.

Other Matters

Dougherty County Board of Education's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Dougherty County Board of Education's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of Dougherty 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 Dougherty 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 Dougherty County Board of Education's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items FA-6471-13-01, and FA-6471-13-02 to be material weaknesses.

Dougherty County Board of Education's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Dougherty County Board of Education's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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
2013SA-65

SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

DOUGHERTY COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FINDING CONTROL NUMBER AND STATUS

FS-6471-12-01	Unresolved - See Corrective Action/Responses
FS-6471-12-02	Previously Reported Corrective Action Implemented

CORRECTIVE ACTION/RESPONSES

CASH AND CASH EQUIVALENTS
REVENUES/RECEIVABLES/RECEIPTS
EXPENDITURES/LIABILITIES/DISBURSEMENTS
Inadequate Accounting Procedures over School Activity Accounts
Finding Control Number: FS-6471-12-01

The School District will implement procedures to strengthen its internal controls over Cash and Cash Equivalents. The School District will revise and monitor its procedures to ensure that accounting functions over custody, recordkeeping and authorization are separated and utilize management oversight of these activities. The School District will implement a monitoring process to ensure that transactions are processed according to established procedures.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING CONTROL NUMBER AND STATUS

FA-6471-12-01	Previously Reported Corrective Action Implemented
FA-6471-12-02	Previously Reported Corrective Action Implemented
FA-6471-12-03	Partially Resolved - See Corrective Action/Responses

CORRECTIVE ACTION/RESPONSES

ALLOWABLE COSTS/COST PRINCIPLES
Inadequate Internal Over Employee Compensation
Finding Control Number: FA-6471-12-03

The School District has implemented appropriate procedures to strengthen and monitor controls over processing employee compensation, to ensure that personnel files are properly maintained and all salary payments to employees are based on an approved rate of pay. All issues previously identified have been resolved, with the exception of the one related to the Title I, Part A Cluster. The School District is awaiting guidance from the Georgia Department of Education regarding final resolution.

SECTION IV

FINDINGS AND QUESTIONED COSTS

DOUGHERTY COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issue:

Governmental Activities; General Fund; Capital Projects Fund; Aggregate Remaining Fund Information, Discretely Presented Component Unit	Unmodified

Internal control over financial reporting:

▪ Material weakness identified?	No
▪ Significant deficiency identified?	Yes

Noncompliance material to financial statements noted:	No

Federal Awards

Internal Control over major programs:

▪ Material weaknesses identified?	Yes
▪ Significant deficiency identified?	None Reported

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

Unmodified for all major programs except for Improving Teacher Quality State Grant and Title I, Part A Cluster, which were qualified.

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)?	Yes

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
10.553, 10.555	Child Nutrition Cluster
84.010	Title I, Part A Cluster
84.367	Improving Teacher Quality State Grants
84.377, 84.388	School Improvement Grants Cluster
84.395	ARRA Race-to-the-Top Incentive Grants

Dollar threshold used to distinguish between Type A and Type B programs:	$669,502.04
Auditee qualified as low-risk auditee?	No

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS-6471-13-01 Inadequate Internal Control Procedures over School Activity Accounts

Control Category:	Cash and Cash Equivalents Revenues/Receivables/Receipts Expenditures/Liabilities/Disbursements
Internal Control Impact:	Significant Deficiency

Description:
This is a repeat finding (FS-6471-12-01, FS-6471-11-01 and FS-6471-10-01) from the years ended June 30, 2012, June 30, 2011 and June 30, 2010, respectively. The accounting procedures of the School District were insufficient to provide for adequate internal controls over the school activity accounts.

Criteria:
The School District's management is responsible for designing and maintaining internal controls that provide proper separation of duties and reasonable assurance that transactions are processed according to established procedures.

Condition:
The following deficiencies were noted with the School District's school activity accounts:

Cash and Cash Equivalents

- The bank reconciliation function was not separate from the record keeping and voucher payment functions.
- Testing revealed bank reconciliations that were not approved by the appropriate personnel.
- Three bank accounts were noted through bank confirmation procedures which could possibly be school activity accounts that were not recorded on the general ledger.

