

MCDUFFIE COUNTY BOARD OF EDUCATION
THOMSON, GEORGIA

ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2014
(Including Independent Auditor's Reports)

MCDUFFIE COUNTY BOARD OF EDUCATION

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FINANCIAL

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

March 23, 2015

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

INDEPENDENT AUDITOR'S REPORT

Ladies and Gentlemen:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the 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 McDuffie County Board of Education, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

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

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2015, on our consideration of the McDuffie County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering McDuffie County Board of Education's internal control over financial reporting and compliance.

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

Respectfully submitted,



Greg S. Griffin
State Auditor

GSG:as
2014ARL-11

The discussion and analysis of the McDuffie County Board of Education's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers are encouraged to review the basic financial statements, and the accompanying notes to the basic financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2014 are as follows:

- The School District sold $7.6 million of the short-term general obligation bonds in September 2013 for construction of a new elementary school. This attributed to the large increase in total assets and long-term liabilities.

- Due to a continuous reduction in state funding, the School District has had increased class sizes and implemented furlough days in the last several years to keep costs in line with projected revenues.

- In total, net position increased $1.2 million, which represents an increase of 2 percent over 2013. All of the increase is in governmental activities. The School District has no business-type activities. This increase occurred due to state grants increasing $1.6 million while expenses only increased $571 thousand due to the measures mentioned above.

- General revenues accounted for $16.4 million. This represents 39.9 percent of all revenues. Program specific revenues in the form of grants and contributions, and charges for services, accounted for $24.7 million or 60.1 percent of total revenues.

- The School District had $39.9 million in expenses related to governmental activities. Program specific grants and contributions, and charges for services of $24.7 million did not cover these expenses. General revenues, primarily property taxes and sales taxes, of $16.4 million provided additional revenue for these programs.

- Among major funds, the General Fund had $37.9 million in revenues and $38.4 million in expenditures. The fund balance for the General Fund decreased by $535 thousand.

USING THE BASIC FINANCIAL STATEMENTS

This annual report consists of a series of financial statements: the District-wide, and fund statements.

The District-wide financial statements, the Statement of Net Position and the Statement of Activities, are designed to illustrate the School District as an aggregate of its financial activities and present a longer-term view of its finances.

The next level of detail is provided by the fund financial statements. These statements reflect the short-term finances as well as the balances available for future needs. For the McDuffie County Board of Education, the General Fund, District-wide Capital Project Fund and the Debt Service Fund are the most significant funds.

REPORTING THE SCHOOL DISTRICT AS A WHOLE (DISTRICT WIDE)

The Statement of Net Position and the Statement of Activities

While this document includes a number of funds used by the School District to provide programs and activities, a view of the School District as a whole requires a look at all financial transactions to ask the question "How did we do financially during 2014?" The Statement of Net Position and the Statement of Activities answers this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and changes in those assets. This change in net position is important because it tells the reader whether, 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 a result of many factors, some financial, some not. Nonfinancial factors include statewide and local political decisions, facility conditions, required educational programs, and other factors.

The Statement of Net Position and the Statement of Activities is normally divided into two distinct types of activities, governmental and business type activities. All of the School District's activities are reflected as governmental activities. This includes instruction, pupil services, improvement of instructional services, educational media services, general administration, school administration, business administration, maintenance and operation of plant, student transportation services, central support services, other support services, enterprise operations, food services, and interest on short-term and long-term debt.

REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS (FUND FINANCIALS)

The fund financial statements provide detailed information about the School District's major funds. The School District's major governmental funds are the General Fund, District-wide Capital Project Fund, and the Debt Service Fund.

Governmental Funds - Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and financial assets that can readily be converted to cash. The governmental fund statements offer a short-term view of the School District's financial activities.

A reconciliation of net changes in governmental fund balances to the governmental activities changes in net assets illustrate the relationships (or differences) between the governmental activities reported in the Statement of Net Position and the Statement of Activities to the governmental funds presented in the fund financial statements.

Fiduciary Funds - The School District is the trustee, or fiduciary, for assets that belong to others, such as scholarships, school clubs, and organizations within the principals' accounts. The School District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. These activities are reported in a separate Statement of Fiduciary Net Position. The School District has excluded these activities from the District-wide financial statements because the School District cannot use these assets to finance its operations.

THE SCHOOL DISTRICT AS A WHOLE

The Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's Net Position for fiscal year 2014 compared to fiscal year 2013.

Table 1
Net Position

	Governmental Activities	
	Fiscal Year 2014	Fiscal Year 2013 (Restated)
Assets		
Current and Other Assets, restated	$ 19,868,124.83	$ 12,336,492.64
Capital Assets, Net	53,487,453.97	54,174,711.34
Total Assets	73,355,578.80	66,511,203.98
Liabilities		
Current and Other Liabilities	4,332,573.62	4,039,455.98
Long-Term Liabilities	9,545,108.60	4,240,794.14
Total Liabilities	13,877,682.22	8,280,250.12
Net Position		
Net Investment in Capital Assets	52,339,405.74	50,200,292.12
Restricted	1,768,690.50	1,879,233.72
Unrestricted, restated	5,369,800.34	6,151,428.02
Total Net Position	$ 59,477,896.58	$ 58,230,953.86

Total Net Position increased $1,246,942.72 in fiscal year 2014.

Table 2 shows the changes in Net Position for fiscal year 2014 compared to the changes in Net Position for fiscal year 2013.

Table 2
Change in Net Position

	Governmental Activities	
	Fiscal Year 2014	Fiscal Year 2013
Revenues		
Program Revenues:		
Charges for Services and Sales	$ 563,979.40	$ 481,010.48
Operating Grants and Contributions	23,888,831.40	22,638,207.01
Capital Grants and Contributions	283,900.00	
Total Program Revenues	24,736,710.80	23,119,217.49
General Revenues:		
Taxes		
Property Taxes	10,266,739.62	10,272,746.48
Sales Taxes	3,359,788.34	3,508,370.96
Grants and Contributions not		
Restricted to Specific Programs	2,151,371.00	1,979,802.00
Investment Earnings	28,457.72	77,766.63
Miscellaneous	600,270.65	683,220.43
Total General Revenues	16,406,627.33	16,521,906.50
Total Revenues	41,143,338.13	39,641,123.99
Program Expenses:		
Instruction	25,414,498.23	24,981,893.97
Support Services		
Pupil Services	907,568.89	841,620.50
Improvement of Instructional Services	1,161,284.10	1,107,180.64
Educational Media Services	658,593.23	662,817.37
General Administration	620,095.68	682,284.67
School Administration	2,322,849.85	2,296,670.35
Business Administration	642,750.84	428,463.22
Maintenance and Operation of Plant	2,985,431.65	2,665,870.38
Student Transportation Services	2,177,110.59	2,416,803.95
Central Support Services	296,712.83	229,527.90
Other Support Services	81,596.06	116,392.74
Operations of Non-Instructional Services		
Enterprise Operations	71,565.62	74,985.19
Community Services		24.44
Food Services	2,264,920.66	2,681,180.23
Interest on Short-Term and Long-Term Debt	291,417.18	139,400.82
Total Expenses	39,896,395.41	39,325,116.37
Increase in Net Position	$ 1,246,942.72	$ 316,007.62

