

CITY OF PELHAM
BOARD OF EDUCATION
MITCHELL COUNTY, GEORGIA

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

CITY OF PELHAM BOARD OF EDUCATION - MITCHELL COUNTY

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FINANCIAL

DEPARTMENT OF AUDITS AND ACCOUNTS

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

May 21, 2015

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
City of Pelham 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 I) of the City of Pelham 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 City of Pelham 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 City of Pelham Board of Education adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. 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 xi 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 City of Pelham 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 May 21, 2015, on our consideration of the City of Pelham 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 City of Pelham 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

CITY OF PELHAM BOARD OF EDUCATION - MITCHELL COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

The discussion and analysis of the City of Pelham 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 should also review the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2014 are as follows:

- The assets of the System exceeded its liabilities at June 30, 2014, by $21,884,547.59. Of this amount, $4,267,192.92 (unrestricted net position) may be used to meet the System's ongoing obligations and operations as a public school district.

- Net position increased by a total of $352,137.79 from the beginning of the year. The increase is attributable, primarily, to an increase in midterm adjustment. Purchase of equipment and building improvements and non-budgeted school activity accounts.

- At June 30, 2014, The System's General Fund reported a balance of $4,544,411.90, an increase of $485,666.46 or 11.9 percent from the last fiscal year. Of this total, $4,092,802.37 represents unassigned fund balance.

- LOST and SPLOST collections in fiscal year 2014 decreased $166,186.88 from collections in fiscal year 2013. This decrease is primarily due to a change in sales tax collections including Title Ad Valorem Taxes on car sales.

- Principal and interest payments were made on the System's outstanding general obligation bonds and the payment on a New Capital Lease for Transportation to purchase new buses after Transportation Agreement with Mitchell County expired on June 30, 2013.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the System's basic financial statements. The basic financial statements comprise three components: 1) System-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

System-wide Financial Statements

The System-wide financial statements are designed to provide readers with a broad overview of the System's finances in a manner similar to a private-sector business. The Statement of Net Position presents information on all the System's assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the System is improving or deteriorating. It is important to note that this statement consolidates the System's current financial resources (short-term) with capital assets and long-term liabilities.

The Statement of Activities presents information showing how the System's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g. uncollected taxes, etc.)

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been separated for specific activities or objectives. The System, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the System can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds

Most of the System's activities are reported in governmental funds focusing on how money flows in and out of those funds and the balances left at year-end available for spending in future periods. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

Fiduciary Funds

The System is the trustee, or fiduciary, for assets that belong to others such as club and class funds and payroll withholding funds. The System is responsible for ensuring assets reported in these funds are used only for their intended purposes and by those to whom assets belong.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the system-wide and fund financial statements.

System-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of June 30, 2014, System assets exceeded liabilities by $21,884,547.59.

By far, the largest portion of the System's net position (75.4 percent) reflects its investments in capital assets (e.g. buildings, land, land improvements, equipment) less any related debt used to acquire those assets that remain outstanding. The System uses the capital assets to provide services to our students, faculty, and community; consequently, these assets are not available for future spending.

The following chart details the major categories of assets, liabilities, and net position with a comparison to the prior fiscal year.

Table 1
Net Position

	Governmental Activities	
	Fiscal Year 2014	Fiscal Year 2013
Assets		
Current and Other Assets	$ 6,827,806.87	$ 6,723,874.30
Capital Assets, Net	19,787,308.00	19,917,802.00
Total Assets	26,615,114.87	26,641,676.30
Liabilities		
Current and Other Liabilities	1,440,568.66	1,659,266.50
Long-Term Liabilities	3,289,998.62	3,450,000.00
Total Liabilities	4,730,567.28	5,109,266.50
Net Position		
Net Investment in Capital Assets	16,497,309.38	16,467,802.00
Restricted	1,120,045.29	1,051,493.97
Unrestricted	4,267,192.92	4,013,113.83
Total Net Position	$ 21,884,547.59	$ 21,532,409.80

An additional portion of the System's total net position represents resources that are subject to external restrictions on how they may be used (5.1%). Comprising the majority of restricted net position is net position being accumulated for use in the Capital Lease for Transportation, which represented 60% of total restricted net position. Second, net position for ongoing federal programs and bus replacement represented 38.8% of total restricted net position. The remaining 1.2% represents funds restricted for debt service payments on general obligation bonds.

Unrestricted net position, 19.5% of total net position, may be used to meet ongoing obligations and operations of the System.

Changes in Net Position From Operating Results

Net position increased $352,137.79 from operating results in the fiscal year ended June 30, 2014 compared to an increase of $47,071.10 in the prior fiscal year.

Key elements of this increase are as follows on the next chart:

Table 2
Change in Net Position

	Governmental Activities	
	Fiscal Year 2014	Fiscal Year 2013
Revenues		
Program Revenues:		
Charges for Services and Sales	$ 229,867.09	$ 266,261.85
Operating Grants and Contributions	9,756,608.12	9,342,372.16
Capital Grants and Contributions		92,851.43
Total Program Revenues	9,986,475.21	9,701,485.44
General Revenues:		
Taxes		
Property Taxes		
For Maintenance and Operations	483,939.11	559,551.83
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Capital Projects	98,021.38	202,021.18
For Debt Services	686,490.00	677,592.00
Local Option Sales Tax	351,168.65	422,253.73
Grants and Contributions not		
Restricted to Specific Programs	3,252,717.00	2,963,097.00
Investment Earnings	9,702.61	13,763.19
Miscellaneous	170,891.72	182,334.54
Total General Revenues	5,052,930.47	5,020,613.47
Total Revenues	15,039,405.68	14,722,098.91
Program Expenses:		
Instruction	8,806,502.44	9,163,692.15
Support Services		
Pupil Services	720,319.73	686,009.34
Improvement of Instructional Services	586,403.10	540,665.29
Educational Media Services	218,911.23	227,916.25
General Administration	377,596.16	383,768.33
School Administration	983,070.36	979,477.68
Business Administration	284,984.74	278,223.36
Maintenance and Operation of Plant	1,064,811.10	1,046,303.89
Student Transportation Services	331,614.31	72,594.43
Central Support Services	29,822.44	30,441.62
Other Support Services	148,540.42	114,290.17
Operations of Non-Instructional Services		
Community Services	6,420.00	6,000.00
Enterprise Operations	20,193.01	20,090.60
Food Services	1,013,032.85	1,013,913.70
Interest on Short-Term and Long-Term Debt	95,046.00	111,641.00
Total Expenses	14,687,267.89	14,675,027.81
Increase in Net Position	$ 352,137.79	$ 47,071.10

Financial Analysis of the System's Funds

General Fund Budgetary Highlights

The System's budget is prepared in accordance with Georgia law and is based on accounting for certain transactions on the modified accrual basis of accounting. The System uses site-based budgeting and the budgeting system is designed to tightly control site budgets but provide flexibility for site management.

