

HALL COUNTY
BOARD OF EDUCATION
GAINESVILLE, GEORGIA

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

(Including Independent Auditor's Reports)

HALL COUNTY BOARD OF EDUCATION

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FINANCIAL

DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

March 25, 2015

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

INDEPENDENT AUDITOR'S REPORT

Ladies and Gentlemen:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the

effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Emphasis of Matter

As described in Note 2 to the financial statements, in 2014, the Hall County Board of Education adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The School District restated beginning Net Position for the cumulative effect of this accounting change. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2015, on our consideration of the Hall County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hall County Board of Education's internal control over financial reporting and compliance.

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

Respectfully submitted,



Greg S. Griffin
State Auditor

GSG:as
2014ARL-11

INTRODUCTION

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

FINANCIAL HIGHLIGHTS

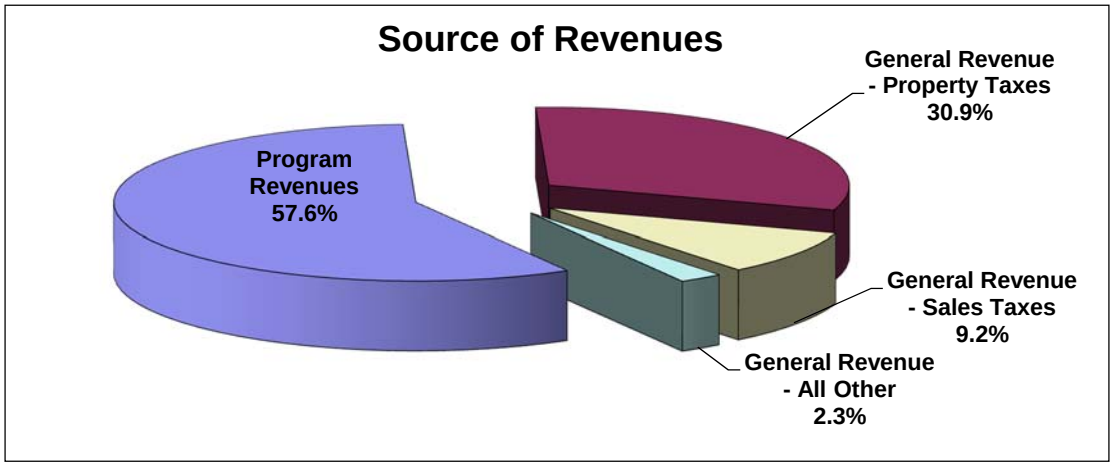
Key financial highlights for fiscal year 2014 are as follows:

On the District-wide financial statements:

- The School District's net position at June 30, 2014 was $296.6 million. Net position reflects the difference between all assets of the School District (including capital assets, net of depreciation) and all liabilities, both short-term and long-term. The net position at June 30, 2014 of $296.6 million represented an increase of $8.7 million when compared to the prior year.

- The School District had $239.5 million in expenses relating to governmental activities; about $143.1 million of these expenses were offset by program specific charges for services, grants and contributions. However, general revenues (primarily property and sales taxes) of $105.1 million were adequate to provide for these programs.

- As stated above, general revenues accounted for $105.1 million or about 42.4% of all revenues totaling $248.2 million. Program specific revenues in the form of charges for services, grants, and contributions accounted for the balance of these revenues. (Percentages in table below rounded to one decimal place)



On the fund financial statements:

- Among major funds, the General Fund had $224.8 million in revenues and $225.6 million in expenditures. The General Fund balance of $24.6 million at June 30, 2014 decreased by roughly $860,000 from the prior year. This decrease in General Fund Balance of roughly $860,000 was substantially less than the Board anticipated based on its Final Amended Budget which reflected a $9.6 million decrease in General Fund balance.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

District-wide Statements

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

These two statements report the School District's net position and any changes in net position. The change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change

may be the results of many factors, including those not under the School District's control, such as the property tax base, facility conditions, required educational programs, student-teacher ratios, and other factors.

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

- Capitalize current outlays for capital assets
- Depreciate capital assets
- Report long-term debt as a liability
- Calculate revenue and expense using the economic resources measurement focus and the accrual basis of accounting
- Allocate net position as follows:
    - *Net investment in capital assets*
    - *Restricted net position* is amounts with constraints placed on the use by external sources such as creditors, grantors, contributors or laws and regulations.
    - *Unrestricted for no specific purpose*

Fund Financial Statements

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

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

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

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

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

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

In the case of the School District, assets exceeded liabilities by almost $296.6 million at June 30, 2014. To better understand the School District's actual financial position and ability to deliver services in future periods, it is necessary to review the various components of the net position category. For example, of the $296.6 million of net position, almost $19.1 million was restricted for continuation of various Federal programs, debt service and ongoing capital projects. Accordingly, these funds were not available to meet the School District's ongoing obligations to citizens and creditors.

In addition, the School District had just over $265.6 million (net of related debt) invested in capital assets (e.g., land, buildings, and equipment). The School District uses these capital assets to provide educational services to students within geographic boundaries served by the School District. Because of the very nature and on-going use of the assets being reported in this component of net position, it must be recognized that this portion of the net position is *not* available for future spending.

The remaining balance of *unrestricted net position* of almost $11.9 million may be used to meet the School District's ongoing obligations to citizens and creditors.

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

Table 1
Net Position

	Governmental Activities	
	Fiscal Year 2014	Fiscal Year 2013
Assets		
Current and Other Assets (2013 restated)	$ 66,461,235	$ 63,286,077
Capital Assets, Net	282,731,043	283,337,972
Total Assets	349,192,278	346,624,049
Liabilities		
Current and Other Liabilities	27,548,054	27,333,412
Long-Term Liabilities	25,039,466	31,363,696
Total Liabilities	52,587,520	58,697,108
Net Position		
Net Investment in Capital Assets	265,652,291	260,177,260
Restricted	19,078,358	14,762,959
Unrestricted (2013 restated)	11,874,109	12,986,722
Total Net Position	$ 296,604,758	$ 287,926,941

Total net position increased $8.7 million in fiscal year 2014 from the prior year. This change in net position is detailed in Table 2 as presented below. Table 2 also shows the changes in net position as compared to the prior fiscal year.

Table 2
Change in Net Position

	Governmental Activities	
	Fiscal Year 2014	Fiscal Year 2013 (1)
Revenues		
Program Revenues:		
Charges for Services and Sales	$ 4,051,342	$ 4,146,586
Operating Grants and Contributions	135,906,334	137,239,262
Capital Grants and Contributions	3,097,491	762,195
Total Program Revenues	143,055,167	142,148,043
General Revenues:		
Taxes		
Property Taxes	76,659,593	72,396,231
Sales Taxes	22,680,150	22,653,364
Grants and Contributions not		
Restricted to Specific Programs	3,110,699	3,020,457
Investment Earnings	40,282	43,203
Miscellaneous	2,656,547	3,293,965
Special Item		
Gain on Disposal of Capital Assets		29,945
Total General Revenues and Special Item	105,147,271	101,437,165
Total Revenues	248,202,438	243,585,208
Program Expenses:		
Instruction	156,417,423	156,747,475
Support Services		
Pupil Services	7,812,854	7,560,727
Improvement of Instructional Services	6,313,827	6,634,226
Educational Media Services	4,338,159	4,380,672
General Administration	1,103,167	727,595
School Administration	13,230,682	13,126,456
Business Administration	1,794,709	1,533,544
Maintenance and Operation of Plant	14,412,923	14,349,214
Student Transportation Services	11,969,473	11,701,560
Central Support Services	4,709,034	6,249,331
Other Support Services	1,064,004	902,315
Operations of Non-Instructional Services		
Enterprise Operations	1,036,966	
Community Services	289,441	239,743
Food Services	14,383,285	14,529,696
Interest on Short-Term and Long-Term Debt	648,673	1,043,550
Total Expenses	239,524,620	239,726,104
Increase (Decrease) in Net Position	$ 8,677,818	$ 3,859,104