Governmental Activities

The School District is dependent upon operating grants and property taxes to support governmental activities. Instruction comprises 63.7 percent, Support Services 29.7 percent, Operations of Noninstructional Services Operations 5.9 percent, and Interest 0.7 percent of government program expenses.

The Statement of Activities details the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services for governmental activities comparing fiscal year 2014 with fiscal year 2013. It identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2013
Instruction	$ 25,414,498.23	$ 24,981,893.97	$ 7,507,826.75	$ 8,785,611.78
Support Services:				
Pupil Services	907,568.89	841,620.50	803,148.29	725,539.97
Improvement of Instructional Services	1,161,284.10	1,107,180.64	729,321.64	669,417.53
Educational Media Services	658,593.23	662,817.37	174,385.75	119,530.37
General Administration	620,095.68	682,284.67	50,010.31	-10,310.04
School Administration	2,322,849.85	2,296,670.35	1,331,290.50	1,158,984.36
Business Administration	642,750.84	428,463.22	626,699.67	428,463.22
Maintenance and Operation of Plant	2,985,431.65	2,665,870.38	1,726,777.22	1,342,546.49
Student Transportation Services	2,177,110.59	2,416,803.95	1,560,240.89	1,827,364.99
Central Support Services	296,712.83	229,527.90	293,662.18	229,527.90
Other Support Services	81,596.06	116,392.74	62,533.51	102,340.68
Operations of Non-Instructional Services:				
Enterprise Operations	71,565.62	74,985.19	70,009.65	74,985.19
Community Services		24.44		24.44
Food Services	2,264,920.66	2,681,180.23	-67,638.93	612,471.18
Interest on Short-Term and Long-Term Debt	291,417.18	139,400.82	291,417.18	139,400.82
Total Expenses	$ 39,896,395.41	$ 39,325,116.37	$ 15,159,684.61	$ 16,205,898.88

Although program revenues make up a majority of the revenues, the School District is still dependent upon tax revenues for governmental activities.

THE SCHOOL DISTRICT'S FUNDS

The School District's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues and other financing sources of $52.3 million and expenditures and other financing uses of $45 million. The general fund reflected a decrease of $535 thousand, the debt service fund increased by $62 thousand, and the District-wide capital projects fund increased $7.8 million.

The decrease in the general fund was due to rise in operational cost and the 1.25 percent raise given to the noncertified employees.

The increase in District-wide capital projects was due to the fact that the School District sold $7.6 million in bonds on September 2013 for construction of a new elementary school.

The increase in debt service was due to the School District transferring SPLOST funds to Debt Service to cover the November 2014 bond interest payment.

GENERAL FUND BUDGET HIGHLIGHTS

The School District's budget is prepared according to Georgia law. The most significant budgeted fund is the general fund. The general fund consists of the general operations, special revenue, grants and school nutrition program.

For the general fund, the final budgeted revenues and other financing sources of $36.7 million increased the original budgeted amount of $36.3 million by $0.4 million. This difference was mainly due to an increase of $782 thousand in state revenues and an increase of $4 thousand in miscellaneous revenue offset with a decrease in federal revenue by $388 thousand. The actual revenue was more than the budgeted amount by $1.2 million. The majority of the variances between the final budget and actual revenue in 2014 are due to the student activity funds and on behalf payments for health and retirement that are not budgeted.

The final budgeted expenditures and other financing uses of $38.4 million was less than the original budget of $38.6 million by $0.2 million. The difference was due to various adjustments in budgeted expenditure accounts. The actual expenditures were $37 thousand more than the final budgeted amount. The majority of the variances between the final budgeted expenditures and actual are due to over estimates in various areas, on behalf payments for health and retirement not budgeted, and student activity fund expenditures not budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2014, the School District had capital assets of $53.5 million, net of accumulated depreciation. Table 4 shows fiscal year 2014 balances compared with fiscal year 2013 balances.

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities	
	Fiscal Year 2014	Fiscal Year 2013
Land	$ 756,941.00	$ 746,941.00
Construction In Progress	64,198.40	93,353.20
Building and Improvements	43,241,246.42	42,508,873.19
Equipment	3,519,133.48	3,445,289.37
Land Improvements	5,905,934.67	7,380,254.58
Total	$ 53,487,453.97	$ 54,174,711.34

The decrease in Capital Assets of $687 thousand was due to items that were incorrectly capitalized in Construction in Progress, Building and Building Improvements, and Equipment. The decrease was also due to the reduction of the School District's fleet.

Debt

At June 30, 2014, the School District had $8.9 million in general obligation bonds, with $2.1 million due within one year. Table 5 shows fiscal year 2014 balances compared with fiscal year 2013 balances.

Table 5
Debt at June 30

	Governmental Activities	
	Fiscal Year 2014	Fiscal Year 2013
General Obligation Bonds	$ 8,880,000.00	$ 3,955,000.00
Bond Premiums Amortized	486,010.64	130,397.14
Compensated Absences	179,097.96	155,397.00
Total	$ 9,545,108.60	$ 4,240,794.14

CURRENT FINANCIAL ISSUES AND CONCERNS

McDuffie County Board of Education, along with the rest of Georgia and the nation, continues to operate in an uncertain economy. The School District monitors all sources of revenue and continually assesses its ability to fund standard operations and capital expansion. Additionally, opportunities to more efficiently manage operational costs are sought and quickly seized. Since fiscal year 2003, the state has underfunded its legally defined obligation to its school systems through annual austerity reductions. The negative impact of this decision on the McDuffie County Board of Education has been significant at a cumulative total reduction of approximately $13 million through fiscal year 2014. Through conservative budgeting and spending, attrition, increased class sizes, and operational

efficiencies, the School District has maintained its educational programs and financial stability. Despite the reductions from the state, the School District continues maintaining a sufficient fund balance through fiscal year 2014.

