

# LAMAR COUNTY
# BOARD OF EDUCATION
## BARNESVILLE, GEORGIA

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

LAMAR COUNTY BOARD OF EDUCATION

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SECTION I

FINANCIAL

# DEPARTMENT OF AUDITS AND ACCOUNTS

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

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


June 25, 2014

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

INDEPENDENT AUDITOR'S REPORT

Ladies and Gentlemen:

## Report on the Financial Statements

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

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### *Opinions*

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

### *Emphasis of Matter*

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

### *Other Matters*

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual, as presented on pages i through ix and page 25 respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

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

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare

the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2014, on our consideration of the Lamar County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lamar County Board of Education's internal control over financial reporting and compliance.

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

Respectfully submitted,



Greg S. Griffin
State Auditor

GSG:as
2013ARL-11

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

## INTRODUCTION

The District's financial statements for the fiscal year ended June 30, 2013, includes a series of basic financial statements that report financial information for the District as a whole, its funds, and its fiduciary responsibilities. The Statement of Net Position and the Statement of Activities provide financial information about all of the District's activities and present both a short-term and long-term view of the District's finances on a global basis. The fund financial statements provide information about all of the District's funds. Information about these funds, such as the District's General Fund, is important in its own right, but will also give insight into the District's overall soundness as reported in the Statement of Net Position and the Statement of Activities.

## FINANCIAL HIGHLIGHTS

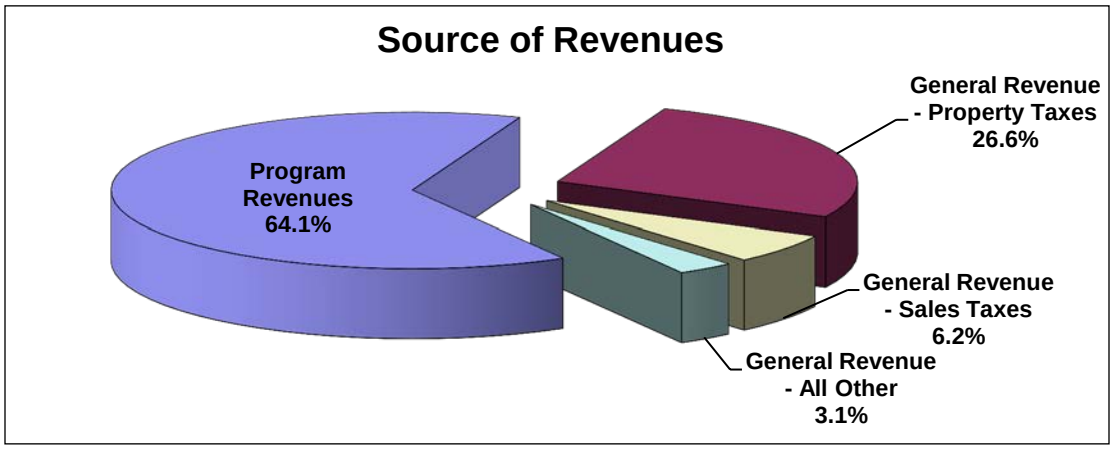
Key financial highlights for fiscal year 2013 are as follows:

On the District-wide financial statements:

- District-wide net position at June 30, 2013, was just over $30.5 million. Net position reflects the difference between all assets of the District (including capital assets, net of depreciation) and all liabilities, both short-term and long-term. The net position at June 30, 2013, of $30.5 million shows an increase of $1 million when compared to the prior year.

- The School District had nearly $26.2 million in expenses relating to governmental activities. In fiscal 2013, the District had just under $17.4 million program specific charges for services, grants and contributions and just over $9.7 million in general revenues (primarily property and sales taxes), which were adequate to provide for these programs.

- As stated above, general revenues accounted for over $9.7 million or almost 36% of all revenues totaling $27.1 million. Program specific revenues in the form of charges for services, grants, and contributions accounted for the balance of these revenues.



On the fund financial statements:

- Among major funds, the General Fund had almost $23.3 million in revenues and $24.3 million in expenditures. The General Fund balance of $6.4 million at June 30, 2013 decreased by roughly $1 million from the prior year.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The fund financial statements focus on individual parts of the School District, reporting the School District's operation in more detail. The 'Governmental Funds' statements disclose how basic services are financed in the short-term as well as what remains for future spending. The 'Fiduciary Funds' statements provide information about the financial relationships in which the School District acts solely as a trustee or agent for the benefit of others. In the case of the Lamar County School District, the General Fund, Capital Projects Funds, and Debt Service Funds are all considered to be major funds. The District has no nonmajor funds as defined by GASB Statement 34 for the purposes of this report.

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

## DISTRICT-WIDE STATEMENTS

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

These two statements report the School District's net position and any changes in that position. The change in net position is important because it tells the reader that, as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the results of many factors, including those not under the School District's control, such as the property tax base, facility conditions, required educational programs, student-teacher ratios, and other factors.

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

- Capitalize current outlays for capital assets
- Depreciate capital assets
- Report long-term debt as a liability
- Calculate revenue and expense using the economic resources measurement focus and the accrual basis of accounting
- Allocate net position as follows:

    - *Net Investment in Capital Assets*
    - *Restricted net position* are amounts with constraints placed on the use by external sources such as creditors, grantors, contributors or laws and regulations.
    - *Unrestricted net position* are amounts that do not meet any of the above restrictions.

## Fund Financial Statements

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

The District has two kinds of funds as discussed below:

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

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

## FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Net position, which is the difference between total assets and total liabilities, is one indicator of the financial condition of the District. When revenues exceed expenses, the result is an increase in net position. When expenses exceed revenues, the result is a decrease in net position. The relationship between revenues and expenses can be thought of as the District's operating results. The District's net position, as measured in the Statement of Net Position, can be one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position - as measured in the Statement of Activities - are one indicator of whether its financial health is

improving or deteriorating. However, the District's goal and mission is to provide success for each child's education, not to generate profits as private corporations do. For this reason, many other nonfinancial factors should be considered in assessing the overall health of the District.

In the case of the Lamar County School District, assets exceeded liabilities by just over $30.5 million at June 30, 2013. To better understand the District's actual financial position and ability to deliver services in future periods, it is necessary to review the various components of the net position category. For example, of the $30.5 million of net position, $1.1 million was restricted for continuation of Federal programs, sponsored programs, debt service and ongoing capital projects. Accordingly, these funds were not available to meet the District's ongoing obligations to citizens and creditors.

In addition, the District had $24.1 million (net of related debt) invested in capital assets (e.g., land, buildings, and equipment). The District uses these capital assets to provide educational services to students within geographic boundaries served by the District. Because of the very nature and on-going use of the assets being reported in this component of net position, it must be recognized that this portion of the net position is *not* available for future spending.

The remaining balance of *unrestricted net position* of over $5.2 million may be used to meet the District's ongoing obligations to citizens and creditors.

Table 1 provides a summary of the School District's net position for this fiscal year as compared to the fiscal year 2012.

**Table 1**
**Net Position**

| | Governmental Activities | |
|---|---|---|
| | Fiscal Year 2013 | Fiscal Year 2012 |
| **Assets** | | |
| Current and Other Assets | $ 11,923,832 | $ 13,426,399 |
| Capital Assets, Net | 35,705,288 | 33,732,448 |
| **Total Assets** | $ 47,629,120 | $ 47,158,847 |
| **Liabilities** | | |
| Current and Other Liabilities | $ 3,913,395 | $ 2,928,024 |
| Long-Term Liabilities | 13,196,909 | 14,663,647 |
| **Total Liabilities** | $ 17,110,304 | $ 17,591,671 |
| **Net Position** | | |
| Net Investment in Capital Assets | $ 24,139,245 | $ 21,442,114 |
| Restricted | 1,117,952 | 1,311,160 |
| Unrestricted | 5,261,619 | 6,813,902 |
| **Total Net Position** | $ 30,518,816 | $ 29,567,176 |

Table 2 also shows the changes in net position as compared to the prior fiscal year.