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

Cost of Providing Services

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

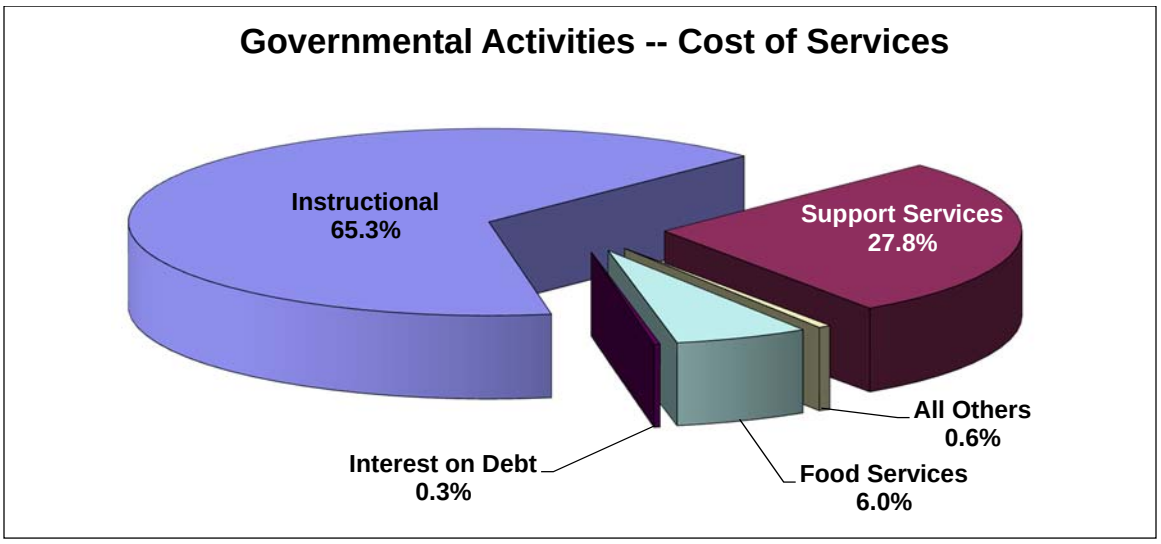
Both expenditures and net cost of services remained virtually unchanged from the prior fiscal year.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	Fiscal Year 2014	Fiscal Year 2013 (1)	Fiscal Year 2014	Fiscal Year 2013 (1)
Instruction	$ 156,417,423	$ 156,747,475	$ 69,666,573	$ 63,547,869
Support Services:				
Pupil Services	7,812,854	7,560,727	6,192,011	5,689,727
Improvement of Instructional Services	6,313,827	6,634,226	2,845,500	2,358,200
Educational Media Services	4,338,159	4,380,672	828,340	336,468
General Administration	1,103,167	727,595	-2,098,332	-3,047,601
School Administration	13,230,682	13,126,456	6,535,647	5,312,172
Business Administration	1,794,709	1,533,544	1,553,755	1,444,854
Maintenance and Operation of Plant	14,412,923	14,349,214	2,803,616	5,516,152
Student Transportation Services	11,969,473	11,701,560	5,255,810	8,269,566
Central Support Services	4,709,034	6,249,331	3,146,684	5,829,446
Other Support Services	1,064,004	902,315	717,810	522,606
Operations of Non-Instructional Services:				
Enterprise Operations	1,036,966		1,036,966	
Community Services	289,441	239,743	288,578	219,083
Food Services	14,383,285	14,529,696	-2,952,177	535,970
Interest on Short-Term and Long-Term Debt	648,673	1,043,550	648,673	1,043,550
Total Expenses	$ 239,524,620	$ 239,726,104	$ 96,469,454	$ 97,578,062

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

The chart below shows a functional summary of the expenses made by the School District during fiscal year 2014. The percentages are rounded to one decimal place.



FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

Information about the School District's governmental funds is presented starting on Exhibit "C" of this report. Governmental funds are accounted for using the modified accrual basis of accounting. The governmental funds had total revenues of $248.5 million and total expenditures of $245.3 million in fiscal year 2014. Total governmental fund balances of $36.9 million at June 30, 2014, increased about $3.2 million from the prior year. This increase in fund balance resulted primarily from the Capital Projects Fund revenues exceeding expenditures by about $3.7 million.

General Fund Budget Highlights

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

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

For the General Fund, the final actual revenues of $224.8 million were essentially right on budget. This fact demonstrates the School District did an exceptional job in forecasting revenues for the fiscal year.

The General Fund's final actual expenditures of almost $225.6 million were less than the final budget amount of $234.3 million by roughly $8.7 million. This variance was primarily due to actual expenditures for instruction less than the budgeted amount by $5.6 million, actual expenditures and actual expenditures for food services less than the budget amount by $2.5 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At fiscal year ended June 30, 2014, the School District had $282.7 million invested in capital assets, net of accumulated depreciation, all in governmental activities. These assets are made up of a broad range of items including buildings; land; land improvements; and food service, transportation and maintenance equipment. Table 4 reflects a summary of these balances, net of accumulated depreciation, as compared to the prior fiscal year.

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities	
	Fiscal Year 2014	Fiscal Year 2013
Land	$ 28,831,476	$ 28,955,542
Construction In Progress	3,329,313	4,004,456
Building and Improvements	229,070,742	228,192,577
Equipment	13,827,499	14,716,574
Land Improvements	7,672,014	7,468,823
Total	$ 282,731,044	$ 283,337,972

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

Long-Term Debt

At June 30, 2014, the School District had just over $25 million in total debt outstanding which was consisted of just over $21.4 million in bond debt, $3 million in capital lease debt, and $3.0 million in intergovernmental agreement debt and $0.6 million in compensated absences debt. Table 5 summarizes the School District's debt as compared to the prior fiscal year.

Table 5
Debt at June 30

	Governmental Activities	
	Fiscal Year 2014	Fiscal Year 2013
Bonds Payable	$ 21,460,000	$ 27,650,000
Capital Leases		121,246
Intergovernmental Agreement	3,000,000	3,000,000
Compensated Absences	579,466	592,450
Total	$ 25,039,466	$ 31,363,696

At June 30, 2014, the School District's assigned bond rating was "Aa2" as determined by Moody's rating service.

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

FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE

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

- The School District is financially stable. The School District's operating millage for fiscal year 2014 was 19.25, which produced almost $4 million per mill. The School District is growing at a rate of about 400 students per year. The School District will construct additional facilities to accommodate the growth and reduce portable classrooms at various schools as needed. The School District plans to fund additional capital outlays with the one percent local sales tax revenue and state capital outlay grants.

- The School District continues to be financially challenged by the lagging economy; however, fiscal year 2015 offers some improvement. The 2014 tax digest has been increased by approximately three percent due to re-assessment and some real growth. The amount of amended formula adjustment applied to the School District's state funds was reduced by $5,276,335 for fiscal year 2015. The millage rate was reduced to 18.9 mills. Although revenues in fiscal year 2014 from property taxes increased roughly $3.4 million from the prior year, state funds and federal funds combined for the General Fund, decreased about $1.7 million from the prior year, which offset roughly one-half of gain in property tax revenue noted above.

