

LIBERTY COUNTY BOARD OF EDUCATION
HINESVILLE, GEORGIA

ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2015
(Including Independent Auditor's Reports)

LIBERTY COUNTY BOARD OF EDUCATION

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SECTION I

FINANCIAL

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DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 1-156
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Greg S. Griffin
STATE AUDITOR
(404) 656-2174

September 15, 2016

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
Liberty 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 of the Liberty County Board of Education, as of and for the year ended June 30, 2015, and the related notes to the financial statements (Exhibits A through H), 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 from material misstatement.

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

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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 basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Liberty County Board of Education, as of June 30, 2015, 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 2015, the Liberty County Board of Education adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The School District restated beginning Net Position for the cumulative effect of these accounting changes. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Proportionate Share of the Net Pension Liability, Schedule of Contributions to Retirement Systems, Notes to the Required Supplementary Information and the Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual as presented on pages i through x, page 31 through page 35 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.

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Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Liberty County Board of Education's basic financial statements. The accompanying supplementary information, consisting of Schedules 5 through 8, 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 September 15, 2016, on our consideration of the Liberty County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Liberty 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

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2015ARL-11

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LIBERTY COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

The discussion and analysis of Liberty County Board of Education's financial performance provides an overall review of the Board's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2015 are as follows:

- The overall net position decreased by $84,375,012.35 which represents a 42 percent decrease from fiscal year 2014. The decrease is due in part to the implementation of GASB Statements 68 and 71 which required school districts to report the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense. Before reporting a net unfunded proportionate share of the TRS pension liability required by GASB Statements 68 and 71 of $82,161,561.49, the School District reported an unrestricted net position of $24,386,699.74 on the District-wide financial statements.
- General revenues accounted for $45.3 million in revenue or 44.5 percent of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for $56.6 million or 55.5 percent of total revenues of $101.9 million.
- The School District had $100.6 million in expenses related to governmental activities. Program specific charges for services, grants and contributions offset $56.6 million of these expenses. General revenues (primarily taxes) of $45.3 million and a healthy beginning equity were adequate to provide for these programs.

Overview of the Financial Statements

This report consists of several parts including management's discussion and analysis, the basic financial statements and 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 the 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 the individual parts of the School District, reporting the School District's operation in more detail. The Fund financial statements disclose how basic services are financed in the short-term as well as what remains for future spending. The fund financial statements reflect the School District's most significant funds. In the case of the Liberty County Board of Education, the General Fund and District-wide Capital Projects funds are the most significant funds.

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.

Reporting the School District as a Whole

District-wide Statements

The District-wide financial statements are basically a consolidation of all of the School District's operating funds into one column called governmental activities. In reviewing the District-wide financial statements, a reader might ask the question about whether the School District is in a better financial position 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 of the District's assets and liabilities and use the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into consideration all of the current year's revenues and expenses regardless of when cash is received or paid.

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

The Statement of Net Position and the Statement of Activities reflect the School District's governmental activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The School District uses many funds to account for a multitude of financial transactions during the fiscal year. However, the fund financial statements presented in this report provide detailed information about only the School District's significant or major funds.

Governmental Funds

Most of the School District's activities are reported in governmental funds, which focus on how money flows in 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 basis of accounting which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general operations and the basic services provided. 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 governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are reconciled within the financial statements.

Fiduciary Funds

The School District is the trustee, or fiduciary, for assets that belong to others, such as school clubs and organizations within the school activity 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

The Statement of Net Position provides the perspective of the School District as a whole. Table 1 presents a summary of the School District's net position for fiscal year 2015 as compared to net position for fiscal year 2014.

Table 1

Net Position

	GOVERNMENTAL ACTIVITIES		
	Fiscal Year 2015	Fiscal Year Year 2014 (1)	Net Change
ASSETS			
Cash and Cash Equivalents	$ 5,037,668.39	$ 5,300,861.20	$ -263,192.81
Investments	36,459,975.84	40,530,793.01	-4,070,817.17
Accounts Receivable, Net			
Taxes	4,108,365.73	3,915,559.72	192,806.01
State Government	6,175,535.59	5,960,288.17	215,247.42
Federal Government	1,569,958.53	2,438,309.29	-868,350.76
Other	671,924.22	63,857.45	608,066.77
Inventories	38,472.69	91,944.20	-53,471.51
Capital Assets, Non-Depreciable	4,927,485.96	3,459,513.89	1,467,972.07
Capital Assets, Depreciable (Net of Accumulated Depreciation)	155,689,937.83	159,378,810.13	-3,688,872.30
Total Assets	214,679,324.78	221,139,937.06	-6,460,612.28
DEFERRED OUTFLOWS OF RESOURCES			
Related to Defined Benefit Pension Plan	6,782,232.51	0.00	6,782,232.51
LIABILITIES			
Accounts Payable	1,290,813.82	3,364,350.18	-2,073,536.36
Salaries and Benefits Payable	10,305,348.50	10,566,279.46	-260,930.96
Payroll Withholdings Payable		197.77	-197.77
Contracts Payable	465,599.07	95,859.00	369,740.07
Retainages Payable	128,821.30		128,821.30
Long-Term Liabilities			
Due Within One Year	2,293,181.49	2,486,149.22	-192,967.73
Due in More Than One Year	508,821.45	2,726,913.42	-2,218,091.97
Net Pension Liability	62,418,722.00		62,418,722.00
Total Liabilities	77,411,307.63	19,239,749.05	58,171,558.58
DEFERRED INFLOWS OF RESOURCES			
Related to Defined Benefit Pension Plan	26,525,072.00	0.00	26,525,072.00
NET POSITION			
Net Investment in Capital Assets	160,617,423.79	162,627,382.13	-2,009,958.34
Restricted for			
Continuation of Federal Programs	2,104,880.55	2,618,871.49	-513,990.94
Capital Projects	12,577,735.07	12,483,696.87	94,038.20
Unrestricted (Deficit)	-57,774,861.75	24,170,239.52	-81,945,101.27
Total Net Position	$ 117,525,177.66	$ 201,900,190.01	$ -84,375,012.35

(1) Fiscal year 2014 amounts do not reflect the effects of the restatement of July 1, 2014 Net Position. See Note 2 in the Notes to the Financial Statements for more information.

Total net position decreased by $84.4 million in fiscal year 2015.

Table 2 shows the changes in net position for fiscal year 2015 compared to the changes in net position for fiscal year 2014.

Table 2
Change in Net Position

	GOVERNMENTAL ACTIVITIES		
	Fiscal Year 2015	Fiscal Year 2014 (1)	Net Change
Revenues			
Program Revenues:			
Charges for Services	$ 1,144,972.12	$ 1,285,578.51	$ -140,606.39
Operating Grants and Contributions	55,483,279.30	54,275,351.08	1,207,928.22
Total Program Revenues	56,628,251.42	55,560,929.59	1,067,321.83
General Revenues:			
Taxes:			
Property Taxes			
For Maintenance and Operations	31,835,075.12	27,132,317.51	4,702,757.61
Other Taxes	21,174.52		21,174.52
Sales Taxes			
Special Purpose Local Option Sales Tax			
For Capital Projects	7,322,942.56	7,301,910.07	21,032.49
Other Taxes	208,309.54	230,290.22	-21,980.68
Grants and Contributions not			
Restricted to Specific Programs	4,316,153.00	8,098,126.00	-3,781,973.00
Investment Earnings	59,873.94	42,200.95	17,672.99
Miscellaneous	1,559,898.50	1,919,327.16	-359,428.66
Total General Revenues	45,323,427.18	44,724,171.91	599,255.27
Total Revenues	101,951,678.60	100,285,101.50	1,666,577.10
Program Expenses:			
Instruction	58,887,241.32	65,215,026.20	-6,327,784.88
Support Services			
Pupil Services	6,359,276.19	5,906,773.80	452,502.39
Improvement of Instructional Services	5,005,829.90	4,529,404.75	476,425.15
Educational Media Services	1,897,042.01	1,904,153.50	-7,111.49
General Administration	1,213,636.33	1,477,071.89	-263,435.56
School Administration	5,783,390.15	5,457,165.82	326,224.33
Business Administration	784,767.32	750,402.25	34,365.07
Maintenance and Operation of Plant	7,373,063.95	8,245,587.36	-872,523.41
Student Transportation Services	5,774,470.46	6,304,385.52	-529,915.06
Central Support Services	511,813.35	360,228.66	151,584.69
Other Support Services	775,253.36	831,911.69	-56,658.33
Operations of Non-Instructional Services			
Enterprise Operations	209,498.20	216,361.22	-6,863.02
Food Services	5,961,088.45	6,160,973.61	-199,885.16
Interest on Short-Term and Long-Term Debt	42,153.96	47,041.36	-4,887.40
Total Expenses	100,578,524.95	107,406,487.63	-6,827,962.68
Increase (Decrease) in Net Position	$ 1,373,153.65	$ -7,121,386.13	$ 8,494,539.78

(1) Fiscal year 2014 amounts do not reflect the effects of the restatement of July 1, 2014 Net Position. See Note 2 in the Notes to the Financial Statements for more information.