The millage rate for the School District for fiscal year 2014 was 17.19 for maintenance and operations. The assessed millage for maintenance and operations from the School District has been held constant since fiscal year 2009, although adjustments to the tax digest have resulted in lowered revenues. The School District endeavors to be responsive to taxpayer concerns over increasing millage rates and have taken every step to refrain from raising taxes for the last six years. However, if the state continues its underfunding of education, an increase for the local taxpayer is inevitable.

Sales tax collections have decreased but continue to provide sufficient funding to meet the ESPLOST funded bond principal and interest obligations.

While stable, the population of McDuffie County has a slight decline. Industrial expansion is limited. The School District makes every effort to promote the county's educational offerings to prospective businesses. The facilities of the School District are positioned to handle modest growth, which would certainly be welcomed.

Looking forward, fiscal year 2015 is underway and we continue to remain positive about McDuffie County School District's financial future. Austerity reductions from state funding have continued and, for the sixth consecutive year, the School District has had to furlough its employees. Employees are understandably anxious awaiting the restoration of furlough days, but are also appreciative of the School District's efforts to avoid adding additional furlough days and provide competitive employment benefits. Programmatically, the School District continues to offer a progressive curriculum to the School District's students in a technologically enhanced environment. Projected revenues, along with fund balance, are sufficient to cover planned expenses, and debt service funding is available to make the required principal and interest payments. The School District will continue to take a closer look into reducing operating expenses and ensuring that personnel allotments are in line with student enrollment per school.

The continuing shift of the financial burden for public schooling from the state to the local taxpayers presents major challenges for small rural systems such as ours, and remains as the most significant financial concern for the School District. Furthermore, McDuffie County's own tax base valuation has not been exempt from the statewide downward trend. The ability of management to recognize these factors, anticipate their impact, and react accordingly has provided for the continuation of sufficient funding for programs for the students of McDuffie County.

In fiscal year 2015, the School District will adopt Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. The provisions of this Statement establish accounting and financial reporting standards for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts. Implementation of this statement in fiscal year 2015 will result in a restatement of beginning net position. The School District's liability for the Net Pension Liability of the pension plan administered through the Teacher Retirement System of Georgia (TRS) is currently being calculated based an actuarial estimates. The amount is unknown but is believed to be material.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. For additional financial information, or with questions about this report, please contact Charisa Carter, Comptroller, McDuffie County Board of Education, 716 North Lee Street, Thomson, Georgia 30824 or email at carterc@mcduffie.k12.ga.us.

MCDUFFIE COUNTY BOARD OF EDUCATION

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

EXHIBIT "A"

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and Cash Equivalents	$ 15,606,795.91
Accounts Receivable, Net	
Taxes	931,267.95
State Government	2,616,760.68
Federal Government	573,087.38
Other	89,592.78
Inventories	44,995.26
Prepaid Items	5,624.87
Capital Assets, Non-Depreciable	821,139.40
Capital Assets, Depreciable (Net of Accumulated Depreciation)	52,666,314.57
Total Assets	73,355,578.80
LIABILITIES	
Accounts Payable	36,764.21
Salaries and Benefits Payable	3,880,283.85
Payroll Withholdings Payable	360,998.88
Interest Payable	46,041.00
Unearned Revenues	8,485.68
Long-Term Liabilities	
Due Within One Year	2,295,052.36
Due in More Than One Year	7,250,056.24
Total Liabilities	13,877,682.22
NET POSITION	
Net Investment in Capital Assets	52,339,405.74
Restricted for	
Continuation of Federal Programs	254,024.58
Debt Service	144,944.75
Capital Projects	1,369,721.17
Unrestricted	5,369,800.34
Total Net Position	$ 59,477,896.58

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

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

	EXPENSES	CHARGES FOR SERVICES
GOVERNMENTAL ACTIVITIES		
Instruction	$ 25,414,498.23	$ 281,301.82
Support Services		
Pupil Services	907,568.89	
Improvement of Instructional Services	1,161,284.10	
Educational Media Services	658,593.23	
General Administration	620,095.68	
School Administration	2,322,849.85	
Business Administration	642,750.84	
Maintenance and Operation of Plant	2,985,431.65	93,463.88
Student Transportation Services	2,177,110.59	
Central Support Services	296,712.83	
Other Support Services	81,596.06	
Operations of Non-Instructional Services		
Enterprise Operations	71,565.62	
Food Services	2,264,920.66	189,213.70
Interest on Short-Term and Long-Term Debt	291,417.18	
Total Governmental Activities	$ 39,896,395.41	$ 563,979.40
General Revenues		
Taxes		
Property Taxes		
For Maintenance and Operations		
Railroad Cars		
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Capital Projects		
Other Sales Tax		
Grants and Contributions not Restricted to Specific Programs		
Investment Earnings		
Miscellaneous		
Total General Revenues		
Change in Net Position		
Net Position - Beginning of Year, Restated		
Net Position - End of Year		

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

PROGRAM REVENUES		NET (EXPENSES)
OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	REVENUES AND CHANGES IN NET POSITION
$ 17,370,710.25	$ 254,659.41	$ -7,507,826.75
104,388.86	31.74	-803,148.29
428,386.39	3,576.07	-729,321.64
482,521.00	1,686.48	-174,385.75
569,681.25	404.12	-50,010.31
991,282.00	277.35	-1,331,290.50
9,406.47	6,644.70	-626,699.67
1,165,190.55		-1,726,777.22
616,869.70		-1,560,240.89
3,050.65		-293,662.18
19,062.55		-62,533.51
	1,555.97	-70,009.65
2,128,281.73	15,064.16	67,638.93
		-291,417.18
$ 23,888,831.40	$ 283,900.00	-15,159,684.61
		10,253,770.27
		12,969.35
		3,281,337.58
		78,450.76
		2,151,371.00
		28,457.72
		600,270.65
		16,406,627.33
		1,246,942.72
		58,230,953.86
		$ 59,477,896.58

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

EXHIBIT "C"