The most significant budgeted funds are the general fund. As originally adopted, general fund revenues were projected to be $13,100,397.00 with appropriated expenditures totaling $15,135,730.00 up 0.11% from the fiscal year 2013 final amended budget. The Board appropriated $2,035,333.00 from unreserved fund balance to cover the shortfall. Of significance, initial state austerity reductions to funding formula earnings totaled $1,152,859.00. No federal stimulus funds under the American Recovery and Reinvestment Act of 2009 (ARRA) were available to mitigate the impact of state funding reductions.

As fiscal year 2014 progressed, the final amended general fund budget increased $628,141.37 for revenues, an increase of 4.8% from the original budget for the year. The reason for the amendment was to adjust grants from estimates to actual awarded amounts, increased QBE funding at Midterm for reclassification of EIP and special education students and non-budgeted school activity account revenues.

The original budget for fiscal year 2014 included appropriated expenditures of $15,135,730.00, which was an increase of $16,639.84 over the 2013 final budget appropriated expenditures. This increase was primarily due to the Board of Education's wish to add one (1) teaching position, seven (7) bus drivers and a transportation director in fiscal year 2014 as well as to fund the Pre-K Program shortfall in the school calendar instructional days of two (2) days and the costs for the addition of a transportation department. Other significant increases were made for employee's benefits. The State of Georgia increased the employer share of noncertified health insurance cost by $1,800.00 annually. There are fifty-eight (58) noncertified employees enrolled in this group health program. The employer contribution for Teacher's Retirement also increased from 11.41% to 12.28%. The System transportation costs were acquired 100% with the expiration of a Transportation Agreement with Mitchell County that dated back to 1952. Six new buses were purchased with a Five-Year Lease Agreement in addition to hiring bus drivers and a transportation director to manage the transportation department to transport students by the system. As with revenues, the final amended budget was increased by $438,256.86 from the original budget to adjust grants from estimates to actual awarded amounts and non-budgeted school activity account transactions.

General Fund Operations

The general fund finished fiscal year 2014 with a fund balance of $4,544,411.90, an increase of $485,666.46, or 11.9%, from fiscal year 2013. Actual revenues were above budget projections by $559,181.58 while actual expenditures were $1,771,933.37 less than budgeted. A significant portion of this is related to the fact that school activity account revenues and expenditures of $282,331.69 and $280,321.85 respectfully are not included in the budget amounts. Several other important factors led to the actual results for the year.

First, state revenues were impacted by "austerity reductions" for the twelfth consecutive year. Austerity reductions occur when the Georgia General Assembly fails to appropriate sufficient dollars in the state budget to fully fund the results of the State's Quality Basic Education (QBE) formula. By year end, the

system experienced a total austerity reduction of $1,141,533.00, or 13.99% of formula earnings. However, the system did receive additional funding to its QBE formula earnings because of an increase in full time equivalent (FTE) students from 1426 in fiscal year 2013 to 1428 in fiscal year 2014 and the reclassification of EIP and special education students.

Second, local revenue sources represented 8.95% of total general fund revenues for the year, down from 9.62% in the prior year. Local revenues ended the year above budgeted projections because school activity account activity was not included in the budget ($282,331.69). The collections for local ad valorem property tax increased by $26,146.74. LOST and SPLOST tax collections decreased by $166,186.88 as compared to fiscal year 2013 collections due to Georgia General Assembly issuing Georgia Agriculture Tax Exemption (GATE) cards to the agriculture community for tax exempt purchases and implementing the Title Ad Valorem Tax for vehicle purchases. The remainder of local revenues consisted of other taxes, interest, e-rate reimbursements and a few small local grants.

At year end, total expenditures were under budget by $1,771,933.37. Expenditures for direct classroom instruction (e.g. teacher salaries and benefits, textbooks, software, classroom supplies, etc.) accounted for 60.00% of total general fund expenditures, down slightly from the prior fiscal year. No pay increases were given to employees during fiscal year 2014. Employee benefits saw three significant increases in fiscal year 2014. First, the employer share for health insurance for noncertified employees increased from $446.20 to $596.20 per month which resulted in an increase of approximately $131,054.68. Second, the employer share for Teacher's Retirement contribution increased from 11.41% in 2013 to 12.28% in 2014. This change increased employer cost by approximately $22,741.31. Third, Assuming the transportation of students with the addition of six buses, drivers, transportation director, salaries and benefits, maintenance and operations cost, and bus lease agreement payment. Several functional areas reflected increased expenditures compared to the prior year as a result of these increases. Another increase to the 2014 budget came from the restoration of 4 teacher and paraprofessional positions which were eliminated in 2013.

The following chart details the major components of revenues and expenditures by function for fiscal year 2014 as well as a comparison of changes compared to the previous fiscal year.

Table 3
General Fund
Revenue and Expenditure Comparison

	Amount	%Total	Increase (Decrease) over Fiscal Year 2013
REVENUES			
State	$ 11,145,057.26	78.00%	$ 831,711.27
Federal	1,864,267.86	13.05%	-127,855.31
Local	1,278,394.83	8.95%	-30,908.84
Total Revenues	14,287,719.95	100.00%	672,947.12
EXPENDITURES			
Instruction	$ 8,397,503.06	$ 60.84%	$ -192,799.12
Support Services:			
Pupil Services	500,233.08	3.62%	44,906.21
Improvement of Instructional Services	607,255.82	4.40%	66,590.53
Educational Media Services	157,256.42	1.14%	-4,223.50
General Administration	377,596.16	2.74%	-6,172.17
School Administration	960,249.03	6.96%	9,467.08
Business Administration	286,285.53	2.07%	8,562.17
Maintenance and Operation of Plant	1,005,146.59	7.28%	16,845.66
Student Transportation Services	310,880.63	2.25%	238,286.20
Central Support Services	29,822.44	0.22%	-619.18
Other Support Services	148,540.42	1.08%	34,250.25
Enterprise Operations	20,193.01	0.15%	102.41
Operations of Non-Instructional Services:		0.05%	420.00
Community Services	6,420.00	7.20%	-1,399.00
Food Services	994,671.30		
Total Expenditures	$ 13,802,053.49	100.00%	$ 214,217.54

Capital Projects Fund Operations

The capital projects fund is used to account for school construction and the purchase of large capital assets. Expenditures in 2014 were significantly less than capital outlay projects in the previous year with the system's need to purchase buses and budget for a transportation department with the ending of the Transportation Agreement with Mitchell County Schools. The $122,224.40 of capital outlay fund expenditures in 2014 were primarily for the Track Resurfacing project ($89,276.00). There was also $32,948.40 expended for minor projects completed during 2014 (Pelham High School Outside Lighting, Ag Barn Improvements, Pelham High School Auditorium Improvements).

