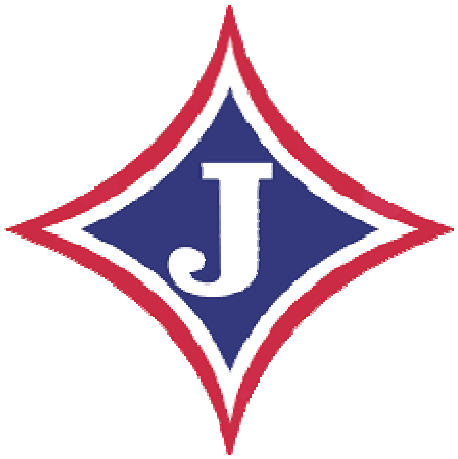
CITY OF JEFFERSON BOARD OF EDUCATION

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2014



Prepared by: DEPARTMENT OF FINANCE

Kim Navas, Chief Financial Officer

CITY OF JEFFERSON BOARD OF EDUCATION
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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FINANCIAL SECTION

MAULDIN & JENKINS

INDEPENDENT AUDITOR'S REPORT

To the Superintendent and Members of
the City of Jefferson Board of Education
Jefferson, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **City of Jefferson Board of Education**, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Jefferson Board of Education's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Emphasis of Matter

As discussed in Note 2, the School District implemented Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities,* as of July 1, 2013. This standard changed the accounting for bond issuance costs. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the General Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual on page 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Jefferson Board of Education's basic financial statements. The Schedule of State Revenue, the Schedule of Expenditures of Special Purpose Local Option Sales Tax Proceeds, as required by the Official Code of Georgia 48-8-121, the Schedule of Allotments and Expenditures General Fund Quality Basic Education Programs (QBE) by Program, and the Schedule of Expenditures of Federal Awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of State Revenue, the Schedule of Expenditures of Special Purpose Local Option Sales Tax Proceeds, the Schedule of Allotments and Expenditures General Fund Quality Basic Education Programs (QBE) by Program, and the Schedule of Expenditures of Federal Awards (collectively "the supplementary information") are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2016 on our consideration of the City of Jefferson Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Jefferson Board of Education's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Atlanta, Georgia
November 22, 2016

CITY OF JEFFERSON BOARD OF EDUCATION
STATEMENT OF NET POSITION
JUNE 30, 2014

	GOVERNMENTAL ACTIVITIES
ASSETS	
Current Assets:	
Cash and Cash Equivalents	13,686,310
Investments	772,925
Accounts Receivable	
Taxes	314,741
State Government	2,311,456
Federal Government	263,207
Local	75
Other	42,004
Inventories	13,056
Total Current Assets	17,403,774
Noncurrent Assets:	
Capital Assets-Non Depreciable	10,773,128
Capital Assets-Depreciable	46,583,138
Total Noncurrent Assets	57,356,266
Total Assets	74,760,040
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Charge on Refunding of Debt	1,307,128
Total Assets and Deferred Outlfows of Resources	$ 76,067,168
LIABILITIES	
Current Liabilities:	
Accounts Payable	406,922
Accrued Interest Payable	765,435
Salary and Benefits Payable	2,484,011
Payroll Liabilities	286,688
Contracts and Retainages payable	1,361,328
Total Current Liabilities	5,304,384
Long-term Liabilities:	
Due Within One Fiscal Year	1,336,053
Due In More Than One Fiscal Year	42,624,388
Total Long-Term Liabilities	43,960,441
Total Liabilities	49,264,825
NET POSITION	
Net Investment in Capital Assets	13,452,251
Restricted for:	
Continuation of State and Federal Programs	357,135
Debt Service	1,175,688
Capital Projects	8,447,650
Unrestricted	3,369,619
Net Position	26,802,343
Total Liabilities and Net Position	$ 76,067,168

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

CITY OF JEFFERSON BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2014

GOVERNMENTAL ACTIVITIES	PROGRAM EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS	PROGRAM REVENUES: CAPITAL GRANTS AND CONTRIBUTIONS	NET (EXPENSES) REVENUES AND CHANGES IN NET POSITION
Instruction	$ 15,332,273	$ 127,524	$ 9,971,083	$ 1,018,736	$ (4,214,930)
Support Services					
Pupil Services	665,171	-	182,130	-	(483,041)
Improvement of Instructional Services	451,519	-	157,144	-	(294,375)
Educational Media Services	454,092	-	374,739	24,723	(54,630)
General Administration	784,860	-	583,817	19,835	(181,208)
School Administration	1,212,158	-	749,612	10,431	(452,115)
Business Administration	121,462	-	1,217	-	(120,245)
Maintenance And Operation Of Plant Services	1,482,516	-	907,288	26,531	(548,697)
Student Transportation Service	666,166	-	104,827	77,220	(484,119)
Support Services - Central	23,831	-	276	2,550	(21,005)
Other Support Services	18,188	-	-	-	(18,188)
Operations of Non-Instructional; Services					
Enterprise Operations	1,089,496	216,240		-	(873,256)
School Nutrition Program	1,029,469	370,586	616,909	41,999	25
Community Services Operations	117,032	117,032	-	-	-
Interest and Fees on Long-term Debt	1,991,663	-	402,636	-	(1,589,027)
Total Governmental Activities	$ 25,439,896	$ 831,382	$ 14,051,678	$ 1,222,025	(9,334,811)
General Revenues:					
Taxes					
Property Taxes					
For Maintenance and Operations				6,335,999	
For Debt Service				1,580,377	7,916,376
Sales Tax					
Special Purpose Local Option Sales Tax					
For Capital Projects/Debt Services				2,273,343	
Other Sales Taxes				49,984	2,323,327
Investment Earnings					31,576
Miscellaneous					1,651,794
Total General Revenues					11,923,073
Change in Net Position					2,588,262
Net Position - Beginning of Fiscal Year- As Restated					24,214,081
Net Position - End of Fiscal Year					$ 26,802,343