**Table 2**
**Change in Net Position**

| | Governmental Activities | |
|---|---|---|
| | Fiscal Year 2013 | Fiscal Year 2012 |
| **Revenues** | | |
| Program Revenues: | | |
| Charges for Services and Sales | $ 975,387 | $ 686,001 |
| Operating Grants and Contributions | 14,285,039 | 13,767,684 |
| Capital Grants and Contributions | 2,130,176 | 790,591 |
| Total Program Revenues | $ 17,390,602 | $ 15,244,276 |
| General Revenues: | | |
| Taxes | | |
| Property Taxes | $ 7,222,287 | $ 7,206,776 |
| Sales Taxes | 1,668,649 | 1,769,572 |
| Grants and Contributions not Restricted to Specific Programs | 305,643 | 318,907 |
| Investment Earnings | 14,369 | 19,573 |
| Miscellaneous | 508,221 | 833,005 |
| Gain on Disposal of Assets | | 16,090 |
| Total General Revenues | $ 9,719,169 | $ 10,163,923 |
| Total Revenues | $ 27,109,771 | $ 25,408,199 |
| **Program Expenses:** | | |
| Instruction | $ 15,386,147 | $ 15,145,370 |
| Support Services | | |
| Pupil Services | 1,698,727 | 1,344,273 |
| Improvement of Instructional Services | 693,996 | 742,283 |
| Educational Media Services | 475,978 | 472,553 |
| General Administration | 540,536 | 571,707 |
| School Administration | 1,346,274 | 1,308,504 |
| Business Administration | 242,101 | 231,336 |
| Maintenance and Operation of Plant | 1,900,915 | 1,787,004 |
| Student Transportation Services | 1,184,462 | 1,074,801 |
| Central Support Services | 218,019 | 203,241 |
| Other Support Services | 274,888 | 321,806 |
| Operations of Non-Instructional Services | | |
| Enterprise Operations | 57,597 | 37,642 |
| Food Services | 1,657,613 | 1,596,990 |
| Interest on Short-Term and Long-Term Debt | 480,878 | 462,495 |
| Total Expenses | $ 26,158,131 | $ 25,300,005 |
| Increase in Net Position | $ 951,640 | $ 108,194 |

## Cost of Providing Services

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

**Table 3**
**Governmental Activities**

| | Total Cost of Services | | Net Cost of Services | |
|---|---|---|---|---|
| | Fiscal Year 2013 | Fiscal Year 2012 | Fiscal Year 2013 | Fiscal Year 2012 |
| Instruction | $ 15,386,147 | $ 15,145,370 | $ 3,996,781 | $ 5,836,883 |
| Support Services: | | | | |
| Pupil Services | 1,698,727 | 1,344,273 | 1,103,523 | 855,133 |
| Improvement of Instructional Services | 693,996 | 742,283 | 368,895 | 487,356 |
| Educational Media Services | 475,978 | 472,553 | 119,268 | 157,734 |
| General Administration | 540,536 | 571,707 | -49,244 | 49,238 |
| School Administration | 1,346,274 | 1,308,504 | 571,681 | 601,877 |
| Business Administration | 242,101 | 231,336 | 222,743 | 210,763 |
| Maintenance and Operation of Plant | 1,900,915 | 1,787,004 | 995,940 | 537,902 |
| Student Transportation Services | 1,184,462 | 1,074,801 | 608,664 | 436,862 |
| Central Support Services | 218,019 | 203,241 | 190,811 | 175,937 |
| Other Support Services | 274,888 | 321,806 | 175,968 | 236,217 |
| Operations of Non-Instructional Services: | | | | |
| Enterprise Operations | 57,597 | 37,642 | 57,597 | 67,642 |
| Community Services | | | | -6,178 |
| Food Services | 1,657,613 | 1,596,990 | -75,976 | -1,643 |
| Interest on Short-Term and Long-Term Debt | 480,878 | 462,495 | 480,878 | 440,006 |
| Total Expenses | $ 26,158,131 | $ 25,300,005 | $ 8,767,529 | $ 10,085,729 |

Expenditures for fiscal year 2013 increased by about 3.4% from the prior year, while the net cost of services decreased about 12.8%. The decrease in the net of services is attributable mainly to an increase in program revenues in fiscal year 2013, as compared to the prior year, consisting mainly of an increase in State Funds of 15% as compared to fiscal year 2012. There was an increase in State Operating and Capital Outlay Funds of nearly $1.9 million for fiscal year 2013.

## FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

Information about the School District's governmental funds is presented starting on Exhibit "C" of this report. Governmental funds are accounted for using the modified accrual basis of accounting. The governmental funds had total revenues of $27.1 million and total expenditures of $29.6 million in fiscal year 2013. Total governmental fund balance of $7.9 million at June 30, 2013, decreased almost $2.5 million from the prior year primarily due to program expenses in the General Fund and capital outlay expenses incurred by the District.

## General Fund Budget Highlights

The School District's budget is prepared according to Georgia Law. The most significant budgeted fund is the General Fund. During the course of fiscal year 2013, the School District amended its general fund budget as needed.

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

For the General Fund, the final actual revenues of almost $23.3 million were over the final budgeted amount of $21.5 million by almost $1.8 million. This difference (final actual vs. final budget) was primarily attributable to revenues for property taxes over final budget of almost $157,000, State Fund revenues over final budget of almost $251,000, charges for services were over by almost $697,000, and revenues for miscellaneous income of just above $418,000 over final budget. Additionally, the District did not include revenues for school activity accounts (included in miscellaneous revenues) in the final budget. The District traditionally estimates revenue on a conservative basis to avoid shortfalls in actual revenues.

The General Fund's final actual expenditures of $24.3 million were more than the final budget amount of almost $23.7 million by roughly $670,000. This difference (final actual vs. final budget) was primarily attributable to expenditures for instruction over final budget of $69,000, and expenditures for pupil services over final budget of $544,000. As in prior years, the District did not include expenditures for school activity accounts (primarily included in instruction and pupil services) in the final budget.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At fiscal year ended June 30, 2013, the School District had $35.7 million invested in capital assets, net of accumulated depreciation, all in governmental activities. These assets are made up of a broad range of items including buildings; land; land improvements; and food service, transportation and maintenance equipment. Table 4 reflects a summary of these balances, net of accumulated depreciation, as compared to the prior fiscal year.

**Table 4**
**Capital Assets**

| | Governmental Activities | |
|---|---|---|
| | Fiscal Year 2013 | Fiscal Year 2012 |
| Land | $ 879,428 | $ 879,428 |
| Construction In Progress | 2,800,814 | |
| Land Improvements | 730,086 | 830,614 |
| Building and Improvements | 30,263,469 | 30,782,253 |
| Equipment | 1,031,491 | 1,240,153 |
| Total | $ 35,705,288 | $ 33,732,448 |

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

## Long-Term Debt

At June 30, 2013, the School District had almost $13.2 million in total debt outstanding which was consisted of over $12.8 million in bond debt, and $0.4 million in unamortized premiums on bonds sold. Table 5 summarizes the School District's debt as compared to the prior fiscal year.

**Table 5**
**Debt at June 30**

| | Governmental Activities | |
|---|---|---|
| | Fiscal Year 2013 | Fiscal Year 2012 |
| Bonds Payable | $ 12,816,818 | $ 14,199,091 |
| Unamortized Premiums on Bonds Sold | 380,091 | 464,556 |
| Total | $ 13,196,909 | $ 14,663,647 |

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

## FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District is financially stable. The School District's operating millage for fiscal year 2013 was 16.576, which produced approximately $444,000 per mill. The School District's student population has remained essentially flat over the last two years. The District will renovate or construct additional facilities on an as needed basis.

- The School District is financially challenged by the continuing economic slowdown being experienced in most parts of the Country. Combined revenues in fiscal year 2013 from property taxes and sales taxes actually decreased when compared to the prior year. The District is working hard to manage expenditures and avoid the necessity of a tax increase to the local citizenry.

- The School District is in excellent financial condition. The General Fund has an unassigned fund balance of almost $5.4 million at June 30, 2013. The Board anticipates significant financial challenges going forward due to the slow economy, higher health insurance costs for employees and stagnant or lower assessments of property values within the District. In spite of these challenges, the School District will continue to be a good steward of tax dollars while providing a quality educational opportunity.

## CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ms. Kristen Albritton, Director of Finance, Lamar County School District, 100 Victory Lane. Barnesville, Georgia 30204.