Revenues/Receipts/Receivables

- Deposit preparation was not separated from the record keeping and cash custody functions.
- The following deficiencies were noted during a test of forty receipt transactions:
  1. Eight receipts were not deposited in a timely manner.
  2. One receipt did not agree to the deposit ticket.
  3. Twenty-three of the receipts examined lacked information to be able to trace to recording on the general ledger.
  4. Ten receipts did not contain the signature of two employees as required by board policy.

Expenditures/Liabilities/Disbursements

- The check writing function was not separated from the record keeping or processing of signed checks.
- The following deficiencies were noted during our test of forty disbursement transactions:
  1. Four disbursements did not have invoices attached.
  2. Twenty of the disbursements examined lacked information to be able to trace to recording on the general ledger.
  3. Eighteen voucher packages did not have evidence of receipt of goods.
  4. Fourteen vouchers did not have appropriately approved requisition requests as required by board policy.
  5. One check written did not agree to the attached invoice.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

During testing of school activity accounts, the auditor noted that cash balances were incorrectly recorded between Governmental Funds and Agency Funds. An audit adjustment of $17,636.36 was proposed and accepted by management to correct the misstatement.

Questioned Cost:
None

Cause:
In discussing this condition with management, they stated that school personnel have not been adequately following the policies and procedures set-forth in the School Districts "Accounting Manual for Activity Funds".

Effect or Potential Effect:
Errors and/or irregularities may not be detected in a timely manner.

Recommendation:
The School District should implement necessary procedures to ensure that the key accounting functions of custody and record keeping are separated. In addition, the School District should implement procedures to ensure that disbursements and receipts of funds within the school activity accounts are adequately documented and recorded in the financial records. The School District should also establish a monitoring process to provide reasonable assurance that transactions are processed according to established procedures.

Views of Responsible Officials and Corrective Action Plans:
We concur with this finding. The school district will implement procedures to strengthen its internal controls over Cash and Cash Equivalents. The school district will revise and monitor its procedures to ensure that accounting functions over custody, recordkeeping and authorization are separated and utilize management oversight of these activities. The school district will implement a monitoring process to ensure that transactions are processed according to established procedures.

Estimated Corrective Action Date:	07/01/14
Contact Person:	Kenneth Dyer
Telephone:	(229) 431-1234
Fax:	(229) 431-1239
E-mail:	Kenneth.dyer@docoschools.org

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FA-6471-13-01 Inadequate Internal Control Procedures

Compliance Requirements:	ACTIVITIES ALLOWED/UNALLOWED ALLOWABLE COSTS/COST PRINCIPLES
Internal Control Impact:	Material Weakness
Compliance Impact:	Material Noncompliance
Federal Awarding Agency:	U. S. Department of Education
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	CFDA 84.367 Title II-A, Improving Teacher Quality

Description:
A review of expenditures charged to the Title II-A, Improving Teacher Quality (CFDA 84.367) program and monitoring reports performed by Georgia Department of Education (GDOE) revealed the School District did not meet the requirement that all Class Size Reduction teachers paid with Title II-A funds must be highly qualified.

Criteria:
Provisions of ESEA Section 2123(a)(7) provides for "hiring highly qualified teachers, including teachers who become highly qualified through State and local alternative routes to certification, and special education teachers, in order to reduce class size, particularly in the early grades".

Condition:
A review of expenditures and the monitoring report performed by GDOE for the Title II-A, Improving Teacher Quality (CFDA 84.367) program revealed that salaries and benefits paid in the amount of $105,174.38 were paid for three teachers who did not meet the definition of highly qualified.

Questioned Cost:
$105,174.38

Cause:
In discussing these conditions with management, they stated the grant Program Coordinator and staff did not have adequate procedures in place to ensure that the stated regulations were followed.

Effect or Potential Effect:
Failure to ensure that program expenditures are allowable resulted in noncompliance with the Federal grant.

Recommendation:
The School District should implement procedures to ensure that all teachers paid with Title II-A funds meet the definition of highly qualified. The School District refunded $105,174.38 to the Georgia Department of Education in the subsequent fiscal year.