Governmental Activities

The School District is dependent upon operating grants and property taxes to support governmental activities. Instruction comprises 58.5 percent, Support Services 35.3 percent, Enterprise Operations and Food Services 6.1 percent, and interest 0.1 percent of government program expenses.

The State's QBE funding does not provide an adequate level of funding to provide basic education services and to adequately maintain facilities. The School District levies a millage rate of 15.65 to provide additional local funding for school operations.

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. It identifies the cost of these services supported by tax revenue and unrestricted State entitlements. Instruction expenses decreased from $65.2 million in fiscal year 2014 to $58.9 million in fiscal year 2015. This change was mainly attributable to the fiscal year 2014, $6.9 million capital lease for expendable equipment.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	Fiscal Year 2015	Fiscal Year 2014 (1)	Fiscal Year 2015	Fiscal Year 2014 (1)
Instruction	$ 58,887,241.32	$ 65,215,026.20	$ 19,719,589.61	$ 28,332,336.41
Support Services				
Pupil Services	6,359,276.19	5,906,773.80	5,701,625.46	5,197,624.63
Improvement of Instructional Services	5,005,829.90	4,529,404.75	3,138,087.01	2,169,373.84
Educational Media Services	1,897,042.01	1,904,153.50	666,991.01	652,795.50
General Administration	1,213,636.33	1,477,071.89	-94,487.18	129,253.03
School Administration	5,783,390.15	5,457,165.82	3,393,959.35	2,957,926.52
Business Administration	784,767.32	750,402.25	784,767.32	735,673.29
Maintenance and Operation of Plant	7,373,063.95	8,245,587.36	4,440,141.02	5,139,960.60
Student Transportation Services	5,774,470.46	6,304,385.52	4,714,432.03	5,162,068.29
Central Support Services	511,813.35	360,228.66	510,641.48	354,398.43
Other Support Services	775,253.36	831,911.69	616,246.34	487,472.57
Operations of Non-Instructional Services				
Enterprise Operations	209,498.20	216,361.22		
Food Services	5,961,088.45	6,160,973.61	316,126.12	479,633.57
Interest on Short-Term and Long-Term Debt	42,153.96	47,041.36	42,153.96	47,041.36
Total Expenses	$ 100,578,524.95	$ 107,406,487.63	$ 43,950,273.53	$ 51,845,558.04

(1) Fiscal year 2014 amounts do not reflect the effects of the restatement of July 1, 2014 Net Position. See Note 2 in the Notes to the Financial Statements for more information.

Financial Analysis of the School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The governmental funds had total revenues of $101.7 million and total expenditures of $104.5 million. The shortfall of revenues under expenditures was due to inadequate state funding to support the school system's instructional needs and the payments for IPads for the entire School District acquired through a prior year installment purchase agreement.

General Fund Budgeting Highlights

The School District's budget is prepared in accordance with Georgia law. The most significant budgeted fund is the General Fund, which includes local, state and Federal funds collected and disbursed for the purpose of operating the school system.

The School District's budget is based on its overall mission and incorporates site-based budgeting into the budget process that provides flexibility for site management. For the General Fund, the final budgeted revenue of $95.1 exceeded the actual revenues of $94.1 million by $1.0 million. This difference between actual revenues and final budget revenues was mainly due to school activity account revenues not being budgeted.

The actual expenditures of $96.24 exceeded the final budgeted amount of $96.16 by $79 thousand. This difference was created because the School District monitored the expenditures more closely during fiscal year 2015.

Capital Assets

At fiscal year end June 30, 2015, the School District had $160.6 million invested in capital assets. Table 4 reflects a summary of these balances net of accumulated depreciation. The School District's capital assets, net of accumulated depreciation, totaling $160.6 million are comprised of buildings and building improvements (87.4%), land and land improvements (9.3%), construction in progress (1.1%) and equipment (2.2%).

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities		
	Fiscal Year 2015	Fiscal Year 2014	Net Change
Land	$ 3,115,921.82	$ 3,115,921.82	$ 0.00
Land Improvements	11,792,073.91	12,608,264.71	-816,190.80
Construction in Progress	1,811,564.14	343,592.07	1,467,972.07
Building and Improvements	140,316,282.29	142,594,126.43	-2,277,844.14
Equipment	3,581,581.63	4,176,418.99	-594,837.36
	$ 160,617,423.79	$ 162,838,324.02	$ -2,220,900.23

Debt

At fiscal year ended June 30, 2015, the School District had $2.8 million in Long-Term Debt. Capital leases accounted for $2.3 million and compensated absences accounted for $0.5 million.

Current Issues

The following statements should help to explain the current financial position of the Liberty County School System and the effects the economic recession have had on it. Like most school systems in the State of Georgia, the Liberty County School System has been negatively impacted by the effects of the economic recession. Beginning in fiscal year 2003, the state authorized austerity cuts (or amended formula adjustments), which negatively impacted the QBE funding formula funds that help to fund the education of our students. This negative impact has totaled in excess of $55 million over 13 years. The state government did try to help this negative situation with stabilization funds totaling $147.0 million during this time. Our School District has seen the weight of taxpayer burden shift from the state taxpayer level to the local taxpayer level in the past 13 years as the state continues to underfund education. In addition, the health insurance costs funded by the School District have risen over the past few years which have negatively impacted our financial position. The School District has also experienced a decline in enrollment. As a result, the School District has been forced to consider positions that can be eliminated without negatively impacting the mission statement of the School District. A combination of reductions in staff (mostly through attrition) and better use of SPLOST funds to fund technology and school buses have allowed the General Fund balance to accumulate beyond the maximum amount allowed by the State of Georgia, which is 15% of the past fiscal year's operating budget. This accumulation of General Fund balance is necessary to ready the School District for any additional future state and federal revenue reductions that will negatively impact fund balance and that would cause local taxpayers to bear a heavier portion of educational funding. In essence, this healthy fund equity, although frowned upon by state law, will allow the School System to absorb rising healthcare costs, prevent future staff reductions, prevent future furlough days, and maintain an educational environment to meet the needs of our students.

Another matter which is of concern to the School District is the implementation of GASB 68 during the current fiscal year. The impact of this implementation is a deficit unrestricted net position.

The School District will continue to look for ways to align resources and costs in a way to ensure the best opportunity for student success.

Contacting the Board's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Board's finances and to show the Board's accountability for the money it receives. If you have questions about this report or need additional information, contact Mr. Roger Reese, Chief Financial Officer at the Liberty County Board of Education, 200 Bradwell Street, Hinesville, Georgia 31313. You may also email your questions to Mr. Reese at rreese@liberty.k12.ga.us.