Debt Service Fund Operations

The debt service fund is used to accumulate resources for the retirement of long-term debt represented primarily by the general obligation bonds outstanding and Five-Year Capital Bus Lease for Transportation. Debt service payments totaling $686,490.00 in principal, interest and fiscal charges on the 2008 general obligation bond issues and payment one for principal and interest on the Five-Year Capital Bus Lease for Transportation were made during the year. All debt service sinking fund requirements were met at the end of fiscal year 2014.

Capital Assets and Debt Administration

Capital Assets

The System's investment in capital assets for its governmental activities as of June 30. 2014, totaled $19,787,308.00, net of accumulated depreciation. The investment in capital assets includes land, land improvements, buildings, vehicles, and equipment used in providing services to our students and community. The majority of changes to the System's capital asset accounts came from capital lease to purchase buses, track resurfacing, PHS outside lighting, Ag barn improvements, and PHS auditorium improvements. Note 6 to the basic financial statements provides additional information on the System's capital assets including a detailed breakdown of the types of capital assets included in the computation of depreciation charges. As of June 30, 2014, 26.9% of the cost basis of depreciable assets had been taken as a depreciation charge since the various assets were placed in service.

A summary of capital assets follows:

Table 4
Capital Assets

	Governmental Activities	
	Fiscal Year 2014	Fiscal Year 2013
Land	$ 124,184.00	$ 124,184.00
Building and Improvements	16,626,772.00	17,099,963.00
Equipment	707,246.00	288,677.00
Land Improvements	2,329,106.00	2,404,978.00
Total	$ 19,787,308.00	$ 19,917,802.00

Debt

At June 30, 2014, the Board had $2,865,000.00 in bonds outstanding with $630,000.00 due within one year and $424,998.62 in Capital Lease with $103,065.47 due within one year.

Table 5
Debt at June 30

	Governmental Activities	
	Fiscal Year 2014	Fiscal Year 2013
General Obligation Bonds	$ 2,865,000.00	$ 3,450,000.00
Capital Leases	424,998.62	
Total	$ 3,289,998.62	$ 3,450,000.00

Debt Administration

At June 30, 2014, the System had $3,289,998.62 in outstanding general obligation bond indebtedness and Five-Year Bus Transportation Lease. The current debt limitation for the System is $5,312,279.00 based on state law limiting the amount of general obligation debt a government entity may issue to ten (10) percent of the total assessed value of taxable property. Additional information on the System's long-term debt can be found in Note 8 to the basic financial statements.

Current Issues

The Pelham City School System is a low income, rural city school district in Mitchell County. The area of the city is only 4.1 miles square. The majority of students are economically disadvantaged. The student population is 54% African-American, 37% Caucasian, 6% Hispanic and 3% other. The School District is located in an area where agriculture is the primary industry. Despite limited financial resources, system and school personnel manage to maximize the funds in order to benefit all students. The system has planned extensively to use its supplemental resources to support class size reduction, recruitment, retention and professional development of highly qualified staff.

The School System, while small, offers students a variety of instructional programs and extra-curricular opportunities. Just within last year, the schools have shown an increase in enrollment, improved writing scores, and improved College and Career Ready Performance Index (CCRPI) scores.

Pelham's population in 2012 was 3,869 which is a 6.2 decrease since 2000. There were approximately 45.5% males and 54.5% females making up the population with those being composed of 60% black, 36.1% white and 2.8% Hispanic. The median age is 35.4. The estimated median household income in 2011 was $27,028 and the per capita income was $12,478. Georgia's median income in 2011 was $46,007. The percentage of residents living in poverty is 42.2 (12.3% for white residents, 62.2% for black residents and 18.6% for Hispanic or Latino residents). The median house or condo value was $76,488 in Pelham and the state's median was $147,100. The median gross rent was $609. The median real estate property taxes paid for housing units with mortgages in 2011 was $964 and $683 was paid for housing units with no mortgage.

For residents 25 years and older (2011): 65.5% have completed high school or higher; 12.1% have a Bachelor's degree or higher; 3.7% have a graduate or professional degree; and 18.7% are unemployed.

Pelham compared to Georgia state average: (1) median household income below state average, (2) median house value below state average, (3) black race population percentage above state average, (4) Hispanic race population percentage significantly below state average, (5) median age below state average and institutionalized population percentage above state average.

In spite of limited finances, Pelham thrives as a community. The Pelham Wildlife Festival, held each fall, brings visitors from all over. Bleachers at school ballgames are full, as the community wholeheartedly supports the Pelham Hornets. The Pelham Christmas parade and the Pelham City Schools homecoming parade have crowds of supporters lining the streets. The citizens of Pelham are the city's most valuable assets

The City of Pelham School District has faced severe financial challenges in recent years but has remained relatively stable and financially sound. The financial challenges have included rising costs in employee benefits, the continued state formula allotment reductions, and a slow decline in student enrollment (FTE).

The School District's current net taxes levied for 2014 tax year is 10.42, an increase of 2.25 mills. Total ad valorem taxes levied in 2014 were $518,763.57 as compared to $428,022.72 in 2013.

Outlook for the Future

The System enjoys a strong financial position in light of current economic conditions affecting local revenues as well as the effect of state revenue pressures through austerity reductions to the QBE funding formula and new programmatic requirements. Austerity reductions will continue in fiscal year 2015 but reduced by approximately $332,080.00 as well as a reduction in Equalization funds due to a change in funding formula calculation in the amount of $362,474.00. These additional funds will be used to offset the reduction in equalization funds. Looking out further, while state revenues improved during fiscal year 2014 and the first part of fiscal year 2015, expectations are that austerity reductions will continue in fiscal year 2015 and beyond at some undetermined level. However, the State's reduction of austerity in 2015 is a positive sign of revenue collections at the state level. Until all funds are restored, the continued relaxation of class size requirements and other waivers by the Georgia Department of Education are providing the flexibility the system needs to offset the shortfall of state funding and the decrease in LOST and SPLOST reductions in collections due to the GATE Card and Title Ad Valorem Tax collections.