LAMAR COUNTY BOARD OF EDUCATION

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

EXHIBIT "A"

| | GOVERNMENTAL ACTIVITIES |
|---|---|
| ASSETS | |
| Cash and Cash Equivalents | $ 2,227,322.11 |
| Investments | 5,857,738.45 |
| Accounts Receivable, Net | |
| Interest | 436.78 |
| Taxes | 424,859.71 |
| State Government | 2,581,892.58 |
| Federal Government | 561,386.04 |
| Other | 67,585.60 |
| Deferred Charges - Bond Issuance Costs | 124,045.39 |
| Inventories | 57,823.58 |
| Prepaid Items | 20,741.58 |
| Capital Assets, Non-Depreciable | 3,680,242.34 |
| Capital Assets, Depreciable (Net of Accumulated Depreciation) | 32,025,046.00 |
| Total Assets | $ 47,629,120.16 |
| LIABILITIES | |
| Accounts Payable | $ 129,142.27 |
| Salaries and Benefits Payable | 2,579,743.83 |
| Interest Payable | 113,001.25 |
| Contracts Payable | 934,832.27 |
| Retainages Payable | 156,675.55 |
| Long-Term Liabilities | |
| Due Within One Year | 1,611,737.73 |
| Due in More Than One Year | 11,585,171.44 |
| Total Liabilities | $ 17,110,304.34 |
| NET POSITION | |
| Net Investment in Capital Assets | $ 24,139,244.84 |
| Restricted for | |
| Continuation of Federal Programs | 532,652.98 |
| Continuation of Other Sponsored Programs | 31,254.39 |
| Capital Projects | 345,546.35 |
| Debt Service | 208,498.10 |
| Unrestricted | 5,261,619.16 |
| Total Net Position | $ 30,518,815.82 |

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

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

| | EXPENSES | CHARGES FOR SERVICES |
|---|---|---|
| GOVERNMENTAL ACTIVITIES | | |
| Instruction | $ 15,386,146.79 | $ 476,408.87 |
| Support Services | | |
| Pupil Services | 1,698,727.20 | 205,135.96 |
| Improvement of Instructional Services | 693,996.24 | |
| Educational Media Services | 475,977.70 | |
| General Administration | 540,536.28 | |
| School Administration | 1,346,274.28 | |
| Business Administration | 242,100.62 | |
| Maintenance and Operation of Plant | 1,900,914.87 | 5,350.00 |
| Student Transportation Services | 1,184,461.51 | 9,104.75 |
| Central Support Services | 218,019.17 | |
| Other Support Services | 274,888.21 | 2,136.30 |
| Operations of Non-Instructional Services | | |
| Enterprise Operations | 57,596.84 | |
| Food Services | 1,657,613.16 | 277,251.43 |
| Interest on Short-Term and Long-Term Debt | 480,877.64 | |
| Total Governmental Activities | $ 26,158,130.51 | $ 975,387.31 |
| General Revenues | | |
| Taxes | | |
| Property Taxes | | |
| For Maintenance and Operations | | |
| Sales Taxes | | |
| Special Purpose Local Option Sales Tax | | |
| For Capital Projects/Debt Services | | |
| Other Sales Tax | | |
| Grants and Contributions not Restricted to Specific Programs | | |
| Investment Earnings | | |
| Miscellaneous | | |
| Total General Revenues | | |
| Change in Net Position | | |
| Net Position - Beginning of Year | | |
| Net Position - End of Year | | |

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

| PROGRAM REVENUES | | NET (EXPENSES) |
|---|---|---|
| OPERATING GRANTS AND CONTRIBUTIONS | CAPITAL GRANTS AND CONTRIBUTIONS | REVENUES AND CHANGES IN NET POSITION |
| $ 8,959,798.98 | $ 1,953,158.33 | $ -3,996,780.61 |
| 390,067.88 | | -1,103,523.36 |
| 325,100.77 | | -368,895.47 |
| 356,710.06 | | -119,267.64 |
| 589,780.28 | | 49,244.00 |
| 774,592.89 | | -571,681.39 |
| 19,358.09 | | -222,742.53 |
| 823,151.11 | 76,473.32 | -995,940.44 |
| 566,692.41 | | -608,664.35 |
| 27,207.89 | | -190,811.28 |
| 96,784.40 | | -175,967.51 |
| | | -57,596.84 |
| 1,355,793.91 | 100,544.30 | 75,976.48 |
| | | -480,877.64 |
| $ 14,285,038.67 | $ 2,130,175.95 | $ -8,767,528.58 |
| | | $ 7,222,286.96 |
| | | 1,606,789.40 |
| | | 61,859.60 |
| | | 305,643.00 |
| | | 14,368.59 |
| | | 508,221.01 |
| | | $ 9,719,168.56 |
| | | $ 951,639.98 |
| | | 29,567,175.84 |
| | | $ 30,518,815.82 |

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

EXHIBIT "C"

| | GENERAL FUND | DISTRICT-WIDE CAPITAL PROJECTS FUND | DEBT SERVICE FUND | TOTAL |
|---|---|---|---|---|
| ASSETS | | | | |
| Cash and Cash Equivalents | $ 2,892,967.43 | | $ 0.60 | $ 2,892,968.03 |
| Investments | 3,875,374.64 | $ 1,787,065.55 | 195,298.26 | 5,857,738.45 |
| Accounts Receivable, Net | | | | |
| Interest | 436.78 | | | 436.78 |
| Taxes | 298,659.22 | | 126,200.49 | 424,859.71 |
| State Government | 1,411,335.09 | 1,170,557.49 | | 2,581,892.58 |
| Federal Government | 561,386.04 | | | 561,386.04 |
| Other | 67,585.60 | | | 67,585.60 |
| Inventories | 57,823.58 | | | 57,823.58 |
| Prepaid Items | 20,741.58 | | | 20,741.58 |
| Total Assets | $ 9,186,309.96 | $ 2,957,623.04 | $ 321,499.35 | $ 12,465,432.35 |
| LIABILITIES AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Cash Overdraft | | $ 665,645.92 | $ 0.00 | $ 665,645.92 |
| Accounts Payable | $ 129,142.27 | | | 129,142.27 |
| Salaries and Benefits Payable | 2,579,743.83 | | | 2,579,743.83 |
| Contracts Payable | | 934,832.27 | | 934,832.27 |
| Retainages Payable | | 156,675.55 | | 156,675.55 |
| Deposits and Deferred Revenue | 82,382.38 | | | 82,382.38 |
| Total Liabilities | $ 2,791,268.48 | $ 1,757,153.74 | $ 0.00 | $ 4,548,422.22 |
| FUND BALANCES | | | | |
| Nonspendable | $ 78,565.16 | | | $ 78,565.16 |
| Restricted | 506,083.79 | $ 1,200,469.30 | $ 321,499.35 | 2,028,052.44 |
| Committed | 398,825.27 | | | 398,825.27 |
| Unassigned | 5,411,567.26 | | | 5,411,567.26 |
| Total Fund Balances | $ 6,395,041.48 | $ 1,200,469.30 | $ 321,499.35 | $ 7,917,010.13 |
| Total Liabilities and Fund Balances | $ 9,186,309.96 | $ 2,957,623.04 | $ 321,499.35 | $ 12,465,432.35 |

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

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

EXHIBIT "D"

| | | |
|---|---|---|
| Total Fund Balances - Governmental Funds (Exhibit "C") | | $ 7,917,010.13 |
| Amounts reported for Governmental Activities in the Statement of Net Position are different because: | | |
| Capital Assets used in Governmental Activities are not financial resources and therefore are not reported in the funds. These assets consist of: | | |
| Land | $ 879,428.00 | |
| Land Improvements | 1,700,407.00 | |
| Accumulated Depreciation - Land Improvements | -970,321.00 | |
| Buildings | 38,088,951.00 | |
| Accumulated Depreciation - Buildings | -7,825,482.00 | |
| Equipment | 3,584,126.00 | |
| Accumulated Depreciation - Equipment | -2,552,635.00 | |
| Construction in Progress | 2,800,814.34 | |
| Total Capital Assets | | 35,705,288.34 |
| Bond Issuance Costs are recorded as expenditures in the Funds when paid, but are amortized as expense in the Governmental Activities over the life of the Bond Issue. | | 124,045.39 |
| Some of the School Districts tax revenues will be collected after year-end but are not available soon enough to pay for the current periods expenditures. | | |
| Property Taxes | | 82,382.38 |
| Some Liabilities reported in the Governmental Activities do not require the use of current financial resources, and therefore are not reported as liabilities in the Governmental Fund Statements. | | |
| Accrued Interest on Long-Term Debt | | -113,001.25 |
| Long-Term Liabilities, including Bonds Payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-Term Liabilities at year-end consist of: | | |
| Unamortized Bond Premiums | $ -380,091.00 | |
| General Obligation Bonds Payable | -12,885,000.00 | |
| Deferred Gain on Refunding of Bonds | 68,181.83 | |
| Total Long-Term Liabilities | | -13,196,909.17 |
| Net Position of Governmental Activities (Exhibit "A") | | $ 30,518,815.82 |