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

CITY OF JEFFERSON BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	GENERAL FUND	DISTRICT-WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
ASSETS				
Cash and Cash Equivalents	$ 3,959,178	$ 9,333,146	$ 393,986	$ 13,686,310
Investments	50,350	-	722,575	772,925
Accounts Receivable, Net				
Taxes	255,614	-	59,127	314,741
State Government	1,815,686	495,770	-	2,311,456
Federal Government	263,207	-	-	263,207
Local	75	-	-	75
Other	42,004	-	-	42,004
Inventories	13,056	-	-	13,056
Total Assets	6,399,170	9,828,916	1,175,688	17,403,774
LIABILITIES				
Accounts Payable	$ 391,444	$ 15,478	$ -	$ 406,922
Salaries and Benefits Payable	2,484,011	-	-	2,484,011
Payroll Withholdings Payable	286,688	-	-	286,688
Contracts Payable	-	648,397	-	648,397
Retainages Payable	-	712,931	-	712,931
Total Liabilities	3,162,143	1,376,806	-	4,538,949
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Taxes/State Revenue	135,332	291,282	33,255	459,869
Total Deferred Inflows of Resources	135,332	291,282	33,255	459,869
FUND BALANCES				
Nonspendable	13,056	-	-	13,056
Restricted	344,079	8,156,368	1,142,433	9,642,880
Assigned	235,803	4,460	-	240,263
Unassigned	2,508,757	-	-	2,508,757
Total Fund Balances	3,101,695	8,160,828	1,142,433	12,404,956
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 6,399,170	$ 9,828,916	$ 1,175,688	$ 17,403,774

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

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

Total Fund Balances - Governmental Funds		$	12,404,956
Amounts reported for Governmental Activities in the Statement of Net Position are different because:			
Capital assets used in Governmental Activities are not current financial resources and therefore are not reported in the funds. These assets consist of:			
Land	734,796		
Construction in Progress	10,038,332		
Buildings	49,622,117		
Machinery and Equipment	2,461,741		
Land Improvements	2,496,124		
Less Accumulated Depreciation	(7,996,844)		
Total net capital assets			57,356,266
Taxes that are not available to pay for current fiscal year expenditures are deferred in the governmental funds. These consist of:			
Deferred inflows -unavailable property taxes	168,587		
Unavailable state revenues - reimbursements on construction projects	291,282		459,869
Unamortized differences between the carrying value of the refunded debt and the resources used to defease it are not reported in the Governmental Funds			
Deferred charge on long- term debt refundings			1,307,128
Some liabilities reported in the Govermental Activities do not require the use of current financial resources, and therefore are not reported as expenditures in the Governmental Fund Statements.			
Accrued Interest on Long Term Debt			(765,435)
Long-term liabilities, including bonds payable, are not due and payable in the current fiscal year and therefore are not reported as liabilities in the governmental funds. Long-term liabilities at fiscal year-end consist of:			
General obligation bonds payable	(42,450,000)		
Unamortized bond premiums	(1,399,815)		
Intergovernmental agreement payable	(110,626)		
Total long-term liabilities			(43,960,441)
Net Position of Governmental Activities		$	26,802,343

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

CITY OF JEFFERSON BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED JUNE 30, 2014

	GENERAL FUND	DISTRICT-WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
REVENUES				
Property Taxes	$ 6,222,930	$ -	$ 1,558,814	$ 7,781,744
Sales Taxes	49,983	626,445	1,646,899	2,323,327
State Funds	12,350,959	853,523	-	13,204,482
Federal Funds	1,375,303	-	402,636	1,777,939
Charges for Services	831,382	-	-	831,382
Investment Earnings	2,429	22,698	6,449	31,576
Miscellaneous	1,650,394	2,300	-	1,652,694
Total Revenues	22,483,380	1,504,966	3,614,798	27,603,144
EXPENDITURES				
Current:				
Instruction	14,510,721	120,705	-	14,631,426
Support Services				
Pupil Services	662,363	2,808	-	665,171
Improvement of Instructional Services	451,519	-	-	451,519
Educational Media Services	435,215	-	-	435,215
General Administration	769,706	-	-	769,706
School Administration	1,203,530	660	-	1,204,190
Business Administration	121,462	-	-	121,462
Maintenance and Operation of Plant	1,455,899	27,588	-	1,483,487
Student Transportation Services	668,382	18,097	-	686,479
Central Support Services	23,831	-	-	23,831
Other Support Services	16,233	-	-	16,233
Enterprise Operations	1,089,496	-	-	1,089,496
Community Services	117,032	-	-	117,032
Food Services Operation	997,403	-	-	997,403
Capital Outlay	-	8,148,132	-	8,148,132
Debt Services:				
Principal	-	-	1,385,307	1,385,307
Dues and Fees	-	609	9,727	10,336
Bond Issuance Costs	-	-	89,636	89,636
Interest	-	-	1,780,225	1,780,225
Total Expenditures	22,522,792	8,318,599	3,264,895	34,106,286
Deficiency of Revenues Under Expenditures	(39,412)	(6,813,633)	349,903	(6,503,142)
OTHER FINANCING SOURCES (USES)				
Proceeds of Long-Term Capital Related Debt	-	-	9,550,000	9,550,000
Premiums on Bonds Sold	-	-	173,351	173,351
Payment to Bond Refunding Escrow Agent	-	-	(9,633,716)	(9,633,716)
Total Other Financing Sources (Uses)	-	-	89,635	89,635
Net Change in Fund Balances	(39,412)	(6,813,633)	439,538	(6,413,507)
Fund Balances - Beginning	3,141,107	14,974,461	702,895	18,818,463
Fund Balances - Ending	$ 3,101,695	$ 8,160,828	$ 1,142,433	$ 12,404,956