LIBERTY COUNTY BOARD OF EDUCATION

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LIBERTY COUNTY BOARD OF EDUCATION
STATEMENT OF NET POSITION
JUNE 30, 2015

EXHIBIT "A"

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and Cash Equivalents	$ 5,037,668.39
Investments	36,459,975.84
Accounts Receivable, Net	
Taxes	4,108,365.73
State Government	6,175,535.59
Federal Government	1,569,958.53
Other	671,924.22
Inventories	38,472.69
Capital Assets, Non-Depreciable	4,927,485.96
Capital Assets, Depreciable (Net of Accumulated Depreciation)	155,689,937.83
Total Assets	214,679,324.78
DEFERRED OUTFLOWS OF RESOURCES	
Related to Defined Benefit Pension Plan	6,782,232.51
LIABILITIES	
Accounts Payable	1,290,813.82
Salaries and Benefits Payable	10,305,348.50
Contracts Payable	465,599.07
Retainages Payable	128,821.30
Long-Term Liabilities	
Due Within One Year	2,293,181.49
Due in More Than One Year	508,821.45
Net Pension Liability	62,418,722.00
Total Liabilities	77,411,307.63
DEFERRED INFLOWS OF RESOURCES	
Related to Defined Benefit Pension Plan	26,525,072.00
NET POSITION	
Investment in Capital Assets	160,617,423.79
Restricted for	
Continuation of Federal Programs	2,104,880.55
Capital Projects	12,577,735.07
Unrestricted (Deficit)	-57,774,861.75
Total Net Position	$ 117,525,177.66

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

LIBERTY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

EXHIBIT "B"

	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS	NET (EXPENSES) REVENUES AND CHANGES IN NET POSITION
GOVERNMENTAL ACTIVITIES				
Instruction	$ 58,887,241.32		$ 39,167,651.71	$ -19,719,589.61
Support Services				
Pupil Services	6,359,276.19		657,650.73	-5,701,625.46
Improvement of Instructional Services	5,005,829.90		1,867,742.89	-3,138,087.01
Educational Media Services	1,897,042.01		1,230,051.00	-666,991.01
General Administration	1,213,636.33		1,308,123.51	94,487.18
School Administration	5,783,390.15		2,389,430.80	-3,393,959.35
Business Administration	784,767.32			-784,767.32
Maintenance and Operation of Plant	7,373,063.95	$ 42,871.75	2,890,051.18	-4,440,141.02
Student Transportation Services	5,774,470.46		1,060,038.43	-4,714,432.03
Central Support Services	511,813.35		1,171.87	-510,641.48
Other Support Services	775,253.36		159,007.02	-616,246.34
Enterprise Operations	209,498.20	209,498.20		0.00
Food Services	5,961,088.45	892,602.17	4,752,360.16	-316,126.12
Interest on Short-Term and Long-Term Debt	42,153.96			-42,153.96
Total Governmental Activities	$ 100,578,524.95	$ 1,144,972.12	$ 55,483,279.30	-43,950,273.53
General Revenues				
Taxes				
Property Taxes				
For Maintenance and Operations				31,835,075.12
Railroad Cars				21,174.52
Sales Taxes				
Special Purpose Local Option Sales Tax				
For Capital Projects				7,322,942.56
Other Sales Tax				208,309.54
Grants and Contributions not Restricted to Specific Programs				4,316,153.00
Investment Earnings				59,873.94
Miscellaneous				1,559,898.50
Total General Revenues				45,323,427.18
Change in Net Position				1,373,153.65
Net Position - Beginning of Year, Restated				116,152,024.01
Net Position - End of Year				$ 117,525,177.66

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

LIBERTY COUNTY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

EXHIBIT "C"

	GENERAL FUND	DISTRICT-WIDE CAPITAL PROJECTS FUND	TOTAL
ASSETS			
Cash and Cash Equivalents	$ 5,037,668.39		$ 5,037,668.39
Investments	23,379,274.85	$ 13,080,700.99	36,459,975.84
Accounts Receivable, Net			
Taxes	3,476,845.48	631,520.25	4,108,365.73
State Government	6,175,535.59		6,175,535.59
Federal Government	1,569,958.53		1,569,958.53
Other	671,924.22		671,924.22
Inventories	38,472.69		38,472.69
Total Assets	$ 40,349,679.75	$ 13,712,221.24	$ 54,061,900.99
LIABILITIES			
Accounts Payable	$ 1,066,365.11	$ 224,448.71	$ 1,290,813.82
Salaries and Benefits Payable	10,305,348.50		10,305,348.50
Contracts Payable		465,599.07	465,599.07
Retainages Payable		128,821.30	128,821.30
Total Liabilities	11,371,713.61	818,869.08	12,190,582.69
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	2,298,477.07		2,298,477.07
FUND BALANCES			
Nonspendable	38,472.69		38,472.69
Restricted	1,750,790.77	12,893,352.16	14,644,142.93
Assigned	521,080.31		521,080.31
Unassigned	24,369,145.30		24,369,145.30
Total Fund Balances	26,679,489.07	12,893,352.16	39,572,841.23
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 40,349,679.75	$ 13,712,221.24	$ 54,061,900.99

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

LIBERTY COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015

EXHIBIT "D"

Total Fund Balances - Governmental Funds (Exhibit "C")		$ 39,572,841.23
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	$ 3,115,921.82	
Construction in Progress	1,811,564.14	
Land Improvements	19,149,151.61	
Buildings and Improvements	179,078,067.94	
Equipment	14,223,561.42	
Accumulated Depreciation	-56,760,843.14	
Total Capital Assets		160,617,423.79
Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds.		
Net Pension Liability		-62,418,722.00
Deferred Outflows and Inflows of Resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.		-19,742,839.49
Taxes that are not available to pay for current period expenditures are deferred in the governmental funds		
Property Taxes		2,298,477.07
Long-Term Liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-Term Liabilities at year-end consist of:		
Capital Leases Payable	$ -2,293,181.49	
Compensated Absences Payable	-508,821.45	
Total Long-Term Liabilities		-2,802,002.94
Net Position of Governmental Activities (Exhibit "A")		$ 117,525,177.66

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

EXHIBIT "E"

LIBERTY COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	GENERAL FUND	DISTRICT-WIDE CAPITAL PROJECTS FUND	TOTAL
REVENUES			
Property Taxes	$ 19,268,205.50		$ 19,268,205.50
Sales Taxes	208,309.54	$ 7,322,942.56	7,531,252.10
State Funds	50,117,289.23		50,117,289.23
Federal Funds	21,788,709.45	253,240.00	22,041,949.45
Charges for Services	1,144,972.12		1,144,972.12
Investment Earnings	33,801.85	26,072.09	59,873.94
Miscellaneous	1,559,898.50		1,559,898.50
Total Revenues	94,121,186.19	7,602,254.65	101,723,440.84
EXPENDITURES			
Current			
Instruction	59,175,341.28	1,347,354.73	60,522,696.01
Support Services			
Pupil Services	3,530,921.39		3,530,921.39
Improvement of Instructional Services	5,037,199.05		5,037,199.05
Educational Media Services	1,823,733.29		1,823,733.29
General Administration	1,223,782.52		1,223,782.52
School Administration	5,837,530.89		5,837,530.89
Business Administration	793,361.06		793,361.06
Maintenance and Operation of Plant	7,206,058.90	31,217.00	7,237,275.90
Student Transportation Services	4,978,849.37	182,333.32	5,161,182.69
Central Support Services	487,520.82		487,520.82
Other Support Services	221,923.22		221,923.22
Enterprise Operations	209,498.20		209,498.20
Food Services Operation	5,716,020.03		5,716,020.03
Capital Outlay		4,188,123.80	4,188,123.80
Debt Services			
Principal		2,486,149.22	2,486,149.22
Interest		42,153.96	42,153.96
Total Expenditures	96,241,740.02	8,277,332.03	104,519,072.05
Excess of Revenues over (under) Expenditures	-2,120,553.83	-675,077.38	-2,795,631.21
OTHER FINANCING SOURCES (USES)			
Transfers In		107,108.67	107,108.67
Transfers Out	-107,108.67		-107,108.67
Total Other Financing Sources (Uses)	-107,108.67	107,108.67	0.00
Net Change in Fund Balances	-2,227,662.50	-567,968.71	-2,795,631.21
Fund Balances - Beginning	28,907,151.57	13,461,320.87	42,368,472.44
Fund Balances - Ending	$ 26,679,489.07	$ 12,893,352.16	$ 39,572,841.23

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

LIBERTY 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, 2015

EXHIBIT "F"

Total Net Change in Fund Balances - Governmental Funds (Exhibit "E")		$ -2,795,631.21
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	$ 2,791,051.86	
Depreciation Expense	-5,073,294.23	
Excess of Capital Outlay over Depreciation Expense		-2,282,242.37
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, adjustments and disposals) is to increase net position.		61,342.14
Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		392,020.88
Repayment of Capital Lease Payments is reported as an expenditure in Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Position.		2,486,149.22
Some items reported in the Statement of Activities no not require the use of current financial resources and therefore are not reported as expenditures in the Governmental Funds. The net effect of these adjustments are:		
Compensated Absences	$ -75,089.52	
Penstion Expense	3,586,604.51	
		3,511,514.99
Change in Net Position of Governmental Activities (Exhibit "B")		$ 1,373,153.65

