DOUGLAS COUNTY
BOARD OF EDUCATION

ANNUAL FINANCIAL REPORT
FOR THE
FISCAL YEAR ENDED JUNE 30, 2013

DOUGLAS COUNTY BOARD OF EDUCATION

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I. FINANCIAL SECTION

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

INDEPENDENT AUDITOR'S REPORT

To the Superintendent and Members of
the Douglas County Board of Education
Douglasville, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Douglas 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 Douglas County Board of Education's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Douglas County Board of Education as of June 30, 2013, and the respective changes in financial position, and the budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 2 and 16, the Douglas County Board of Education implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, as well as Statement No. 65, *Items Previously Reported as Assets and Liabilities*, as of July 1, 2012. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis pages 4 through 10 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 about 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 Douglas County Board of Education's basic financial statements. The schedule of expenditures of special purpose local option sales tax proceeds, as required by the Official Code of Georgia 48-8-21, and the accompanying schedule of expenditures of federal awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of special purpose local option sales tax proceeds and the schedule of expenditures of federal awards (collectively "the supplementary information") are the responsibility of management and were derived from and relate 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2014 on our consideration of the Douglas 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 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 the Douglas County Board of Education's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Atlanta, Georgia
January 8, 2014

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

Our discussion and analysis of the Douglas County Board of Education'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 look at the School District's financial performance as a whole; readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2013 are as follows:

- ✓ Net position decreased $2.3 million, which represents a 1.0 percent decrease from fiscal year 2012. This total decrease was due to governmental activities since the School District has no business-type activities.

- ✓ General revenues accounted for $104.5 million in revenue or 42 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for $146.9 million or 58 percent of total revenues. Total revenues were $251.4 million.

- ✓ The School District had $253.7 million in expenses related to governmental activities; only $146.9 million of these expenses were offset by program specific charges for services, grants or contributions.

Using the Basic Financial Statements

This annual report consists of management's discussion and analysis, a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Douglas County School District as a financial whole, or as an entire operating entity.

The district-wide financial statements include the Statement of Net Position and Statement of Activities. These statements provide information about the activities of the School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances.

The fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds. In the case of the Douglas County School District, the General Fund, Capital Projects Fund, and Debt Service Fund are the most significant funds.

District-Wide Statements

The District-Wide financial statements are a consolidation of the District's operating funds into one column, with both short and long-term focus, called governmental activities. While these documents contain the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2013?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and all liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net position and changes in net position. This change in net position is important because it tells the reader whether, for the District as a whole, the financial position of the Board has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, facility conditions, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, the District has one distinct type of activity:

- ✓ Governmental Activities - All of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, food service, after school program, school activity accounts and various others.

Fund Financial Statements

Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, the district-wide capital projects fund, and the debt service fund.

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

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

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The perspective of the Statement of Net Assets is of the District as a whole. Table 1 provides a summary of the District's net assets for fiscal year 2013 compared to fiscal year 2012.

Table 1
Net Position

	Governmental Activities	
	Fiscal Year 2013	Fiscal Year 2012
Assets		
Current and Other Assets and Deferred Outflows of Resources	$167,206,264	$193,670,656
Capital Assets, Net	392,188,850	383,589,465
Total Assets and Deferred Outflows of Resources	559,395,114	577,260,121
Liabilities		
Current and Other Liabilities	43,781,145	50,515,965
Long-Term Liabilities	196,168,469	204,957,038
Total Liabilities	239,949,614	255,473,003
Net Position		
Net Investment in Capital Assets	267,342,445	259,422,083
Restricted	35,653,423	45,612,976
Unrestricted	16,449,632	16,752,059
Total Net Position	$319,445,500	$321,787,118

Total net assets decreased $2.3 million.

Table 2 shows the changes in net position for fiscal year 2013 compared to the changes in net position for fiscal year 2012.

Change in Net Position
Table 2

	Governmental Activities	
	Fiscal Year 2013	Fiscal Year 2012
Revenues		
Program Revenues:		
Charges for Services and Sales	$ 8,763,606	$ 9,005,935
Operating Grants and Contributions	137,256,332	129,104,563
Capital Grants and Contributions	876,162	7,522,624
Total Program Revenues	146,896,100	145,633,122
General Revenues:		
Taxes		
Property Taxes		
For Maintenance and Operations	61,942,914	65,882,393
For Debt Service	7,153,237	10,557,468
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Debt Service	9,155,931	10,022,209
For Capital Projects	12,849,583	12,422,852
Other Taxes	2,444,604	1,053,215
Grants and Contributions not Restricted to Specific Programs	10,793,477	8,816,278
Investment Earnings	150,297	203,201
Miscellaneous	-	-
Total General Revenues	104,490,043	108,957,616
Total Revenues	251,386,143	254,590,738
Program Expenses		
Instruction	159,507,011	155,116,411
Support Services		
Pupil Services	6,997,549	6,642,043
Improvement of Instructional Services	7,801,921	7,446,106
Educational Media Services	4,378,499	4,367,850
Federal Grant Administration	512,893	421,501
General Administration	2,219,387	2,525,675
School Administration	15,334,554	15,369,431
Business Administration	2,172,783	2,049,924
Maintenance and Operations of Plant	14,269,315	14,269,596
Student Transportation Services	11,940,397	11,316,316
Central Support Services	3,179,083	3,339,953
Other Support Services	2,389,774	2,640,385
Operations of Non-Instructional Services		
Enterprise Operations	1,267,346	1,090,881
Food Services	14,034,016	13,633,263
Interest on Long-Term Debt	7,723,233	8,714,211
Total Expenses	253,727,761	248,943,546
Change in Net Position	(2,341,618)	5,647,192
Net Position, Beginning of Year, restated	321,787,118	316,139,926
Net Position, End of Year	$ 319,445,500	$ 321,787,118

Governmental Activities

Instruction comprises 62.6 percent of governmental program expenses. Interest expense comprises 3.0 percent of governmental program expenses. Interest expense was attributable to the outstanding bonds for capital projects.