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

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

Total net change in fund balances - governmental funds		$ (6,413,507)
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 outlays	8,243,056	
Depreciation expense	(843,085)	
Excess of capital outlays over depreciation expense		7,399,971
In the statement of activities, only the gain or loss on the sale or disposal of the capital assets 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 of governmental funds by the carrying value of the capital assets sold or disposed of.		(8,320)
Proceeds received from the sale of bonds are reported as liabilities on the statement of net position whereas in the governmental funds, these proceeds are reported as other financing sources.		
Proceeds from sale of refunding general obligation bonds	(9,550,000)	
Premiums from sale of refunding general obligation bonds	(173,351)	(9,723,351)
Because some taxes will not be collected for several months after the School District's fiscal year ends, they are not considered "available" revenues.		
Deferred inflows- unavailable property taxes:		
June 30,2013	(33,954)	
June 30, 2014	168,587	
State funds-reimbursements on construction projects	291,282	425,915
Deferred gains or losses on refundings and similar items when debt is first issued are reported as expenditures in governmental funds, but are reported as deferred outflow of resources on the statement of net position and are are amortized over the term of the debt using the effective interest method. The details of these differences in the current period in the statement of activities are as follows:		
Amortization of deferred charge on refunded bonds		(129,520)
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	686,044	
June 30, 2014	(765,435)	(79,391)
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 fiscal year, these amounts consist of:		
Payment to bond refunding escrow agent	9,633,716	
Bond principal retirements	1,370,000	
Intergovernmental agreement principal retirements	15,307	
Amortization of bond premiums	97,442	11,116,465
Change in Net Position of Governmental Activities		$ 2,588,262

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

CITY OF JEFFERSON BOARD OF EDUCATION
STATEMENT OF ASSETS AND LIABILITIES
JUNE 30, 2014

	AGENCY FUNDS
ASSETS	
Cash and Cash Equivalents	$ 38,131
Total Assets	$ 38,131
LIABILITIES	
Funds Held for Others	$ 38,131
Total Liabilities	$ 38,131

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

NOTE 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

REPORTING ENTITY

The City of Jefferson Board of Education (the "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 City of Jefferson Board of Education.

District-wide Statements:

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

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

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

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

Fund Financial Statements:

The fund financial statements provide information about the School District's governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Separate statements for each category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major funds, each displayed in a separate column. The District had no funds that were reported as nonmajor funds.

The School District reports the following major governmental funds:

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

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

- Debt Service Fund accounts for and reports financial resources that are restricted, committed, or assigned including taxes (property and 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 funds, clubs, governments or individuals.

BASIS OF ACCOUNTING

The basis of accounting determines when transactions are reported on the financial statements. The District-wide governmental and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the School District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, sales taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from sales taxes is recognized in the fiscal year in which the underlying transaction (sale) takes place. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

RESTATEMENT OF PRIOR FISCAL 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 requires the restatement of the June 30, 2013, net position in Governmental Activities. The result is a decrease in net position at June 30, 2013 of $52,068. This change is in accordance with generally accepted accounting principles.

Net Position June 30, 2013, as previously reported	$24,266,149
- Recognize bond issue cost in prior years	(52,068)
Net Position June 30, 2013, as restated	$24,214,081

NEW ACCOUNTING PRONOUNCEMENTS

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

CASH AND CASH EQUIVALENTS

Composition of Deposits

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

INVESTMENTS

Composition of Investments

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

(1) Obligations issued by the State of Georgia or by other states,

(2) Obligations issued by the United States government,

(3) Obligations fully insured or guaranteed by the United States government or a United States government agency,

(4) Obligations of any corporation of the United States government,

(5) Prime banker's acceptances,

(6) The local government investment pool (Georgia Fund 1) administered by the State of Georgia, Office of the State Treasurer,

(7) Repurchase agreements, and

(8) Obligations of other political subdivisions of the State of Georgia.

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

RECEIVABLES

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

PROPERTY TAXES

The City of Jefferson Board of Commissioners certified to the mayor and city council the property tax levy for the 2013 tax digest year (calendar year) on October 10, 2013 (levy date) based on property values as of January 1, 2013. Taxes were due on December 20, 2013 (lien date). Taxes collected within the current fiscal year or within 60 days after fiscal year-end on the 2013 tax digest are reported as revenue in the governmental funds for fiscal year 2014. The Jackson County Tax Commissioner bills and collects the property taxes for the School District and remits the 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 $6,222,930 and for school bonds amounted to $1,558,814.

Tax millage rates levied for the 2013 tax year (calendar year) for the City of Jefferson Board of Education were as follows (a mill equals $1 per thousand dollars of assessed value):

School Operations	15.172 mills
School Bonds	3.845 mills
	19.017 mills

Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, which are included in property taxes above, amounted to $330,612 during fiscal year ended June 30, 2014.

In fiscal year 2014, it was discovered that a major company operating in Jackson County, had not filed for required Freeport exemptions, and therefore had taken credits it was not eligible for in prior years. As a result, the company underpaid its property taxes in calendar years 2011 and 2012. The company has since sold its business to another company and has left the County owing the taxes due. This matter is currently being litigated in Court and the result of this litigation cannot be predicted with any degree of confidence at this time. The amount of taxes due to the District associated with this matter is estimated to be $668,751 in maintenance and operation taxes and $159,585 in bond taxes. These amounts have not been included in the amount of taxes receivable and related revenues/deferred inflows recorded on the financial statements because the outcome of this matter is not determinable.

SALES TAXES

Education Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to $2,273,344 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years. The most recent authorization expires March 31, 2017.