Views of Responsible Officials and Corrective Action Plans:
We concur with this finding. The school district has implemented procedures to ensure that all expenditures charged to federal programs are allowable under OMB Circular A-87, approved by the Program Coordinator and properly documented.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Estimated Corrective Action Date:	7/01/13
Contact Person:	Kenneth Dyer
Telephone:	(229) 431-1234
Fax:	(229) 431-1239
E-mail:	Kenneth.dyer@docoschools.org

FA-6471-13-02 Inadequate Internal Control Procedures

Compliance Requirements:	ACTIVITIES ALLOWED/UNALLOWED ALLOWABLE COSTS/COST PRINCIPLES MATCHING, LEVEL OF EFFORT AND/OR EARMARKING PERIOD OF AVAILABILITY
Internal Control Impact:	Material Weakness
Compliance Impact:	Material Noncompliance
Federal Awarding Agency:	U. S. Department of Education
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	CFDA 84.010 Title I, Part A Cluster

Description:
A review of expenditures charged to the Title I Part A Custer (CFDA 84.010) program and monitoring reports performed by Georgia Department of Education (GDOE) revealed the School District failed to implement internal control procedures to ensure expenditures were in compliance with grant requirements.

Criteria:
Provisions of OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, require that "to be allowable under Federal awards, costs must be…necessary and reasonable for proper and efficient performance and administration of Federal awards", "conform to any limitations or exclusions set forth in the…terms and conditions of the Federal award", and "be consistent with policies, regulations and procedures that apply uniformly to both Federal awards and other activities of the governmental unit".

The Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments states, in part, "where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period".

Provisions of ESEA Section 1120A(b)(1) requires that a local educational agency "shall use Federal funds received under this part only to supplement the funds that would, in the absence of such Federal funds, be made available from non-Federal sources for the education of pupils participating in programs assisted under this part, and not to supplant such funds."

Provisions of ESEA Section 1119(a)(1) requires that "Beginning with the first day of the first school year after the date of enactment of the No Child Left Behind Act of 2001, each local educational agency receiving assistance under this part shall ensure that all teachers hired after such day and teaching in a program supported with funds under this part are highly qualified."

Provisions of ESEA Section 1119(g)(3)(A) requires that a paraprofessional "may not provide any instructional service to a student unless the paraprofessional is working under the direct supervision of a teacher…".

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Condition:

A review of expenditures and the monitoring reports performed by GDOE revealed the following deficiencies:

- Title I, Part A Cluster operating expenditures totaling $130,100.00 were not authorized or did not meet program guidelines.
- An expenditure in the amount of $7,990.00 occurred outside the period of availability.
- Salary and benefits paid in the amount of $239,775.27 were for duties and activities which were not permitted under program guidelines.
- The School District paid several administrators' salaries and benefits totaling $27,437.50 to be on site beyond the regular school day. These payments constitute supplanting and cannot be paid by Title 1, Part A.
- Salaries and benefits paid in the amount of $93,043.70 was paid to one teacher who did not meet the definition of highly qualified and two paraprofessionals who were not under the direct supervision of a highly qualified teacher.

Questioned Cost:

$498,346.47

Cause:

In discussing these conditions with management, they stated the grant Program Coordinator and staff did not have adequate procedures in place to ensure that the stated regulations were followed.

Effect or Potential Effect:

Failure to ensure that program expenditures are allowable resulted in noncompliance with the Federal grant.

Recommendation:

The School District should implement procedures to ensure that all expenditures charged to Federal programs are allowable as required by Federal guidelines. The School District reclassified $405,302.77 of the unallowable costs from the Title I, Part A Cluster to the General Fund prior to closing out the 2013 fiscal year and reclassified the remaining $93,043.70 in the subsequent fiscal year.

Views of Responsible Officials and Corrective Action Plans:

We concur with this finding. The school district has implemented procedures to ensure that all expenditures charged to federal programs are allowable under OMB Circular A-87, approved by the Program Director and properly documented.

Estimated Corrective Action Date:	07/1/13
Contact Person:	Kenneth Dyer
Telephone:	(229) 431-1234
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