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

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LIBERTY COUNTY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015

EXHIBIT "G"

	AGENCY FUNDS
ASSETS	
Cash and Cash Equivalents	$ 126,508.87
LIABILITIES	
Funds Held for Others	$ 126,508.87

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

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

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

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

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

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

The School District reports the following major governmental funds:

- General Fund is the School District's primary operating fund. It accounts for and reports all financial resources not accounted for and reported in another fund.
- District-wide Capital Projects Fund accounts for and reports financial resources including Education Special Purpose Local Option Sales Tax (ESPLOST) and grants from U.S. Department of Education that are restricted, committed or assigned to the expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The School District reports the following fiduciary fund type:

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

BASIS OF ACCOUNTING

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

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

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

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

RESTATEMENT OF PRIOR YEAR NET POSITION

For fiscal year 2015, the School District made several prior period adjustments due to the adoption of GASB Statement No. 68 and GASB Statement No. 71, as described in "New Accounting Pronouncements" below, which require the restatement of the June 30, 2014, Net Position in Governmental Activities. The result is a decrease in Net Position at July 1, 2014 of $85,748,166.00. This change is in accordance with generally accepted accounting principles.

Net Position, July 1, 2014, as previously reported	$ 201,900,190.01
Prior Period adjustment - Implementation of GASB 68:	
Net pension liability (measurement date)	
TRS	-91,937,849.00
Deferred Outflows - School District's contribution made during fiscal year 2014	
TRS	6,189,683.00
Net Position, July 1, 2014, as restated	$ 116,152,024.01

NEW ACCOUNTING PRONOUNCEMENTS

In fiscal year 2015, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions.* The provisions of this statement establish accounting and financial reporting standards for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts. The adoption of this statement has a significant impact on the School District's financial statements. As noted above, the School District restated beginning Net Position for the cumulative effect of this accounting change.

In fiscal year 2015, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 69, *Government Combinations and Disposals of Government Operations.* This statement provides specific accounting and financial reporting guidance for combinations in the governmental environment. This statement also requires that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The School District did not have any activities of this type during the fiscal year and the adoption of this statement does not have a significant impact on the School District's financial statements.

In fiscal year 2015, the School District adopted Governmental Accounting Standards Board (GASB) Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB No. 68*. The objective of this statement is to improve accounting and financial reporting by addressing an issue in Statement No. 68, *Accounting and Financial Reporting for Pensions*, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of statement. This statement amends paragraph 137 of Statement No. 68 which limited recognition of pension-related deferred inflows of resources at the transition to circumstances in which it is practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions. The adoption of this statement has a significant impact on the School District's financial statements. As noted above, the School District restated beginning Net Position for the cumulative effect of this accounting change.

CASH AND CASH EQUIVALENTS

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

INVESTMENTS

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

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

The School District does not have a formal policy regarding investment policies that address credit 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 Liberty County Board of Commissioners adopted the property tax levy for the 2014 tax digest year (calendar year) on December 4, 2014 (levy date) based on property values as of January 1, 2014. Taxes were due on February 20, 2015 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2014 tax digest are reported as revenue in the governmental funds for fiscal year 2015. The Liberty 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, 2015, for maintenance and operations amounted to $17,701,794.57.

The tax millage rate levied for the 2014 tax year (calendar year) for the Liberty County Board of Education was as follows (a mill equals $1 per thousand dollars of assessed value):

School Operations	15.65 mills

Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to $1,545,236.41 during fiscal year ended June 30, 2015.

SALES TAXES

Education Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to $7,322,942.56 and is to be used for capital outlay for educational purposes. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

INVENTORIES

Food Inventories

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

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	$	10,000.00	up to 60 years
Buildings and Improvements	$	10,000.00	up to 60 years
Equipment	$	10,000.00	10 to 50 years
Intangible Assets			
Software	$	250,000.00	evaluated by case
Easements	$	200,000.00	evaluated by case
Land Use Rights	$	200,000.00	evaluated by case
Patents, Trademarks, Copyrights	$	200,000.00	evaluated by case

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

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

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the Statement of Net Position and/or the balance sheet will report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of resources that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense/expenditure) until then. Under the full accrual method of accounting, the School District has reported deferred outflows of resources related to a defined benefit plan, as discussed in Note 14 – Retirement Plans.

In addition to liabilities, the statement of net position and/or the balance sheet will report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of resources that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until that time. Under the full accrual method of accounting, the School District has reported deferred inflows of resources related to a defined benefit plan, as discussed in Note 14 – Retirement Plans. This item is reported only in the District-wide Statement of Net Position. Additionally, the School District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reporting only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and this amount is deferred and will be recognized as an inflow of resources in the period in which the amount becomes available.

COMPENSATED ABSENCES

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

Vacation leave of 5, 10, 15 or 25 days is awarded on a fiscal year basis to all full time personnel employed on a twelve month basis. The rate of accrual is dependent upon the pay level of the employee on their respective salary scale. No other employees are eligible to earn vacation leave. Vacation leave not utilized during the fiscal year may be carried over to the next fiscal year, up to two times the accrual rate of the employee.

PENSIONS

For purposes of measuring the Net Pension Liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers' Retirement System of Georgia (TRS) and the Public School Employees Retirement System (PSERS) and additions to/deductions from TRS/PSERS fiduciary net position have been determined on the same basis as they are reported by TRS/PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See Note 14 - Retirement Plans.

NET POSITION

The School District's Net Position in the District-wide Statements is classified as follows:

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.

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

Unrestricted Net Position - Unrestricted Net Position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of Investment of Capital Assets and Restricted Net Position. Included in the net deficit reported is the School District's Net Pension Liability of $62,418,722.00, which is required for financial reporting.

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 have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the General Fund.

Fund Balances of the Governmental Funds at June 30, 2015, are as follows:

Nonspendable		
Inventories		$ 38,472.69
Restricted		
Continuation of Federal Programs	$ 2,066,407.86	
Capital Projects	12,577,735.07	14,644,142.93
Assigned		
School Activity Accounts		521,080.31
Unassigned		24,369,145.30
Fund Balance, June 30, 2015		$ 39,572,841.23

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

USE OF ESTIMATES

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

NOTE 3: BUDGETARY DATA

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

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

See Schedule 4 – General Fund Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual for a detail of any over/under expenditures during the fiscal year under review.

NOTE 4: DEPOSITS AND INVESTMENTS

COLLATERALIZATION OF DEPOSITS

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

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

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

CATEGORIZATION OF DEPOSITS

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, 2015, the School District had deposits with a carrying amount of $5,175,168.53, which includes $11,016.27 in Certificates of Deposit that are reported as Investments, and a bank balance of $7,378,127.09. The bank balances insured by Federal depository insurance were $336,871.06, and the bank balances collateralized with securities held by the pledging financial institution's trust department or agent in the School District's name were $7,041,256.03.

CATEGORIZATION OF INVESTMENTS

At June 30, 2015, the carrying value of the School District's total investments was $36,459,975.84, which is materially the same as fair value. This includes $11,016.27 invested in Certificates of Deposit, which are collateralized in the same manner as other cash deposits. This investment consisted entirely of funds invested in the Georgia Fund 1 (local government investment pool) administered by the State of Georgia, Office of the State Treasurer which is not required to be categorized since the School District did not own any specific identifiable securities in the pool. The investment policy of the State of Georgia, Office of the State Treasurer for the Georgia Fund 1 (Primary Liquidity Portfolio) does not provide for investment in derivatives or similar investments. Additional information on the Georgia Fund 1 is disclosed in the *State of Georgia* Comprehensive Annual Financial Report. This audit can be obtained from the Georgia Department of Audits and Accounts at http://www.audits.ga.gov/SGD/cafr.html.

The Primary Liquidity Portfolio consists of Georgia Fund 1 which is not registered with the SEC as an investment company and does not operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. The investment is valued at the pool's share price, $1.00 per share. The pool is an AAAf rated investment pool by Standard and Poor's. The weighted average maturity of Georgia Fund 1 may not exceed 60 days. The weighted average maturity for Georgia Fund 1 on June 30, 2015, was 56 days.