The assessed net value of the county property digest decreased approximately 3% in 2014. Due to the county property digest decrease and the LOST collections decrease in 2014 forced the System to decrease the rollback of the Gross Millage by 2.252% reflecting a property tax increase for taxpayers in the amount of $98,332.14 or 23.74%. With the 2014 Gross Millage Rate set at 18.00, the maximum allowed by our City Charter, the ability to raise additional local revenue through property taxes is nonexistent. The Board of Education will continue to be careful in obligating funds for programs and uses that might be needed to cover expenses not funded through state appropriations. As of June 30, 2014, the General Fund reflected a fund balance of $4,544,411.90 translating to seventy (70) days of operation based on the fiscal year 2014 budget. At this time, the objective is to maintain a strong financial condition to better address any further cutbacks in State funding that could have an adverse effect on operations and financial reserves. The System continues to fluctuate in growth but not at the rate experienced in past years. System FTE for the upcoming fiscal year (2015) is 1438 on the QBE Allotment Sheet. In 2014, the count was 1,428 as compared to 1,426 in 2013. Therefore, we strive for student enrollment to slightly increase in the foreseeable future with positive programs being added to meet the area workforce and needs of the student and community.

The City of Pelham School District recognizes its responsibility to the taxpayers in overseeing the spending of Federal, state and local funds. The School District is striving to maintain sound fiscal management while emphasizing student achievement. Pelham City School System is committed to creating, building and sustaining a culturally and economically sensitive environment that provides equal access to a high standard of educational success for all students.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Board's finances and to show the Board's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Mrs. Suzanne C. Pollock
Director of Business/Finance
City of Pelham Board of Education
203 Mathewson Avenue, SW
Pelham, Georgia, 31779

Alternatively, you may send requests to the following e-mail address: spollock@pelham-city.k12.ga.us

CITY OF PELHAM BOARD OF EDUCATION - MITCHELL COUNTY

CITY OF PELHAM BOARD OF EDUCATION - MITCHELL COUNTY
STATEMENT OF NET POSITION
JUNE 30, 2014

EXHIBIT "A"

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and Cash Equivalents	$ 5,192,518.46
Accounts Receivable, Net	
Interest	16.92
Taxes	252,848.19
State Government	1,049,703.05
Federal Government	299,688.04
Local	1,500.00
Other	4,263.89
Inventories	26,638.32
Prepaid Items	630.00
Capital Assets, Non-Depreciable	124,184.00
Capital Assets, Depreciable (Net of Accumulated Depreciation)	19,663,124.00
Total Assets	26,615,114.87
LIABILITIES	
Accounts Payable	50,632.99
Salaries and Benefits Payable	1,362,049.67
Interest Payable	27,886.00
Long-Term Liabilities	
Due Within One Year	733,065.47
Due in More Than One Year	2,556,933.15
Total Liabilities	4,730,567.28
NET POSITION	
Net Investment in Capital Assets	16,497,309.38
Restricted for	
Bus Replacement	11,788.00
Continuation of Federal Programs	421,804.20
Debt Service	13,943.00
Capital Projects	672,510.09
Unrestricted	4,267,192.92
Total Net Position	$ 21,884,547.59

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

CITY OF PELHAM BOARD OF EDUCATION - MITCHELL COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

EXHIBIT "B"

	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS	NET (EXPENSES) REVENUES AND CHANGES IN NET POSITION
GOVERNMENTAL ACTIVITIES				
Instruction	$ 8,806,502.44	$ 161,256.53	$ 6,827,734.20	$ -1,817,511.71
Support Services				
Pupil Services	720,319.73		45,121.28	-675,198.45
Improvement of Instructional Services	586,403.10		232,660.20	-353,742.90
Educational Media Services	218,911.23		181,991.55	-36,919.68
General Administration	377,596.16		459,534.27	81,938.11
School Administration	983,070.36		451,834.19	-531,236.17
Business Administration	284,984.74		4,949.80	-280,034.94
Maintenance and Operation of Plant	1,064,811.10	32,645.00	447,059.88	-585,106.22
Student Transportation Services	331,614.31		33,803.51	-297,810.80
Central Support Services	29,822.44		10.31	-29,812.13
Other Support Services	148,540.42		39,323.34	-109,217.08
Operations of Non-Instructional Services				
Enterprise Operations	20,193.01			-20,193.01
Community Services	6,420.00		2.22	-6,417.78
Food Services	1,013,032.85	35,965.56	1,032,583.37	55,516.08
Interest on Short-Term and Long-Term Debt	95,046.00			-95,046.00
Total Governmental Activities	$ 14,687,267.89	$ 229,867.09	$ 9,756,608.12	-4,700,792.68
General Revenues				
Taxes				
Property Taxes				
For Maintenance and Operations				483,939.11
Sales Taxes				
Special Purpose Local Option Sales Tax				
For Debt Services				686,490.00
For Capital Projects				98,021.38
Local Option Sales Tax				351,168.65
Grants and Contributions not Restricted				
to Specific Programs				3,252,717.00
Investment Earnings				9,702.61
Miscellaneous				170,891.72
Total General Revenues				5,052,930.47
Change in Net Position				352,137.79
Net Position - Beginning of Year				21,532,409.80
Net Position - End of Year				$ 21,884,547.59

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

CITY OF PELHAM BOARD OF EDUCATION - MITCHELL COUNTY
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	$ 4,482,760.23	$ 709,758.23	$ 0.00	$ 5,192,518.46
Accounts Receivable, Net				
Interest	16.92			16.92
Taxes	188,598.76	64,249.43		252,848.19
State Government	1,049,703.05			1,049,703.05
Federal Government	299,688.04			299,688.04
Local	1,500.00			1,500.00
Other	4,263.89			4,263.89
Inventories	26,638.32			26,638.32
Prepaid Items	630.00			630.00
Total Assets	$ 6,053,799.21	$ 774,007.66	$ 0.00	$ 6,827,806.87
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	$ 50,632.99	$ 0.00	$ 0.00	$ 50,632.99
Salaries and Benefits Payable	1,362,049.67			1,362,049.67
Total Liabilities	1,412,682.66	0.00	0.00	1,412,682.66
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Taxes	96,704.65	0.00	0.00	96,704.65
FUND BALANCES				
Nonspendable	27,268.32			27,268.32
Restricted	406,953.88	714,339.09		1,121,292.97
Assigned	17,387.33	59,668.57		77,055.90
Unassigned	4,092,802.37		0.00	4,092,802.37
Total Fund Balances	4,544,411.90	774,007.66	0.00	5,318,419.56
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 6,053,799.21	$ 774,007.66	$ 0.00	$ 6,827,806.87