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

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

EXHIBIT "E"

| | GENERAL FUND | DISTRICT-WIDE CAPITAL PROJECTS FUND | DEBT SERVICE FUND | TOTAL |
|---|---|---|---|---|
| REVENUES | | | | |
| Property Taxes | $ 7,227,739.05 | | | $ 7,227,739.05 |
| Sales Taxes | 61,859.60 | | $ 1,606,789.40 | 1,668,649.00 |
| State Funds | 11,166,832.57 | $ 2,130,175.95 | | 13,297,008.52 |
| Federal Funds | 3,423,849.10 | | | 3,423,849.10 |
| Charges for Services | 975,387.31 | | | 975,387.31 |
| Investment Earnings | 10,171.42 | 4,105.15 | 92.02 | 14,368.59 |
| Miscellaneous | 420,221.01 | | 88,000.00 | 508,221.01 |
| Total Revenues | $ 23,286,060.06 | $ 2,134,281.10 | $ 1,694,881.42 | $ 27,115,222.58 |
| EXPENDITURES | | | | |
| Current | | | | |
| Instruction | $ 14,553,784.37 | $ 10,455.54 | | $ 14,564,239.91 |
| Support Services | | | | |
| Pupil Services | 1,698,727.20 | | | 1,698,727.20 |
| Improvement of Instructional Services | 693,996.24 | | | 693,996.24 |
| Educational Media Services | 475,977.70 | | | 475,977.70 |
| General Administration | 540,536.28 | | | 540,536.28 |
| School Administration | 1,346,274.28 | | | 1,346,274.28 |
| Business Administration | 218,309.25 | 1,170.60 | | 219,479.85 |
| Maintenance and Operation of Plant | 1,640,705.20 | 221,559.67 | | 1,862,264.87 |
| Student Transportation Services | 1,014,447.57 | 4,318.94 | | 1,018,766.51 |
| Central Support Services | 218,019.17 | | | 218,019.17 |
| Other Support Services | 274,888.21 | | | 274,888.21 |
| Enterprise Operations | 57,596.84 | | | 57,596.84 |
| Food Services Operation | 1,606,793.16 | | | 1,606,793.16 |
| Capital Outlay | | 3,049,912.67 | | 3,049,912.67 |
| Debt Services | | | | |
| Principal | | | $ 1,405,000.00 | 1,405,000.00 |
| Interest | | | 557,138.50 | 557,138.50 |
| Total Expenditures | $ 24,340,055.47 | $ 3,287,417.42 | $ 1,962,138.50 | $ 29,589,611.39 |
| Net Change in Fund Balances | $ -1,053,995.41 | $ -1,153,136.32 | $ -267,257.08 | $ -2,474,388.81 |
| Fund Balances - Beginning | 7,449,036.89 | 2,353,605.62 | 588,756.43 | 10,391,398.94 |
| Fund Balances - Ending | $ 6,395,041.48 | $ 1,200,469.30 | $ 321,499.35 | $ 7,917,010.13 |

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

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

EXHIBIT "F"

| | | |
|---|---|---|
| Total Net Change in Fund Balances - Governmental Funds (Exhibit "E") | | $ -2,474,388.81 |
| Amounts reported for Governmental Activities in the Statement of Activities are different because: | | |
| Capital Outlays are reported as expenditures in Governmental Funds. However, in the Statement of Activities, the cost of Capital Assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are: | | |
| Capital Outlay | $ 3,049,912.34 | |
| Depreciation Expense - Buildings | -740,653.00 | |
| Depreciation Expense - Equipment | -235,890.55 | |
| Depreciation Expense - Land Improvements | -100,528.00 | |
| Total Capital Assets | | 1,972,840.79 |
| 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 Property Taxes | | |
| June 30, 2012 | $ -87,834.47 | |
| June 30, 2013 | 82,382.38 | |
| Total Deferred Revenue | | -5,452.09 |
| Bond Issuance Cost is recorded as an expenditure in the Governmental Funds when paid, but is amortized over the life of the Bond Issue in the Statement of Activities. | | |
| Bond Issuance Cost | | |
| June 30, 2012 | $ -146,666.16 | |
| June 30, 2013 | 124,045.39 | |
| Total Bond Issuance Cost | | -22,620.77 |
| Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in Governmental Funds. These activities consist of: | | |
| Accrued Interest Expense | | |
| June 30, 2012 | $ 127,524.38 | |
| June 30, 2013 | -113,001.25 | |
| Total Accrued Interest Expense | | 14,523.13 |
| Repayment of Long-Term Debt is reported as an expenditure in Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Position. In the current year, these amounts consist of: | | |
| Amortization of Bond Premiums | $ 84,465.00 | |
| Redemption of Bond Principal | 1,405,000.00 | |
| Amortization of Deferred Gain of Refunding Bond Series | -22,727.27 | |
| Total Long-Term Debt Repayments | | 1,466,737.73 |
| Change in Net Position of Governmental Activities (Exhibit "B") | | $ 951,639.98 |

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

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

EXHIBIT "G"

| | AGENCY FUNDS |
|---|---|
| ASSETS | |
| Cash and Cash Equivalents | $ 16,452.52 |
| LIABILITIES | |
| Funds Held for Others | $ 16,452.52 |

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

### BLENDED COMPONENT UNIT

The Lamar County College and Career Academy (Charter School) is responsible for the public education of all students attending its school. The Charter School was created through a contract between the School District and the Charter School whereby all State funding associated with the students attending the Charter School and certain specified local funds are turned over to the Charter School to cover the cost of its operations. The financial statements of the Charter School have been included within the School District's general fund.

## 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 Lamar County Board of Education.

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

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

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

**Fund Financial Statements:**
The fund financial statements provide information about the School District's funds, including fiduciary funds. Eliminations have been made to minimize the double counting of internal activities. Separate statements for each category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. The District had not funds that were required to be reported as non-major funds.

The School District reports the following major governmental funds:

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

- District-wide Capital Projects Fund accounts for and reports financial resources including Bond Proceeds and grants from Georgia State Financing and Investment Commission that are restricted, committed or assigned to the expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.
- Debt Service Fund accounts for and reports financial resources that are restricted, committed, or assigned including taxes (sales) legally restricted for the payment of general long-term principal and interest.

The School District reports the following fiduciary fund type:

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

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

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

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

## NEW ACCOUNTING PRONOUNCEMENTS

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

In fiscal year 2013, the School District adopted the Governmental Accounting Standards Board

(GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus - An Amendment of GASB Statements No. 14 and No. 34*. The provisions of this Statement modify certain requirements for inclusion of component units in the financial reporting entity. The effects of the adoption of this statement did not change the reporting of the School District's blended component unit, Lamar County College and Career Academy. There were no other applicable reporting changes for the School District.

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

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

## CASH AND CASH EQUIVALENTS

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

## INVESTMENTS

**Composition of Investments**
Investments made by the School District in nonparticipating interest-earning contracts (such as certificates of deposit) and repurchase agreements are reported at cost. Participating interest-earning contracts and money market investments with a maturity at purchase of one year or less are reported at amortized cost. Both participating interest-earning contracts and money market investments with a maturity at purchase greater than one year 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 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 Lamar County Board of Commissioners adopted the property tax levy for the 2012 tax digest year (calendar year) on August, 2, 2012 (levy date) based on property values as of January 1, 2012. Taxes were due on November 15, 2012 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2012 tax digest are reported as revenue in the governmental funds for fiscal year 2013. The Lamar County Tax Commissioner bills and collects the property taxes for the School District, withholds 2.5% of taxes collected as a fee for tax collection and remits the balance of taxes collected to the School District. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2013, for maintenance and operations amounted to $7,129,571.43.