	GENERAL FUND	DISTRICT-WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
ASSETS				
Cash and Cash Equivalents	$ 6,359,955.38	$ 9,055,854.78	$ 190,985.75	$ 15,606,795.91
Accounts Receivable, Net				
Taxes	648,510.93	282,757.02		931,267.95
State Government	2,616,760.68			2,616,760.68
Federal Government	573,087.38			573,087.38
Interfund		6,491.29		6,491.29
Other	89,592.78			89,592.78
Inventories	44,995.26			44,995.26
Prepaid Items	5,624.87			5,624.87
Total Assets	$ 10,338,527.28	$ 9,345,103.09	$ 190,985.75	$ 19,874,616.12
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	$ 35,027.21	$ 1,737.00	$ 0.00	$ 36,764.21
Salaries and Benefits Payable	3,880,283.85			3,880,283.85
Payroll Withholdings Payable	360,998.88			360,998.88
Interfund Accounts Payable	6,491.29			6,491.29
Unearned Revenue	8,485.68			8,485.68
Total Liabilities	4,291,286.91	1,737.00	0.00	4,293,023.91
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Taxes	360,731.53			360,731.53
FUND BALANCES				
Nonspendable	50,620.13			50,620.13
Restricted	209,029.32	9,343,366.09	190,985.75	9,743,381.16
Assigned	496,592.84			496,592.84
Unassigned	4,930,266.55			4,930,266.55
Total Fund Balances	5,686,508.84	9,343,366.09	190,985.75	15,220,860.68
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 10,338,527.28	$ 9,345,103.09	$ 190,985.75	$ 19,874,616.12

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

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

EXHIBIT "D"

Total Fund Balances - Governmental Funds (Exhibit "C")		$ 15,220,860.68
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 as assets in governmental funds. These assets consist of:		
Land	$ 756,941.00	
Construction in Progress	64,198.40	
Land Improvements	51,040,307.69	
Buildings	7,792,869.03	
Equipment	6,753,344.37	
Accumulated Depreciation	-12,920,206.52	
Total Capital Assets		53,487,453.97
Property taxes that are not available to pay for current period expenditures are deferred in the governmental funds.		360,731.53
Long-Term Liabilities, including Bonds Payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-Term Liabilities at year-end consist of:		
Bonds Payable	$ -8,880,000.00	
Accrued Interest Payable	-46,041.00	
Compensated Absences Payable	-179,097.96	
Bond Premiums, Net of Amortization	-486,010.64	
Total Long-Term Liabilities		-9,591,149.60
Net Position of Governmental Activities (Exhibit "A")		$ 59,477,896.58

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

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

EXHIBIT "E"

	GENERAL FUND	DISTRICT-WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
REVENUES				
Property Taxes	$ 10,343,060.92			$ 10,343,060.92
Sales Taxes	78,450.76	$ 3,281,337.58		3,359,788.34
State Funds	21,446,031.72			21,446,031.72
Federal Funds	4,594,170.68			4,594,170.68
Charges for Services	563,979.40			563,979.40
Investment Earnings	20,588.83	7,420.28	$ 448.61	28,457.72
Miscellaneous	829,474.77			829,474.77
Total Revenues	37,875,757.08	3,288,757.86	448.61	41,164,963.55
EXPENDITURES				
Current				
Instruction	24,467,432.61	309,217.88		24,776,650.49
Support Services				
Pupil Services	907,568.89			907,568.89
Improvement of Instructional Services	1,113,989.95	46,898.46		1,160,888.41
Educational Media Services	657,368.55			657,368.55
General Administration	605,575.16	7,039.00		612,614.16
School Administration	2,322,711.47			2,322,711.47
Business Administration	505,953.50	133,339.57		639,293.07
Maintenance and Operation of Plant	2,961,176.36			2,961,176.36
Student Transportation Services	2,177,968.66			2,177,968.66
Central Support Services	296,712.83			296,712.83
Other Support Services	81,596.06			81,596.06
Enterprise Operations	71,032.77			71,032.77
Food Services Operation	2,241,535.08			2,241,535.08
Capital Outlay		98,126.97		98,126.97
Debt Services				
Principal			2,690,000.00	2,690,000.00
Dues and Fees			437.00	437.00
Interest			264,390.00	264,390.00
Total Expenditures	38,410,621.89	594,621.88	2,954,827.00	41,960,070.77
Excess of Revenues over (under) Expenditures	-534,864.81	2,694,135.98	-2,954,378.39	-795,107.22
OTHER FINANCING SOURCES (USES)				
Proceeds of Bonds		7,615,000.00		7,615,000.00
Premiums on Bonds Sold		521,533.25		521,533.25
Transfers In			3,016,515.00	3,016,515.00
Transfers Out		-3,016,515.00		-3,016,515.00
Total Other Financing Sources (Uses)		5,120,018.25	3,016,515.00	8,136,533.25
Net Change in Fund Balances	-534,864.81	7,814,154.23	62,136.61	7,341,426.03
Fund Balances - Beginning	6,221,373.65	1,529,211.86	128,849.14	7,879,434.65
Fund Balances - Ending	$ 5,686,508.84	$ 9,343,366.09	$ 190,985.75	$ 15,220,860.68

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

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

EXHIBIT "F"

Total Net Change in Fund Balances - Governmental Funds (Exhibit "E")		$ 7,341,426.03
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	$ 655,349.07	
Depreciation Expense	-1,461,215.52	
Excess of Capital Outlay over Depreciation Expense		-741,953.25
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, and disposals) is to decrease net position.		-165,290.92
Donated Capital Assets are not reported in Governmental Funds. However, in the Statement of Activities, the donations are shown as Capital Grants and Contributions.		283,900.00
Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		-76,321.30
Bond proceeds provide current financial resources to Governmental Funds; however, issuing debt increases Long-Term Liabilities in the Statement of Net Position. In the current period, proceeds were received from:		
General Obligation Bonds Issued, Including a Premium of $521,533.25		-8,136,533.25
Repayment of Long-Term Debt is reported as an expenditure in Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Position. In the current year, these amounts consist of:		
Bond Principal Retirements		2,690,000.00
Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in Governmental Funds. These activities consist of:		
Net Increase in Accrued Interest Payable	$ -26,590.18	
Increase in Compensated Absences	-23,700.96	
Amortization of Premiums	165,919.75	
Total Additional Expenditures		115,628.61
Change in Net Position of Governmental Activities (Exhibit "B")		$ 1,246,942.72

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

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

EXHIBIT "G"

	AGENCY FUNDS
ASSETS	
Cash and Cash Equivalents	$ 50,221.13
LIABILITIES	
Funds Held for Others	$ 50,221.13

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 McDuffie 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 McDuffie 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 Bond Proceeds that are restricted, committed or assigned to the expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.
- Debt Service Fund accounts for and reports financial resources that are restricted, committed, or assigned including taxes (sales) legally restricted for the payment of general long-term principal and interest.