NOTE 5: NON-MONETARY TRANSACTIONS

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

NOTE 6: CAPITAL ASSETS

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

	Balances July 1, 2014	Increases	Decreases	Balances June 30, 2015
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	$ 3,115,921.82			$ 3,115,921.82
Construction in Progress	343,592.07	$ 2,661,973.93	$ 1,194,001.86	1,811,564.14
Total Capital Assets Not Being Depreciated	3,459,513.89	2,661,973.93	1,194,001.86	4,927,485.96
Capital Assets Being Depreciated				
Buildings and Improvements	178,224,512.27	853,555.67		179,078,067.94
Equipment	14,329,766.25	227,736.92	333,941.75	14,223,561.42
Land Improvements	18,907,364.41	241,787.20		19,149,151.61
Less Accumulated Depreciation for:				
Buildings and Improvements	35,630,385.84	3,192,741.95	61,342.14	38,761,785.65
Equipment	10,153,347.26	822,574.28	333,941.75	10,641,979.79
Land Improvements	6,299,099.70	1,057,978.00		7,357,077.70
Total Capital Assets, Being Depreciated, Net	159,378,810.13	-3,750,214.44	-61,342.14	155,689,937.83
Governmental Activity Capital Assets - Net	$ 162,838,324.02	$ -1,088,240.51	$ 1,132,659.72	$ 160,617,423.79

Current year depreciation expense by function is as follows:

Instruction		$ 1,937,141.24
Support Services		
Pupil Services	$ 1,684,812.28	
Improvements of Instructional Services	46,462.21	
Educational Media Services	88,306.35	
General Administration	16,184.21	
School Administration	115,041.30	
Business Administration	8,281.30	
Maintenance and Operation of Plant	123,381.40	
Student Transportation Services	481,374.91	
Central Support Services	20,307.45	
Other Support Services	326,477.69	2,910,629.10
Food Services		225,523.89
		$ 5,073,294.23

NOTE 7: INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2015, consisted of the following:

Transfers to	Transfers From General Fund
District-wide Capital Projects	$ 107,108.67

Transfers are used to move property tax revenues collected by the General Fund to the District-wide Capital Projects Fund to provide supplemental funding for capital construction projects.

NOTE 8: RISK MANAGEMENT

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

The School District has obtained commercial insurance for risk of loss associated with torts, assets, errors or omissions 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 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
2014	$ 0.00	$ 10,975.00	$ 10,975.00	$ 0.00
2015	$ 0.00	$ 1,730.44	$ 1,730.44	$ 0.00

The School District participates in the Georgia Education Workers' Compensation Trust, a public entity risk pool organized on December 1, 1991, to develop, implement and administer a program of workers' compensation self-insurance for its member organizations. The School District pays an annual premium to the Trust for its general worker's compensation insurance coverage. Specific excess of loss insurance coverage is provided through an agreement by the Trust with the Safety National Casualty Company to provide coverage for potential losses sustained by the Trust in excess of $1.0 million loss per occurrence, up to the statutory limit. Employers' Liability insurance coverage is also provided with limits of $2.0 million. The Trust covers the first $1.0 million of each Employers liability claim with Safety National providing additional Employers Liability limits up to a $2.0 million per occurrence maximum. Safety National Casualty Company also provides $2.0 million in aggregate coverage to the Trust, attaching at 110% of the loss fund and based on the Fund's annual normal premium.

NOTE 9: LONG-TERM LIABILITIES

CAPITAL LEASES

The Liberty County Board of Education has entered into a lease agreement expendable computer equipment. This lease agreement qualifies as a capital lease for accounting purposes, and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of their inception.

COMPENSATED ABSENCES

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

The changes in Long-Term Liabilities during the fiscal year ended June 30, 2015, were as follows:

	Governmental Activities				
	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015	Due Within One Year
Capital Leases	$ 4,779,330.71		$ 2,486,149.22	$ 2,293,181.49	$ 2,293,181.49
Compensated Absences (1)	433,731.93	$ 389,136.43	314,046.91	508,821.45	
	$ 5,213,062.64	$ 389,136.43	$ 2,800,196.13	$ 2,802,002.94	$ 2,293,181.49

(1) The portion of Compensated Absences due within one year has been determined to be immaterial to the basic financial statements.

At June 30, 2015, payments due by fiscal year which includes principal and interest for these items are as follows:

Fiscal Year Ended June 30:	Principal	Interest
2016	$ 2,293,181.49	$ 18,116.16

NOTE 10: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of $258,134.10 for retirement contributions paid on the School District's behalf by the following State Agencies.

Georgia Department of Education
Paid to the Teachers' Retirement System of Georgia
For Teachers' Retirement System (TRS) Employer's Cost
In the amount of $27,672.10

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 $230,462.00

Funds paid on behalf of the School District are reported in governmental funds. See Note 14 - Retirement Plans for the State support related to the Net Pension Liability.

NOTE 11: SIGNIFICANT COMMITMENTS

The following is an analysis of significant outstanding construction or renovation contracts executed by the School District as of June 30, 2015:

Project	Unearned Executed Contracts
Liberty County High School Renovations	$ 234,600.00
Transportation Gates	1,877.14
Elementary Security and Access	38,919.36
Liberty County High School Bleachers	152,062.50
Button Gwinnett Elementary Demolition and Site Prep	1,080.00
Liberty Elementary/Lewis Frasier Elementary Playground Renovations	31,515.54
Transportation Parking Lot - Airport Road	395,954.47
Button Gwinnett Elementary/Waldo Pafford Elementary Fencing	110,050.00
Horizons Learning Center	25,193.28
Canopy Project	180,766.80
Restroom Renovations	234,499.50
	$ 1,407,518.59

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

NOTE 12: 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 13: 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, 2012, contributions also vary based on years of service. On average, members with five years or more of service as of January 1, 2012, pay approximately 25% of the cost of the health insurance coverage. In accordance with the Board resolution dated December 8, 2011, for members with fewer than five years of service as of January 1, 2012, the State provides a premium subsidy in retirement that ranges from 0% for fewer than 10 years of service to 75% (but no greater than the subsidy percentage offered to active employees) for 30 or more years of service. The subsidy for eligible dependents ranges from 0% to 55% (but no greater than the subsidy percentage offered to dependents of active employees minus 20%). No subsidy is available to Medicare eligible members not enrolled in a Medicare Advantage Option. The Board of Community Health sets all member premiums by resolution and in accordance with the law and applicable revenue and expense projections. Any subsidy policy adopted by the Board may be changed at any time by Board resolution and does not constitute a contract or promise of any amount of subsidy.

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

The combined active and retiree contribution rates established by the Board for employers participating in the School OPEB Fund were as follows for the fiscal year ended June 30, 2015:

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

July 1, 2014 – June 30, 2015	$945.00 per member per month

For non-certificated school personnel:

July 1, 2014 – June 30, 2015	$596.20 per member per month

No additional contribution was required by the Board for fiscal year 2015 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
2015	100%	$ 8,360,620.81
2014	100%	$ 8,295,635.92
2013	100%	$ 7,997,229.78

NOTE 14: RETIREMENT PLANS

Liberty County Board of Education participates in various retirement plans administered by the State of Georgia, as further explained below.

TEACHERS' RETIREMENT SYSTEM OF GEORGIA (TRS)

Plan Description: All teachers of the School District as defined in §47-3-60 of the *Official Code of Georgia Annotated* (O.C.G.A.) and certain other support personnel as defined by §47-3-63 are provided pension through the Teachers' Retirement System of Georgia (TRS). TRS, a cost-sharing multiple-employer defined benefit pension plan, is administered by the TRS Board of Trustees (TRS Board). Title 47 of the *O.C.G.A.* assigns the authority to establish and amend the benefit provisions to the State Legislature. The Teachers' Retirement System of Georgia issues a publicly available separate financial audit report that can be obtained at www.trsga.com/publications.

Benefits Provided: TRS provides service retirement, disability retirement, and death benefits. Normal retirement benefits are determined as 2% of the average of the employee's two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. An employee 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. Ten years of service is required for disability and death benefits eligibility. Disability benefits are based on the employee's creditable service and compensation up to the time of disability. Death benefits equal the amount that would be payable to the employee's beneficiary had the employee retired on the date of death. Death benefits are based on the employee's creditable service and compensation up to the date of death.