- Despite the constrained levels of revenues realized in fiscal year 2014, the School District is in excellent financial condition. The General Fund had an unassigned fund balance of almost $16.4 million at June 30, 2014, which is down about $1 million from the prior year. The Board anticipates significant financial challenges going forward due to expected continued flat revenues and higher health insurance costs for employees. In spite of these challenges, the School District will continue to be a good steward of tax dollars while providing a quality educational opportunity.

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

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. Lee Lovett, Deputy Superintendent, Hall County Board of Education, 711 Green Street, Gainesville, Georgia 30505. You may also email your questions to Mr. Lovett at lee.lovett@hallco.org.

HALL COUNTY BOARD OF EDUCATION

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

EXHIBIT "A"

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and Cash Equivalents	$ 37,751,061.28
Investments	1,580,516.91
Accounts Receivable, Net	
Taxes	5,834,336.30
State Government	17,630,598.43
Federal Government	3,015,204.50
Other	89,992.62
Inventories	559,524.68
Capital Assets, Non-Depreciable	32,160,789.50
Capital Assets, Depreciable (Net of Accumulated Depreciation)	250,570,253.88
Total Assets	349,192,278.10
LIABILITIES	
Salaries and Benefits Payable	26,883,947.36
Claims Incurred but not Reported (IBNR)	115,492.28
Payroll Withholdings Payable	161,947.29
Interest Payable	68,791.83
Retainages Payable	317,875.60
Long-Term Liabilities	
Due Within One Year	6,741,000.00
Due in More Than One Year	18,298,465.51
Total Liabilities	52,587,519.87
NET POSITION	
Net Investment in Capital Assets	265,652,291.38
Restricted for	
Continuation of Federal Programs	6,797,288.55
Debt Service	6,822,583.67
Capital Projects	5,458,485.58
Unrestricted	11,874,109.05
Total Net Position	$ 296,604,758.23

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

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

	EXPENSES	CHARGES FOR SERVICES
GOVERNMENTAL ACTIVITIES		
Instruction	$ 156,417,422.58	$ 1,542,478.72
Support Services		
Pupil Services	7,812,853.65	
Improvement of Instructional Services	6,313,827.34	
Educational Media Services	4,338,158.97	
General Administration	1,103,167.46	
School Administration	13,230,682.45	
Business Administration	1,794,708.59	
Maintenance and Operation of Plant	14,412,923.37	16,815.98
Student Transportation Services	11,969,472.82	
Central Support Services	4,709,033.57	
Other Support Services	1,064,003.91	
Operations of Non-Instructional Services		
Enterprise Operations	1,036,966.19	
Community Services	289,441.19	
Food Services	14,383,285.36	2,492,047.43
Interest on Short-Term and Long-Term Debt	648,673.16	
Total Governmental Activities	$ 239,524,620.61	$ 4,051,342.13
General Revenues		
Taxes		
Property Taxes		
For Maintenance and Operations		
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Debt Services/Capital Projects		
Other Sales Tax		
Grants and Contributions not Restricted to Specific Programs		
Investment Earnings		
Miscellaneous		
Total General Revenues		
Change in Net Position		
Net Position - Beginning of Year, Restated		
Net Position - End of Year		

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

PROGRAM REVENUES		NET (EXPENSES)
OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	REVENUES AND CHANGES IN NET POSITION
$ 83,026,354.16	$ 2,182,016.12	$ -69,666,573.58
1,619,718.28	1,124.52	-6,192,010.85
3,468,326.91		-2,845,500.43
3,509,818.84		-828,340.13
3,201,499.23		2,098,331.77
6,607,914.82	87,120.39	-6,535,647.24
229,390.76	11,563.33	-1,553,754.50
11,570,754.07	21,737.72	-2,803,615.60
6,234,612.09	479,050.79	-5,255,809.94
1,400,939.08	161,411.11	-3,146,683.38
346,193.72		-717,810.19
		-1,036,966.19
863.43		-288,577.76
14,689,948.54	153,466.72	2,952,177.33
		-648,673.16
$ 135,906,333.93	$ 3,097,490.70	-96,469,453.85
		76,659,592.78
		21,039,452.36
		1,640,697.95
		3,110,699.00
		40,282.37
		2,656,547.36
		105,147,271.82
		8,677,817.97
		287,926,940.26
		$ 296,604,758.23

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

EXHIBIT "C"

	GENERAL FUND	DISTRICT-WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
ASSETS				
Cash and Cash Equivalents	$ 29,672,786.93	$ 8,077,725.67	$ 548.68	$ 37,751,061.28
Investments	63,399.41		1,517,117.50	1,580,516.91
Accounts Receivable, Net				
Taxes	3,963,597.07	1,870,739.23		5,834,336.30
State Government	16,428,992.83	1,201,605.60		17,630,598.43
Federal Government	3,015,204.50			3,015,204.50
Other	89,992.62			89,992.62
Inventories	559,524.68			559,524.68
Total Assets	$ 53,793,498.04	$ 11,150,070.50	$ 1,517,666.18	$ 66,461,234.72
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Salaries and Benefits Payable	$ 26,883,947.36			$ 26,883,947.36
Payroll Withholdings Payable	161,947.29			161,947.29
Retainages Payable		$ 317,875.60		317,875.60
Total Liabilities	27,045,894.65	317,875.60		27,363,770.25
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	2,122,638.06	57,000.00		2,179,638.06
FUND BALANCES				
Nonspendable	559,524.68			559,524.68
Restricted	6,237,763.87	10,775,194.90	$ 1,517,666.18	18,530,624.95
Assigned	1,450,384.83			1,450,384.83
Unassigned	16,377,291.95			16,377,291.95
Total Fund Balances	24,624,965.33	10,775,194.90	1,517,666.18	36,917,826.41
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 53,793,498.04	$ 11,150,070.50	$ 1,517,666.18	$ 66,461,234.72

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

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

EXHIBIT "D"

Total Fund Balances - Governmental Funds (Exhibit "C")		$ 36,917,826.41
Amounts reported for Governmental Activities in the Statement of Net Position are different because:		
Capital Assets used in Governmental Activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Land	$ 28,831,476.32	
Land Improvements	22,266,586.31	
Accumulated Depreciation - Land Improvements	-14,594,572.80	
Buildings	298,759,664.90	
Accumulated Depreciation - Buildings	-69,688,923.15	
Construction in Progress	3,329,313.18	
Machinery and Equipment	32,365,732.86	
Accumulated Depreciation - Equipment	-18,538,234.24	
Total Capital Assets		282,731,043.38
Certain revenues will be collected after year-end but are not available soon enough to pay for the current periods expenditures.		
Deferred Inflows of Resources		
Unavailable Property Taxes	$ 2,122,638.06	
Unavailable State Revenues - Reimbursements on Construction Projects	57,000.00	2,179,638.06
Some liabilities reported ion the Statement of Activities do no require the use of current financial resources, and therefore are not reported as liabilities in the Governmental Fund Statements.		
Accrued Interest on Long-Term Debt	$ -68,791.83	
Claims Incurred but not Reported (IBNR)	-115,492.28	-184,284.11
Long-Term Liabilities, including Bonds Payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-Term Liabilities at year-end consist of:		
Bonds Payable	$ -21,460,000.00	
Compensated Absences	-579,465.51	
Installment Sales Agreement	-3,000,000.00	
Total Long-Term Liabilities		-25,039,465.51
Net Position of Governmental Activities (Exhibit "A")		$ 296,604,758.23

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

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

EXHIBIT "E"