The School District reports the following fiduciary fund type:

- Agency funds account for assets held by the School District as an agent for various school clubs and class accounts.

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 principal and interest on general long-term debt and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities are reported as other financing sources.

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

RESTATEMENT OF PRIOR YEAR NET POSITION

For fiscal year 2014, the School District made one prior period adjustment due to the adoption of GASB Statement No. 65, as described in "New Accounting Pronouncements" below, which require the restatement of the June 30, 2013, net position in Governmental Activities. The result is a decrease in Net Position at July 1, 2013 of $55,795.15. This change is in accordance with generally accepted accounting principles.

Net Position, July 1, 2013, as previously reported	$	58,286,749.01
Reclassification of Bond Issuance Costs		-55,795.15
Net Position, July 1, 2013, as restated	$	58,230,953.86

NEW ACCOUNTING PRONOUNCEMENTS

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

FUTURE ACCOUNTING PRONOUNCEMENTS

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

CASH AND CASH EQUIVALENTS

Composition of Deposits

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

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 McDuffie County Board of Commissioners adopted the property tax levy for the 2013 tax digest year (calendar year) on September 11, 2013 (levy date) based on property values as of January 1, 2013. Taxes were due on November 15, 2013 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2013 tax digest are reported as revenue in the governmental funds for fiscal year 2014. The McDuffie County Tax Commissioner bills and collects the property taxes for the School District, withholds 2.5% of taxes collected as a fee for tax collection and remits the balance of taxes collected to the School District. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2014, for maintenance and operations amounted to $9,833,360.60.

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

School Operations	17.19 mills

Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to $496,730.97 during fiscal year ended June 30, 2014.

SALES TAXES

Education Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to $3,281,337.58 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

INVENTORIES

Food Inventories

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

PREPAID ITEMS

Payments made to vendors for services that will benefit periods subsequent to June 30, 2014, are recorded as prepaid items.

CAPITAL ASSETS

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

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

	Capitalization Policy	Estimated Useful Life
Land	Any Amount	N/A
Land Improvements	$ 5,000.00	20 to 90 years
Buildings and Improvements	$ 5,000.00	50 to 90 years
Equipment	$ 5,000.00	5 to 90 years
Intangible Assets	$ 100,000.00	5 to 50 years
Construction in Progress	Any Amount	N/A

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

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

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

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

COMPENSATED ABSENCES

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

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

GENERAL OBLIGATION BONDS

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

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

NET POSITION

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

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

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

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

FUND BALANCES

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

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

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

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

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

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

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

Nonspendable		
Inventories	$ 44,995.26	
Prepaid Assets	5,624.87	$ 50,620.13
Restricted		
Continuation of Federal Programs	$ 209,029.32	
Capital Projects	9,343,366.09	
Debt Service	190,985.75	9,743,381.16
Assigned		
Capital Projects	$ 144,363.00	
School Activity Accounts	352,229.84	496,592.84
Unassigned		4,930,266.55
Fund Balance, June 30, 2014		$ 15,220,860.68

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

USE OF ESTIMATES

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

NOTE 3: BUDGETARY DATA

The budget is a complete financial plan for the School District's fiscal year, and is based upon careful estimates of expenditures together with probable funding sources. The budget is legally adopted each year for the general, debt service, and capital projects funds. There is no statutory prohibition regarding over expenditure of the budget at any level. The budget for all governmental funds 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 1 – General Fund Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual for a detail of any over/under expenditures during the fiscal year under review.

NOTE 4: DEPOSITS

COLLATERALIZATION OF DEPOSITS

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

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

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

CATEGORIZATION OF DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At June 30, 2014, the School District had deposits with a carrying amount of $15,657,017.04, and a bank balances were $16,304,796.00. The bank balances insured by Federal depository insurance were $250,000.00. The amounts exposed to custodial credit risk are classified into three categories as follows:

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

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

Custodial Credit Risk Category	Bank Balance
1	$ 0.00
2	0.00
3	16,054,796.00
Total	$ 16,054,796.00

NOTE 5: NON-MONETARY TRANSACTIONS

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

NOTE 6: CAPITAL ASSETS

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

	Balances July 1, 2013	Increases	Decreases	Transfers	Balances June 30, 2014
Governmental Activities					
Capital Assets, Not Being Depreciated:					
Land	$ 746,941.00	$ 10,000.00		$ 0.00	$ 756,941.00
Construction Work In Progress	93,353.20	34,758.40	$ 63,913.20		64,198.40
Total Capital Assets, Not Being Depreciated	840,294.20	44,758.40	63,913.20	0.00	821,139.40
Capital Assets, Being Depreciated:					
Buildings and Improvements	49,719,528.69		154,023.00	1,474,802.00	51,040,307.69
Equipment	7,547,497.47	557,101.87	369,865.31	58,135.00	7,792,869.03
Land Improvements	7,884,979.37	401,302.00		-1,532,937.00	6,753,344.37
Less: Accumulated Depreciation:					
Buildings and Improvements	7,210,655.50	607,133.22	18,727.45		7,799,061.27
Equipment	4,102,208.10	360,611.71	339,869.94	150,785.68	4,273,735.55
Land Improvements	504,724.79	493,470.59		-150,785.68	847,409.70
Total Capital Assets, Being Depreciated, Net	53,334,417.14	-502,811.65	165,290.92	0.00	52,666,314.57
Governmental Activity Capital Assets - Net	$ 54,174,711.34	$ -458,053.25	$ 229,204.12	$ 0.00	$ 53,487,453.97

Current year depreciation expense by function is as follows:

Instruction		$ 784,667.81
Support Services		
Improvement of Instructional Services	$ 253,133.23	
Educational Media Services	11,286.64	
General Administration	20,673.06	
School Administration	4,471.91	
Business Administration	3,026.37	
Maintenance and Operation of Plant	31,520.38	
Student Transportation Services	270,683.16	
Enterprise Operations	7,934.88	602,729.63
Food Services		73,818.08
		$ 1,461,215.52

NOTE 7: INTERFUND ASSETS AND LIABILITIES

Due to and due from other funds are recorded for interfund receivables and payables which arise from interfund transactions. Interfund balances at June 30, 2014, consisted of the following:

	Due From Other Funds	Due To Other Funds
General Fund		$ 6,491.29
District-wide Capital Projects	$ 6,491.29	
	$ 6,491.29	$ 6,491.29

Interfund assets and liabilities are used to show reimbursement of funds by the General Fund to the District-wide Capital Projects Fund for expenditures that were incorrectly paid with SPLOST funds as detected by the School District's close monitoring of SPLOST expenditures.