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

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	Fiscal Year 2013	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2012
Instruction	$ 159,507,011	$ 155,116,411	$ 64,267,603	$ 61,315,576
Support Services				
Pupil Services	6,997,549	6,642,043	4,535,807	4,509,356
Improvement of Instructional Services	7,801,921	7,446,106	591,357	978,604
Educational Media Services	4,378,499	4,367,850	899,510	909,025
Federal Grant Administration	512,893	421,501	512,893	421,501
General Administration	2,219,387	2,525,675	895,440	618,273
School Administration	15,334,554	15,369,431	7,669,940	8,462,611
Business Administration	2,172,783	2,049,924	1,818,600	1,675,571
Maintenance and Operation of Plant	14,269,315	14,269,596	5,904,105	5,926,584
Student Transportation Services	11,940,397	11,316,316	8,411,895	6,980,720
Central Support Services	3,179,083	3,339,953	1,927,207	2,232,304
Other Support Services	2,389,774	2,640,385	1,516,219	852,143
Operations of Non-Instructional Services				
Enterprise Operations	1,267,346	1,090,881	169,480	(133,737)
Food Services	14,034,016	13,633,263	(11,628)	(152,318)
Interest on Long-Term Debt	7,723,233	8,714,211	7,723,233	8,714,211
Total Expenses	$ 253,727,761	$ 248,943,546	$ 106,831,661	$ 103,310,424

Although program revenues make up a majority of the revenues, the District is still dependent upon tax revenues for governmental activities. Over 40 percent of instruction activities are supported through taxes and other general revenues; for all governmental activities general revenue support is 42 percent.

The District's Funds

The District's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues and other financing sources of $261.0 million and expenditures and other financing uses of $282.9 million. Included in the expenditures were $29.4 million of capital outlay expenditures and $8.7 million of principal retirement. The School System’s General Fund remains in sound financial position with a year-end fund balance of $18.7 million.

General Fund Budgeting Highlights

The District's budget is prepared according to Georgia law. The most significant budgeted fund is the general fund. The District uses site-based budgeting. The budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, the actual revenues of $221.5 million were $7.5 million more than the final budgeted amount. This difference was related primarily to local school funds that were not included in the district budget and actual tax collections exceeding projections.

The actual expenditures of $226.2 million for the general fund were less than the budgeted amount by $642 thousand.

The District's Board continues to monitor fund balance in anticipation of future needs, continued decline in funding, and continued increases to expenditures. These results are evidence of their work.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2013, the District had $392.2 million invested in capital assets, all in governmental activities. Table 4 shows fiscal year 2013 balances compared with fiscal year 2012 balances.

Table 4
Capital Assets
(Net of Depreciation*)*

	Governmental Activities	
	Fiscal Year 2013	Fiscal Year 2012
Land	$ 31,469,359	$ 31,469,359
Construction in Progress	8,920,670	32,289,126
Buildings and Improvements	302,692,758	273,629,908
Equipment	24,502,260	22,253,697
Land Improvement	24,603,803	23,947,375
Total	$392,188,850	$383,589,465

The growth in the county has slowed down, so the District is focusing construction on additions and renovations to existing facilities. More detailed information on the District's capital assets can be found in the notes to the financial statements.

Debt

At June 30, 2013, the Board had $182.3 million in bonds outstanding with $10.1 million due within one year. Table 5 shows fiscal year 2013 balances compared with fiscal year 2012 balances.

Table 5
Debt at June 30

	Governmental Activities	
	Fiscal Year 2013	Fiscal Year 2012
General Obligation Bonds	$ 182,310,000	$ 191,060,000

More detailed information on the District's long-term debt can be found in Note 10 of the financial statements.

Current Issues

The Douglas County School System is financially stable. The School System's current operating millage is 19.85, which produces approximately $3.3 million per mill. The operating millage rate for 2013 remained the same as the rate for 2012 of 19.85, which supported the fiscal year 2013 budget. Douglas County, and the Douglas County School System, continues to suffer economic setbacks in line with a state and national economy that is declining in growth. The State of Georgia has experienced revenue shortfalls that will directly impact funding to the state's school systems. From all indications, the State of Georgia will continue to impose formula reductions across the State. This is a significant factor in the District's annual budget and planning processes. Despite these challenges, the School System's management and Board are committed to continue to effectively and prudently manage the available resources to provide quality educational opportunities for all of the System's students.

Contacting the Board's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Douglas County Board of Education, 9030 Highway 5, Douglasville, Georgia 30134 or call 770-651-2000.

BASIC FINANCIAL STATEMENTS

DOUGLAS COUNTY BOARD OF EDUCATION

STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 93,308,557
Investments	42,999,644
Receivables:	
Taxes	5,650,854
Intergovernmental:	
State	16,989,418
Federal	4,349,676
Local	636,575
Other	11,863
Inventory	842,653
Prepaids	211,797
Capital assets (nondepreciable)	40,390,029
Capital assets (depreciable, net of accumulated depreciation)	351,798,821
Total assets	557,189,887
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on refunding	2,205,227
Total deferred outflows of resources	2,205,227
LIABILITIES	
Accounts payable	2,869,665
Salaries and benefits payable	34,211,912
Contracts payable	3,701,041
Accrued interest payable	2,207,207
Retainage payable	706,837
Unearned revenue	84,483
Claims payable due within one year	1,508,925
Claims payable due in more than one year	624,228
Bonds payable due within one year	10,095,000
Bonds payable due in more than one year	182,679,605
Compensated absences due within one year	1,071,604
Compensated absences due in more than one year	189,107
Total liabilities	239,949,614
NET POSITION	
Net investment in capital assets	267,342,445
Restricted for:	
Federal programs	3,515,692
Capital projects	24,973,359
Debt service	7,070,992
Winston Ruritan Club - expendable	47,477
Winston Ruritan Club - nonexpendable	45,903
Unrestricted	16,449,632
Total net position	$ 319,445,500

The accompanying notes are an integral part of these financial statements.

DOUGLAS COUNTY BOARD OF EDUCATION

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental activities:					
Instruction	$ 159,507,011	$ 4,658,693	$ 90,059,105	$ 521,610	$ (64,267,603)
Support services:					
Pupil services	6,997,549	-	2,461,742	-	(4,535,807)
Improvement of instructional services	7,801,921	-	7,210,564	-	(591,357)
Educational media services	4,378,499	-	3,467,624	11,365	(899,510)
Federal grant administration	512,893	-	-	-	(512,893)
General administration	2,219,387	-	1,293,340	30,607	(895,440)
School administration	15,334,554	-	7,664,614	-	(7,669,940)
Business administration	2,172,783	-	354,183	-	(1,818,600)
Maintenance and operation of facilities	14,269,315	24,100	8,337,666	3,444	(5,904,105)
Student transportation services	11,940,397	-	3,247,367	281,135	(8,411,895)
Central support services	3,179,083	-	1,251,876	-	(1,927,207)
Other support services	2,389,774	-	873,555	-	(1,516,219)
Operations of non-instructional services:					
Miscellaneous non-instructional services	1,267,346	1,097,866	-	-	(169,480)
Food services operation	14,034,016	2,982,947	11,034,696	28,001	11,628
Interest on long-term debt	7,723,233	-	-	-	(7,723,233)
Total governmental activities	$ 253,727,761	$ 8,763,606	$ 137,256,332	$ 876,162	(106,831,661)

General revenues:	
Taxes:	
Property taxes, levied for general purposes	61,942,914
Property taxes, levied for debt service	7,153,237
Sales taxes:	
For debt service	9,155,931
For capital projects	12,849,583
Other taxes	2,444,604
Grants and contributions not restricted to specific programs	10,793,477
Unrestricted investment earnings	150,297
Total general revenues	104,490,043
Change in net position	(2,341,618)
Net position, beginning of year, restated	321,787,118
Net position, end of year	$ 319,445,500

The accompanying notes are an integral part of these financial statements.