	GENERAL FUND	DISTRICT-WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
REVENUES				
Property Taxes	$ 76,947,360.15			$ 76,947,360.15
Sales Taxes	1,640,697.95	$ 14,148,067.73	$ 6,891,384.63	22,680,150.31
State Funds	116,304,849.72	2,409,370.70		118,714,220.42
Federal Funds	23,343,303.21			23,343,303.21
Charges for Services	4,051,342.13			4,051,342.13
Investment Earnings	8,643.33	738.73	30,900.31	40,282.37
Miscellaneous	2,550,461.07		143,598.00	2,694,059.07
Total Revenues	224,846,657.56	16,558,177.16	7,065,882.94	248,470,717.66
EXPENDITURES				
Current				
Instruction	145,851,340.51	2,808,472.86		148,659,813.37
Support Services				
Pupil Services	7,783,448.90	24,690.00		7,808,138.90
Improvement of Instructional Services	6,313,827.34			6,313,827.34
Educational Media Services	3,859,802.49	478,356.48		4,338,158.97
General Administration	756,647.71			756,647.71
School Administration	13,222,120.83			13,222,120.83
Business Administration	1,666,926.18	4,174.80		1,671,100.98
Maintenance and Operation of Plant	14,311,507.96	37,175.78		14,348,683.74
Student Transportation Services	11,446,088.26			11,446,088.26
Central Support Services	4,067,070.91			4,067,070.91
Other Support Services	1,064,003.91			1,064,003.91
Enterprise Operations	1,036,966.19			1,036,966.19
Community Services	289,441.19			289,441.19
Food Services Operation	13,776,714.12			13,776,714.12
Capital Outlay	18,359.00	9,527,711.10		9,546,070.10
Debt Services				
Principal	121,246.50		6,190,000.00	6,311,246.50
Dues and Fees			2,542.50	2,542.50
Interest	10,811.58		669,193.92	680,005.50
Total Expenditures	225,596,323.58	12,880,581.02	6,861,736.42	245,338,641.02
Excess of Revenues over (under) Expenditures	-749,666.02	3,677,596.14	204,146.52	3,132,076.64
OTHER FINANCING SOURCES (USES)				
Sale or Compensation of Fixed Assets	34,048.86	68,885.00		102,933.86
Transfers In			145,995.90	145,995.90
Transfers Out	-145,995.90			-145,995.90
Total Other Financing Sources (Uses)	-111,947.04	68,885.00	145,995.90	102,933.86
Net Change in Fund Balances	-861,613.06	3,746,481.14	350,142.42	3,235,010.50
Fund Balances - Beginning	25,486,578.39	7,028,713.76	1,167,523.76	33,682,815.91
Fund Balances - Ending	$ 24,624,965.33	$ 10,775,194.90	$ 1,517,666.18	$ 36,917,826.41

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

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

EXHIBIT "F"

Total Net Change in Fund Balances - Governmental Funds (Exhibit "E")			$ 3,235,010.50
Amounts reported for Governmental Activities in the Statement of Activities are different because:			
Capital Outlays are reported as expenditures in Governmental Funds. However, in the Statement of Activities, the cost of Capital Assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:			
Capital Outlay		$ 8,169,813.43	
Depreciation Expense - Buildings		-5,922,099.67	
Depreciation Expense - Equipment		-2,004,546.25	
Depreciation Expense - Land Improvements		-709,650.48	
Excess of Capital Outlay over Depreciation Expense			-466,482.97
In the Statement of Activities, only the gain or loss on the sale or disposal of the capital assets equipment is reported, whereas in the Governmental Funds, the entire proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balances by the carrying value of the capital assets sold or disposed of.			-140,445.57
Certain revenues are not deferred in the Statement of Activities based on availability as they are in the Governmental Funds.			
Unavailable Property taxes			
June 30, 2013	$ -2,410,405.43		
June 30, 2014	2,122,638.06	$ -287,767.37	
State Funds - Reimbursements on Construction Projects		57,000.00	-230,767.37
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 the Governmental Funds.			
Accrued Interest Expense			
June 30, 2013	$ 102,666.67		
June 30, 2014	-68,791.83	$ 33,874.84	
Compensated Absences			
June 30, 2013	$ 592,449.93		
June 30, 2014	-579,465.51	12,984.42	
Claims Incurred but not Reported			
June 30, 2013	$ 37,889.90		
June 30, 2014	-115,492.28	-77,602.38	-30,743.12
Repayment of Long-Term Debt is reported as an expenditure in Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Position. In the current year, these amounts consist of:			
Payment of Capital Lease Debt		$ 121,246.50	
Redemption of Bond Principal		6,190,000.00	
Total Long-Term Debt Repayments			6,311,246.50
Change in Net Position of Governmental Activities (Exhibit "B")			$ 8,677,817.97

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

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

EXHIBIT "G"

	AGENCY FUNDS
ASSETS	
Cash and Cash Equivalents	$ 343,374.06
LIABILITIES	
Funds Held for Others	$ 343,374.06

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

NOTE 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

REPORTING ENTITY

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

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

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

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

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

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

The School District reports the following major governmental funds:

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

The School District reports the following fiduciary fund type:

- Agency funds account for assets held by the School District as an agent for various clubs, school accounts, or other organizations.

BASIS OF ACCOUNTING

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

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

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

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

RESTATEMENT OF PRIOR YEAR NET POSITION

For fiscal year 2014, the School District made a prior period adjustment due to the adoption of GASB Statement No. 65, as described in "New Accounting Pronouncements" below, which require the restatement of the June 30, 2013, Net Position in Governmental Activities. The result is a decrease in Net Position at July 1, 2013 of $94,133.28. This change is in accordance with generally accepted accounting principles.

Net Position, July 1, 2013 as previously reported	$	288,021,073.54
Reclassification of Bond Issuance Costs		-94,133.28
Net Position, July 1, 2013, as restated	$	287,926,940.26

NEW ACCOUNTING PRONOUNCEMENTS

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

FUTURE ACCOUNTING PRONOUNCEMENTS

In fiscal year 2015, the School District will adopt Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. The provisions of this Statement establish accounting and financial reporting standards for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts. Implementation of this Statement will require the School District to record a liability for its proportionate share of the Net Pension Liability of pension plans in which it participates. Actuarial estimates are currently being made to determine the School District's liability, the effects of which are believed to be material.

CASH AND CASH EQUIVALENTS

Composition of Deposits

Cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition in authorized financial institutions. Official Code of Georgia Annotated Section 45-8-14 authorizes the School District to deposit its funds in one or more solvent banks, insured Federal savings and loan associations or insured chartered building and loan associations.

INVESTMENTS

Composition of Investments

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

1. Obligations issued by the State of Georgia or by other states,
2. Obligations issued by the United States government,
3. Obligations fully insured or guaranteed by the United States government or a United States government agency,
4. Obligations of any corporation of the United States government,
5. Prime banker's acceptances,
6. The local government investment pool (Georgia Fund 1) administered by the State of Georgia, Office of the State Treasurer,
7. Repurchase agreements, and
8. Obligations of other political subdivisions of the State of Georgia.

The School District does not have a formal policy regarding investment policies that address credit quality risks, custodial credit risks, concentration of credit risks, or interest rate risks.

RECEIVABLES

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

PROPERTY TAXES

The Hall County Board of Commissioners County Board of Commissioners adopted the property tax levy for the 2013 tax digest year (calendar year) on June 27, 2013 (levy date) based on property values as of January 1, 2013. Taxes were due on December 1, 2013 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2013 tax digest are reported as revenue in the governmental funds for fiscal year 2014. The Hall County Tax Commissioner bills and collects the property taxes for the School District, withholds 2.5% of taxes collected as a fee for tax collection and remits the balance of taxes collected to the School District. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2014, for maintenance and operations amounted to $73,190,406.08.

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

School Operations	19.25 mills

Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to $3,756,954.07 during fiscal year ended June 30, 2014.