INVENTORIES

Food Inventories

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

CAPITAL ASSETS

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

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

	Capitalization Policy	Estimated Useful Life
Land	All	N/A
Land Improvements	$ 5,000	20 to 80 years
Buildings and Improvements	5,000	10 to 80 years
Equipment	5,000	5 to 30 years
Intangible Assets	20,000	individually determined

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

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

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

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

GENERAL OBLIGATION BONDS

The School District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. In the District-wide financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are recognized as an outflow of resources (expense) 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

Net position represent the differences between assets, deferred outflows of resources, deferred inflows of resources, and liabilities in reporting which utilizes the economic resources measurement focus. 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 (including retainage and contract payables) related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

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

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

FUND BALANCES

Fund equity at the governmental fund financial reporting level is classified as “fund balance.” Generally, fund balance represents the difference between the assets, deferred inflows of resources, and liabilities under the current financial resources management focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

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

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

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

Committed – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Education through the adoption of a resolution. Likewise, fund balances that have been committed cannot be used for any other purposes unless the Board of Education removes the commitment of these funds through formal action of the adoption of a resolution. 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 – Fund balances are reported as assigned when amounts are constrained by the School District's *intent* to be used for specific purposes, but are neither restricted nor committed. 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 – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The District reports positive unassigned fund balance only in 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		$13,056
Restricted		
Bus Replacement	24,255	
Continuation of Federal Programs	270,793	
Capital Projects	8,156,368	
Debt Service	1,142,433	
Rutland Center	49,031	9,642,880
Assigned		
For School Activity Accounts	233,499	
For Encumbrances	6,764	240,263
Unassigned		2,508,757
Fund Balance June 30, 2014		$12,404,956

Flow Assumptions – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the District's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the District's policy to use fund balance in the following order: (1) Committed, (2) Assigned, and (3) Unassigned.

Net Position – Net position represent the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources in reporting which utilizes the economic resources measurement focus. Net position invested in capital assets consists of capital assets, net of accumulated depreciation, reduced by retainage (contracts) payables and by the outstanding balances of any borrowing used (i.e., the amount that the District has spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net position is reported as unrestricted. The District applies restricted resources first when an expense is incurred for purposes for which both available.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and deferred inflows of resources, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting fiscal year. Actual results could 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 is prepared and adopted by fund and function. The legal level of budgetary control was established by the Board at the "no provision" regarding over expenditure 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.

For fiscal year ended June 30, 2014, the following departments had excesses of actual expenditures over appropriations:

General Fund departments:		
Instruction	$	224,392
Pupil services		12,835
Educational media services		33,237
School administration		25,667
Maintenance and operation of plant		19,016
Student transportation services		72,227
Central support services		2,315
Other support services		1,233
Community services		117,032
Food services operation		4,877

These over expenditures were funded by greater than anticipated revenues and by available fund balance.

NOTE 4: DEPOSITS AND INVESTMENTS

COLLATERALIZATION OF DEPOSITS

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

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

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

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

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

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

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

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

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

CATEGORIZATION OF DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At June 30, 2014, School District had deposits with a carrying amount of $13,724,441 and a bank balance of $14,013,471. The bank balances were covered by Federal depository insurance or collateralized with securities held by the pledging financial institution in the School District's name.

CATEGORIZATION OF INVESTMENTS

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

	Investment Maturity	
Investment Type	Fair Value	More Than 10 Years
Debt Securities		
U. S. Treasuries	$ 722,541	$ 722,541
Other Investments		
U. S. Treasury Money Market Funds	49,032	
Investment Pools		
Office of State Treasurer Georgia Fund 1	1,352	
Total Investments	$ 772,925	

The debt securities in which the School District is invested are US Treasury State and Local Government Series (SLGS) securities. The SLGS are issued as certificates of indebtedness with a maturity date of February 1, 2028. As these investments are non-participating interest earning contracts, they are reported at cost in accordance with GASB Statement No. 31.

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 www.audits.ga.gov/SGD/CAFR.html.

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

At June 30, 2014, $722,541 of the School District's applicable investments were (1) uninsured and unregistered, with securities held by the counterparty's trust department or agent in the name of the School District and (2) uninsured or unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the School District's name.

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:

Governmental activities	Beginning Balances	Additions	Deletions	Transfers	Ending Balances
Capital assets, not being depreciated					
Land	$ 734,796	$ -	$ -	$ -	$ 734,796
Construction in progress	12,333,450	7,100,351	-	(9,395,469)	10,038,332
Total	13,068,246	7,100,351	-	(9,395,469)	10,773,128
Capital assets, being depreciated					
Buildings and improvements	39,360,848	572,621		9,688,648	49,622,117
Equipment	2,337,246	547,740	(130,066)	(293,179)	2,461,741
Land improvements	2,473,780	22,344	-	-	2,496,124
Total	44,171,874	1,142,705	(130,066)	9,395,469	54,579,982
Less accumulated depreciation for:					
Buildings and improvements	(5,038,405)	(580,003)	-	(53,346)	(5,671,754)
Equipment	(1,050,472)	(161,377)	121,746	53,346	(1,036,757)
Land improvements	(1,186,628)	(101,705)	-	-	(1,288,333)
Total	(7,275,505)	(843,085)	121,746	-	(7,996,844)
Total capital assets, being depreciated, net	36,896,369	299,620	(8,320)	9,395,469	46,583,138
Governmental activities capital assets, net	$ 49,964,615	$ 7,399,971	$ (8,320)	$ -	$ 57,356,266

Capital assets being acquired under intergovernmental sales agreements as of June 30, 2014, are as follows:

Assets	Governmental Activities
Building and improvements	$ 176,897
Less accumulated depreciation	(9,950)
Net depreciable capital assets under intergovernmental sales agreement	$ 166,947

Depreciation expense was charged to functions/programs of the District as follows:

Governmental activities:	
Instruction	$ 681,512
Educational media services	18,206
General administration	14,615
School administration	7,685
Maintenance and operation of plant	19,531
Student transportation services	68,724
Other support services	1,886
Food services	30,926
Total depreciation expense - governmental activities	$ 843,085

NOTE 7: 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; and acts of God.