DOUGLAS COUNTY BOARD OF EDUCATION

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

ASSETS	General	District-Wide Capital Projects	Debt Service	Non-major Winston Ruritan Club	Total Governmental Funds
Cash and cash equivalents	$ 27,031,681	$ 59,709,398	$ 6,547,492	$ 19,986	$ 93,308,557
Investments	4,308,936	38,617,314	-	73,394	42,999,644
Receivables:					
Taxes	3,296,433	1,893,571	460,850	-	5,650,854
Intergovernmental:					
State	16,341,914	647,504	-	-	16,989,418
Federal	4,349,676	-	-	-	4,349,676
Local	636,575	-	-	-	636,575
Other	11,863	-	-	-	11,863
Due from other funds	4,749	-	-	-	4,749
Prepaids	-	-	62,650	-	62,650
Inventory	842,653	-	-	-	842,653
Total assets	$ 56,824,480	$ 100,867,787	$ 7,070,992	$ 93,380	$ 164,856,639
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ 1,134,232	$ 1,735,433	$ -	$ -	$ 2,869,665
Unearned revenue	84,483	-	-	-	84,483
Contracts payable	-	3,701,041	-	-	3,701,041
Salaries and benefits payable	34,211,912	-	-	-	34,211,912
Retainage payable	-	706,837	-	-	706,837
Due to other funds	-	4,749	-	-	4,749
Total liabilities	35,430,627	6,148,060	-	-	41,578,687
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	2,657,595	-	347,037	-	3,004,632
Total deferred inflows of resources	2,657,595	-	347,037	-	3,004,632
FUND BALANCES					
Nonspendable:					
Inventory	842,653	-	-	-	842,653
Prepaids	-	-	62,650	-	62,650
Permanent fund corpus	-	-	-	45,903	45,903
Restricted for:					
Winston Ruritan Club	-	-	-	47,477	47,477
Federal programs	3,515,692	-	-	-	3,515,692
Bus replacement	384,483	-	-	-	384,483
Capital projects	-	94,719,727	-	-	94,719,727
Debt service	-	-	6,661,305	-	6,661,305
Assigned:					
2014 fiscal year appropriations of fund balance	4,184,562	-	-	-	4,184,562
Unassigned:					
General fund	9,808,868	-	-	-	9,808,868
Total fund balances	18,736,258	94,719,727	6,723,955	93,380	120,273,320
Total liabilities, deferred inflows of resources and fund balances	$ 56,824,480	$ 100,867,787	$ 7,070,992	$ 93,380	$ 164,856,639

The accompanying notes are an integral part of these financial statements.

DOUGLAS COUNTY BOARD OF EDUCATION

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2013

Total fund balances - governmental funds			$ 120,273,320
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
Cost	$ 502,850,089		
Less accumulated depreciation	(110,661,239)		392,188,850
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.			
Property taxes			3,004,632
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.			
Bonds payable	$ (182,310,000)		
Premium, net of amortization	(10,464,605)		
Prepaid bond insurance, net of amortization	149,147		
Unamortized loss on refunding	2,205,227		
Accrued interest	(2,207,207)		
Compensated absences	(1,260,711)		
Claims liability	(2,133,153)		
			(196,021,302)
Net position of governmental activities			$ 319,445,500

The accompanying notes are an integral part of these financial statements.

DOUGLAS COUNTY BOARD OF EDUCATION

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	General	District - Wide Capital Projects	Debt Service	Non-major Winston Ruritan Club	Total Governmental Funds
REVENUES					
Property taxes	$ 62,263,821	$ -	$ 7,308,054	$ -	$ 69,571,875
Sales taxes	-	22,005,514	-	-	22,005,514
Other taxes	2,148,900	-	295,704	-	2,444,604
State funds	119,604,335	647,504	-	-	120,251,839
Federal funds	28,674,132	-	-	-	28,674,132
Investment income	33,606	102,596	6,850	7,245	150,297
Charges for services	4,090,399	-	-	-	4,090,399
Miscellaneous	4,673,207	-	-	-	4,673,207
Total revenues	221,488,400	22,755,614	7,610,608	7,245	251,861,867
EXPENDITURES					
Current:					
Instruction	142,975,369	-	-	-	142,975,369
Support services:					
Pupil services	7,018,001	-	-	-	7,018,001
Improvement of instructional services	7,785,912	-	-	-	7,785,912
Educational media services	4,083,050	-	-	-	4,083,050
Federal grant administration	519,420	-	-	-	519,420
General administration	1,440,923	-	-	-	1,440,923
School administration	15,343,357	-	-	-	15,343,357
Business administration	2,144,740	-	3,254	-	2,147,994
Maintenance and operation of facilities	14,216,500	-	-	-	14,216,500
Student transportation services	10,589,998	-	-	-	10,589,998
Central support services	3,160,330	-	-	-	3,160,330
Other support services	2,389,774	-	-	-	2,389,774
Miscellaneous non-instructional services	1,267,346	-	-	-	1,267,346
Food services operation	13,305,653	-	-	-	13,305,653
Capital outlay	-	29,443,740	-	-	29,443,740
Debt service:					
Principal retirement	-	-	8,750,000	-	8,750,000
Interest and fees	-	-	9,001,530	-	9,001,530
Total expenditures	226,240,373	29,443,740	17,754,784	-	273,438,897
Excess (deficiency) of revenues over (under) expenditures	(4,751,973)	(6,688,126)	(10,144,176)	7,245	(21,577,030)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	9,155,931	-	9,155,931
Transfers out	-	(9,155,931)	-	-	(9,155,931)
Sale of capital assets	10,663	-	-	-	10,663
Total other financing sources (uses)	10,663	(9,155,931)	9,155,931	-	10,663
Net change in fund balances	(4,741,310)	(15,844,057)	(988,245)	7,245	(21,566,367)
FUND BALANCES, beginning of year	23,477,568	110,563,784	7,712,200	86,135	141,839,687
FUND BALANCES, end of year	$ 18,736,258	$ 94,719,727	$ 6,723,955	$ 93,380	$ 120,273,320

The accompanying notes are an integral part of these financial statements.