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

| | |
|---|---|
| School Operations | 16.576 mills |

Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to $98,167.62 during fiscal year ended June 30, 2013.

## SALES TAXES

Education Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to $1,606,789.40 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years. The most recent authorization expires on December 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.

## PREPAID ITEMS

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

## CAPITAL ASSETS

Capital assets purchased, including capital outlay costs, are recorded as expenditures in the fund financial statements at the time of purchase (including ancillary charges). On the District-wide financial statements, all purchased capital assets are valued at cost where historical records are available and at estimated historical cost based on appraisals or deflated current replacement cost where no historical records exist. Donated capital assets are recorded at estimated fair market

value on the date donated. Disposals are deleted at depreciated recorded cost. The cost of normal maintenance and repairs that do not add to the value of assets or materially extend the useful lives of the assets is not capitalized. Depreciation is computed using the straight-line method. The School District does not capitalize book collections or works of art. During the fiscal year under review, no events or changes in circumstances affecting a capital asset that may indicate impairment were known to the School District.

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

| | Capitalization Policy | Estimated Useful Life |
|---|---|---|
| Land | All | N/A |
| Land Improvements | $ 5,000.00 | 10 to 60 Years |
| Buildings and Improvements | $ 5,000.00 | 20 to 60 Years |
| Equipment | $ 5,000.00 | 3 to 5 Years |
| Intangible Assets | $ 100,000.00 | Individually Determined |

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

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

## 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, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are reported as deferred charges and amortized over the term of the debt.

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

## NET POSITION

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

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

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

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

## FUND BALANCES

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

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

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

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

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

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

Fund Balances of the Governmental Funds at June 30, 2013, are as follows:

| | | |
|---|---|---|
| Nonspendable | | |
| Inventories | $ 57,823.58 | |
| Prepaid Items | 20,741.58 | $ 78,565.16 |
| Restricted | | |
| Continuation of Federal Programs | $ 474,829.40 | |
| Continuation of Other Sponsored Programs | 31,254.39 | |
| Capital Projects | 1,200,469.30 | |
| Debt Service | 321,499.35 | 2,028,052.44 |
| Committed | | |
| School Activity Accounts | | 398,825.27 |
| Unassigned | | 5,411,567.26 |
| Fund Balance, June 30, 2012 | | $ 7,917,010.13 |

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

## USE OF ESTIMATES

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

## NOTE 3: BUDGETARY DATA

The budget is a complete financial plan for the School District's fiscal year, and is based upon careful estimates of expenditures together with probable funding sources. The budget is legally adopted each year for the general fund. There is no statutory prohibition regarding over expenditure of the budget at any level. The budget for all governmental funds, except the various school activity (Principal) accounts and certain Federal and Sponsored Programs, is prepared and adopted by fund and function. The legal level of budgetary control was established by the Board at the aggregate fund and function level. The School District's formal budget for the General Fund was prepared in accordance with accounting principles permitted by the State of Georgia, but not 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. At the next regularly scheduled meeting of the Board after advertisement, the Board receives comments on the tentative budget, makes revisions as necessary and adopts a final budget. The approved budget is then submitted, in accordance with provisions of Official Code of Georgia Annotated section 20-2-167(c), to the Georgia Department of Education. The Board may increase or decrease the budget at any time during the year. All unexpended budget authority lapses at fiscal year-end.

The Board is authorized to approve adjustments of the amount budgeted for expenditures in any budget function. Under no circumstances is the Superintendent or other staff person authorized to spend funds that exceed the total budget without approval by the Board.

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

### BUDGETARY/GAAP BASIS RECONCILIATION

In the General Fund, accounting principles used in developing budgets on a budgetary basis differ from those used in preparing financial statements in conformity with generally accepted accounting principles (GAAP).

The primary differences between the budget basis and GAAP basis are:

1. Revenues and expenditures of School Principals' accounts and certain Federal and Sponsored Programs are omitted from the Budget.
2. Payments made by the State of Georgia for school district employee benefits are recognized as revenues and expenditures under GAAP but are not recognized on the budget basis.

Thus, there is an accounting basis difference between the budget and actual Statement of Revenues, Expenditures and Changes in Fund Balances in the General Fund that is reconciled as follows:

| | | |
|---|---|---|
| Actual Revenues, GAAP Basis | | $ 23,286,060.06 |
| Revenues from School Principals Accounts and certain Federal and Sponsored Programs | $ -1,079,168.19 | |
| On-Behalf Benefit Contribution | -75,213.05 | -1,154,381.24 |
| Actual Revenues, Budgetary Basis | | $ 22,131,678.82 |
| Actual Expenditures, GAAP Basis | | $ 24,340,055.47 |
| Expenditures from School Principals Accounts and certain Federal and Sponsored Programs | $ -1,092,867.87 | |
| On-Behalf Benefits Expenditure | -75,213.05 | -1,168,080.92 |
| Actual Expenditures, Budgetary Basis | | $ 23,171,974.55 |
| Revenues Over Expenditures and Other Financing Sources (Uses), Budgetary Basis | | $ -1,040,295.73 |
| Revenues Over Expenditures and Other Financing Sources (Uses), GAAP Basis | | $ -1,053,995.41 |

## 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, 2013, the bank balances were $3,495,229.58. The bank balances were entirely covered by Federal depository insurance or collateralized with securities held by the pledging financial institution or agent in the School District's name.

## CATEGORIZATION OF INVESTMENTS

The School District's investments as of June 30, 2013, consisted of $623,898.22 invested in Certificates of Deposit, $3,251,476.42 invested in Georgia Fund 1, and $1,982,363.81 invested in Fifth Third Institutional Money Market Fund (KGIXX). The investments categorized below do not include Certificates of Deposit as those amounts are included in the categorization of deposits previously disclosed. The remaining investments are presented below by investment type.

| | | Fair Value |
|---|---|---|
| Other Investments | | |
| Fifth Third Institutional Government Money Market Fund | $ | 1,982,363.81 |
| Investment Pools | | |
| Office of the State Treasurer | | |
| Georgia Fund 1 | | 3,251,476.42 |
| Total Investments | $ | 5,233,840.23 |

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

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

The Fifth Third Institutional Government Money Market Fund (KGIXX) is an Institutional Portfolio Fund managed by Fifth Third Asset Management Inc. The fund seeks current income stability of principal and invests primarily in short-term U.S. Government securities. The average weighted maturity of the fund's investments was about 50 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.

**Concentration of Credit Risk**
Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The School District does not have a formal policy for managing concentration of credit risk. More than 5% of the School District's investments are in Fifth Third Institutional Government Money Market Fund. This investment is 38% of the School District's total investments.

## NOTE 5: NON-MONETARY TRANSACTIONS

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

## NOTE 6: CAPITAL ASSETS

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

| | Balances July 1, 2012 | Increases | Decreases | Balances June 30, 2013 |
|---|---|---|---|---|
| Governmental Activities | | | | |
| Capital Assets, Not Being Depreciated: | | | | |
| Land | $ 879,428.00 | | $ 0.00 | $ 879,428.00 |
| Construction in Progress | 0.00 | $ 2,800,814.34 | | 2,800,814.34 |
| Total Capital Assets Not Being Depreciated | $ 879,428.00 | $ 2,800,814.34 | $ 0.00 | $ 3,680,242.34 |
| Capital Assets Being Depreciated | | | | |
| Buildings and Improvements | $ 37,867,082.00 | $ 221,869.00 | | $ 38,088,951.00 |
| Equipment | 3,594,880.00 | 27,229.00 | $ 37,983.00 | 3,584,126.00 |
| Land Improvements | 1,700,407.00 | | | 1,700,407.00 |
| Less Accumulated Depreciation for: | | | | |
| Buildings and Improvements | 7,084,829.00 | 740,653.00 | | 7,825,482.00 |
| Equipment | 2,354,727.45 | 235,890.55 | 37,983.00 | 2,552,635.00 |
| Land Improvements | 869,793.00 | 100,528.00 | | 970,321.00 |
| Total Capital Assets, Being Depreciated, Net | $ 32,853,019.55 | $ -827,973.55 | $ 0.00 | $ 32,025,046.00 |
| Governmental Activity Capital Assets - Net | $ 33,732,447.55 | $ 1,972,840.79 | $ 0.00 | $ 35,705,288.34 |