Contributions: Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Pursuant to O.C.G.A. §47-3-63, the employer contributions for certain full-time public school support personnel are funded on behalf of the employer by the State of Georgia. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6% of their annual pay during fiscal year 2015. The school district's contractually required contribution rate for the year ended June 30, 2015 was 13.15% of annual school district payroll. Employer contributions for the current fiscal year and the preceding two fiscal years are as follows:

Fiscal Year	Percentage Contributed	Required Contribution
2015	100%	$ 6,782,232.51
2014	100%	$ 6,216,621.53
2013	100%	$ 6,209,789.18

PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (PSERS)

Plan description: PSERS is a cost-sharing multiple-employer defined benefit pension plan established by the Georgia General Assembly in 1969 for the purpose of providing retirement allowances for public school employees who are not eligible for membership in the Teachers' Retirement System of Georgia. The ERS Board of Trustees, plus two additional trustees, administers PSERS. Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. PSERS issues a publicly available financial report that can be obtained at www.ers.ga.gov/formspubs/formspubs.

Benefits provided: A member may retire and elect to receive normal monthly retirement benefits after completion of ten years of creditable service and attainment of age 65. A member may choose to receive reduced benefits after age 60 and upon completion of ten years of service.

Upon retirement, the member will receive a monthly benefit of $14.75, multiplied by the number of years of creditable service. Death and disability benefits are also available through PSERS. Additionally, PSERS may make periodic cost-of-living adjustments to the monthly benefits. Upon termination of employment, member contributions with accumulated interest are refundable upon request by the member. However, if an otherwise vested member terminates and withdraws his/her member contribution, the member forfeits all rights to retirement benefits.

Contributions: The general assembly makes an annual appropriation to cover the employer contribution to PSERS on behalf of local school employees (bus drivers, cafeteria workers, and maintenance staff). The annual employer contribution required by statute is actuarially determined and paid directly to PSERS by the State Treasurer in accordance with O.C.G.A. §47-4-29(a) and 60(b). Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Individuals who became members prior to July 1, 2012 contribute $4 per month for nine months each fiscal year. Individuals who became members on or after July 1, 2012 contribute $10 per month for nine months each fiscal year. The State of Georgia, although not the employer of PSERS members, is required by statute to make employer contributions actuarially determined and approved and certified by the PSERS Board of Trustees.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

At June 30, 2015, the School District reported a liability of $62,418,722.00 for its proportionate share of the Net Pension Liability for TRS.

The TRS Net Pension Liability reflected a reduction for support provided to the School District by the State of Georgia for certain public school support personnel. The amount recognized by the School District as its proportionate share of the Net Pension Liability, the related State of Georgia support, and the total portion of the Net Pension Liability that was associated with the School District were as follows:

School District's proportionate share of the Net Pension Liability	$	62,418,722.00
State of Georgia's proportionate share of the Net Pension Liability associated with the School District		250,273.00
Total	$	62,668,995.00

The Net Pension Liability was measured as of June 30, 2014. The total pension liability used to calculate the Net Pension Liability was based on an actuarial valuation as of June 30, 2013. An expected total pension liability as of June 30, 2014 was determined using standard roll-forward techniques. The School District's proportion of the Net Pension Liability was based on contributions to TRS during the fiscal year ended June 30, 2014.

At June 30, 2014, the School District's TRS proportion was 0.494066%, which was a decrease of 0.033558% from its proportion measured as of June 30, 2013.

At June 30, 2015, the School District did not have a PSERS liability for a proportionate share of the Net Pension Liability because of a Special Funding Situation with the State of Georgia, which is responsible for the Net Pension Liability of the plan. The amount of the State's proportionate share of the Net Pension Liability associated with the School District is $943,529.00.

The PSERS Net Pension Liability was measured as of June 30, 2014. The total pension liability used to calculate the Net Pension Liability was based on an actuarial valuation as of June 30, 2013. An expected total pension liability as of June 30, 2014 was determined using standard roll-forward techniques. The State's proportion of the Net Pension Liability associated with the School District was based on actuarially determined contributions paid by the State during the fiscal year ended June 30, 2014.

For the year ended June 30, 2015, the School District recognized pension expense of $3,208,040.00 for TRS and $81,939.00 for PSERS. Revenue of $12,412.00 for TRS and $81,939.00 for PSERS. The revenue is support provided by the State of Georgia. For TRS, the State of Georgia support is provided only for certain support personnel.

At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	TRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments		$ 21,760,490.00
Changes in proportion and differences between School District contributions and proportionate share of contributions		4,764,582.00
School District contributions subsequent to the measurement date	$ 6,782,232.51	
Total	$ 6,782,232.51	$ 26,525,072.00

Liberty County Board of Education contributions subsequent to the measurement date of June 30, 2014 for TRS are reported as deferred outflows of resources and will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	TRS
2016	$ -6,522,981.00
2017	$ -6,522,981.00
2018	$ -6,522,981.00
2019	$ -6,522,986.00
2020	$ -433,143.00

***Actuarial assumptions*:** The total pension liability as of June 30, 2014 was determined by an actuarial valuation as of June 30, 2013, using the following actuarial assumptions, applied to all periods included in the measurement:

Teachers' Retirement System:

Inflation	3.00%
Salary increases	3.75 – 7.00%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females set back two years for males and set back three years for females.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2004 – June 30, 2009.

Public School Employees Retirement System:

Inflation	3.00%
Salary increases	N/A
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table set forward one year for males for the period after service retirement, for dependent beneficiaries, and for deaths in active service, and the RP-2000 Disabled Mortality Table set back two years for males and set forward one year for females for the period after disability retirement.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2004 – June 30, 2009.

The long-term expected rate of return on TRS and PSERS pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return*
Fixed income	30.00%	3.00%
Domestic large stocks	39.70%	6.50%
Domestic mid stocks	3.70%	10.00%
Domestic small stocks	1.60%	13.00%
International developed market stocks	18.90%	6.50%
International emerging market stocks	6.10%	11.00%
Total	100.00%	

* Rates shown are net of the 3.00% assumed rate of inflation

Discount rate: The discount rate used to measure the total TRS and PSERS pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and nonemployer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the TRS and PSERS pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Liberty County Board of Education's proportionate share of the Net Pension Liability to changes in the discount rate: The following presents the School District's proportionate share of the Net Pension Liability calculated using the discount rate of 7.50%, as well as what the School District's proportionate share of the Net Pension Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

Teachers' Retirement System:

	1% Decrease (6.5%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the Net Pension Liability	$ 115,029,330.00	$ 62,418,722.00	$ 19,094,979.00

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued TRS and PSERS financial report which is publically available at www.trsga.com/publications and www.ers.ga.gov/formspubs/formspubs.

DEFINED CONTRIBUTION PLAN

In December 1, 2009, Liberty County Board of Education began an employer paid 403(b) annuity plan for the group of employees covered under the Public School Employees Retirement System (PSERS). Recognizing that PSERS was a limited defined contribution and defined benefit plan which did not provide for an adequate retirement for this group of employees, it was the Board's desire to supplement the retirement of this group.

The Board selected VALIC as the provider of this plan. For each employee covered under PSERS, the Board began contributing to the plan an amount equal to 3% of the employee's base pay.

The employee becomes vested in the plan with 3 years of experience. Employees who had already achieved 3 years of experience at the time the plan was implemented were vested upon enrollment.

Funds accumulated in the employer paid accounts are only available to the employee upon termination of employment and 3 years of service to Liberty County Board of Education. If an employee terminates employment prior to achieving 3 years of service, funds paid on behalf of the non-vested employee are credited back to the Board.

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

Fiscal Year	Percentage Contributed	Required Contribution
2015	100%	$ 69,820.98
2014	100%	$ 69,322.82
2013	100%	$ 74,005.18

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LIBERTY COUNTY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS' RETIREMENT SYSTEM OF GEORGIA
FOR THE YEAR ENDED JUNE 30, 2015
JUNE 30, 2015

SCHEDULE "1"

	2015
School District's proportion of the net pension liability	0.494066%
School District's proportionate share of the net pension liability	$ 62,418,722.00
State of Georgia's proportionate share of the net pension liability associated with the School District	250,273.00
Total	$ 62,668,995.00
School District's covered-employee payroll	$ 50,628,646.00
School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	123.29%
Plan fiduciary net position as a percentage of the total pension liability	84.03%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.
Schedule includes all significant plans and funds administered by Liberty County Board of Education.