DOUGLAS COUNTY BOARD OF EDUCATION

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds		$ (21,566,367)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which capital outlays exceeded depreciation in the current period is as follows:		
Capital outlay	$ 26,153,978	
Depreciation expense	(17,391,236)	8,762,742
The net effect of miscellaneous transactions involving capital assets is as follows:		
Net book value of assets sold	$ (163,357)	(163,357)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes		(475,724)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Principal payments - bonds	$ 8,750,000	8,750,000
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Amortization of bond premium	$ 1,656,330	
Amortization of prepaid bond insurance	(15,882)	
Amortization of loss on refunding	(485,325)	
Change in compensated absences	47,103	
Change in claims payable	1,025,688	
Change in accrued interest	123,174	2,351,088
Change in net position of governmental activities		$ (2,341,618)

The accompanying notes are an integral part of these financial statements.

DOUGLAS COUNTY BOARD OF EDUCATION

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	$ 65,035,851	$ 63,000,000	$ 64,412,721	$ 1,412,721
State funds	105,224,063	117,030,656	119,604,335	2,573,679
Federal funds	26,816,566	29,402,107	28,674,132	(727,975)
Charges for services	3,151,814	3,151,827	4,090,399	938,572
Investment income	106,445	48,625	33,606	(15,019)
Miscellaneous	626,000	1,362,794	4,673,207	3,310,413
	200,960,739	213,996,009	221,488,400	7,492,391
EXPENDITURES				
Current:				
Instruction	130,805,505	138,938,054	142,975,369	(4,037,315)
Support services:				
Pupil services	6,610,331	8,270,292	7,018,001	1,252,291
Improvement of instructional services	5,351,689	9,007,087	7,785,912	1,221,175
Educational media services	4,219,043	4,341,727	4,083,050	258,677
Federal grant administration	288,166	486,698	519,420	(32,722)
General administration	1,655,308	1,863,047	1,440,923	422,124
School administration	14,851,097	16,303,799	15,343,357	960,442
Business administration	2,758,176	2,110,826	2,144,740	(33,914)
Maintenance and operation of plant	14,637,499	14,837,744	14,216,500	621,244
Student transportation services	9,899,186	10,982,212	10,589,998	392,214
Central support services	3,998,064	3,985,859	3,160,330	825,529
Other support services	1,004,387	1,190,286	2,389,774	(1,199,488)
Miscellaneous non-instructional services	-	-	1,267,346	(1,267,346)
Food services operation	14,454,143	14,564,742	13,305,653	1,259,089
Total expenditures	210,532,594	226,882,373	226,240,373	642,000
Deficiency of revenues over expenditures	(9,571,855)	(12,886,364)	(4,751,973)	8,134,391
OTHER FINANCING SOURCES				
Sale of capital assets	-	-	10,663	10,663
Total other financing sources	-	-	10,663	10,663
Net change in fund balances	(9,571,855)	(12,886,364)	(4,741,310)	8,145,054
FUND BALANCES, beginning of year	23,477,568	23,477,568	23,477,568	-
FUND BALANCES, end of year	$ 13,905,713	$ 10,591,204	$ 18,736,258	$ 8,145,054

The accompanying notes are an integral part of these financial statements.

DOUGLAS COUNTY BOARD OF EDUCATION

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2013

	Club and Athletics Fund
ASSETS	
Cash	$ 488,737
Total assets	$ 488,737
LIABILITIES	
Funds held for others	$ 488,737
Total liabilities	$ 488,737

The accompanying notes are an integral part of these financial statements.

Note 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

Reporting Entity

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Government-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.

In the Statement of Net Position, equity is reported as net position and consists of net investment in capital assets, amounts restricted by outside parties for specific purposes and unrestricted amounts.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The School District reports the following major governmental funds:

- *General Fund* is the School District's primary operating fund. It accounts for all financial resources of the School District, except those resources required to be accounted for in another fund.

- *District-Wide Capital Projects Fund* accounts for financial resources including Special Purpose Local Option Sales Tax (SPLOST), Bond Proceeds and grants from Georgia State Financing and Investment Commission to be used for the acquisition, construction or renovation of major capital facilities.

- *Debt Service Fund* accounts for taxes (property and sales) legally restricted for the payment of general long-term debt principal, interest and paying agent's fees.

The School District also reports the following fund types:

- *Agency Fund* accounts for assets held by the School District as an agent for various individual school clubs and activities.

- *Permanent Fund* accounts for the operations of the School District's endowment for which the corpus held in this fund cannot be used.

Basis of Accounting/Measurement Focus

The basis of accounting determines when transactions are reported on the financial statements. The District-wide governmental activities and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Agency funds are custodial in nature and do not present results of operations or have a measurement focus. 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.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers most revenues to be available if they are collected within 60 days of the end of the current fiscal period; however, intergovernmental revenues reported in the governmental funds are considered to be available if they are collected within 120 days after year-end.

Property taxes, sales taxes, intergovernmental revenue, 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 capital leases are reported as other financing sources.

Revenue from grants and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School System must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School System on a reimbursement basis.

The State of Georgia reimburses the School System for teachers' salaries and operating costs through the Quality Basic Education (QBE) Formula Earnings program. State of Georgia law defines the formula driven grant that determines the cost of an academic school year and the State of Georgia's share in this cost. Generally teachers are contracted for the school year (July 1 – June 30) and paid over a twelve month contract period, generally September 1 through August 31. In accordance with the requirements of the enabling legislation of the QBE program, the State of Georgia reimburses the School System over the same twelve month period in which teachers are paid, funding the academic school year expenditures. At June 30, the amount of teachers' salaries incurred but not paid until July and August of the subsequent year are accrued as the State of Georgia has only postponed the final payment of their share of the cost until the subsequent appropriations for cash management purposes. By June 30 of each year, the State of Georgia has a signed appropriation that includes this final amount, which represents the State of Georgia's intent to fund this final payment. Based on guidance in Government Accounting Standards Board (GASB) Statement No. 33, paragraph 74, the State of Georgia recognizes its QBE liability for the July and August salaries at June 30, and the School System recognizes the same QBE as a receivable and revenue, consistent with symmetrical recognition.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The School District funds certain programs by a combination of specific cost-reimbursement grants, categorical grants, and general revenues. Thus, when program costs are incurred, there are both restricted and unrestricted net position 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.