Current year depreciation expense by function is as follows:

| | | |
|---|---|---|
| Instruction | | $ 821,906.55 |
| Support Services | | |
| Maintenance and Operation of Plant | $ 38,650.00 | |
| Student Transportation Services | 165,695.00 | 204,345.00 |
| Food Services | | 50,820.00 |
| | | $ 1,077,071.55 |

## 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; acts of God and unemployment compensation.

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

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

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

| | Beginning of Year Liability | Claims and Changes in Estimates | Claims Paid | End of Year Liability |
|---|---|---|---|---|
| 2012 | $ 0.00 | $ 17,432.76 | $ 17,432.76 | $ 0.00 |
| 2013 | $ 0.00 | $ 1,266.00 | $ 1,266.00 | $ 0.00 |

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

| Position Covered | Amount |
|---|---|
| Superintendent | $ 25,000.00 |
| All Other Employees | $ 100,000.00 |

## NOTE 8: LONG-TERM DEBT

### GENERAL OBLIGATION DEBT OUTSTANDING

General Obligation Bonds currently outstanding are as follows:

| Purpose | Interest Rates | Amount |
|---|---|---|
| General Government - Refunding Series 2005 | 3.33% | $ 1,410,000.00 |
| General Government - QZAB Series 2007 | 0.00% | 2,000,000.00 |
| General Government - Series 2008 | 3.00% - 5.00% | 2,000,000.00 |
| General Government - QZAB Series 2011 | 4.40% | 7,475,000.00 |
| | | $ 12,885,000.00 |

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

| | Governmental Activities | | | | |
|---|---|---|---|---|---|
| | Balance July 1, 2012 | Additions | Deductions | Balance June 30, 2013 | Due Within One Year |
| G. O. Bonds | $ 14,290,000.00 | $ 0.00 | $ 1,405,000.00 | $ 12,885,000.00 | $ 1,550,000.00 |
| Less: Deferred Amounts | | | | | |
| Gain On Refunding Series | 90,909.10 | | 22,727.27 | 68,181.83 | 22,727.27 |
| Total G. O. Bonds | $ 14,199,090.90 | $ 0.00 | $ 1,382,272.73 | $ 12,816,818.17 | $ 1,527,272.73 |
| Bond Premiums Amortized | 464,556.00 | | 84,465.00 | 380,091.00 | 84,465.00 |
| | $ 14,663,646.90 | $ 0.00 | $ 1,466,737.73 | $ 13,196,909.17 | $ 1,611,737.73 |

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

| | General Obligation Debt | | Unamortized |
|---|---|---|---|
| | Principal | Interest | Bond Premium |
| Fiscal Year Ended June 30: | | | |
| 2014 | $ 1,550,000.00 | $ 508,703.00 | $ 84,465.00 |
| 2015 | 1,615,000.00 | 438,718.00 | 84,465.00 |
| 2016 | 1,775,000.00 | 365,817.00 | 84,465.00 |
| 2017 | 1,925,000.00 | 285,280.00 | 84,465.00 |
| 2018 | 2,020,000.00 | 189,000.00 | 42,231.00 |
| 2019 - 2023 | 4,000,000.00 | 440,000.00 | |
| Total Principal and Interest | $ 12,885,000.00 | $ 2,227,518.00 | $ 380,091.00 |

## NOTE 9: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of $1,565,385.05 for health insurance and retirement contributions paid on the School District's behalf by the following State Agencies.

Georgia Department of Education
Paid to the Georgia Department of Community Health
For Health Insurance of Certificated Personnel
In the amount of $1,490,172.00

Paid to the Teachers' Retirement System of Georgia
For Teachers' Retirement System (TRS) Employer's Cost
In the amount of $21,780.05

Office of the State Treasurer
Paid to the Public School Employees' Retirement System
For Public School Employees' Retirement (PSERS) Employer's Cost
In the amount of $53,433.00

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

## NOTE 10: SIGNIFICANT COMMITMENTS

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

| Project | Unearned Executed Contracts | Funding Available From State |
|---|---|---|
| CTAE Addition and Renovation Project | $ 817,349.54 | $ 369,824.05 |

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, 2013, the State provides a premium subsidy in retirement that ranges from 0% for fewer than 10 years of service to 75% (but no greater than the subsidy percentage offered to active employees) for 30 or more years of service. The subsidy for eligible dependents ranges from 0% to 55% (but no greater than the subsidy percentage offered to dependents of active employees minus 20%). No subsidy is available to Medicare eligible members not enrolled in a Medicare Advantage Option. The Board of Community Health sets all member premiums by resolution and in accordance with the law and applicable revenue and expense projections. Any subsidy policy adopted by the Board may be changed at any time by Board resolution and does not constitute a contract or promise of any amount of subsidy.

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

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

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

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

**For non-certificated school personnel:**

| | |
|---|---|
| July 2012 - June 2013 | $446.20 per member per month |

No additional contribution was required by the Board for fiscal year 2013 nor contributed to the School OPEB Fund to prefund retiree benefits. Such additional contribution amounts are determined annually by the Board in accordance with the School plan for other post-employment benefits and are subject to appropriation.

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

| Fiscal Year | Percentage Contributed | Required Contribution |
|---|---|---|
| 2013 | 100% | $ 2,489,780.66 |
| 2012 | 100% | $ 2,267,283.40 |
| 2011 | 100% | $ 2,045,556.91 |

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

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

| Fiscal Year | Percentage Contributed | | Required Contribution |
|---|---|---|---|
| 2013 | 100% | $ | 1,477,571.86 |
| 2012 | 100% | $ | 1,312,191.13 |
| 2011 | 100% | $ | 1,266,864.53 |

## PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS)

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

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

SCHEDULE "1"

| | NONAPPROPRIATED BUDGETS | | ACTUAL | VARIANCE |
|---|---|---|---|---|
| | ORIGINAL (1) | FINAL (1) | AMOUNTS | OVER/UNDER |
| REVENUES | | | | |
| Property Taxes | $ 7,071,000.00 | $ 7,071,000.00 | $ 7,227,739.05 | $ 156,739.05 |
| Sales Taxes | | | 61,859.60 | 61,859.60 |
| State Funds | 10,955,003.24 | 10,916,209.24 | 11,166,832.57 | 250,623.33 |
| Federal Funds | 1,249,988.25 | 3,230,307.25 | 3,423,849.10 | 193,541.85 |
| Charges for Services | 278,394.41 | 278,394.41 | 975,387.31 | 696,992.90 |
| Investment Earnings | 25,789.33 | 25,789.33 | 10,171.42 | -15,617.91 |
| Miscellaneous | 2,005.44 | 2,005.44 | 420,221.01 | 418,215.57 |
| Total Revenues | $ 19,582,180.67 | $ 21,523,705.67 | $ 23,286,060.06 | $ 1,762,354.39 |
| EXPENDITURES | | | | |
| Current | | | | |
| Instruction | $ 13,286,768.62 | $ 14,484,453.20 | $ 14,553,784.37 | $ -69,331.17 |
| Support Services | | | | |
| Pupil Services | 850,553.16 | 1,154,488.90 | 1,698,727.20 | -544,238.30 |
| Improvement of Instructional Services | 274,910.69 | 776,401.39 | 693,996.24 | 82,405.15 |
| Educational Media Services | 463,979.75 | 475,479.75 | 475,977.70 | -497.95 |
| General Administration | 494,946.82 | 509,674.57 | 540,536.28 | -30,861.71 |
| School Administration | 1,274,509.40 | 1,275,791.90 | 1,346,274.28 | -70,482.38 |
| Business Administration | 225,669.27 | 225,669.27 | 218,309.25 | 7,360.02 |
| Maintenance and Operation of Plant | 1,737,531.58 | 1,736,249.08 | 1,640,705.20 | 95,543.88 |
| Student Transportation Services | 940,878.00 | 1,050,387.16 | 1,014,447.57 | 35,939.59 |
| Central Support Services | 193,414.20 | 216,975.76 | 218,019.17 | -1,043.41 |
| Other Support Services | 153,401.92 | 244,750.92 | 274,888.21 | -30,137.29 |
| Enterprise Operations | | | 57,596.84 | -57,596.84 |
| Food Services Operation | 1,518,183.76 | 1,518,183.76 | 1,606,793.16 | -88,609.40 |
| Total Expenditures | $ 21,414,747.17 | $ 23,668,505.66 | $ 24,340,055.47 | $ -671,549.81 |
| Excess of Revenues over (under) Expenditures | $ -1,832,566.50 | $ -2,144,799.99 | $ -1,053,995.41 | $ 1,090,804.58 |
| OTHER FINANCING SOURCES | | | | |
| Other Financing Sources | | 55,000.00 | | -55,000.00 |
| Net Change in Fund Balances | $ -1,832,566.50 | $ -2,089,799.99 | $ -1,053,995.41 | $ 1,035,804.58 |
| Fund Balances - Beginning | 7,314,004.51 | 7,314,004.51 | 7,449,036.89 | 135,032.38 |
| Adjustments | -2,150.02 | 136,312.68 | | -136,312.68 |
| Fund Balances - Ending | $ 5,479,287.99 | $ 5,360,517.20 | $ 6,395,041.48 | $ 1,034,524.28 |