The School District participates in the Georgia School Boards Association Risk and Insurance Management System, a public entity risk pool organized on July 1, 1994, to develop and administer a plan to reduce risk of loss on account of general liability, motor vehicle liability, or property damage, including safety engineering and other loss prevention and control techniques, and to administer one or more groups of self-insurance funds, including the processing and defense of claims brought against members of the system. The School District pays an annual premium to the system for its general insurance coverage. Additional coverage is provided through agreements by the system with other companies according to their specialty for property, boiler and machinery (including coverage for flood and earthquake), general liability (including coverage for sexual harassment, molestation and abuse), errors and omissions, crime and automobile risks. Payment of excess insurance for the system varies by line of coverage.

The School District is self-insured with regard to unemployment compensation claims. The School District accounts for claims with expenses/expenditures and the related liability is 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:

Fiscal Year	Beginning of Fiscal Year Claims Liability	Current Year Claims and Changes in Estimates	Claims Paid	End of Fiscal Year Claims Liability
2014	$ -	$ 611	$ (611)	$ -
2013	-	2,310	(2,310)	-

The School District participates in the Georgia School Boards Association Workers' Compensation Fund, a public entity risk pool organized on July 1, 1992, to develop, implement, and administer a program of workers' compensation self-insurance for its member organizations. The School District pays an annual premium to the Fund for its Workers' Compensation insurance coverage. Excess insurance coverage is provided through an agreement by the Fund with the Safety National Casualty Corporation to provide coverage for potential losses sustained by the Fund in excess of $550,000 loss per occurrence, up to the statutory limit. Employers' Liability insurance coverage is also provided by Safety National Casualty Corporation to provide coverage for potential losses sustained by the Fund in excess of $550,000 loss per occurrence, up to $2 million. In addition to the $550,000 per occurrence retention, the Fund also retains an additional $150,000 per year corridor retention.

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

Position covered	Amount
Superintendent	$ 50,000
All other employees	100,000

NOTE 8: LONG-TERM LIABILITIES

ADVANCE REFUNDING

During fiscal year 2014, the City of Jefferson Board of Education issued $9,550,000 in General Obligation Refunding Bonds to advance refund $ 8,785,000 of outstanding bonds. The bond issuance of $ 9,550,000, plus premium of $173,351 less underwriters and bond issuance cost of $89,636 provided net proceeds of $ 9,633,716. The total net proceeds (minus the principal retired of $848,716) were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on a portion of the Series 2005A Bond issue. As a result, portions of Series 2005A Series Bonds are considered defeased and the liability for these portions has been removed from the District-wide Statement of Net Position. The outstanding balance of these defeased bonds at June 30, 2014 is $11,778,750. The City of Jefferson Board of Education refunded the aforementioned bonds to reduce its total Debt Service payments over 12 years beginning subsequent to fiscal year 2013 by $1,045,721 and to obtain an economic gain (difference between the present values of total debt service payments and the old and new debt) of $963,047.

INTERGOVERNMENTAL SALES AGREEMENT

The City of Jefferson Board of Education entered into a contract with the Northeast Georgia Regional Educational Service Agency, dated June 1, 2006, for the issuance of bonds to provide funds to Clarke County capital outlay projects of the School District. Under the terms of the contract, the Northeast Georgia Regional Educational Service Agency issued $5,749,999 in bonds on behalf of the School District. The obligation of the School District is absolute and unconditional so long as any of the bonds remain outstanding. Under the contract, the School District will exercise its power of taxation to the extent necessary to pay the amounts required to be paid by the contract.

GENERAL OBLIGATION DEBT OUTSTANDING

General Obligation Bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
General Government - Refunding Series 2004	3.58%	$7,410,000
General Government - Series 2005A	3.00% - 5.00%	720,000
General Government - Series 2011A	5.25%	16,625,000
General Government - Series 2011B	5.27%	8,300,000
General Government - Refunding Series 2013	.70%-3.00%	9,395,000
		$42,450,000

The changes in long-term liabilities during the fiscal year ended June 30, 2014 were as follows:

	Restated Beginning Balances	Additions	Reductions	Ending Balances	Due Within One Year	Due In More Than One Year
Governmental activities:						
General obligations bonds	$ 43,055,000	$ 9,550,000	$ (10,155,000)	$ 42,450,000	$ 1,320,000	$ 41,130,000
Unamortized premiums	1,323,906	173,351	(97,442)	1,399,815	-	1,399,815
Intergovernmental agreement	125,933	-	(15,307)	110,626	16,053	94,573
Governmental activities long-term liabilities	$ 44,504,839	$ 9,723,351	$ (10,267,749)	$ 43,960,441	$ 1,336,053	$ 42,624,388

Deferred charges on refunding of debt have been removed as a component of debt and have been reclassified to deferred outflows of resources on the statement of net position as required by GASB 65 previously discussed in these notes.