SALES TAXES

Education Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to $21,039,452.36 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

INVENTORIES

Food Inventories

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

CAPITAL ASSETS

Capital assets purchased, including capital outlay costs, are recorded as expenditures in the fund financial statements at the time of purchase (including ancillary charges). On the District-wide financial statements, all purchased capital assets are valued at cost where historical records are available and at estimated historical cost based on appraisals or deflated current replacement cost where no historical records exist. Donated capital assets are recorded at estimated fair market value on the date donated. Disposals are deleted at depreciated recorded cost. The cost of normal maintenance and repairs that do not add to the value of assets or materially extend the useful lives of

the assets is not capitalized. Depreciation is computed using the straight-line method. The School District does not capitalize book collections or works of art. During the fiscal year under review, no events or changes in circumstances affecting a capital asset that may indicate impairment were known to the School District.

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

	Capitalization Policy	Estimated Useful Life
Land	All	N/A
Land Improvements	$ 5,000.00	10 to 60 years
Buildings and Improvements	$ 100,000.00	10 to 70 years
Equipment	$ 5,000.00	5 to 50 years
Intangible Assets	$ 100,000.00	Individually Determined

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

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

DEFERRED OUTFLOWS / INFLOWS OF RESOURCES

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

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

COMPENSATED ABSENCES

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

Vacation leave of 15 days is awarded to all full time personnel employed on a twelve month basis. No other employees are eligible to earn vacation leave. Vacation leave not utilized during the fiscal year may be carried over to the next fiscal year, providing such vacation leave does not exceed 15 days.

GENERAL OBLIGATION BONDS

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

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

NET POSITION

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

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

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

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

FUND BALANCES

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

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

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

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

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

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

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

Nonspendable		
Inventories		$ 559,524.68
Restricted		
Continuation of Federal Programs	$ 6,237,763.87	
Capital Projects	5,401,485.58	
Debt Service	6,891,375.50	18,530,624.95
Assigned		
School Activity Accounts		1,450,384.83
Unassigned		16,377,291.95
Fund Balance, June 30, 2014		$ 36,917,826.41

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

USE OF ESTIMATES

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

NOTE 3: BUDGETARY DATA

The budget is a complete financial plan for the School District's fiscal year, and is based upon careful estimates of expenditures together with probable funding sources. The budget is legally adopted each year for the general, debt service, and capital projects funds. There is no statutory prohibition regarding over expenditure of the budget at any level. The budget for all governmental funds, except the various school activity (principal) accounts, is prepared and adopted by fund, function and object. The legal level of budgetary control was established by the Board at the aggregate fund level. The budget for the General Fund was prepared in accordance with accounting principles generally accepted in the United States of America.

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

The administrative staff is responsible for preparing monthly budget reports for the Board. If it becomes necessary to amend the budget, the Superintendent shall make such recommendation to the Board for action.

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

NOTE 4: DEPOSITS AND INVESTMENTS

COLLATERALIZATION OF DEPOSITS

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

At June 30, 2014, $115,906.24 of deposits were not secured by surety bond, insurance or collateral as specified above. The School District is working with the affected financial institutions to ensure appropriate levels of collateral are maintained for all of the School District's deposits.

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

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

CATEGORIZATION OF DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At June 30, 2014, the School District had deposits with a carrying amount of $38,157,834.75, which includes $63,399.41 in Certificates of Deposit that are reported as Investments, and a bank balance of $49,615,580.54. The bank balances insured by Federal depository insurance were $1,671,397.70.

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

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

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

Custodial Credit Risk Category	Bank Balance
1	$ 115,906.24
2	0.00
3	47,828,276.60
Total	$ 47,944,182.84

CATEGORIZATION OF INVESTMENTS

At June 30, 2014, the carrying value of the School District's total investment was $1,580,516.91. This includes $63,399.41 invested in Certificates of Deposit, which are collateralized in the same manner as other cash deposits. The School District's investments as of June 30, 2014, are presented below. All investments are presented by investment type and debt securities are presented by maturity.

Investment Type	Fair Value	Investment Maturity Less than 1 Year
Debt Securities		
U. S. Treasuries	$ 954,780.35	$ 954,780.35
Fidelity Institutional Treasury Fund	293.71	293.71
	955,074.06	$ 955,074.06
Investment Pools		
Office of State Treasurer Georgia Fund 1	562,043.44	
Total Investments	$ 1,517,117.50	

The Georgia Fund 1 (local government investment pool) administered by the State of Georgia, Office of the State Treasurer is not required to be categorized since the School District did not own any specific identifiable securities in the pool. The investment policy of the State of Georgia, Office of the State Treasurer for the Georgia Fund 1 (Primary Liquidity Portfolio) does not provide for investment in derivatives or similar investments. Additional information on the Georgia Fund 1 is disclosed in the *State of Georgia* Comprehensive Annual Financial Report. This audit can be obtained from the Georgia Department of Audits and Accounts at http://www.audits.ga.gov/SGD/cafr.html.

The Primary Liquidity Portfolio consists of Georgia Fund 1 which is not registered with the SEC as an investment company and does not 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 for Georgia Fund 1 on June 30, 2014, was 62 days.

Interest Rate Risk

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

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

At June 30, 2014, $955,074.06 of the School District's applicable investments were uninsured or unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the School District's name.

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

The investments subject to credit quality risk are reflected below:

Rated Debt Investments	Fair Value	Quality Ratings AAAm
Debt Securities		
Fidelity Institutional Treasury Fund	$ 293.71	$ 293.71

Concentration of Credit Risk
Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The School District does not have a formal policy for managing concentration of credit risk. More than 5% of the School District's investments are in U.S. Treasuries. This investment is 63%, respectively, of the School District's total investments.

NOTE 5: NON-MONETARY TRANSACTIONS

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

NOTE 6: CAPITAL ASSETS

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

	Balances July 1, 2013	Increases	Decreases	Balances June 30, 2014
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	$ 28,955,541.53	$ 9,489.00	$ 133,554.21	$ 28,831,476.32
Construction in Progress	4,004,456.26	6,395,971.81	7,071,114.89	3,329,313.18
Total Capital Assets Not Being Depreciated	32,959,997.79	6,405,460.81	7,204,669.10	32,160,789.50
Capital Assets Being Depreciated				
Buildings and Improvements	291,959,400.01	6,800,264.89		298,759,664.90
Equipment	31,542,355.53	1,122,361.72	298,984.39	32,365,732.86
Land Improvements	21,353,745.41	912,840.90		22,266,586.31
Less Accumulated Depreciation for:				
Buildings and Improvements	63,766,823.48	5,922,099.67		69,688,923.15
Equipment	16,825,781.02	2,004,546.25	292,093.03	18,538,234.24
Land Improvements	13,884,922.32	709,650.48		14,594,572.80
Total Capital Assets, Being Depreciated, Net	250,377,974.13	199,171.11	6,891.36	250,570,253.88
Governmental Activity Capital Assets - Net	$ 283,337,971.92	$ 6,604,631.92	$ 7,211,560.46	$ 282,731,043.38

Current year depreciation expense by function is as follows:

Instruction		$ 6,395,824.40
Support Services		
Pupil Services	$ 3,686.80	
School Administration	285,629.76	
Business Administration	37,911.09	
Maintenance and Operation of Plant	71,268.50	
Student Transportation Services	809,628.81	
Central Support Services	529,196.61	1,737,321.57
Food Services		503,150.43
		$ 8,636,296.40

NOTE 7: INTERFUND TRANSFERS

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

Transfers to	Transfers From General Fund
Debt Service Fund	$ 145,995.90

A transfer of $145,995.90 was made from the General Fund to the Debt Service Fund to pay the School District's annual deposit which provides for the retirement of Qualified Zone Academy Funds (QZAB) when they mature in fiscal year 2023.