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

(1) Original and Final Budget amounts do not include the budgeted revenues or expenditures of various programs reported as a part of the General Fund. The actual revenues and expenditures of these programs were as follows:

| | Revenues | Expenditures. | |
|---|---|---|---|
| USDA Fresh Fruits and Vegetables | $ 0.00 | $ 60,801.52 | Note: Revenues of this program were |
| ROTC Program | 62,650.32 | 41,358.58 | not budgeted. |
| ESSC Federal Grant | 15,342.38 | 15,442.38 | |
| School Principals Accounts | 964,064.96 | 952,225.30 | |
| Public Relations | 21,286.23 | 18,650.87 | |
| Fund Raising | 13,424.30 | 2,034.50 | |
| Community Foundation | 1,700.00 | 1,245.42 | |
| SNP Services | 700.00 | 1,109.30 | |
| | $ 1,079,168.19 | $ 1,092,867.87 | |

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

See notes to the basic financial statements.

| FUNDING AGENCY<br>PROGRAM/GRANT | | CFDA NUMBER | PASS-THROUGH ENTITY ID NUMBER | EXPENDITURES IN PERIOD | |
|---|---|---|---|---|---|
| Agriculture, U. S. Department of | | | | | |
| Child Nutrition Cluster | | | | | |
| Pass-Through From Georgia Department of Education | | | | | |
| Food Services | | | | | |
| School Breakfast Program | * | 10.553 | N/A | (2) | |
| National School Lunch Program | * | 10.555 | N/A | $ 1,481,060.42 | (1) |
| Total Child Nutrition Cluster | | | | $ 1,481,060.42 | |
| Other Programs | | | | | |
| Pass-Through From Georgia Department of Education | | | | | |
| Food Services | | | | | |
| Fresh Fruit and Vegetable Program | | 10.582 | N/A | 60,801.52 | |
| Total U. S. Department of Agriculture | | | | $ 1,541,861.94 | |
| Education, U. S. Department of | | | | | |
| Educational Technology State Grants Cluster | | | | | |
| Pass-Through From Georgia Department of Education | | | | | |
| Education Technology State Grants | | 84.318 | N/A | $ 1,641.00 | |
| Special Education Cluster | | | | | |
| Pass-Through From Georgia Department of Education | | | | | |
| Special Education | | | | | |
| Grants to States | * | 84.027 | N/A | $ 492,128.70 | |
| Preschool Grants | * | 84.173 | N/A | 13,458.32 | |
| Total Special Education Cluster | | | | $ 505,587.02 | |
| Title I, Part A Cluster | | | | | |
| Pass-Through From Georgia Department of Education | | | | | |
| Title I Grants to Local Educational Agencies | | 84.010 | N/A | $ 839,065.19 | |
| Other Programs | | | | | |
| Direct | | | | | |
| Fund for the Improvement of Education | | 84.215 | | $ 183,331.54 | |
| Pass-Through From Georgia Department of Education | | | | | |
| Career and Technical Education - Basic Grants to States | | 84.048 | N/A | 35,235.93 | |
| Education Jobs Fund | | 84.410 | N/A | 965.00 | |
| English Language Acquisition State Grants | | 84.365 | N/A | 1,510.00 | |
| Improving Teacher Quality State Grants | | 84.367 | N/A | 137,021.40 | |
| Twenty-First Century Community Learning Centers | * | 84.287 | N/A | 339,288.24 | |
| Total Other Programs | | | | $ 697,352.11 | |
| Total U. S. Department of Education | | | | $ 2,043,645.32 | |
| Health and Human Services, U. S. Department of | | | | | |
| Child Care and Development Fund Cluster | | | | | |
| Pass-Through From Bright From the Start: | | | | | |
| Georgia Department of Early Care and Learning | | | | | |
| ARRA - Child Care and Development Block Grant | | 93.575 | N/A | $ 2,494.75 | |
| Defense, U. S. Department of | | | | | |
| Direct | | | | | |
| Department of the Army | | | | | |
| R.O.T.C. Program | | | | 62,650.32 | |
| Total Expenditures of Federal Awards | | | | $ 3,650,652.33 | |

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 $126,994.32.
(2) Expenditures for the funds earned on the School Breakfast Program ($288,893.94) were not maintained separately and are included in the 2013 National School Lunch Program.

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

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

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

See notes to the basic financial statements.

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

SCHEDULE "3"

| AGENCY/FUNDING | GOVERNMENTAL FUND TYPES GENERAL FUND | CAPITAL PROJECTS FUND | TOTAL |
|---|---|---|---|
| GRANTS | | | |
| Bright From the Start: | | | |
| Georgia Department of Early Care and Learning | | | |
| Pre-Kindergarten Program | $ 360,664.63 | | $ 360,664.63 |
| Education, Georgia Department of | | | |
| Quality Basic Education (1) | | | |
| Direct Instructional Cost | | | |
| Kindergarten Program | 782,223.00 | | 782,223.00 |
| Kindergarten Program - Early Intervention Program | 150,747.00 | | 150,747.00 |
| Primary Grades (1-3) Program | 1,719,684.00 | | 1,719,684.00 |
| Primary Grades - Early Intervention (1-3) Program | 506,173.00 | | 506,173.00 |
| Upper Elementary Grades (4-5) Program | 843,291.00 | | 843,291.00 |
| Upper Elementary Grades - Early Intervention (4-5) Program | 174,046.00 | | 174,046.00 |
| Middle School (6-8) Program | 1,473,430.00 | | 1,473,430.00 |
| High School General Education (9-12) Program | 1,190,783.00 | | 1,190,783.00 |
| Vocational Laboratory (9-12) Program | 348,020.00 | | 348,020.00 |
| Students with Disabilities | 1,523,488.00 | | 1,523,488.00 |
| Gifted Student - Category VI | 388,375.00 | | 388,375.00 |
| Remedial Education Program | 271,431.00 | | 271,431.00 |
| Alternative Education Program | 109,206.00 | | 109,206.00 |
| English Speakers of Other Languages (ESOL) | 16,843.00 | | 16,843.00 |
| Media Center Program | 266,167.00 | | 266,167.00 |
| 20 Days Additional Instruction | 81,343.00 | | 81,343.00 |
| Staff and Professional Development | 50,571.00 | | 50,571.00 |
| Indirect Cost | | | |
| Central Administration | 429,939.00 | | 429,939.00 |
| School Administration | 549,323.00 | | 549,323.00 |
| Facility Maintenance and Operations | 623,452.00 | | 623,452.00 |
| Amended Formula Adjustment | -1,655,619.00 | | -1,655,619.00 |
| Categorical Grants | | | |
| Pupil Transportation | | | |
| Regular | 425,595.00 | | 425,595.00 |
| Nursing Services | 54,046.00 | | 54,046.00 |
| Vocational Supervisors | 6,849.40 | | 6,849.40 |
| Education Equalization Funding Grant | 305,643.00 | | 305,643.00 |
| Other State Programs | | | |
| Food Services | 39,920.00 | | 39,920.00 |
| Math and Science Supplements | 23,558.94 | | 23,558.94 |
| Move on When Ready Grant | 400.00 | | 400.00 |
| Preschool Handicapped Program | 16,506.55 | | 16,506.55 |
| Teachers' Retirement | 21,780.05 | | 21,780.05 |
| Vocational Education | 15,520.00 | | 15,520.00 |
| Georgia State Financing and Investment Commission | | | |
| Reimbursement on Construction Projects | | 2,130,175.95 | 2,130,175.95 |
| Office of the State Treasurer | | | |
| Public School Employees' Retirement | 53,433.00 | | 53,433.00 |
| | $ 11,166,832.57 | $ 2,130,175.95 | $ 13,297,008.52 |

(1) The Quality Basic Education Formula Grants shown above include on-behalf payments of $1,490,172.00 from the Department of Education to the Department of Community Health for health insurance for School District employees.