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

Intergovernmental agreement

Fiscal Year Ending, June 30	Principal	Interest	Total
2015	$ 16,053	$ 4,434	$ 20,487
2016	16,613	3,766	20,379
2017	17,360	3,075	20,435
2018	18,107	2,353	20,460
2019	18,853	1,600	20,453
2020-2021	23,640	815	24,455
Total	$ 110,626	$ 16,043	$ 126,669

General Obligation Bonds

Fiscal Year Ending, June 30	Principal	Interest	Total
2015	$ 1,320,000	$ 1,837,043	$ 3,157,043
2016	1,370,000	1,787,553	3,157,553
2017	1,400,000	1,743,118	3,143,118
2018	1,540,000	1,697,667	3,237,667
2019	1,580,000	1,647,900	3,227,900
2020-2024	8,480,000	7,548,611	16,028,611
2025-2029	15,725,000	5,631,996	21,356,996
2030-2033	11,035,000	1,483,650	12,518,650
Total	$ 42,450,000	$ 23,377,538	$ 65,827,538

NOTE 9: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of $1,176,314 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 Certified Personnel
In the amount of $ 1,122,816

Paid to the Teachers' Retirement System of Georgia
For Teachers' Retirement System (TRS) Employer's Cost
In the amount of $11,978

Office of State Treasurer
Paid to the Public School Employees' Retirement System
For Public School Employees' Retirement (PSERS) Employer's Cost
In the amount of $ 41,520

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 10: SIGNIFICANT COMMITMENTS

The following is an analysis of significant outstanding construction or renovation contracts executed by the School District as of June 30, 2014. The District had no funding available in subsequent fiscal years for this project.

Project	Unearned Executed Contracts	Funding Available from State
Jefferson High School Gymnasium	$4,551,020	$0

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

NOTE 11: 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 12: 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, 2012, the State provides a premium subsidy in retirement that ranges from 0% for fewer than 10 years of service to 75% (but no greater than the subsidy percentage offered to active employees) for 30 or more years of service. The subsidy for

eligible dependents ranges from 0% to 55% (but no greater than the subsidy percentage offered to dependents of active employees minus 20%). No subsidy is available to Medicare eligible members not enrolled in a Medicare Advantage Option. The Board of Community Health sets all member premiums by resolution and in accordance with the law and applicable revenue and expense projections. Any subsidy policy adopted by the Board may be changed at any time by Board resolution and does not constitute a contract or promise of any amount of subsidy.

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

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

For certificated teachers, librarians and regional educational service agencies and certain other eligible participants:
July 1, 2013 – June 30, 2014 $945 per member per month

For non-certificated school personnel:
July 1, 2013 – June 30, 2014 $596.20 per member per month

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

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

Fiscal Year	Percentage Contributed	Required Contribution
2014	100%	$ 2,457,853
2013	100%	2,236,724
2012	100%	2,159,274

NOTE 13: RETIREMENT PLANS

TEACHERS RETIREMENT SYSTEM OF GEORGIA (TRS)

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

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

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

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

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

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

Fiscal Year	Percentage Contributed	Required Contribution
2014	100%	$ 1,586,061
2013	100%	1,452,218
2012	100%	1,342,904

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

On October 1, 2004, the City of Jefferson Board of Education began an employer paid 403(b) annuity plan for the group of employees covered under the Public School Employees' Retirement System (PSERS). Recognizing that PSERS was a limited defined contribution and defined benefit plan which did not provide for an adequate retirement for this group of employees, it was the Board's desire to supplement the retirement of this group.

The Board selected VALIC as the provider of this Plan. For each employee covered under PSERS, the Board began contributing to the Plan an amount equal to 0.62% of the employee's base pay.

The employee becomes immediately vested in the plan with zero years of experience. Employees who had already achieved zero years of experience at the time the plan was implemented were vested upon enrollment.

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

Fiscal Year	Percentage Contributed	Required Contribution
2014	100%	$ 48,138
2013	100%	50,952
2012	100%	50,880

REQUIRED SUPPLEMENTARY INFORMATION

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

	NONAPPROPRIATED BUDGETS		ACTUAL	VARIANCE
	ORIGINAL (1)	FINAL (1)	AMOUNTS	OVER/UNDER
REVENUES				
Property Taxes	$ 6,433,122	$ 6,433,122	$ 6,222,930	$ (210,192)
Sales Taxes			49,983	49,983
State Funds	10,678,079	12,248,151	12,350,959	102,808
Federal Funds	641,000	1,431,057	1,375,303	(55,754)
Charges for Services	782,000	782,000	831,382	49,382
Investment Earnings	2,700	2,700	2,429	(271)
Miscellaneous	1,159,830	1,159,830	1,650,394	490,564
Total Revenues	$ 19,696,731	$ 22,056,860	$ 22,483,380	$ 426,520
EXPENDITURES				
Current				
Instruction	$ 12,684,464	$ 14,286,329	$ 14,510,721	$ (224,392)
Support Services				
Pupil Services	517,720	649,528	662,363	(12,835)
Improvement of Instructional Services	384,150	469,797	451,519	18,278
Educational Media Services	401,978	401,978	435,215	(33,237)
General Administration	740,908	776,327	769,706	6,621
School Administration	1,177,863	1,177,863	1,203,530	(25,667)
Business Administration	126,074	126,074	121,462	4,612
Maintenance and Operation of Plant	1,436,883	1,436,883	1,455,899	(19,016)
Student Transportation Services	550,448	596,155	668,382	(72,227)
Central Support Services	21,516	21,516	23,831	(2,315)
Other Support Services	15,000	15,000	16,233	(1,233)
Enterprise Operations	1,200,000	1,200,000	1,089,496	110,504
Community Services	-	-	117,032	(117,032)
Food Services Operation	992,526	992,526	997,403	(4,877)
Total Expenditures	20,249,530	22,149,976	22,522,792	(372,816)
Excess of Revenues over (under) Expenditures	(552,799)	(93,116)	(39,412)	53,704.00
OTHER FINANCING SOURCES (USES)				
Transfers in	110,000	110,000	-	(110,000)
Transfers Out	(110,000)	(110,000)	-	110,000
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	(552,799)	(93,116)	(39,412)	53,704
Fund Balances - Beginning	3,136,985	3,136,985	3,141,107	4,122
Adjustments	17,206	3,129	-	(3,129)
Fund Balances - Ending	$ 2,601,392	$ 3,046,998	$ 3,101,695	$ 54,697

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

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.