NOTE 8: RISK MANAGEMENT

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

The School District has obtained commercial insurance for risk of loss associated with commercial property, crime, general liability, commercial auto, and educator's liability. The coverage also includes torts, assets, errors or omissions, job related illness or injuries to employees, and acts of God. The School District has neither significantly reduced coverage for these risks nor incurred losses (settlements) which exceeded the School District's insurance coverage in any of the past three years.

The School District has established a limited risk management program for workers' compensation claims. A premium is charged when needed by the General Fund to each user program on the basis of the percentage of that program's payroll to total payroll in order to cover estimated claims budgeted by management based on known claims and prior experience. The School District accounts for claims 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. An excess coverage insurance policy covers individual claims in excess of $400,000.00 loss per occurrence, up to the statutory limit.

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

	Beginning of Year Liability	Claims and Changes in Estimates	Claims Paid	End of Year Liability
2013	$ 0.00	$ 657,536.90	$ 657,536.90	$ 0.00
2014	$ 0.00	$ 766,902.41	$ 766,902.41	$ 0.00

The School District is self-insured with regard to unemployment compensation claims. A premium is charged when needed by the General Fund to each user program on the basis of the percentage of that fund's payroll to total payroll in order to cover estimated claims budgeted by management based on known claims and prior experience.

The School District accounts for claims with expenses/expenditures and liability being reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated.

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

	Beginning of Year Liability	Claims and Changes in Estimates	Claims Paid	End of Year Liability
2013	$ 0.00	$ 79,718.00	$ 79,718.00	$ 0.00
2014	$ 0.00	$ 17,806.17	$ 17,806.17	$ 0.00

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

Position Covered	Amount
Superintendent	$ 25,000.00

NOTE 9: OPERATING LEASES

Hall County Board of Education has entered into various leases as lessee for copiers. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the year ended June 30, 2014, for governmental funds amounted to $304,670.74. Future minimum lease payments for these leases are as follows:

Year Ending	Governmental Funds
2015	$ 8,032.00
2016	2,610.00
Total	$ 10,642.00

NOTE 10: SHORT-TERM DEBT

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

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

	Beginning Balance	Issued	Redeemed	Ending Balance
Tax Anticipation Notes	$ 0.00	$ 5,000,000.00	$ 5,000,000.00	$ 0.00

NOTE 11: LONG-TERM LIABILITIES

COMPENSATED ABSENCES

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

INTERGOVERNMENTAL CONTRACT

The Hall County Board of Education entered into a contract with the Gainesville and Hall County Development Authority dated September 1, 2010. Under the terms of the contract, the Gainesville and Hall County Development Authority issued $3,000,000.00 in Taxable Revenue Bonds (Hall County School District Qualified School Construction Bonds Project). The net proceeds of the bonds are being used by the Authority for the purpose of providing funds to pay defined capital costs of District schools. The agreement makes the District contractually liable to make annual payments of $174,165.46 to a

Debt Service Fund in accordance with an amortization schedule sufficient to retire the bonds upon maturity in fiscal year 2028. Additionally, the District is contractually obligated to fund the annual interest expense accruing on these bonds on the amount of $156,000 annually. However, the authority is responsible to the District to file appropriate documents with the Internal Revenue Service to qualify these bonds as eligible to receive "subsidy payments" from the U.S. Government, which will defray or entirely offset the School District's liability to make full interest debt service amortization payments to the Authority's Debt Sinking Fund as scheduled. In fiscal year 2014, "subsidy payments" were received from the U.S. Government in the amount of $143,598.00 to pay the interest due of $156,000, resulting in the District paying $12,402.00 for this purpose.

GENERAL OBLIGATION DEBT OUTSTANDING

General Obligation Bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
General Government - Refunding - Series 2007B	4.00% - 5.00%	$ 3,155,000.00
General Government - QZAB -Series 2007	0.00%	2,615,000.00
General Government - Series 2011	1.81%	7,845,000.00
General Government - Series 2012	1.77%	7,845,000.00
		$ 21,460,000.00

Voters have authorized $6,000,000.00 in general obligation debt for various capital outlay projects which was not issued as of June 30, 2014.

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

	Governmental Activities				
	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014	Due Within One Year
G.O. Bonds	$ 27,650,000.00		$ 6,190,000.00	$ 21,460,000.00	$ 6,685,000.00
Capital Leases	121,246.50		121,246.50	0.00	
Compensated Absences	592,449.93	$ 703,349.38	716,333.80	579,465.51	56,000.00
Intergovernmental Agreement	3,000,000.00			3,000,000.00	
	$ 31,363,696.43	$ 703,349.38	$ 7,027,580.30	$ 25,039,465.51	$ 6,741,000.00

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

	General Obligation Debt		Intergovernmental Agreement	
	Principal	Interest	Principal	Interest
Fiscal Year Ended June 30:				
2015	$ 6,685,000.00	$ 315,207.50		$ 156,000.00
2016	3,780,000.00	183,833.00		156,000.00
2017	4,050,000.00	113,754.50		156,000.00
2018	4,330,000.00	38,753.50		156,000.00
2019				156,000.00
2020 - 2024	2,615,000.00			780,000.00
2025 - 2028			$ 3,000,000.00	624,000.00
Total Principal and Interest	$ 21,460,000.00	$ 651,548.50	$ 3,000,000.00	$ 2,184,000.00

NOTE 12: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of $12,497,531.53 for health insurance and retirement contributions paid on the School District's behalf by the following State Agencies.

Georgia Department of Education
Paid to the Georgia Department of Community Health
For Health Insurance of Certificated Personnel
In the amount of $11,826,960.00

Paid to the Teachers' Retirement System of Georgia
For Teachers' Retirement System (TRS) Employer's Cost
In the amount of $200,708.53

Office of the State Treasurer
Paid to the Public School Employees' Retirement System
For Public School Employees' Retirement (PSERS) Employer's Cost
In the amount of $469,863.00

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

NOTE 13: SIGNIFICANT COMMITMENTS

The following is an analysis of significant outstanding construction or renovation contracts executed by the School District as of June 30, 2014, together with funding available. Projects with unearned balances in excess of $100,000.00 have been shown individually. All other projects have been combined and listed as "All Others."

	Unearned Executed Contracts	Funding Available From State
East Hall High School	$ 683,040.18	$ 112,255.60
All Others	87,138.09	14,922.80
	$ 770,178.27	$ 127,178.40

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

NOTE 14: 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 15: POST-EMPLOYMENT BENEFITS

GEORGIA SCHOOL PERSONNEL POST-EMPLOYMENT HEALTH BENEFIT FUND

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

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

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

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

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

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

For non-certificated school personnel:

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

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

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

Fiscal Year	Percentage Contributed	Required Contribution
2014	100%	$ 26,192,773.00
2013	100%	$ 24,572,131.50
2012	100%	$ 21,596,502.61

NOTE 16: RETIREMENT PLANS

TEACHERS' RETIREMENT SYSTEM OF GEORGIA (TRS)

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

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

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

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

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

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

Fiscal Year	Percentage Contributed	Required Contribution
2014	100%	$ 14,616,549.58
2013	100%	$ 13,816,062.61
2012	100%	$ 12,375,331.12

PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS)

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

DEFINED CONTRIBUTION PLAN

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

The Board selected The Variable Annuity Life Insurance Company (VALIC) as the provider of this plan. For each employee covered under PSERS, the Board began contributing to the plan an amount equal to 5% percent of the employee's base pay.

The employee becomes vested in the plan immediately. Funds accumulated in the employer paid accounts are only available to the employee upon termination of employment.