See notes to the basic financial statements.

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

SCHEDULE "4"

| PROJECT | ORIGINAL ESTIMATED COST (1) | CURRENT ESTIMATED COSTS (2) | AMOUNT EXPENDED IN CURRENT YEAR (3) | AMOUNT EXPENDED IN PRIOR YEARS (3) | TOTAL COMPLETION COST | PROCEEDS NOT EXPENDED | ESTIMATED COMPLETION DATE |
|---|---|---|---|---|---|---|---|
| Acquisitions, construction, equipping and furnishing of a new elementary school and additions; renovations and improvements at existing schools and facilities including the acquisition of any property necessary or desirable therefore. | $ 5,056,070.00 | $ 11,107,240.46 | | $ 11,107,240.46 | $ 11,107,240.46 | $ 0.00 | Completed |
| Payment of a portion of the principal and Interest on Lamar County School District's General Obligation School Bonds, Series 2008, to repay a portion of the previously incurred general obligation debt and to pay a portion of the costs of capital outlay projects described below not paid for with the proceeds from the general obligation bonds. | 14,000,000.00 | 14,000,000.00 | $ 1,874,138.50 | 7,434,693.84 | | | 4/1/2018 |
| Renovating, improving, construction and equipping new and existing athletic facilities including the football stadium and track facility; acquiring, constructing and equipping a new school auditorium, renovating, repairing, improving, adding to (or making additions to) and equipping the existing Lamar County Comprehensive High School gymnasiums; system-wide technology upgrades, and safety and security equipment; the acquisition of any property, both real and personal, and equipment necessary in connection with the above described capital outlay projects, together with school buses, maintenance vehicles and equipment, computers and related technology, band instruments, vocational equipment, athletic and physical education equipment, textbooks, renovations to the Board of Education offices and costs of issuance of the Bonds including capitalized interest. | 10,000,000.00 | 13,088,631.62 | 98,566.48 | 12,990,065.14 | | | 6/30/2014 |
| To pay the costs of funding renovations and improvements to the Lamar County College and Career Academy, renovation and improvements to existing school buildings, maintenance facilities and the central office: acquiring school buses, transportation vehicles and equipment and maintenance vehicles, acquiring property and equipment necessary in conjunction with the above described capital outlay projects, including computers, system-wide technology upgrades, athletic facilities, physical education equipment, textbooks, furnishing, band instruments, vocation equipment, safety and security equipment. | 11,000,000.00 | 11,000,000.00 | 2,977,161.54 | 127,389.81 | | | 6/30/2014 |
| | $ 40,056,070.00 | $ 49,195,872.08 | $ 4,949,866.52 | $ 31,659,389.25 | $ 11,107,240.46 | $ 0.00 | |

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

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

(3) The voters of Lamar County approved the imposition of a 1% sales tax to fund the above projects may include projects and retire associated debt. Amounts expended for these sales tax proceeds, state, local property taxes and/or other funds over the life of the projects.

See notes to the basic financial statements.

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

SCHEDULE "5"

| DESCRIPTION | ALLOTMENTS FROM GEORGIA DEPARTMENT OF EDUCATION (1) (2) (3) | ELIGIBLE QBE PROGRAM COSTS SALARIES | OPERATIONS | TOTAL |
|---|---|---|---|---|
| Direct Instructional Programs | | | | |
| Kindergarten Program | $ 936,023.00 | $ 807,093.46 | $ 9,836.24 | $ 816,929.70 |
| Kindergarten Program-Early Intervention Program | 180,548.00 | 189,302.96 | 805.86 | 190,108.82 |
| Primary Grades (1-3) Program | 2,028,194.00 | 2,274,628.32 | 21,883.00 | 2,296,511.32 |
| Primary Grades-Early Intervention (1-3) Program | 613,322.00 | 130,160.61 | 1,569.88 | 131,730.49 |
| Upper Elementary Grades (4-5) Program | 1,016,017.00 | 1,308,391.87 | 11,944.53 | 1,320,336.40 |
| Upper Elementary Grades-Early Intervention (4-5) Program | 220,760.00 | 78,939.23 | 1,492.96 | 80,432.19 |
| Middle School (6-8) Program | 1,753,705.00 | 1,958,461.19 | 23,969.20 | 1,982,430.39 |
| High School General Education (9-12) Program | 1,443,165.00 | 2,391,384.67 | 94,985.71 | 2,486,370.38 |
| Vocational Laboratory (9-12) Program | 417,280.00 | 461,027.70 | 97,604.75 | 558,632.45 |
| Students with Disabilities | 1,826,170.00 | | | |
| Category III | | 1,716,941.45 | 62,475.87 | 1,779,417.32 |
| Gifted Student - Category VI | 441,810.00 | 164,977.80 | 3,426.98 | 168,404.78 |
| Remedial Education Program | 321,451.00 | | 1,300.00 | 1,300.00 |
| Alternative Education Program | 131,551.00 | 222,981.76 | 53,036.84 | 276,018.60 |
| English Speakers of Other Languages (ESOL) | 18,642.00 | | | |
| TOTAL DIRECT INSTRUCTIONAL PROGRAMS | $ 11,348,638.00 | $ 11,704,291.02 | $ 384,331.82 | $ 12,088,622.84 |
| Media Center Program | 317,189.00 | 430,093.82 | 33,682.27 | 463,776.09 |
| Staff and Professional Development | 60,575.00 | 2,142.30 | 4,048.00 | 6,190.30 |
| TOTAL QBE FORMULA FUNDS | $ 11,726,402.00 | $ 12,136,527.14 | $ 422,062.09 | $ 12,558,589.23 |

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

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

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

See notes to the basic financial statements.

SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS

# DEPARTMENT OF AUDITS AND ACCOUNTS

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

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


June 25, 2014

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

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

Ladies and Gentlemen:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lamar County Board of Education as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Lamar County Board of Education's basic financial statements and have issued our report thereon dated June 25, 2014.

## Internal Control Over Financial Reporting

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

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

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

## Compliance and Other Matters

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

We noted certain matters that we have reported to management of Lamar County Board of Education in a separate letter dated June 25, 2014.

## Purpose of this Report

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

Respectfully submitted,



Greg S. Griffin
State Auditor

GSG:as
2013YB-10

# DEPARTMENT OF AUDITS AND ACCOUNTS

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

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


June 25, 2014

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

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

Ladies and Gentlemen:

## Report on Compliance for Each Major Federal Program

We have audited Lamar County Board of Education's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2013. Lamar County Board of Education's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

### *Management's Responsibility*

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

### *Auditor's Responsibility*

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

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

*Opinion on Each Major Federal Program*

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

Report on Internal Control over Compliance

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

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

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

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

Respectfully submitted,

Greg S. Griffin
State Auditor

GSG:as
2013SA-10

SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

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

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

| FINDING CONTROL NUMBER | AUDITEE'S RESPONSE/STATUS | SEE AUDITOR'S COMMENTS |
|---|---|---|
| FS-6851-11-01 | Further Action Not Warranted | (1) |
| FS-6851-12-01 | Further Action Not Warranted | (1) |

AUDITOR'S COMMENTS

(1) Findings/internal control deficiencies of this nature, that are not deemed significant deficiencies or material weaknesses and do not require reporting in the audit report in accordance with *Statements on Auditing Standards* (SAS) 122 or *Governmental Auditing Standards* (Yellow Book), will be communicated in a management letter.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV

FINDINGS AND QUESTIONED COSTS

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

## I SUMMARY OF AUDITOR'S RESULTS

### Financial Statements

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

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

Noncompliance material to financial statements noted: — No

### Federal Awards

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

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

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

Identification of major programs:

| CFDA Numbers | Name of Federal Program or Cluster |
|---|---|
| 10.553, 10.555 | Child Nutrition Cluster |
| 84.287 | Twenty-First Century Community Learning Centers |
| 84.027, 84.173 | Special Education Cluster |

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

Auditee qualified as low-risk auditee? — No

## II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

## III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.