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. Georgia Laws OCGA 45-8-14 authorizes the School District to deposit its funds in one or more solvent banks or insured Federal savings and loan associations.

Investments

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

(1) Obligations issued by the State of Georgia or by other states,
(2) Obligations issued by the United States government,
(3) Obligations fully insured or guaranteed by the United States government or a United States government agency,
(4) Obligations of any corporation of the United States government,
(5) Prime banker's acceptances,
(6) The Local Government Investment Pool administered by the State Treasurer of the State of Georgia,
(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 investments that addresses credit risks, custodial credit risks, concentration of credit risks, interest rate risks or foreign currency risks.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 are reported net of an allowance for uncollectible receivables when necessary.

Property Taxes

The Douglas County Tax Commissioner fixed the property tax levy for the 2012 tax digest year (calendar year) on September 15, 2012 (levy date). Taxes were due on November 15, 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 Douglas County Tax Commissioner bills and collects the property taxes for the School District, withholds 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 $62,263,821 and for debt service amounted to $7,308,054.

The Georgia Constitution, Article VIII, Section VI, Paragraph I requires the board of education of each school system to annually certify to its fiscal authority or authorities a school tax not greater than 20 mills per dollar for the support and maintenance of education. The Douglas County Board of Education is in compliance with this law. Tax millage rates levied for the 2012 tax year (calendar year) for the Douglas County Board of Education were as follows (a mill equals $1 per thousand dollars of assessed value):

School Maintenance and Operations	19.85 mills
School Bonds	2.10 mills
	21.95 mills

Sales Taxes

Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to $22,005,514 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

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 the consumable supplies inventory whereby an asset is recorded when supplies are purchased and expenses/expenditures are recorded at the time the supplies are consumed.

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

Prepaid Items

Payments made to vendors for services that will benefit periods subsequent to June 30, 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. Depreciation is used to allocate the actual or estimated historical cost of all capital assets over estimated useful lives.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

		Capitalization Policy	Estimated Useful Life
Land		All	N/A
Land Improvements	$	10,000	20 years
Buildings			
Temporary	$	10,000	25 years
Permanent	$	50,000	50 years
Building Improvements	$	10,000	7 to 30 years
Equipment	$	10,000	4 to 20 years

Deferred Outflows/Inflows of Resources

The School District implemented GASB Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*, as of July 1, 2012. These new standards establish accounting and financial reporting for deferred outflows / inflows of resources and the concept of net position as the residual of all other elements presented in a statement of net position.

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense / expenditure) until then. The School District has one type of item that qualifies for reporting in this category. This item is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded debt or the refunding debt.

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

General Obligation Bonds

The School District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. In addition, general obligation bonds have been issued to refund existing general obligations bonds. Bond issuance costs are recognized in the financial statements during the fiscal year bonds are issued. General obligation bonds are direct obligations and pledge the full faith and credit of the government.

In the fund financial statements, the face amount of debt issued and any related premium, is reported as other financing sources. Issuance costs, whether or not withheld from actual proceeds, are reported as debt service expenditures.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when incurred.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net position."

Fund Balance – Generally, fund balance represents the difference between the assets and liabilities under the current financial resources measurement focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the School District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

- ***Nonspendable*** – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.

- ***Restricted*** – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

- ***Committed*** – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Education through the adoption of a resolution. Only the Board of Education may modify or rescind the commitment.

- ***Assigned*** – Fund balances are reported as assigned when amounts are constrained by the School District's intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the Board of Education has authorized the Superintendent or his or her designee to assign fund balances.

- ***Unassigned*** – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The School District reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all funds.

Flow Assumptions – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the School District's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the School District's policy to use fund balance in the following order:

- Committed
- Assigned
- Unassigned

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position - Net position represents the difference between assets and liabilities in reporting which utilizes the economic resources measurement focus. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the School District has spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net position is reported as unrestricted.

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Note 3: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The School System adopts an annual budget for the General Fund and Debt Service Fund. The budget is prepared in accordance with provisions of the Quality Basic Education Act, OCGA Section 20-2-167 and in accordance with U.S. generally accepted accounting principles. After the Board of Education has tentatively adopted the budget, such budget is advertised at least one time in a local newspaper of general circulation. At the next regular meeting of the Board after advertisement, the budget is revised as necessary and adopted as the final budget.

Note 4: DEPOSITS AND INVESTMENTS

CUSTODIAL CREDIT RISK

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the School District will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of June 30, 2013, all deposits and investments were properly collateralized and insured.

Note 4: DEPOSITS AND INVESTMENTS (Continued)

CATEGORIZATION OF INVESTMENTS

At June 30, 2013, the carrying value of the School District's total investments was $42,999,644, which is materially the same as fair value.

Investments include funds invested in the Local Government Investment Pool (Georgia Fund 1) administered by the State Treasurer of the State of Georgia, 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 Treasurer of the State of Georgia for the Local Government Investment Pool does not provide for investment in derivatives or similar investments. The Georgia Fund 1 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.

Investment	Maturity	Fair Value
Georgia Fund 1	43 days	$ 42,926,250
Common stock	N/A	73,394
Total		$ 42,999,644

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. For the year ended June 30, 2013, the commodities usage is recorded at their federally assigned value of $757,196.

Note 6: CAPITAL ASSETS

The following is a summary of changes in the capital assets during the fiscal year:

	Balances July 1, 2012	Increases	Decreases	Transfers	Balances June 30, 2013
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 31,469,359	$ -	$ -	$ -	$ 31,469,359
Construction in progress	32,289,126	14,446,598	-	(37,815,054)	8,920,670
Total	63,758,485	14,446,598	-	(37,815,054)	40,390,029
Capital assets, being depreciated:					
Building improvements	340,719,285	371,394	(262,814)	37,815,054	378,642,919
Equipment	52,200,744	9,239,938	(7,463,992)	-	53,976,690
Land improvements	27,744,403	2,096,048	-	-	29,840,451
Total	420,664,432	11,707,380	(7,726,806)	37,815,054	462,460,060
Less accumulated depreciation for:					
Building improvements	(67,089,377)	(9,018,919)	158,135	-	(75,950,161)
Equipment	(29,947,047)	(6,932,697)	7,405,314	-	(29,474,430)
Land improvements	(3,797,028)	(1,439,620)	-	-	(5,236,648)
Total	(100,833,452)	(17,391,236)	7,563,449	-	(110,661,239)
Total capital assets, being depreciated, net	319,830,980	(5,683,856)	(163,357)	37,815,054	351,798,821
Governmental activities capital assets, net	$ 383,589,465	$ 8,762,742	$ (163,357)	$ -	$ 392,188,850

Depreciation expense was charged to functions as follows:

Instruction	$ 14,118,438
Support services:	
Educational media services	295,449
General administration	795,670
Maintenance and operation of facilities	89,544
Student transportation services	1,364,216
Operations of non-instructional services:	
Food services	727,919
	$ 17,391,236

Note 7: INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables/payables as of June 30, 2013, consisted of the following:

	Interfund Receivable
	General
Interfund Payable	Fund
District-Wide Capital Projects	$ 4,749

The interfund balance above represents expenditures to be reimbursed upon future collections of sales tax.