LIBERTY COUNTY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
TEACHERS' RETIREMENT SYSTEM OF GEORGIA
FOR THE YEAR ENDED JUNE 30

	2015	2014	2013
Contractually required contribution	$ 6,782,232.51	$ 6,216,621.53	$ 6,209,789.18
Contributions in relation to the contractually required contribution	6,782,232.51	6,216,621.53	6,209,789.18
Contribution deficiency (excess)	$ 0.00	$ 0.00	$ 0.00
School District's covered-employee payroll	$ 51,575,912.59	$ 50,628,646.00	$ 54,424,094.48
Contributions as a percentage of covered-employee payroll	13.15%	12.28%	11.41%

	2012	2011	2010	2009	2008	2007	2006
	$ 5,475,654.12	$ 5,437,771.10	$ 5,311,810.56	$ 5,217,679.26	$ 4,991,134.12	$ 4,890,927.69	$ 4,613,086.00
	5,475,654.12	5,437,771.10	5,311,810.56	5,217,679.26	4,991,134.12	4,890,927.69	4,613,086.00
	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
	$ 53,265,117.90	$ 52,896,606.03	$ 54,536,042.71	$ 56,224,992.03	$ 53,783,772.84	$ 52,703,962.18	$ 49,925,173.16
	10.28%	10.28%	9.74%	9.28%	9.28%	9.28%	9.24%

Teachers' Retirement System

Changes in assumptions: In 2010 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In 2010, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

Method and assumptions used in calculations of actuarially determined contributions : The actuarially determined contributions rates in the schedule of contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the contractually required contributions for year ended June 30,2015 reported in that schedule:

Valuation date	June 30, 2012
Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	30 years
Asset valuation method	Seven-year smoothed market
Inflation rate	3.00%
Salary increases	3.75% - 7.00%, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

LIBERTY COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2015
JUNE 30, 2015

SCHEDULE "4"

	NONAPPROPRIATED BUDGETS		ACTUAL	VARIANCE
	ORIGINAL (1)	FINAL (1)	AMOUNTS	OVER/UNDER
REVENUES				
Property Taxes	$ 18,519,000.48	$ 19,892,665.06	$ 19,268,205.50	$ -624,459.56
Sales Taxes	203,507.18	203,507.18	208,309.54	4,802.36
State Funds	54,533,447.84	50,902,941.37	50,117,289.23	-785,652.14
Federal Funds	17,359,974.43	22,561,997.33	21,788,709.45	-773,287.88
Charges for Services	1,108,590.72	1,108,590.72	1,144,972.12	36,381.40
Investment Earnings	36,385.96	36,385.96	33,801.85	-2,584.11
Miscellaneous	384,365.18	384,365.18	1,559,898.50	1,175,533.32
Total Revenues	92,145,271.79	95,090,452.80	94,121,186.19	-969,266.61
EXPENDITURES				
Current				
Instruction	57,717,847.89	59,647,298.11	59,175,341.28	471,956.83
Support Services				
Pupil Services	4,182,302.23	4,209,195.86	3,530,921.39	678,274.47
Improvement of Instructional Services	4,393,117.77	4,684,504.50	5,037,199.05	-352,694.55
Educational Media Services	1,857,062.52	1,857,062.52	1,823,733.29	33,329.23
General Administration	1,200,237.48	1,183,820.58	1,223,782.52	-39,961.94
School Administration	5,211,584.35	5,211,636.35	5,837,530.89	-625,894.54
Business Administration	687,960.46	823,897.86	793,361.06	30,536.80
Maintenance and Operation of Plant	6,833,000.32	6,833,000.32	7,206,058.90	-373,058.58
Student Transportation Services	5,028,390.41	5,218,532.33	4,978,849.37	239,682.96
Central Support Services	297,572.71	386,392.03	487,520.82	-101,128.79
Other Support Services	385,122.72	250,328.89	221,923.22	28,405.67
Enterprise Operations			209,498.20	-209,498.20
Food Services Operation	5,856,843.58	5,856,843.58	5,716,020.03	140,823.55
Total Expenditures	93,651,042.44	96,162,512.93	96,241,740.02	-79,227.09
Excess of Revenues over (under) Expenditures	-1,505,770.65	-1,072,060.13	-2,120,553.83	-1,048,493.70
OTHER FINANCING SOURCES (USES)				
Operating Transfers From Other Funds	659,515.07			
Operating Transfers To Other Funds	-1,653,995.57		-107,108.67	-107,108.67
Total Other Financing Sources (Uses)	-994,480.50		-107,108.67	-107,108.67
Net Change in Fund Balances	-2,500,251.15	-1,072,060.13	-2,227,662.50	-1,155,602.37
Fund Balances - Beginning	34,010,134.26	30,545,548.95	28,907,151.57	-1,638,397.38
Fund Balances - Ending	$ 31,509,883.11	$ 29,473,488.82	$ 26,679,489.07	$ -2,793,999.75

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

(1) Original and Final Budget amounts do not include budgeted revenues or expenditures of the various principal accounts. The principal accounts had actual revenues of $1,480,967.24 and actual expenditures of $1,438,956.34.

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.

LIBERTY COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

FUNDING AGENCY PROGRAM/GRANT		CFDA NUMBER	PASS-THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD	
Agriculture, U. S. Department of					
Child Nutrition Cluster					
Pass-Through From Georgia Department of Education					
Food Services					
School Breakfast Program		10.553	N/A	(2)	
National School Lunch Program		10.555	N/A	$ 5,368,686.22	(1)
Total Child Nutrition Cluster				5,368,686.22	
Other Programs					
Pass-Through From Georgia Department of Education					
Food Services					
ARRA - Child Nutrition Discretionary Grants Limited Availability		10.579	N/A	40,743.44	
Total U. S. Department of Agriculture				5,409,429.66	
Education, U. S. Department of					
Impact Aid Cluster					
Direct					
Impact Aid	*	84.041		(3)	
Education of Homeless Children and Youth Cluster					
Pass-Through From Georgia Department of Education					
Education for Homeless Children and Youth		84.196	N/A	34,283.12	
Special Education Cluster					
Pass-Through From Georgia Department of Education					
Special Education					
Grants to States	*	84.027	N/A	1,783,795.28	
Preschool Grants	*	84.173	N/A	44,525.00	
Total Special Education Cluster				1,828,320.28	
Other Programs					
Pass-Through From Georgia Department of Education					
ARRA - Race-to-the-Top Incentive Grants		84.395	N/A	10,980.30	
Career and Technical Education - Basic Grants to States		84.048	N/A	113,248.55	
English Language Acquisition Grants		84.365	N/A	28,790.13	
Improving Teacher Quality State Grants		84.367	N/A	369,152.12	
Mathematics and Science Partnerships		84.366	N/A	64,135.28	
Title I Grants to Local Educational Agencies		84.010	N/A	2,653,721.48	
Total Other Programs				3,240,027.86	
Total U. S. Department of Education				5,102,631.26	
Defense, U.S. Department of					
Department of the Army					
R.O.T.C. Program				170,148.06	
Total Expenditures of Federal Awards				$ 10,682,208.98	

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 $45,581.98.

(2) Expenditures for the funds earned on the School Breakfast Program ($1,297,903.34) were not maintained separately and are included in the 2015 National School Lunch Program.

(3) Funds earned on the regular Impact Aid Program, Special Education Impact Aid and School Construction Funds in the amounts of $11,771,580.76, $171,202.50 and $253,240.00, respectively, do not require reporting of expenditures.