NOTE 8: INTERFUND TRANSFERS

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

Transfer to	Transfers From District-wide Capital Projects
Debt Service Fund	$ 3,016,515.00

Transfers are used to move SPLOST revenue to the Debt Service Fund for the payment of bonds.

NOTE 9: 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. A premium is charged when needed by the General Fund to each user program on the basis of the percentage of that fund's payroll to total payroll in order to cover estimated claims budgeted by management based on known claims and prior experience. The School District accounts for claims with expenses/expenditures and liability being reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated.

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

	Beginning of Year Liability	Claims and Changes in Estimates	Claims Paid	End of Year Liability
2013	$ 716.00	$ 93.00	$ 2,025.00	$ -1,216.00
2014	$ -1,216.00	$ 784.00	$ 258.00	$ -690.00

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 million loss per occurrence, up to the statutory limit. Employers' Liability insurance coverage is also provided with limits of $2 million.

The Trust covers the first $1 million of each Employers liability claim with Safety National providing additional Employers Liability limits up to a $2 million per occurrence maximum. Safety National Casualty Company also provides $2 million in aggregate coverage to the Trust, attaching at 110% of the loss fund and based on the Fund's annual normal premium.

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

Position Covered	Amount
Superintendent	$ 15,000.00
All Other Employees	$ 500,000.00

NOTE 10: LONG-TERM LIABILITIES

COMPENSATED ABSENCES

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

GENERAL OBLIGATION DEBT OUTSTANDING

General Obligation Bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
General Government - Series 2012	3.00%	$ 1,265,000.00
General Government - Series 2013	2.00% - 4.00%	7,615,000.00
		$ 8,880,000.00

Voters have authorized $14,000,000.00 in general obligation debt for capital outlay purposes. $11,570,000.00 in general obligation debt has been issued. The remaining balance of $2,430,000.00 was not issued as of June 30, 2014.

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

	Governmental Activities				
	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014	Due Within One Year
G. O. Bonds	$ 3,955,000.00	$ 7,615,000.00	$ 2,690,000.00	$ 8,880,000.00	$ 2,135,000.00
Compensated Absences (1)	155,397.00	123,300.91	99,599.95	179,097.96	
Bond Premiums Amortized	130,397.14	521,533.25	165,919.75	486,010.64	160,052.36
	$ 4,240,794.14	$ 8,259,834.16	$ 2,955,519.70	$ 9,545,108.60	$ 2,295,052.36

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

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

	General Obligation Debt		Unamortized
	Principal	Interest	Bond Premium
Fiscal Year Ended June 30:			
2015	$ 2,135,000.00	$ 280,850.00	$ 160,052.36
2016	2,180,000.00	225,500.00	111,757.13
2017	2,250,000.00	160,100.00	111,757.13
2018	2,315,000.00	92,600.00	102,444.02
Total Principal and Interest	$ 8,880,000.00	$ 759,050.00	$ 486,010.64

NOTE 11: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of $1,979,729.71 for health insurance and retirement contributions paid on the School District's behalf by the following State Agencies.

Georgia Department of Education
Paid to the Georgia Department of Community Health
For Health Insurance of Certificated Personnel
In the amount of $1,871,352.00

Paid to the Teachers' Retirement System of Georgia
For Teachers' Retirement System (TRS) Employer's Cost
In the amount of $28,106.71

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 $80,271.00

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

NOTE 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.

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

Participating employers are statutorily required to contribute in accordance with the employer contribution rates established by the Board. The contribution rates are established to fund all benefits due under the health insurance plans for both active and retired employees based on projected "pay-as-you-go" financing requirements. Contributions are not based on the actuarially calculated annual

required contribution (ARC) which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

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

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

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

For non-certificated school personnel:

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

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

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

Fiscal Year	Percentage Contributed	Required Contribution
2014	100%	$ 4,399,212.06
2013	100%	$ 3,882,946.21
2012	100%	$ 3,649,846.24

NOTE 14: RETIREMENT PLANS

TEACHERS' RETIREMENT SYSTEM OF GEORGIA (TRS)

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

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

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

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

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

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

Fiscal Year	Percentage Contributed	Required Contribution
2014	100%	$ 2,623,467.85
2013	100%	$ 2,366,737.63
2012	100%	$ 2,196,479.42

PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS)

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

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

SCHEDULE "1"

	NONAPPROPRIATED BUDGETS		ACTUAL	VARIANCE
	ORIGINAL (1)	FINAL (1)	AMOUNTS	OVER/UNDER
REVENUES				
Property Taxes	$ 9,822,661.00	$ 9,822,661.00	$ 10,343,060.92	$ 520,399.92
Sales Taxes	50,000.00	50,000.00	78,450.76	28,450.76
State Funds	20,594,336.00	21,377,190.00	21,446,031.72	68,841.72
Federal Funds	5,234,991.00	4,846,209.97	4,594,170.68	-252,039.29
Charges for Services	419,818.00	419,818.00	563,979.40	144,161.40
Investment Earnings	42,500.00	42,500.00	20,588.83	-21,911.17
Miscellaneous	87,500.00	91,682.10	829,474.77	737,792.67
Total Revenues	36,251,806.00	36,650,061.07	37,875,757.08	1,225,696.01
EXPENDITURES				
Current				
Instruction	24,149,419.00	24,357,230.94	24,467,432.61	-110,201.67
Support Services				
Pupil Services	1,142,268.00	778,717.00	907,568.89	-128,851.89
Improvement of Instructional Services	1,527,660.00	1,206,592.00	1,113,989.95	92,602.05
Educational Media Services	622,866.00	623,768.42	657,368.55	-33,600.13
General Administration	686,415.00	864,086.00	605,575.16	258,510.84
School Administration	2,327,242.00	2,322,480.78	2,322,711.47	-230.69
Business Administration	432,097.00	497,867.00	505,953.50	-8,086.50
Maintenance and Operation of Plant	3,282,404.00	3,325,744.79	2,961,176.36	364,568.43
Student Transportation Services	1,987,242.00	2,006,926.14	2,177,968.66	-171,042.52
Central Support Services	232,128.00	261,523.00	296,712.83	-35,189.83
Other Support Services	207,329.00	94,137.00	81,596.06	12,540.94
Enterprise Operations		10,124.85	71,032.77	-60,907.92
Food Services Operation	2,028,956.00	2,024,216.91	2,241,535.08	-217,318.17
Total Expenditures	38,626,026.00	38,373,414.83	38,410,621.89	-37,207.06
Net Change in Fund Balances	-2,374,220.00	-1,723,353.76	-534,864.81	1,188,488.95
Fund Balances - Beginning	6,221,147.65	6,226,429.38	6,221,373.65	-5,055.73
Fund Balances - Ending	$ 3,846,927.65	$ 4,503,075.62	$ 5,686,508.84	$ 1,183,433.22