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

Fiscal Year	Percentage Contributed		Required Contribution
2014	100%	$	163,434.15
2013	100%	$	178,598.15
2012	100%	$	190,917.67

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

SCHEDULE "1"

	NONAPPROPRIATED BUDGETS		ACTUAL	VARIANCE
	ORIGINAL (1)	FINAL (1)	AMOUNTS	OVER/UNDER
REVENUES				
Property Taxes	$ 75,250,532.00	$ 75,250,532.00	$ 76,947,360.15	$ 1,696,828.15
Sales Taxes	1,650,000.00	1,650,000.00	1,640,697.95	-9,302.05
State Funds	116,661,720.00	115,399,322.59	116,304,849.72	905,527.13
Federal Funds	27,461,244.00	26,437,103.50	23,343,303.21	-3,093,800.29
Charges for Services	3,882,710.00	3,882,710.00	4,051,342.13	168,632.13
Investment Earnings	109,266.00	109,266.00	8,643.33	-100,622.67
Miscellaneous	2,119,087.00	2,119,087.00	2,550,461.07	431,374.07
Total Revenues	227,134,559.00	224,848,021.09	224,846,657.56	-1,363.53
EXPENDITURES				
Current				
Instruction	149,539,120.00	151,456,505.59	145,851,340.51	5,605,165.08
Support Services				
Pupil Services	7,875,602.00	7,914,042.00	7,783,448.90	130,593.10
Improvement of Instructional Services	7,443,123.00	6,855,560.00	6,313,827.34	541,732.66
Educational Media Services	4,061,604.00	3,936,604.00	3,859,802.49	76,801.51
General Administration	1,165,516.00	1,025,423.00	756,647.71	268,775.29
School Administration	13,239,086.00	13,284,582.00	13,222,120.83	62,461.17
Business Administration	1,214,045.00	1,214,045.00	1,666,926.18	-452,881.18
Maintenance and Operation of Plant	14,566,121.00	14,734,343.00	14,311,507.96	422,835.04
Student Transportation Services	12,092,547.00	12,003,792.00	11,446,088.26	557,703.74
Central Support Services	6,596,529.00	4,431,787.00	4,067,070.91	364,716.09
Other Support Services	922,205.28	951,717.78	1,064,003.91	-112,286.13
Enterprise Operations			1,036,966.19	-1,036,966.19
Community Services	205,189.00	205,189.00	289,441.19	-84,252.19
Food Services Operation	16,293,675.00	16,293,675.00	13,776,714.12	2,516,960.88
Capital Outlay	24,920.00	24,920.00	18,359.00	6,561.00
Debt Service			132,058.08	-132,058.08
Total Expenditures	235,239,282.28	234,332,185.37	225,596,323.58	8,735,861.79
Excess of Revenues over (under) Expenditures	-8,104,723.28	-9,484,164.28	-749,666.02	8,734,498.26
OTHER FINANCING SOURCES (USES)				
Transfer from Other Funds	95,815.00	95,815.00		-95,815.00
Sale or Compensation of Other Assets	20,000.00	20,000.00	34,048.86	14,048.86
Transfers to Other Funds	-240,000.00	-240,000.00	-145,995.90	94,004.10
Total Other Financing Sources (Uses)	-124,185.00	-124,185.00	-111,947.04	12,237.96
Net Change in Fund Balances	-8,228,908.28	-9,608,349.28	-861,613.06	8,746,736.22
Fund Balances - Beginning	21,924,705.17	21,921,559.00	25,486,578.39	3,565,019.39
Fund Balances - Ending	$ 13,695,796.89	$ 12,313,209.72	$ 24,624,965.33	$ 12,311,755.61

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

(1) Original and Final Budget amounts do not include budgeted revenues or expenditures of the various principal accounts. Principal accounts had actual revenues of $2,851,103.43 and actual expenditures of $2,793,558.66.

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

See notes to the basic financial statements.

FUNDING AGENCY PROGRAM/GRANT		CFDA NUMBER	PASS-THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD	
Agriculture, U. S. Department of					
Child Nutrition Cluster					
Pass-Through From Georgia Department of Education					
Food Services					
School Breakfast Program		10.553	N/A	(2)	
National School Lunch Program		10.555	N/A	$ 13,360,688.06	(1)
Total U. S. Department of Agriculture				13,360,688.06	
Education, U. S. Department of					
Special Education Cluster					
Pass-Through From Georgia Department of Education					
Special Education					
Grants to States	*	84.027	N/A	4,157,913.25	
Preschool Grants	*	84.173	N/A	153,993.69	
Total Special Education Cluster				4,311,906.94	
Other Programs					
Pass-Through From Georgia Department of Education					
ARRA - Race-to-the-Top Incentive Grants		84.395	N/A	586,138.77	
Career and Technical Education - Basic Grants to States		84.048	N/A	227,854.00	
English Language Acquisition Grants		84.365	N/A	573,663.98	
Improving Teacher Quality State Grants		84.367	N/A	493,497.02	
Migrant Education - State Grant Program		84.011	N/A	314,363.58	
Title I Grants to Local Educational Agencies	*	84.010	N/A	5,797,896.46	
Total Other Programs				7,993,413.81	
Total U. S. Department of Education				12,305,320.75	
Health and Human Services, U. S. Department of					
Direct					
Drug-Free Community Support Programs		93.276		134,379.56	
Pass-Through from Georgia Department of Behavioral Health and Developmental Disabilities					
Developmental Disabilities Basic Support and Advocacy Grants		93.630	N/A	93,964.36	
Total U. S. Department of Health and Human Services				228,343.92	
Total Expenditures of Federal Awards				$ 25,894,352.73	

N/A = Not Available

Notes to the Schedule of Expenditures of Federal Awards

(1) Includes the Federally assigned value of donated commodities for the Food Donation Program in the amount of $895,149.52.
(2) Expenditures for the funds earned on the School Breakfast Program ($2,786,589.37) were not maintained separately and are included in the 2014 National School Lunch Program.

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

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

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

See notes to the basic financial statements.

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

SCHEDULE "3"

AGENCY/FUNDING	GOVERNMENTAL FUND TYPES GENERAL FUND	CAPITAL PROJECTS FUND	TOTAL
GRANTS			
Bright From the Start:			
Georgia Department of Early Care and Learning			
Pre-Kindergarten Program	$ 450,309.97		$ 450,309.97
Education, Georgia Department of			
Quality Basic Education (1)			
Direct Instructional Cost			
Kindergarten Program	8,258,651.00		8,258,651.00
Kindergarten Program - Early Intervention Program	1,118,278.00		1,118,278.00
Primary Grades (1-3) Program	19,432,218.00		19,432,218.00
Primary Grades - Early Intervention (1-3) Program	2,757,469.00		2,757,469.00
Upper Elementary Grades (4-5) Program	9,907,755.00		9,907,755.00
Upper Elementary Grades - Early Intervention (4-5) Program	686,949.00		686,949.00
Middle School (6-8) Program	17,274,587.00		17,274,587.00
High School General Education (9-12) Program	14,859,561.00		14,859,561.00
Vocational Laboratory (9-12) Program	4,155,303.00		4,155,303.00
Students with Disabilities	15,394,170.00		15,394,170.00
Gifted Student - Category VI	4,018,788.00		4,018,788.00
Remedial Education Program	876,570.00		876,570.00
Alternative Education Program	1,181,382.00		1,181,382.00
English Speakers of Other Languages (ESOL)	6,310,960.00		6,310,960.00
Media Center Program	2,931,206.00		2,931,206.00
20 Days Additional Instruction	892,633.00		892,633.00
Staff and Professional Development	562,244.00		562,244.00
Indirect Cost			
Central Administration	2,379,684.00		2,379,684.00
School Administration	5,485,678.00		5,485,678.00
Facility Maintenance and Operations	6,860,192.00		6,860,192.00
Amended Formula Adjustment	-17,384,290.00		-17,384,290.00
Categorical Grants			
Pupil Transportation			
Regular	1,799,092.00		1,799,092.00
Bus Replacement	463,320.00		463,320.00
Nursing Services	529,330.00		529,330.00
Vocational Supervisors	26,733.00		26,733.00
Education Equalization Funding Grant	3,110,699.00		3,110,699.00
Other State Programs			
Food Services	364,796.00		364,796.00
Math and Science Supplements	220,831.22		220,831.22
Move on when Ready Grant	900.00		900.00
Preschool Handicapped Program	353,892.00		353,892.00
Teachers' Retirement	200,708.53		200,708.53
Vocational Education	399,604.00		399,604.00
Georgia State Financing and Investment Commission			
Reimbursement on Construction Projects		2,409,370.70	2,409,370.70
Office of the State Treasurer			
Public School Employees' Retirement	469,863.00		469,863.00
CONTRACT			
Education, Georgia Department of			
Math Design Collaborative	-10,000.00		-10,000.00
OTHER			
QBE Contra Account (Unallocated by Program)	-35,217.00		-35,217.00
	$ 116,304,849.72	$ 2,409,370.70	$ 118,714,220.42