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

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

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

AGENCY/FUNDING	GOVERNMENTAL FUND TYPE GENERAL FUND
GRANTS	
Bright From the Start:	
Georgia Department of Early Care and Learning	
Pre-Kindergarten Program	$ 1,618,160.20
Education, Georgia Department of	
Quality Basic Education	
Direct Instructional Cost	
Kindergarten Program	3,007,698.00
Kindergarten Program - Early Intervention Program	914,821.00
Primary Grades (1-3) Program	6,870,225.00
Primary Grades - Early Intervention (1-3) Program	1,353,359.00
Upper Elementary Grades (4-5) Program	3,080,797.00
Upper Elementary Grades - Early Intervention (4-5) Program	1,010,220.00
Middle School (6-8) Program	6,242,945.00
High School General Education (9-12) Program	4,778,779.00
Vocational Laboratory (9-12) Program	2,764,043.00
Students with Disabilities	7,510,718.00
Gifted Student - Category VI	1,060,214.00
Remedial Education Program	232,831.00
Alternative Education Program	456,881.00
English Speakers of Other Languages (ESOL)	106,379.00
Media Center Program	1,060,488.00
20 Days Additional Instruction	331,028.00
Staff and Professional Development	182,944.00
Indirect Cost	
Central Administration	1,082,150.00
School Administration	2,032,076.00
Facility Maintenance and Operations	2,488,055.00
Amended Formula Adjustment	-4,185,520.00
Categorical Grants	
Pupil Transportation	
Regular	975,740.00
Nursing Services	184,973.00
Principal Supplements	3,463.00
Education Equalization Funding Grant	4,316,153.00
Other State Programs	
Food Services	144,702.00
Math and Science Supplements	75,570.68
Preschool Handicapped Program	92,200.00
Teachers' Retirement	27,672.10
Teacher of the Year	1,014.25
Vocational Education	39,912.00
Vocational Supervisors	26,136.00
Office of the State Treasurer	
Public School Employees Retirement	230,462.00
	$ 50,117,289.23

See notes to the basic financial statements.

LIBERTY COUNTY BOARD OF EDUCATION
SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS
JUNE 30, 2015

SCHEDULE "7"

PROJECT	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3)	AMOUNT EXPENDED IN PRIOR YEARS (3)	TOTAL COMPLETION COST	EXCESS PROCEEDS NOT EXPENDED	ESTIMATED COMPLETION DATE
Adding to, renovating, repairing, improving and demolishing, furnishing, equipping and completing existing school buildings and other buildings and facilities useful and desirable in connection therewith including, but not limited to, additional classrooms and physical education/athletic facilities, HVAC, gymnasium, flooring, roofing and paving	$ 32,500,000.00	$ 32,500,000.00	$ 1,945,552.72	$ 7,755,517.11	$ 0.00	$ 0.00	June 30, 2017
Acquiring technology improvements, including safety and security improvements, computer technology and software and wiring upgrades	12,500,000.00	12,500,000.00	5,256,134.81	6,553,808.19			June 30, 2017
Acquiring new school equipment, including, but not limited to, new buses, maintenance vehicles and other school equipment	5,000,000.00	5,000,000.00	254,273.32	928,605.42			June 30, 2017
Acquiring, constructing and equipping new school buildings and facilities useful and desirable in connection therewith, including, but not limited to, one new elementary school and/or one new middle school, athletic/physical education facilities and maintenance facilities	7,500,000.00	7,500,000.00		1,414,958.05			June 30, 2017
Acquiring any necessary or desirable property, both real and personal, including textbooks and band instruments	5,000,000.00	5,000,000.00	714,262.51				June 30, 2017
	$ 62,500,000.00	$ 62,500,000.00	$ 8,170,223.36	$ 16,652,888.77	$ 0.00	$ 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 Liberty County approved the imposition of a 1% sales tax to fund the above projects. Amounts expended for these projects may include sales tax proceeds, state, local property taxes and/or other funds over the life of the projects.

See notes to the basic financial statements.

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LIBERTY COUNTY BOARD OF EDUCATION
GENERAL FUND - QUALITY BASIC EDUCATION PROGRAM (QBE)
ALLOTMENT AND EXPENDITURES BY PROGRAM
YEAR ENDED JUNE 30, 2015

SCHEDULE "8"

DESCRIPTION	ALLOTMENTS FROM GEORGIA DEPARTMENT OF EDUCATION (1) (2)	ELIGIBLE QBE PROGRAM COSTS SALARIES	OPERATIONS	TOTAL
Direct Instructional Programs				
Kindergarten Program	$ 3,506,540.00	$ 3,660,856.59	$ 36,761.93	$ 3,697,618.52
Kindergarten Program-Early Intervention Program	1,071,681.00	965,543.27	6,274.13	971,817.40
Primary Grades (1-3) Program	7,995,723.00	8,934,122.78	68,399.31	9,002,522.09
Primary Grades-Early Intervention (1-3) Program	1,536,702.00	1,502,386.74	9,975.41	1,512,362.15
Upper Elementary Grades (4-5) Program	3,614,860.00	4,575,986.73	34,616.20	4,610,602.93
Upper Elementary Grades-Early Intervention (4-5) Program	1,161,214.00	1,041,347.03	3,705.85	1,045,052.88
Middle School (6-8) Program	7,318,817.00	8,235,818.08	260,584.74	8,496,402.82
High School General Education (9-12) Program	5,573,311.00	8,041,205.30	527,432.47	8,568,637.77
Vocational Laboratory (9-12) Program	3,203,924.00	1,815,262.93	80,543.19	1,895,806.12
Students with Disabilities	8,482,832.00			
Category I		241,223.09	5,598.89	246,821.98
Category II		678,872.30	714.29	679,586.59
Category III		4,076,619.99	10,022.35	4,086,642.34
Category IV		111,987.48	3,169.27	115,156.75
Category V		1,699,950.67	10,486.89	1,710,437.56
Gifted Student - Category VI	1,250,361.00	1,190,608.25	15,984.38	1,206,592.63
Remedial Education Program	259,709.00	309,566.39	574.52	310,140.91
Alternative Education Program	532,982.00	133,021.12		133,021.12
English Speakers of Other Languages (ESOL)	125,177.00	195,389.19	1,039.67	196,428.86
TOTAL DIRECT INSTRUCTIONAL PROGRAMS	45,633,833.00	47,409,767.93	1,075,883.49	48,485,651.42
Media Center Program	1,233,593.00	1,576,684.15	247,049.14	1,823,733.29
Staff and Professional Development	211,732.00	48,788.48	120,658.72	169,447.20
TOTAL QBE FORMULA FUNDS	$ 47,079,158.00	$ 49,035,240.56	$ 1,443,591.35	$ 50,478,831.91

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

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

See notes to the basic financial statements.

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SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS

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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

September 15, 2016

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
Liberty 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 Liberty County Board of Education as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Liberty County Board of Education's basic financial statements and have issued our report thereon dated September 15, 2016.

Internal Control Over Financial Reporting

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Liberty 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 Liberty County Board of Education in a separate letter dated September 15, 2016.

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 Liberty 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 Liberty 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:es
2015YB-10

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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

September 15, 2016

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
Liberty 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 Liberty 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, 2015. Liberty 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 Liberty 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 Liberty 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 Liberty County Board of Education's compliance.

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Opinion on Each Major Federal Program

In our opinion, the Liberty 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, 2015.

Report on Internal Control over Compliance

Management of Liberty 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 Liberty 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 Liberty 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:es
2015SA-10

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SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

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LIBERTY COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FINDING CONTROL NUMBER	AUDITEE'S RESPONSE/STATUS	SEE AUDITOR'S COMMENTS
FS-6981-13-01	Previously Reported Corrective Action Implemented	
FS-6981-13-02	Further Action Not Warranted	(1)
FS-2014-001	Partially Resolved - See Corrective Action/Responses	(1)
FS-2014-002	Further Action Not Warranted	(1)

CORRECTIVE ACTION/RESPONSES

FINANCIAL REPORTING
Inadequate Controls over Financial Reporting
Finding Control Number: FS-2014-001

The previously implemented corrective action only partially resolved the deficiency. The School District will record land purchased through a building exchange in fiscal year 2016. In addition, the School District reviewed the kitchen equipment omitted from the Capital Asset listing. The equipment in question was purchased prior to the fiscal year 2013. The kitchen equipment that was not recorded will be recorded and added to the capital asset listing in fiscal year 2016.

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 U.S. *Auditing Standards* 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.

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SECTION IV

FINDINGS AND QUESTIONED COSTS

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LIBERTY COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issue:

Governmental Activities; General Fund; Capital Projects Fund; Aggregate Remaining Fund Information	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
84.027, 84.173	Special Education Cluster
84.041	Impact Aid Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$686,346.97
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.