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

CITY OF PELHAM BOARD OF EDUCATION - MITCHELL COUNTY
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")		$ 5,318,419.56
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	$ 124,184.00	
Land Improvements	3,302,976.00	
Buildings	22,632,918.00	
Equipment	1,031,517.00	
Accumulated Depreciation	-7,304,287.00	
Total Capital Assets		19,787,308.00
Taxes that are not available to pay for current period expenditures are deferred in the governmental funds.		
Property Taxes		96,704.65
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	$ -2,865,000.00	
Accrued Interest Payable	-27,886.00	
Capital Leases Payable	-424,998.62	
Total Long-Term Liabilities		-3,317,884.62
Net Position of Governmental Activities (Exhibit "A")		$ 21,884,547.59

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

CITY OF PELHAM BOARD OF EDUCATION - MITCHELL COUNTY
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	$ 518,763.57			$ 518,763.57
Sales Taxes	351,168.65	$ 98,021.38	$ 686,490.00	1,135,680.03
State Funds	11,145,057.26			11,145,057.26
Federal Funds	1,864,267.86			1,864,267.86
Charges for Services	229,442.09	425.00		229,867.09
Investment Earnings	8,128.80	1,573.81		9,702.61
Miscellaneous	170,891.72			170,891.72
Total Revenues	14,287,719.95	100,020.19	686,490.00	15,074,230.14
EXPENDITURES				
Current				
Instruction	8,397,503.06			8,397,503.06
Support Services				
Pupil Services	500,233.08			500,233.08
Improvement of Instructional Services	607,255.82			607,255.82
Educational Media Services	157,256.42			157,256.42
General Administration	377,596.16			377,596.16
School Administration	960,249.03			960,249.03
Business Administration	286,285.53		750.00	287,035.53
Maintenance and Operation of Plant	1,005,146.59			1,005,146.59
Student Transportation Services	310,880.63	536,700.00		847,580.63
Central Support Services	29,822.44			29,822.44
Other Support Services	148,540.42			148,540.42
Enterprise Operations	20,193.01			20,193.01
Community Services	6,420.00			6,420.00
Food Services Operation	994,671.30			994,671.30
Capital Outlay		122,224.40		122,224.40
Debt Services				
Principal		111,701.38	585,000.00	696,701.38
Interest			100,740.00	100,740.00
Total Expenditures	13,802,053.49	770,625.78	686,490.00	15,259,169.27
Excess of Revenues over (under) Expenditures	485,666.46	-670,605.59	0.00	-184,939.13
OTHER FINANCING SOURCES				
Capital Leases		536,700.00		536,700.00
Net Change in Fund Balances	485,666.46	-133,905.59	0.00	351,760.87
Fund Balances - Beginning	4,058,745.44	907,913.25	0.00	4,966,658.69
Fund Balances - Ending	$ 4,544,411.90	$ 774,007.66	$ 0.00	$ 5,318,419.56

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

CITY OF PELHAM BOARD OF EDUCATION - MITCHELL COUNTY
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")		$ 351,760.87
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	$ 625,976.00	
Depreciation Expense	-756,470.00	
Excess of Capital Outlay over Depreciation Expense		-130,494.00
Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		-34,824.46
Some of the Capital Assets acquired this year were financed with capital leases. In Governmental Funds, a capital lease arrangement is considered a source of financing, but in the Statement of Net Position, the lease obligation is reported as a Long-Term Liability.		-536,700.00
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	$ 585,000.00	
Capital Lease Payments	111,701.38	
Total Long-Term Debt Repayments		696,701.38
Interest expense reported in the Statement of Activities is recorded as incurred, whereas interest expense in the governmental fund statements is reported when paid.		5,694.00
Change in Net Position of Governmental Activities (Exhibit "B")		$ 352,137.79

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

CITY OF PELHAM BOARD OF EDUCATION - MITCHELL COUNTY
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

EXHIBIT "G"

	PRIVATE PURPOSE TRUSTS	AGENCY FUNDS
ASSETS		
Cash and Cash Equivalents	$ 2,948.51	$ 23,466.67
Investments	20,000.00	
Accounts Receivable, Net		
Interest and Dividends	109.49	
Total Assets	$ 23,058.00	$ 23,466.67
LIABILITIES		
Funds Held for Others		$ 23,466.67
NET POSITION		
Held in Trust for Private Purposes	$ 23,058.00	

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

CITY OF PELHAM BOARD OF EDUCATION - MITCHELL COUNTY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2014

EXHIBIT "H"

	PRIVATE PURPOSE TRUSTS
ADDITIONS	
Contributions	
Donors	$ 500.00
Investment Earnings	
Interest	123.49
Total Additions	623.49
DEDUCTIONS	
Scholarships	1,995.17
Change in Net Position	-1,371.68
Net Position - Beginning	24,429.68
Net Position - Ending	$ 23,058.00

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

NOTE 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

REPORTING ENTITY

The City of Pelham 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 City of Pelham 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. 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.

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) 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 types:

- Private Purpose Trust funds report trust arrangements under which principal and income provide scholarships to the most outstanding graduate student in the Agricultural Education (Future Farmers of America) Program at Pelham High School. Principal must be invested and preserved intact.
- Agency funds account for assets held by the School District as an agent for various funds or individuals.

BASIS OF ACCOUNTING

The basis of accounting determines when transactions are reported on the financial statements. The District-wide governmental and fiduciary financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. 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, and grants. 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 is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

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

NEW ACCOUNTING PRONOUNCEMENTS

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

FUTURE ACCOUNTING PRONOUNCEMENTS

In fiscal year 2015, the School District will adopt Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. The provisions of this Statement establish accounting and financial reporting standards for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered

through trusts. Implementation of this statement will require the School District to record a liability for its proportionate share of the Net Pension Liability of pension plans in which it participates. Actuarial estimates are currently being made to determine the School District's liability, the effects of which are believed to be material.