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

	Transfers From
	District-Wide
	Capital
Transfers To	Projects
Debt Service	$ 9,155,931

Transfers are used to move SPLOST proceeds from District-Wide Capital Projects Fund to Debt Service Fund to fund debt service as allowed in the referendum.

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 and vision plan.

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.

Note 8: RISK MANAGEMENT (Continued)

The School District has established a limited risk management program for workers' compensation claims. A premium is paid by the General Fund at the beginning of the fiscal year for an excess workers' compensation coverage policy which covers individual claims in excess of $300,000 loss per occurrence, up to the statutory limit. Assessments of individual programs, except School Food Services, are performed, as needed, on the basis of that program's payroll to total payroll in order to cover estimated claims budgeted by management based on known claims and prior experiences. School Food Services is billed by the General Fund for the actual amount of claims for that program. The School District accounts for claims with expenses/expenditures and liabilities being reported when it is probable that a loss has occurred in the amount of that loss can be reasonably estimated. For purposes of estimating the unpaid claims liability as of June 30, 2013, the School District's third party administrator computed the reserve liability based on the estimated cost of each outstanding claim from claims experience of similar claims, including consideration of any incurred, but not reported amounts.

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

	Beginning of Year	Claims and Changes in Estimates	Claims Paid	End of Year	Due Within One Year
2012	$ 2,111,644	$ 1,341,700	$ 1,244,503	$ 2,208,841	$ 1,301,786
2013	$ 2,208,841	$ 1,486,776	$ 1,562,464	$ 2,133,153	$ 1,508,925

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	Claims and Changes in Estimates	Claims Paid	End of Year
2012	$ -	$ 106,287	$ 106,287	$ -
2013	$ -	$ 50,281	$ 50,281	$ -

Note 8: RISK MANAGEMENT (Continued)

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

Position Covered	Amount
Superintendent	$100,000

Note 9: OPERATING LEASES

Douglas County Board of Education is committed under various leases for equipment. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the year totaled approximately $252,838. Future minimum lease payments on these leases are as follows:

Year ending June 30,	
2014	$ 260,414
Total	$ 260,414

Note 10: 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
General Obligation Bonds currently outstanding are as follows:

Purpose	Interest Rates	Outstanding Balance at June 30, 2013
General Government - Series 2005	3.00% - 5.00%	$ 8,210,000
General Government - Series 2007	4.00% - 5.00%	141,980,000
General Government - Series 2010	2.50% - 4.00%	4,150,000
General Government - Series 2012	3.43% - 4.00%	27,970,000
		$ 182,310,000

Note 10: LONG – TERM DEBT (Continued)

The changes in long-term obligations during the fiscal year ended June 30, 2013, were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	$ 191,060,000	$ -	$ (8,750,000)	$ 182,310,000	$ 10,095,000
Unamortized bond premium	12,120,935	-	(1,656,330)	10,464,605	-
Claims payable	3,158,841	1,486,776	(2,512,464)	2,133,153	1,508,925
Compensated absences	1,307,814	1,114,425	(1,161,528)	1,260,711	1,071,604
Governmental activity Long-term liabilities	$ 207,647,590	$ 2,601,201	$ (14,080,322)	$ 196,168,469	$ 12,675,529

In fiscal year 2010, the School District issued $8,925,000 of Series 2010 General Obligation Refunding Bonds to (i) refund a portion of the Series 1999 General Obligation Refunding Bonds and (ii) pay the costs of issuing the Series 2010 General Obligation Refunding Bonds. The School District defeased the 1999 bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the School District's financial statements. At June 30, 2013, $4,075,000 of bonds outstanding are considered defeased. The School District has pledged its full faith and credit and taxing power to service the debt.

In fiscal year 2012, the School District issued $27,970,000 of Series 2012 General Obligation Refunding Bonds to (i) refund a portion of the Series 2005 General Obligation Refunding Bonds and (ii) pay the costs of issuing the Series 2012 General Obligation Refunding Bonds. The School District defeased the 2005 bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the School District's financial statements. At June 30, 2013, $28,310,000 of bonds outstanding are considered defeased. The School District has pledged its full faith and credit and taxing power to service the debt.

Note 10: LONG – TERM DEBT (Continued)

At June 30, 2013, payments due by fiscal year, which includes principal and interest, for these items are as follows:

Fiscal Year Ended June 30	General Obligation Bonds	
	Principal	Interest
2014	$ 10,095,000	$ 8,703,525
2015	11,565,000	8,272,775
2016	10,565,000	7,715,675
2017	11,705,000	7,234,575
2018	12,930,000	6,700,525
2019-2023	63,475,000	24,325,800
2024-2027	61,975,000	8,090,250
Total	$ 182,310,000	$ 71,043,125

Note 11: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of $13,844,523 for retirement contributions paid on the School District's behalf by the following State Agencies.

Georgia Department of Education
Paid to Georgia Department of Community Health
for Health Insurance of Non-Certified Personnel
in the amount of $13,365,588

Georgia Department of Education
Paid to the Teachers Retirement District
for Teachers Retirement (TRS)
in the amount of $44,636

State Treasurer of the State of Georgia
Paid to the Public School Employees Retirement System
for Public School Employees Retirement (PSERS) Employer's Cost
in the amount of $434,299

Note 12: SIGNIFICANT COMMITMENTS

The following is an analysis of significant outstanding construction or renovation contracts executed by the School District as of June 30, 2013:

Project	Unearned Executed Contracts
Dorsett Shoals Elementary Renovation	$ 2,539,954
Arbor Station Elementary Renovation	3,484,675
Annex West Roof	171,778
Chapel Hill High Roof	457,023
Douglas County High Gym Renovation	2,264,478
	$ 8,917,908

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

Note 13: SIGNIFICANT CONTINGENT LIABILITIES

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

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

Note 14: 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.