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

(1) Original and Final Budget amounts do not include the actual revenues ($844,751.45) or expenditures ($929,129.23) of the various principal accounts.

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.

MCDUFFIE COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

SCHEDULE "2"

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	$ 2,221,654.33	(1)
Summer Food Service Program For Children		10.559	N/A	(2)	
Total U. S. Department of Agriculture				2,221,654.33	
Education, U. S. Department of					
Special Education Cluster					
Pass-Through From Georgia Department of Education					
Special Education					
Grants to States	*	84.027	N/A	665,780.92	
Preschool Grants	*	84.173	N/A	18,343.82	
Total Special Education Cluster				684,124.74	
Other Programs					
Pass-Through From Georgia Department of Education					
Career and Technical Education - Basic Grants to States		84.048	N/A	41,143.00	
Improving Teacher Quality State Grants	*	84.367	N/A	217,124.83	
Title I Grants to Local Educational Agencies	*	84.010	N/A	1,490,275.44	
Total Other Programs				1,748,543.27	
Total U. S. Department of Education				2,432,668.01	
Labor, U. S. Department of					
Workforce Investment Act Cluster					
Pass-Through From Georgia Department of Labor					
Workforce Investment Act Youth Activities		17.259	N/A	49,187.03	
Defense, U. S. Department of					
Direct					
Department of the Navy					
R.O.T.C. Program				67,658.59	
Total Expenditures of Federal Awards				$ 4,771,167.96	

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 $148,781.14.

(2) Expenditures for the funds earned on the Summer Food Service for Children ($61,224.10) and the School Breakfast Program ($503,958.65) were not maintained separately and are included in the 2014 National School Lunch Program.

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

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

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

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

SCHEDULE "3"

AGENCY/FUNDING	GOVERNMENTAL FUND TYPE GENERAL FUND
GRANTS	
Bright From the Start:	
Georgia Department of Early Care and Learning	
Pre-Kindergarten Program	$ 480,121.27
Education, Georgia Department of	
Quality Basic Education (1)	
Direct Instructional Cost	
Kindergarten Program	1,575,448.00
Kindergarten Program - Early Intervention Program	147,884.00
Primary Grades (1-3) Program	3,469,214.00
Primary Grades - Early Intervention (1-3) Program	290,492.00
Upper Elementary Grades (4-5) Program	1,448,704.00
Upper Elementary Grades - Early Intervention (4-5) Program	118,312.00
Middle Grades (6-8) Program	
Middle School (6-8) Program	2,924,867.00
High School General Education (9-12) Program	2,270,713.00
Vocational Laboratory (9-12) Program	790,148.00
Students with Disabilities	2,800,065.00
Gifted Student - Category VI	721,696.00
Remedial Education Program	383,733.00
Alternative Education Program	199,501.00
English Speakers of Other Languages (ESOL)	85,772.00
Media Center Program	482,521.00
20 Days Additional Instruction	149,949.00
Staff and Professional Development	88,846.00
Indirect Cost	
Central Administration	566,462.00
School Administration	964,549.00
Facility Maintenance and Operations	1,097,635.00
Amended Formula Adjustment	-2,788,836.00
Categorical Grants	
Pupil Transportation	
Regular	568,202.00
Nursing Services	80,072.00
Education Equalization Funding Grant	2,151,371.00
Other State Programs	
Food Services	61,641.00
Math and Science Supplements	24,582.74
Preschool Handicapped Program	93,599.00
Teachers' Retirement	28,106.71
Vocational Education	90,390.00
Office of the State Treasurer	
Public School Employees' Retirement	80,271.00
	$ 21,446,031.72

(1) Payments to the Georgia Department of Community Health by the Georgia Department of Education on behalf of the School District in the amount of $1,871,352.00 are included as part of the Quality Basic Education revenue allotments above.

See notes to the basic financial statements.

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

SCHEDULE "4"