CASH AND CASH EQUIVALENTS

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

INVESTMENTS

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

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

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

RECEIVABLES

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

PROPERTY TAXES

The City of Pelham adopted the property tax levy for the 2013 tax digest year (calendar year) on September 26, 2013 (levy date) based on property values as of January 1, 2013. Taxes were due on December 31, 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 City of Pelham City Clerk bills and collects the property taxes for the School District 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 $409,470.91.

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

School Operations	8.168 mills

Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to $109,292.66 during fiscal year ended June 30, 2014.

SALES TAXES

Local Option Sales Tax revenue, at the fund reporting level, during the fiscal year amounted to $351,168.65 and was recorded in the General Fund. Local Option Sales Tax is to be used for the maintenance and operation of the School District.

Education Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to $784,511.38 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		All	N/A
Land Improvements	$	75,000.00	20 to 80 years
Buildings and Improvements	$	75,000.00	10 to 80 years
Equipment	$	75,000.00	3 to 20 years
Intangible Assets	$	100,000.00	5 to 10 years

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 5 to 10 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(s) 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(s) and therefore will not be recognized as an inflow of resources (revenue) until that time. The School District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reporting only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and grants and these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available.

GENERAL OBLIGATION BONDS

The School District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. In the District-wide and 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. To conform to generally accepted accounting principles, bond premiums and discounts should be amortized over the life of the bonds on the District-wide statements. The effect of this deviation is deemed to be immaterial to the fair presentation of the basic financial statements. General obligation bonds are direct obligations and pledge the full faith and credit of the government. The outstanding amount of these bonds is recorded in the Statement of Net Position.

NET POSITION

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

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

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

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

FUND BALANCES

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	$ 26,638.32	
Prepaid Assets	630.00	$ 27,268.32
Restricted		
Bus Replacement	$ 11,788.00	
Continuation of Federal Programs	395,165.88	
Capital Projects	672,510.09	
Debt Service	41,829.00	1,121,292.97
Assigned		
Local Capital Outlay Projects	$ 59,668.57	
School Activity Accounts	17,387.33	77,055.90
Unassigned		4,092,802.37
Fund Balance, June 30, 2014		$ 5,318,419.56

It is the goal of the School District to achieve and maintain a committed, assigned, and unassigned fund balance in the general fund at fiscal year end of not less than 5% of total local revenues, not to exceed 15% of the total budget of the subsequent fiscal year, in compliance with Official Code of Georgia Annotated Section 20-2-167(a)5. If the unassigned fund balance at fiscal year end falls below the goal, the School District shall develop a restoration plan to achieve and maintain the minimum fund balance.

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, function and object. The legal level of budgetary control was established by the Board at the aggregate fund level. The budget for the General Fund was prepared in accordance with accounting principles generally accepted in the United States of America.

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

The Superintendent is authorized by the Board to approve adjustments of no more than 5 percent of the amount budgeted for expenditures in any budget function for any fund. The Superintendent shall report any such adjustments to the Board. If expenditure of funds in any budget function for any fund is anticipated to be more than 5 percent of the budgeted amount, the Superintendent shall request Board approval for the budget amendment. Under no circumstance is the Superintendent or other staff person authorized to spend funds that exceed the total budget without approval by the Board.

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

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 $5,238,933.64, which includes $20,000.00 in Certificates of Deposit that are reported as Investments, and a bank balance of $5,564,537.32. The bank balances insured by Federal depository insurance were $546,847.28, and the bank balances collateralized with securities held by the pledging institution or by the pledging financial institution's trust department or agent in the School District's name were $5,017,690.04.

NOTE 5: NON-MONETARY TRANSACTIONS

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

NOTE 6: CAPITAL ASSETS

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

	Balances July 1, 2013	Increases	Decreases	Balances June 30, 2014
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	$ 124,184.00	$ 0.00	$ 0.00	$ 124,184.00
Capital Assets, Being Depreciated:				
Buildings and Improvements	22,632,918.00		0.00	22,632,918.00
Equipment	494,817.00	536,700.00		1,031,517.00
Land Improvements	3,213,700.00	89,276.00		3,302,976.00
Less: Accumulated Depreciation:				
Buildings and Improvements	5,532,955.00	473,191.00		6,006,146.00
Equipment	206,140.00	118,131.00		324,271.00
Land Improvements	808,722.00	165,148.00		973,870.00
Total Capital Assets, Being Depreciated, Net	19,793,618.00	-130,494.00	0.00	19,663,124.00
Governmental Activity Capital Assets - Net	$ 19,917,802.00	$ -130,494.00	$ 0.00	$ 19,787,308.00

Capital assets being acquired under capital leases as of June 30, 2014, are as follows:

	Governmental Activities
Equipment	$ 536,700.00
Less: Accumulated Depreciation	19,168.00
	$ 517,532.00

Current year depreciation expense by function is as follows:

Instruction		$ 383,604.00
Support Services		
Pupil Services	$ 203,467.00	
Educational Media Services	56,999.00	
School Administration	21,098.00	
Maintenance and Operation of Plant	55,159.00	
Student Transportation Services	19,168.00	355,891.00
Food Services		16,975.00
		$ 756,470.00

NOTE 7: RISK MANAGEMENT

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

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

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

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

	Beginning of Year Liability	Claims and Changes in Estimates	Claims Paid	End of Year Liability
2013	$ 0.00	$ 0.00	$ 0.00	$ 0.00
2014	$ 0.00	$ 8,227.00	$ 8,227.00	$ 0.00

The School District participates in the Georgia Education Workers' Compensation Trust, a public entity risk pool organized on December 1, 1991, to develop, implement and administer a program of workers' compensation self-insurance for its member organizations. The School District pays an annual premium to the Trust for its general worker's compensation insurance coverage. Specific excess of loss insurance coverage is provided through an agreement by the Trust with the Safety National Casualty Company to provide coverage for potential losses sustained by the Trust in excess of $1 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	$ 100,000.00
Each Principal	$ 5,000.00
Finance Director	$ 5,000.00
Each Personnel/Payroll Clerk	$ 5,000.00
Accounts Payable Clerk	$ 5,000.00
All School Nutrition Managers	$ 10,000.00
All Employees	$ 100,000.00

NOTE 8: LONG-TERM LIABILITIES

CAPITAL LEASES

The City of Pelham Board of Education also entered into a lease agreement for the purchase of school buses. This lease agreement qualifies as capital leases for accounting purposes, and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of its inception.

GENERAL OBLIGATION DEBT OUTSTANDING

General Obligation Bonds currently outstanding are as follows:

Purpose	Interest Rate	Amount
General Government - Series 2008	2.92%	$ 2,865,000.00

Voters have authorized $1,275,000.00 in general obligation debt for capital outlay which was not issued as of June 30, 2014.