Note 14: RETIREMENT PLANS (Continued)

On October 25, 1996, the Board created the Supplemental Retirement Benefits Plan of the Georgia Teachers Retirement System (SRBP-TRS). SRPB-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 SRPB-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.

The following table summarizes the School District's employer contributions for the TRS for the years ended June 30, 2013, 2012 and 2011.

Fiscal Year	Percentage Contributed	Required Contribution
2013	100%	$ 14,223,779
2012	100%	$ 12,695,949
2011	100%	$ 12,865,793

Note 14: RETIREMENT PLANS (Continued)

PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (PSERS)

Substantially all bus drivers, maintenance, custodial, and lunchroom personnel employed by the District are members of the Public School Employees Retirement System of Georgia (PSERS), which is also a cost-sharing multiple employer public employee retirement system. The Board of the Public School Employees Retirement System of Georgia issues a publicly available financial report that includes financial statements and supplementary information for PSERS. That report may be obtained by writing Public School Employee Retirement System, Two Northside 75, Atlanta, Georgia 30318-7778, or by calling 1-800-805-4609.

PSERS provides service retirement, disability retirement and survivor's benefits for its members. A member is eligible for normal service retirement after 10 years of service and attainment of age 65. A member applying for service retirement with 10 years of services and retirees between the ages of 60 and 65 receive a reduced benefit. Monthly retirement benefits paid to members are equal to eight dollars per month multiplied by the number of years of creditable service. Retirement provisions include death and disability benefits. Benefits are established by state statute.

Covered employees are required by state statute to contribute four dollars per month for the nine month school year. Unlike TRS, the School District makes no contribution to PSERS. Total contributions from employees of the School District were $26,586, $24,456, and $24,692 for the fiscal years ended June 30, 2013, 2012, and 2011, respectively.

The State of Georgia is required by statute to make an annual contribution to PSERS based upon an actuarial calculation. The state's contribution for School District employees was $434,299, $270,859, and $125,584 for the fiscal years ended June 30, 2013, 2012, and 2011, respectively.

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 are refunded with interest. There were 711, 736, and 742 employees (members) covered under PSERS for the fiscal years ended June 30, 2013, 2012, and 2011, respectively.

Note 15: POSTEMPLOYMENT BENEFITS

GEORGIA RETIREE HEALTH BENEFIT FUND

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

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

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

The combined active and retiree contribution rates established by the Board for employers participating in the School OPEB Fund were as follows for the fiscal year ended June 30, 2013:

Note 15: POSTEMPLOYMENT BENEFITS (Continued)

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%	$ 21,218,058
2012	100%	$ 20,612,358
2011	100%	$ 19,654,474

Note 16: CHANGE IN ACCOUNTING PRINCIPLE

In conjunction with the implementation of Governmental Accounting Standards Board (GASB) Statement No. 65, Items Previously Reported as Assets and Liabilities, the School District is required to change its accounting treatment of debt issuance costs. The new standard requires that debt issuance costs be recognized as an expense in the period incurred rather than capitalized and recognized as an expense (amortized) in a systematic and rational manner over the duration of the related debt as was the required treatment in prior reporting periods.

Therefore, in conjunction with the implementation of Statement No. 65, the following restatements were required to the beginning net position of the Governmental Activities to properly recognize debt issuance costs as expenses in the periods in which they were incurred:

Net Position, beginning of year, as previously reported	$ 323,987,710
Recognition of bond issuance costs in accordance with GASB 65	(2,200,592)
Net Position, beginning of year, restated	$ 321,787,118

II. OTHER SUPPLEMENTARY INFORMATION

DOUGLAS COUNTY BOARD OF EDUCATION

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Project	Original Estimated Cost(1)	Current Estimated Cost(2)	Expended In Current Year (3)	Expended In Prior Years (3)	Total Completion Cost	Project Status
SPLOST Issue 2005:						
The payment of principal and interest on the School District's Series 1999 Bonds maturing July 1, 2007, through and including January 1, 2012, and the School District's Series 2002A Bonds maturing July 1, 2007, through and including January 1, 2010.	$ 12,600,000	$ 12,600,000	$ -	$ 12,600,000	$ 12,600,000	Complete
The acquisition, construction and equipping of new schools and the purchase of land to be used as sites for future educational facilities; the acquisition, construction and equipping of classroom additions, other educational facilities and renovations and renovations and modifications to existing educational facilities; the acquisition and installation of new instructional, safety and transportation equipment for all educational facilities.	107,400,000	125,000,000	16,276,474	102,865,065	119,141,539	Ongoing
SPLOST Issue 2011:						
The payment of a portion of principal and interest on the School District's Series 2005 and 2007 Bonds and Series 2010 Refunding Bond	61,000,000	61,000,000	8,037,025	-	8,037,025	Ongoing
The adding to, renovating, repairing, improving, furnishing, equipping and completing exisiting school buildings and other buildings and facilities; acquiring technology improvements; acquiring and making modifications to land; acquiring new school equipment; acquiring band instruments, textbooks and instructional materials and equipment; acquiring any necessary or desirable property, both real and personal.	61,000,000	61,000,000	2,622,058	965,398	3,587,456	Ongoing
Total	$ 242,000,000	$ 259,600,000	$ 26,935,557	$ 116,430,463	$ 143,366,020	

(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 project(s). Includes all cost from project inception to completion.

(3) The voters of Douglas 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.

III. SINGLE AUDIT SECTION

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

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*

To the Superintendent and Members of
the Douglas County Board of Education
Douglasville, Georgia

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 the Douglas 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 Douglas County Board of Education's basic financial statements, and have issued our report thereon dated January 8, 2014. Our report includes a reference to the changes in accounting principle resulting from the implementation of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Douglas 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 Douglas County Board of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of the Douglas 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Douglas 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*.

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.

Mauldin & Jenkins, LLC

Atlanta, Georgia
January 8, 2014

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

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

To the Superintendent and Members of
the Douglas County Board of Education
Douglasville, Georgia

Report on Compliance for Each Major Federal Program

We have audited the Douglas 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 the Douglas County Board of Education's major federal programs for the year ended June 30, 2013. The Douglas 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 the Douglas 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 Douglas 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 the Douglas County Board of Education's compliance.

Opinion on Each Major Federal Program

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs, as item 2013-001. Our opinion on each major federal program is not modified with respect to this matter.