(1) Payments to the Georgia Department of Community Health by the Georgia Department of Education on behalf of the School District in the amount of $11,826,960.00 are included as part of the Quality Basic Education revenue allotments above.

See notes to the basic financial statements.

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

SCHEDULE "4"

PROJECT	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3)	AMOUNT EXPENDED IN PRIOR YEARS (3)	TOTAL COMPLETION COST	EXCESS PROCEEDS NOT EXPENDED	ESTIMATED COMPLETION DATE
SPLOST III							
Payment of portion of the payments, including principal and interest, due on the Hall County School District's Series 1992B and 1997 Bonds with a maximum payment amount of $28,800,000.00;	$ 28,800,000.00	$ 21,600,862.84		$ 21,600,862.84	$ 21,600,862.84		11/01/13
Acquiring, constructing and equipping of new schools and facilities, acquiring and conducting site preparation of real estate for school district purposes, constructing and equipping additional classrooms and instructional and support space, remodeling, renovating and equipping existing classrooms and instructional and support space, and acquiring furnishings, equipment and fixtures for new and existing facilities system-wide, including technology equipment, textbooks, library books and school buses;	124,200,000.00	110,413,165.96	$ 982,356.49	109,430,809.47	110,413,165.96		6/30/2014
Payment of any general obligation debt of the Hall County School District issued in conjunction with the imposition of this Sales Tax.	7,000,000.00	6,559,089.16	7,728.50	6,551,360.66	6,559,089.16		6/30/2014
SPLOST IV							
Payment of a portion of the payments, including principal and interest, due on the Hall County School District's Series 2007B Bonds, with a maximum payment amount of $9,604,500.00;	9,604,500.00	9,604,500.00	3,083,888.43	137,938.43			11/1/2014
Acquiring, constructing and equipping new schools, fine arts facilities, physical education facilities, student activity facilities and other school system facilities, acquiring and conducting site preparation of real estate for school district purposes, constructing and equipping additional classrooms and instructional and support space, remodeling, renovating and equipping classrooms, instructional and support space, and other school district facilities at existing school system facilities, and acquiring furnishings, equipment and fixtures for new and existing facilities system-wide, including technology equipment, textbooks, library books and school buses, with the estimated cost of such projects to be financed from funds raised by the Sales Tax being $152,983,000.00;	151,983,000.00	151,983,000.00	12,264,620.50	33,134,921.65			6/30/2019
Payment of any general obligation debt of the Hall County School District issued in conjunction with the imposition of the Sales Tax.	1,000,000.00	1,000,000.00	316,091.49	499,972.75			6/30/2019
	$ 322,587,500.00	$ 301,160,617.96	$ 16,654,685.41	$ 171,355,865.80	$ 138,573,117.96	$ 0.00	

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

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

(3) The voters of Hall 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.

See notes to the basic financial statements.

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

SCHEDULE "5"

DESCRIPTION	ALLOTMENTS FROM GEORGIA DEPARTMENT OF EDUCATION (1) (2) (3)	ELIGIBLE QBE PROGRAM COSTS SALARIES	OPERATIONS	TOTAL
Direct Instructional Programs				
Kindergarten Program	$ 10,001,922.00	$ 11,016,688.07	$ 318,251.00	$ 11,334,939.07
Kindergarten Program-Early Intervention Program	1,302,749.00	133,071.84		133,071.84
Primary Grades (1-3) Program	23,364,710.00	23,670,171.71	469,161.40	24,139,333.11
Primary Grades-Early Intervention (1-3) Program	3,215,905.00	668,074.32		668,074.32
Upper Elementary Grades (4-5) Program	11,838,330.00	13,425,277.07	359,994.62	13,785,271.69
Upper Elementary Grades-Early Intervention (4-5) Program	926,825.00	370,184.85		370,184.85
Middle School (6-8) Program	20,569,026.00	23,572,716.52	347,884.31	23,920,600.83
High School General Education (9-12) Program	17,732,509.00	21,629,822.87	950,666.09	22,580,488.96
Vocational Laboratory (9-12) Program	4,940,272.00	3,762,544.59	114,588.03	3,877,132.62
Students with Disabilities	18,406,664.00			
Category I		65,481.79	2,576.42	68,058.21
Category II		1,787,884.00	832.06	1,788,716.06
Category III		13,408,325.38	672,535.61	14,080,860.99
Category IV		2,525,910.30	58,307.96	2,584,218.26
Gifted Student - Category VI	4,867,087.00	1,877,913.70	14,322.40	1,892,236.10
Remedial Education Program	1,045,687.00			
Alternative Education Program	1,438,650.00	867,227.84		867,227.84
English Speakers of Other Languages (ESOL)	7,499,843.00	4,686,811.15	3,528.32	4,690,339.47
TOTAL DIRECT INSTRUCTIONAL PROGRAMS	127,150,179.00	123,468,106.00	3,312,648.22	126,780,754.22
Media Center Program	3,509,946.00	3,531,560.78	177,604.32	3,709,165.10
Staff and Professional Development	662,158.00	105,954.37	194,674.55	300,628.92
TOTAL QBE FORMULA FUNDS	$ 131,322,283.00	$ 127,105,621.15	$ 3,684,927.09	$ 130,790,548.24

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

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

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

See notes to the basic financial statements.

SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS

DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

March 25, 2015

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

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

Ladies and Gentlemen:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hall County Board of Education as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Hall County Board of Education's basic financial statements and have issued our report thereon dated March 25, 2015.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 Hall County Board of Education's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

We noted certain matters that we have reported to management of Hall County Board of Education in a separate letter dated March 25, 2015.

Purpose of this Report

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

Respectfully submitted,



Greg S. Griffin
State Auditor

GSG:as
2014YB-10

DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

March 25, 2015

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

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

Ladies and Gentlemen:

Report on Compliance for Each Major Federal Program

We have audited Hall County Board of Education's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2014. Hall 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 Hall 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 Hall 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 Hall County Board of Education's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

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

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

Respectfully submitted,



Greg S. Griffin
State Auditor

GSG:as
2014SA-10

SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

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

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV

FINDINGS AND QUESTIONED COSTS

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

I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

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

Noncompliance material to financial statements noted: — No

Federal Awards

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

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

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-143, Section 510(a)? — No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.010	Title I Grants to Local Educational Agencies
84.027, 84.173	Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs: $776,830.58

Auditee qualified as low-risk auditee? Yes

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.