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

	Governmental Activities				
	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014	Due Within One Year
G.O. Bonds	$ 3,450,000.00		$ 585,000.00	$ 2,865,000.00	$ 630,000.00
Capital Leases	0.00	$ 536,700.00	111,701.38	424,998.62	103,065.47
	$ 3,450,000.00	$ 536,700.00	$ 696,701.38	$ 3,289,998.62	$ 733,065.47

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

	Capital Leases	
	Principal	Interest
Fiscal Year Ended June 30:		
2015	$ 103,065.47	$ 8,635.91
2016	105,159.75	6,541.63
2017	107,296.58	4,404.80
2018	109,476.82	2,224.56
Total Principal and Interest	$ 424,998.62	$ 21,806.90

	General Obligation Debt	
	Principal	Interest
Fiscal Year Ended June 30:		
2015	$ 630,000.00	$ 83,658.00
2016	690,000.00	65,262.00
2017	745,000.00	45,114.00
2018	800,000.00	23,360.00
Total Principal and Interest	$ 2,865,000.00	$ 217,394.00

NOTE 9: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of $704,489.81 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 $673,692.00

Paid to the Teachers' Retirement System of Georgia
For Teachers' Retirement System (TRS) Employer's Cost
In the amount of $13,497.81

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 $17,300.00

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

NOTE 10: SIGNIFICANT 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 11: 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%	$ 1,537,691.20
2013	100%	$ 1,406,636.52
2012	100%	$ 1,346,590.78

NOTE 12: 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%	$	948,904.64
2013	100%	$	926,163.33
2012	100%	$	799,794.03

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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CITY OF PELHAM BOARD OF EDUCATION - MITCHELL COUNTY
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	$ 350,000.00	$ 350,000.00	$ 518,763.57	$ 168,763.57
Sales Taxes	350,000.00	350,000.00	351,168.65	1,168.65
State Funds	10,686,590.00	11,036,949.37	11,145,057.26	108,107.89
Federal Funds	1,594,507.00	1,872,289.00	1,864,267.86	-8,021.14
Charges for Services	108,500.00	108,500.00	229,442.09	120,942.09
Investment Earnings	1,300.00	1,300.00	8,128.80	6,828.80
Miscellaneous	9,500.00	9,500.00	170,891.72	161,391.72
Total Revenues	13,100,397.00	13,728,538.37	14,287,719.95	559,181.58
EXPENDITURES				
Current				
Instruction	8,973,112.00	9,131,864.86	8,397,503.06	734,361.80
Support Services				
Pupil Services	476,047.00	477,884.00	500,233.08	-22,349.08
Improvement of Instructional Services	757,243.00	921,269.00	607,255.82	314,013.18
Educational Media Services	197,600.00	197,600.00	157,256.42	40,343.58
General Administration	490,528.00	489,651.00	377,596.16	112,054.84
School Administration	974,387.00	974,387.00	960,249.03	14,137.97
Business Administration	393,085.00	393,085.00	286,285.53	106,799.47
Maintenance and Operation of Plant	1,242,063.00	1,237,063.00	1,005,146.59	231,916.41
Student Transportation Services	521,800.00	633,800.00	310,880.63	322,919.37
Central Support Services	35,595.00	35,595.00	29,822.44	5,772.56
Other Support Services	58,637.00	66,755.00	148,540.42	-81,785.42
Enterprise Operations			20,193.01	-20,193.01
Community Operations	6,000.00	6,000.00	6,420.00	-420.00
Food Services Operation	1,009,633.00	1,009,033.00	994,671.30	14,361.70
Total Expenditures	15,135,730.00	15,573,986.86	13,802,053.49	1,771,933.37
Excess of Revenues over (under) Expenditures	-2,035,333.00	-1,845,448.49	485,666.46	2,331,114.95
OTHER FINANCING SOURCES (USES)				
Other Sources		112,000.00	0.00	-112,000.00
Other Uses	-70,000.00	-70,000.00		70,000.00
Total Other Financing Sources (Uses)	-70,000.00	42,000.00	0.00	-42,000.00
Net Change in Fund Balances	-2,105,333.00	-1,803,448.49	485,666.46	2,289,114.95
Fund Balances - Beginning	4,107,573.68	4,107,573.68	4,058,745.44	-48,828.24
Adjustments		9,523.23		-9,523.23
Fund Balances - Ending	$ 2,002,240.68	$ 2,313,648.42	$ 4,544,411.90	$ 2,230,763.48

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 ($282,331.69) or expenditures ($280,321.85) 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.

CITY OF PELHAM BOARD OF EDUCATION - MITCHELL COUNTY
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	$ 931,326.60 (1)
Total Child Nutrition Cluster				931,326.60
Pass-Through From Georgia Department of Education				
Food Services				
Fresh Fruit and Vegetable Program		10.582	N/A	37,418.20
Total U. S. Department of Agriculture				968,744.80
Education, U. S. Department of				
Direct				
Impact Aid		84.041		(3)
Special Education Cluster				
Pass-Through From Georgia Department of Education				
Special Education				
Grants to States		84.027	N/A	266,492.24
Preschool Grants		84.173	N/A	16,069.00
Total Special Education Cluster				282,561.24
Other Programs				
Pass-Through From Georgia Department of Education				
ARRA - Race-to-the-Top Incentive Grants		84.395	N/A	1,145.20
Career and Technical Education - Basic Grants to States		84.048	N/A	27,968.12
Improving Teacher Quality State Grants		84.367	N/A	52,873.85
Migrant Education - State Grant Program		84.011	N/A	15,235.52
Rural Education		84.358	N/A	28,009.78
Title I Grants to Local Educational Agencies		84.010	N/A	459,062.00
Total Other Programs				584,294.47
Total U. S. Department of Education				866,855.71
Total Expenditures of Federal Awards				$ 1,835,600.51

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 $56,443.43.
(2) Expenditures for the funds earned on the School Breakfast Program ($242,878.93) were not maintained separately and are included in the 2014 National School Lunch Program.
(3) Funds earned on the Impact Aid Program, in the amount of $1,128.46, do not require reporting of expenditures.