SUPPLEMENTARY INFORMATION

CITY OF JEFFERSON BOARD OF EDUCATION
SCHEDULE OF STATE REVENUE
FISCAL YEAR ENDED JUNE 30, 2014

AGENCY/FUNDING	GOVERNMENTAL FUND TYPES: GENERAL FUND	GOVERNMENTAL FUND TYPES: CAPITAL PROJECTS FUND	TOTAL
GRANTS			
Bright From the Start:			
Georgia Department of Early Care and Learning			
Pre-Kindergarten Program	$ 380,620	$ -	$ 380,620
Education, Georgia Department of			
Quality Basic Education (1)			
Direct Instructional Cost			
Kindergarten Program	860,380	-	860,380
Kindergarten Program - Early Intervention Program	107,991	-	107,991
Primary Grades (1-3) Program	2,051,891	-	2,051,891
Primary Grades - Early Intervention (1-3) Program	241,121	-	241,121
Upper Elementary Grades (4-5) Program	1,122,969	-	1,122,969
Upper Elementary Grades - Early Intervention (4-5) Program	60,185	-	60,185
Middle School (6-8) Program	1,751,977	-	1,751,977
High School General Education (9-12) Program	1,505,186	-	1,505,186
Vocational Laboratory (9-12) Program	441,224	-	441,224
Students with Disabilities	1,632,784	-	1,632,784
Gifted Student - Category VI	930,903	-	930,903
Remedial Education Program	206,451	-	206,451
Alternative Education Program	121,250	-	121,250
English Speakers of Other Languages (ESOL)	95,333	-	95,333
Media Center Program	314,177	-	314,177
20 Days Additional Instruction	94,026	-	94,026
Staff and Professional Development	60,282	-	60,282
Indirect Cost			
Central Administration	458,298	-	458,298
School Administration	612,915	-	612,915
Facility Maintenance and Operations	745,233	-	745,233
Amended Formula Adjustment	(1,835,364)	-	(1,835,364)
Categorical Grants			
Pupil Transportation			
Regular	58,338	-	58,338
Nursing Services	55,128	-	55,128
Vocational Supervisors	6,683	-	6,683
Other State Programs			
Food Services	28,736	-	28,736
Math and Science Supplements	3,561	-	3,561
Move on When Ready	100	-	100
Preschool Handicapped Program	48,079	-	48,079
Pupil Transportation - State Bonds	77,220	-	77,220
Teachers' Retirement	11,978	-	11,978
Technology to Support Digital Learning Bonds	17,321	-	17,321
Vocational Education	42,463	-	42,463
Georgia State Financing and Investment Commission			
Reimbursement on Construction Projects	-	853,523	853,523
Office of the State Treasurer			
Public School Employees Retirement	41,520	-	41,520
	$ 12,350,959	$ 853,523	$ 13,204,482

(1) Payments to the Georgia Department of Community Health by the Georgia Department of Education on behalf of the School District in the amount of $1,122,816 are included as part of the Quality Basic Education revenue allotments above.

See notes to the basic financial statements.

CITY OF JEFFERSON BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
FISCAL YEAR ENDED JUNE 30, 2014

PROJECT	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT FISCAL YEAR (3)	AMOUNT EXPENDED IN PRIOR FISCAL YEARS (3)	TOTAL COMPLETION COST	ESTIMATED COMPLETION DATE
(i) paying a portion of the debt service on the outstanding Series 2000 General Obligation Bonds previously issued by the City of Jefferson School District previously issued by the City of Jefferson, Series 2004 General Obligation Bonds, Series 2005A and 2005B General Obligation Bonds, and Series 2011 General Obligation Bonds issued by the Jefferson City School District, the maximum amount of debt service to be paid with sales tax proceeds to be $26,296,000	$ 46,878,000	$ 16,084,701	$ 2,752,695	$ 14,208,593	$ 16,961,288	Ongoing
(ii) acquiring, constructing, equipping and furnishing new school buildings and other buildings or facilities useful and desirable therewith, including, but not limited to a new bus maintenance depot and new gymnasium		28,728,905	7,109,400	21,619,505	28,728,905	Ongoing
(iii) acquiring new technology, safety and security equipment, school equipment, and band instruments		861,722	159,311	702,411	861,722	Ongoing
(iv) acquiring school buses, school vehicles and transportation equipment		97,402	14,370	83,032	97,402	Ongoing
(v) acquiring land and any improvements thereon, and modifying those improvements as desired		1,024,878	-	1,024,878	1,024,878	Ongoing
(vi) demolishing, adding to renovating, repairing, improving and equipping the existing schools buildings or other buildings or facilities useful or desirable in connection therewith, but not limited to new classrooms, kitchens and physical education/athletic facilities		12,273,195	1,012,495	11,260,700	12,273,195	Ongoing
(vii) acquiring property necessary or desirable therefore, both real and personal						
(viii) acquiring a portion of the psychoeducational facility		141,784	20,537	121,247	141,784	Ongoing
(ix) acquiring textbooks system-wide		495,602	22,657	472,945	495,602	Ongoing
	$ 46,878,000	$ 59,708,189	$ 11,091,465	$ 49,493,311	$ 60,584,776	

(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 Jackson 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.