The Douglas County Board of Education's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Douglas 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 the Douglas 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 the Douglas 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 Douglas County Board of Education's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs, as item 2013-001, that we consider to be a significant deficiency.

The Douglas County Board of Education's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Douglas 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.

Mauldin & Jenkins, LLC

Atlanta, Georgia
January 8, 2014

DOUGLAS COUNTY BOARD OF EDUCATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Total Expenditures
U. S. DEPARTMENT OF AGRICULTURE:		
Passed through Georgia Department of Education:		
Fresh Fruit and Vegetable Program - Cash Assistance	10.582	$ 112,366
Child Nutrition Cluster		
School Breakfast Program - Cash Assistance	10.553	2,759,987
National School Lunch Program:		
Non-Cash Assistance - Commodities (1)	10.555	757,196
Cash Assistance	10.555	6,880,808
School Snack Program	10.555	168,925
Total Child Nutrition Cluster		10,566,916
Total U. S. Department of Agriculture		10,679,282
U. S. DEPARTMENT OF DEFENSE		
Junior R.O.T.C.	12.unknown	220,029
Total U. S. Department of Defense		220,029
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Abstinence Education and Youth Development Program	93.235	64,460
Total U.S. Department of Health and Human Services		64,460
U. S. DEPARTMENT OF EDUCATION		
Direct Awards		
Foreign Languages Assistance	84.293	44,110
Total Direct Awards		44,110
Passed through the Georgia Department of Education:		
Education Jobs Funds	84.410	9,448
Fund for the Improvement of Education Cluster		
Fund for the Improvement of Education: Elementary and Secondary School Counsel	84.215	249,248
Fund for the Improvement of Education: Smaller Learning Communities	84.215	936,569
Fund for the Improvement of Education Cluster		1,185,817
Title I, Part A Cluster		
Title I Programs - Local Education Agency	84.010	5,618,977
Title I Programs - School Improvement	84.010	132,962
Total Title I, Part A Cluster		5,751,939
Title I, Part G Cluster		
Title I-G Programs - School Improvement	84.377	1,823,993
ARRA - Title I-G School Improvement	84.388	82,820
Total Title I, Part G Cluster		1,906,813

(Continued)

DOUGLAS COUNTY BOARD OF EDUCATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Total Expenditures
U. S. DEPARTMENT OF EDUCATION (Continued):		
Passed through Georgia Department of Education (continued):		
Title II-A - Improving Teacher Quality	84.367	647,644
Title II-A - Advance Placement Grant	84.367	7,000
Subtotal		654,644
Title II-D - Education Technology Formula Grant	84.318	2,677
Special Education Cluster (IDEA)		
Title VI-B Preschool	84.173	123,623
Title VI-B Flowthrough	84.027	4,428,433
Title VI-B High Cost Fund Pool	84.027	93,973
Total Special Education Cluster (IDEA)		4,646,029
Education for Homeless Children and Youth	84.196	37,461
Title III - Limited English Proficient	84.365	207,637
Vocational Education - Perkins Plus	84.048	11,268
Vocational Education - Program Improvement	84.048	171,204
Subtotal		182,472
Title IV B - Twenty-first Century Community Learning Centers	84.287	2,277,169
Total Passed Through Georgia Department of Education		16,862,106
Total U. S. Department of Education		16,906,216
Total Expenditures of Federal Awards		$ 27,869,987

Notes to the Schedule of Expenditures of Federal Awards

(1) The amounts shown for the Food Distribution Program represents the federally assigned value of nonmonetary assistance for donated commodities received and/or consumed by the system during the current fiscal year.

The School District did not provide federal assistance to any subrecipient.

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Douglas County Board of Education and is presented on the modified accrual basis of accounting.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State and Local Governments, and Non-Profit Organizations* . Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

DOUGLAS COUNTY BOARD OF EDUCATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

SECTION I
SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	___ yes __X__ no
Significant deficiencies identified not considered to be material weaknesses?	___ yes __X__ none reported
Noncompliance material to financial statements noted?	___ yes __X__ no

Federal Awards

Internal Control over major programs:	
Material weaknesses identified?	____ yes __X__ no
Significant deficiencies identified not considered to be material weaknesses?	__X__ yes ____ none reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)?	__X__ yes ___ no

Identification of major program:

CFDA Number	Name of Federal Program or Cluster
10.553, 10.555	Child Nutrition Cluster
84.010	Title I, Part A Cluster
84.215	Fund for the Improvement of Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$836,100
Auditee qualified as low-risk auditee?	___ yes __X__ no

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

2013-001 Title I, Part A Cluster - CFDA #84.010; Procurement and Suspension and Debarment

Criteria: Grant requirements state non-Federal entities are prohibited from contracting with or making sub-awards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. "Covered transactions" include those procurement contracts for goods and services awarded under a nonprocurement transaction that are expected to equal or exceed $25,000 or meet certain other specified criteria. 2 CFR section 180.220 of the government-wide nonprocurement debarment and suspension guidance contains those additional limited circumstances.

Condition: While the District's General Terms & Conditions for vendors contains general language, the vendor is required to specifically confirm their exclusion from the database for contracts funded by the Title I programs or the District may elect to check the *Excluded Parties List System (EPLS)*.

Context/Cause: The School District did not have adequate controls in place to ensure that the contract was not being awarded to a suspended or debarred party.

Effects: A contract could have been awarded to an ineligible party; however during our testing we noted that the vendor selected by the School District was not included on the *EPLS*.

Questioned Costs: None noted.

Recommendation: We recommend the School District include specific language relative to the suspension and debarment requirements within the contract and perform a search for the vendor on the *EPLS* (and maintain documentation of the search), for all federally funded contracts to ensure that contracts are not awarded to suspended or debarred parties.

Auditee's Response: We concur with finding and will institute additional controls to ensure Suspension and Debarment is checked on all covered transactions.

SECTION IV
STATUS OF PRIOR YEAR FINDINGS

2012-2: Title I, Part A Cluster - CFDA #84.010 and 84.389; Comparability

Condition and Context: As noted in our testing of the comparability, the full-time equivalent (FTE) count for one non-Title I school in the School District was not reported correctly on the Title I Comparability Report submitted to the Georgia Department of Education. Due to this error the recalculated average FTE to student ratio went down, which could have caused the School District to be in non-compliance with the comparability requirement.

Cause: The internal controls over the review of the Title I Comparability Report were not sufficient to detect and correct errors in the report.

Status: Finding resolved in the current fiscal year.