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

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

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

CITY OF PELHAM BOARD OF EDUCATION - MITCHELL COUNTY
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	$ 312,120.86
Education, Georgia Department of	
Quality Basic Education (1)	
Direct Instructional Cost	
Kindergarten Program	343,558.00
Kindergarten Program - Early Intervention Program	322,543.00
Primary Grades (1-3) Program	741,584.00
Primary Grades - Early Intervention (1-3) Program	901,831.00
Upper Elementary Grades (4-5) Program	242,393.00
Upper Elementary Grades - Early Intervention (4-5) Program	327,816.00
Middle School (6-8) Program	871,111.00
High School General Education (9-12) Program	1,056,590.00
Vocational Laboratory (9-12) Program	339,629.00
Students with Disabilities	1,216,736.00
Gifted Student - Category VI	338,551.00
Remedial Education Program	101,869.00
Alternative Education Program	76,500.00
English Speakers of Other Languages (ESOL)	115,560.00
Media Center Program	174,465.00
20 Days Additional Instruction	53,822.00
Staff and Professional Development	36,721.00
Indirect Cost	
Central Administration	401,056.00
School Administration	438,437.00
Facility Maintenance and Operations	417,053.00
Amended Formula Adjustment	-1,141,533.00
Categorical Grants	
Pupil Transportation	
Regular	30,713.00
Nursing Services	26,969.00
Education Equalization Funding Grant	3,252,717.00
Other State Programs	
Agriculture Construction Related Equipment - State Bonds	36,000.00
Food Services	24,938.08
Math and Science Supplements	4,046.51
Move on When Ready	100.00
Preschool Handicapped Program	5,333.00
Teachers' Retirement	13,497.81
Vocational Education	41,027.13
Vocational Construction Related Equipment - State Bonds	4,002.87
Office of the State Treasurer	
Public School Employees' Retirement	17,300.00
	$ 11,145,057.26

(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 $673,692.00 are included as part of the Quality Basic Education revenue allotments above.

See notes to the basic financial statements.

CITY OF PELHAM BOARD OF EDUCATION - MITCHELL COUNTY
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)	AMOUNT EXPENDED IN PRIOR YEARS (3) (4)	TOTAL COMPLETION COST	EXCESS PROCEEDS NOT EXPENDED	ESTIMATED COMPLETION DATE
(1) The acquiring, constructing, and equipping of a new high school;	$ 4,000,000.00	$ 13,162,324.15		$ 13,162,324.15	$ 13,162,324.15	$ 0.00	Completed
(2) rehabilitating, repairing, renovating, extending and improving existing schools and related facilities useful or desirable in connection therewith, including without limitation, additional classrooms, roof replacement and repairs, mechanical systems repairs and replacements, wiring and infrastructure modifications, renovations and improvements to physical education and athletic facilities;	1,000,000.00	2,324,631.95		2,324,631.95			June 30, 2016
(3) acquiring and installing system-wide instructional and administrative technology, safety and security equipment.;	320,000.00	100,000.00					June 30, 2016
(4) acquiring vocational, fine arts, physical education and athletic equipment;	100,000.00	88,000.00		87,661.27			June 30, 2016
(5) acquisition of school buses, vehicles and transportation equipment;	500,000.00	500,000.00	$ 111,701.38				June 30, 2016
(6) acquiring any necessary property, both real and personal and acquiring any necessary or desirable rights in connection therewith.	80,000.00	80,000.00					June 30, 2016
	$ 6,000,000.00	$ 16,254,956.10	$ 111,701.38	$ 15,574,617.37	$ 13,162,324.15	$ 0.00	

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

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

(3) The voters of Mitchell 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 to provide advance funding for the above projects as follows:

Prior Years	$ 643,403.75
Current Year	100,740.00
Total	$ 744,143.75

See notes to the basic financial statements.

CITY OF PELHAM BOARD OF EDUCATION - MITCHELL COUNTY
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	$ 369,723.00	$ 394,671.31	$ 30,194.57	$ 424,865.88
Kindergarten Program-Early Intervention Program	317,395.00	182,872.89	971.87	183,844.76
Primary Grades (1-3) Program	824,392.00	1,028,616.93	80,454.32	1,109,071.25
Primary Grades-Early Intervention (1-3) Program	811,888.00	310,637.80	2,144.11	312,781.91
Upper Elementary Grades (4-5) Program	283,084.00	397,524.25	15,042.21	412,566.46
Upper Elementary Grades-Early Intervention (4-5) Program	300,472.00	119,716.81	2,519.76	122,236.57
Middle School (6-8) Program	909,352.00	1,177,347.71	21,472.28	1,198,819.99
High School General Education (9-12) Program	1,081,919.00	1,259,475.17	36,722.58	1,296,197.75
Vocational Laboratory (9-12) Program	348,243.00	509,588.83	28,582.73	538,171.56
Students with Disabilities	1,238,274.00			
Category II		1,029,234.77	3,376.25	1,032,611.02
Category III		235,804.48	2,246.58	238,051.06
Gifted Student - Category VI	348,716.00	75,940.60	1,915.62	77,856.22
Remedial Education Program	104,929.00	77,321.10	494.65	77,815.75
Alternative Education Program	80,285.00	204,121.54	3,566.21	207,687.75
English Speakers of Other Languages (ESOL)	106,055.00	87,261.56	993.52	88,255.08
TOTAL DIRECT INSTRUCTIONAL PROGRAMS	7,124,727.00	7,090,135.75	230,697.26	7,320,833.01
Media Center Program	179,648.00	138,403.51	18,852.91	157,256.42
Staff and Professional Development	36,729.00	9,204.02	24,596.16	33,800.18
TOTAL QBE FORMULA FUNDS	$ 7,341,104.00	$ 7,237,743.28	$ 274,146.33	$ 7,511,889.61

(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

May 21, 2015

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
City of Pelham 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 City of Pelham Board of Education as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise City of Pelham Board of Education's basic financial statements and have issued our report thereon dated May 21, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Pelham Board of Education's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Pelham Board of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Pelham 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 City of Pelham 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 City of Pelham Board of Education in a separate letter dated May 21, 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 City of Pelham 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 City of Pelham 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

May 21, 2015

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
City of Pelham 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 City of Pelham 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. City of Pelham 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 City of Pelham Board of Education's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Pelham 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 City of Pelham Board of Education's compliance.

Opinion on Each Major Federal Program

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

CITY OF PELHAM BOARD OF EDUCATION – MITCHELL COUNTY
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

CITY OF PELHAM BOARD OF EDUCATION - MITCHELL COUNTY
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
10.553, 10.555	Child Nutrition Cluster

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

Auditee qualified as low-risk auditee? — No

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.