CITY OF JEFFERSON BOARD OF EDUCATION
GENERAL FUND - QUALITY BASIC EDUCATION PROGRAM (QBE)
ALLOTMENTS AND EXPENDITURES BY PROGRAM
FISCAL YEAR ENDED JUNE 30, 2014

DESCRIPTION	ALLOTMENTS FROM GEORGIA DEPARTMENT OF EDUCATION (1) (2) (3)	ELIGIBLE QBE PROGRAM COSTS		
		SALARIES	OPERATIONS	Total
Direct Instructional Programs				
Kindergarten Programs	$ 1,024,949	$ 800,490	$ 19,020	$ 819,510
Kindergarten Program - Early Intervention Program	130,773	72,488	2,159	74,647
Primary Grades (1-3) Program	2,450,148	1,769,549	69,863	1,839,412
Primary Grades Early Intervention (1-3) Program	305,845	512,051	9,637	521,688
Upper Elementary Grades (4-5) Program	1,321,974	1,038,133	38,851	1,076,984
Upper Elementary Grades-Early Intervention (4-5) Program	69,920	110,893	6,131	117,024
Middle School (6-8) Program	2,070,133	2,118,891	52,174	2,171,065
High School General Education (9-12) Program	1,802,931	2,453,847	137,242	2,591,089
Vocational Laboratory (9-12) Program	524,458	391,912	34,670	426,582
Students With Disabilities	1,944,806	-	-	-
CATEGORY I		214,794		214,794
CATEGORY III		1,675,462	16,812	1,692,274
Gifted Student - CATEGORY VI	1,107,229	787,013	283	787,296
Remedial Education Program	239,741	100	8,539	8,639
Alternative Education Program	147,077	76,706	-	76,706
English Speakers of Other Languages (ESOL)	112,569	-	1,419	1,419
TOTAL DIRECT INSTRUCTIONAL PROGRAMS	$ 13,252,553	$ 12,022,329	$ 396,800	$ 12,419,129
Media Center Program	373,744	352,688	34,035	386,723
Staff and Professional Development	70,522	-	-	26,823
TOTAL QBE FORMULA FUNDS	$ 13,696,819	$ 12,375,017	$ 430,835	$ 12,832,675

(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.

COMPLIANCE SECTION

MAULDIN & JENKINS

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

To the Superintendent and Members of
the City of Jefferson Board of Education
Jefferson, Georgia

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 the City of Jefferson Board of Education**,** as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Jefferson Board of Education's basic financial statements, and have issued our report thereon dated November 22, 2016. Our report includes a reference to a change in accounting principles resulting from the impementation of Governmental Accounting Standards Board Statement No. 65. *Items Previously Reported as Assets and Liabilities.*

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Mauldin & Jenkins, LLC

Atlanta, Georgia
November 22, 2016

MAULDIN & JENKINS

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

To the Superintendent and Members of
the City of Jefferson Board of Education
Jefferson, Georgia

Report on Compliance for Each Major Federal Program

We have audited the City of Jefferson Board of Education's, compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Jefferson Board of Education's major federal programs for the fiscal year ended June 30, 2014. The City of Jefferson Board of Education's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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



Atlanta, Georgia
November 22, 2016

CITY OF JEFFERSON BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2014

FUNDING AGENCY PROGRAM/GRANT		CFDA NUMBER	PASS-THROUGH ENTITY ID NUMBER	EXPENDITURES IN FISCAL YEAR	
Agriculture, U. S. Department of					
Child Nutrition Cluster					
Pass-Through From Georgia Department of Education					
Food Services					
School Breakfast Program	*	10.553	N/A	$ 120,948	
National School Lunch Program					
Cash Assistance	*	10.555	N/A	381,664	
Non-cash Assistance (Commodities)	*	10.555	N/A	68,940	(1)
Total Child Nutrition Cluster				$ 571,552	
Other Program					
Pass-Through From Cooperative Purchasing Agency					
Reimbursement for Damaged Food Commodities		N/A	N/A	-	(2)
Total U. S. Department of Agriculture				$ **571,552**	
Education, U. S. Department of					
Special Education Cluster					
Pass-Through From Georgia Department of Education					
Special Education					
Grants to States	*	84.027	N/A	375,101	
Preschool Grants	*	84.173	N/A	7,597	
Total Special Education Cluster				$ 382,698	
Other Programs					
Pass-Through From Georgia Department of Education					
ARRA - Race-to-the-Top Incentive Grants		84.395	N/A	14,250	
Career and Technical Education - Basic Grants to States		84.048	N/A	19,170	
English Language Acquisition Grants		84.365	N/A	10,506	
Improving Teacher Quality State Grants		84.367	N/A	47,024	
Title I Grants to Local Educational Agencies		84.010	N/A	251,596	
Total Other Programs				$ 342,546	
Total U. S. Department of Education				$ **725,244**	
Defense, U. S. Department of					
Direct					
Department of the Air Force					
R.O.T.C. Program		N/A		$ 71,026	
Total U. S. Department of Defense				$ **71,026**	
Total Expenditures of Federal Awards				$ **1,367,822**	

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 $68,940

(2) This program does require the reporting of expenditures

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

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

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the City of Jefferson 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.

CITY OF JEFFERSON BOARD OF EDUCATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

SECTION I
SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting: Material weaknesses identified?	____ yes __X__ no
Significant deficiencies identified?	____ yes __X__ none reported
Noncompliance material to financial statements noted?	____ yes __X__ no

Federal Awards

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

Identification of major program:

CFDA Number	Name of Federal Program or Cluster
10.553 and 10.555	Child Nutrition Cluster
84.027 and 84.173	Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$300,000
Auditee qualified as low-risk auditee?	____ yes __X__ no

CITY OF JEFFERSON BOARD OF EDUCATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

SECTION II
FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

None reported

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None reported

CITY OF JEFFERSON BOARD OF EDUCATION

SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

The prior year's report did not include any findings relative to Federal awards.