Project #		ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3) (4) (5) (6)	AMOUNT EXPENDED IN PRIOR YEARS (3) (5)	TOTAL COMPLETION COST	EXCESS PROCEEDS NOT EXPENDED	ESTIMATED COMPLETION DATE
SPLOST IV								
Acquiring, constructing, and equipping a new elementary school and the completion of the new 8-9 grade school, including necessary furnishings, fixtures and equipment; renovating, extending, repairing, and equipping existing School District facilities to include stadium renovation and improvement and roof repairs; acquiring and installing system-wide instructional and administrative technology, safety, and security equipment; acquisition of school buses and transportation equipment; acquisition of music, vocational, and physical education/athletic equipment, acquiring any necessary property therefore, both real and personal for the School District.								
1	New Norris	$ 7,000,000.00	$ 3,800.00		$ 3,800.00	$ 3,800.00		Completed
2	8-9 School	4,000,000.00	13,819,090.00		13,819,089.71	13,819,089.71	$ 0.29	Completed
3	Pitched Roofs	2,000,000.00						Completed
4	Stadium Improvements	1,500,000.00	2,770,428.00		2,770,427.19	2,770,427.19	0.81	Completed
5	School Buses	500,000.00	1,343,966.00		1,343,965.53	1,343,965.53	0.47	Completed
6	Work Vehicles	100,000.00	15,200.00	$ 15,200.00		15,200.00		Completed
7	Technology	2,000,000.00	2,286,800.00	194,803.74	2,091,995.72	2,286,799.46	0.54	Completed
8	Student Furniture	300,000.00	54,074.00		54,073.28	54,073.28	0.72	Completed
9	General Repairs	1,000,000.00	1,119,189.00	22,890.00	1,096,298.05	1,119,188.05	0.95	Completed
10	Other Various Projects	4,600,000.00	2,046,074.00	3,175.00	2,042,898.59	2,046,073.59	0.41	Completed
		23,000,000.00	23,458,621.00	236,068.74	23,222,548.07	23,458,616.81	4.19	
SPLOST V								
Acquiring, Constructing, and Equipping a New Elementary School, Including Necessary Furnishings, Fixtures and Equipment; Renovating, Extending, Repairing, and Equipping Thomson High School, Stadium Renovations and Improvements, and Roof Repairs; Acquiring and Installing System Wide Instructional and Administrative Technology, Safety and Security Equipment; Acquiring School Buses, Maintenance Vehicles, and Transportation Equipment; Acquiring Textbooks; Acquiring Music, Vocational, and Physical Education/Athletic Equipment; and Paying expenses incident to accomplishing the foregoing.								
1	Purchase of Equipment	250,000.00	250,000.00	13,798.55				December 31, 2017
2	SPLOST Maintenance	250,000.00	250,000.00	9,262.12				December 31, 2017
3	Technology	1,500,000.00	1,500,000.00	173.70				December 31, 2017
4	General Repairs	500,000.00	500,000.00	2,863.00				December 31, 2017
5	School Buses/Vehicles	1,200,000.00	1,200,000.00					December 31, 2017
6	Band Instruments/Uniforms	394,295.00	394,295.00	5,722.90				December 31, 2017
7	Student Furniture	245,000.00	245,000.00					December 31, 2017
8	Instructional Software, Materials	475,000.00	475,000.00	160,000.00				December 31, 2017
9	Maintenance Pickup	5,000.00	5,000.00					December 31, 2017
10	New Norris	10,624,780.00	10,624,780.00	163,588.87				December 31, 2017
11	TMMS Baseball Field	130,000.00	130,000.00	1,869.00				December 31, 2017
12	Stadium Improvements	3,955,000.00	3,966,595.00	1,275.00	3,965,320.00	3,966,595.00	0.00	Completed
13	Other Various Projects	4,170,925.00	4,170,925.00					December 31, 2017
		23,700,000.00	23,711,595.00	358,553.14	3,965,320.00	3,966,595.00	0.00	
		$ 46,700,000.00	$ 47,170,216.00	$ 594,621.88	$ 27,187,868.07	$ 27,425,211.81	$ 4.19	

(1) The School District's original cost estimate as specified in the resolution calling for the imposition of the local option sales tax.

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

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

(4) In addition to the expenditures shown above, the School District has incurred interest and dues and fees to provide advance funding for these above projects. The interest expenditure for fiscal year 2014 was $264,390.00. The dues and fees for fiscal year 2014 were $437.00.

(5) The School District sold $3,955,000.00 in General Obligation Series 2012 Bonds to be paid back from SPLOST V proceeds. This money is being used for stadium improvements.

(6) The School District sold $7,615,000.00 in General Obligation Series 2013 Bonds to be paid back from SPLOST V proceeds. This money is being used for construction of a new elementary school.

See notes to the basic financial statements

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

SCHEDULE "5"

DESCRIPTION	ALLOTMENTS FROM GEORGIA DEPARTMENT OF EDUCATION (1) (2) (3)	ELIGIBLE QBE PROGRAM COSTS SALARIES	OPERATIONS	TOTAL
Direct Instructional Programs				
Kindergarten Program	$ 1,804,748.00	$ 1,696,727.55	$ 777.26	$ 1,697,504.81
Kindergarten Program-Early Intervention Program	164,765.00	239,748.22		239,748.22
Primary Grades (1-3) Program	3,933,081.00	3,132,676.92	49,628.29	3,182,305.21
Primary Grades-Early Intervention (1-3) Program	346,391.00	405,008.51		405,008.51
Upper Elementary Grades (4-5) Program	1,666,109.00	1,807,237.50	30,797.20	1,838,034.70
Upper Elementary Grades-Early Intervention (4-5) Program	146,209.00	152,076.55		152,076.55
Middle School (6-8) Program	3,328,750.00	3,566,014.27	63,396.72	3,629,410.99
High School General Education (9-12) Program	2,567,402.00	3,109,898.95	83,474.24	3,193,373.19
Vocational Laboratory (9-12) Program	927,900.00	564,922.35	19,957.03	584,879.38
Students with Disabilities	3,130,437.00			
Category I			53,566.21	53,566.21
Category III		3,500,795.33	109,522.69	3,610,318.02
Gifted Student - Category VI	808,374.00	308,281.07	5,205.44	313,486.51
Remedial Education Program	454,869.00		173.28	173.28
Alternative Education Program	230,623.00	542,969.65	4,645.22	547,614.87
English Speakers of Other Languages (ESOL)	98,102.00	117,817.11		117,817.11
TOTAL DIRECT INSTRUCTIONAL PROGRAMS	19,607,760.00	19,144,173.98	421,143.58	19,565,317.56
Media Center Program	550,494.00	598,548.82	20,533.73	619,082.55
Staff and Professional Development	99,594.00			96,394.22
TOTAL QBE FORMULA FUNDS	$ 20,257,848.00	$ 19,742,722.80	$ 441,677.31	$ 20,280,794.33

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

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

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

See notes to the basic financial statements.

SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS

DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

March 23, 2015

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
McDuffie 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 McDuffie County Board of Education as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise McDuffie County Board of Education's basic financial statements and have issued our report thereon dated March 23, 2015.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control 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 McDuffie 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 McDuffie County Board of Education in a separate letter dated March 23, 2015.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, not to provide an opinion on the effectiveness of the McDuffie 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 McDuffie County Board of Education's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Greg S. Griffin
State Auditor

GSG:as
2014YB-10

DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

March 23, 2015

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
McDuffie 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 McDuffie County Board of Education's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014. McDuffie 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 McDuffie 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 McDuffie 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 McDuffie County Board of Education's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

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

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

Respectfully submitted,



Greg S. Griffin
State Auditor

GSG:as
2014SA-10

SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

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

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV

FINDINGS AND QUESTIONED COSTS

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

I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

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

Noncompliance material to financial statements noted: — No

Federal Awards

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

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

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

Identification of major programs:

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

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

Auditee qualified as low-risk auditee? — No

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.