

# TALIAFERRO COUNTY BOARD OF EDUCATION
## CRAWFORDVILLE, GEORGIA

ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

(Including Independent Auditor's Reports)

TALIAFERRO COUNTY BOARD OF EDUCATION

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SECTION I

FINANCIAL

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# DEPARTMENT OF AUDITS AND ACCOUNTS

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

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


February 1, 2018

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

INDEPENDENT AUDITOR'S REPORT

Ladies and Gentlemen:

## Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information (Exhibits A through H) of the Taliaferro County Board of Education, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

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

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

### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that

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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 Taliaferro County Board of Education, as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Emphasis of Matter*

As described in Note 2 to the financial statements, in 2015, the Taliaferro County Board of Education adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The School District restated beginning Net Position for the cumulative effect of these accounting changes. Our opinion is not modified with respect to this matter.

### *Other Matters*

*Required Supplementary Information*

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedules of Proportionate Share of the Net Pension Liability, Schedules of Contributions to Retirement Systems, Notes to the Required Supplementary Information and the Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual as presented on pages 25 through 29, 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 Taliaferro County Board of Education's basic financial statements. The accompanying supplementary information, consisting of Schedules 5 through 8, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and is not a required part of the basic financial statements.

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

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2018, on our consideration of the Taliaferro County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Taliaferro County Board of Education's internal control over financial reporting and compliance.

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

Respectfully submitted,



Greg S. Griffin
State Auditor

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TALIAFERRO COUNTY BOARD OF EDUCATION

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

EXHIBIT "A"

| | GOVERNMENTAL ACTIVITIES |
|---|---|
| ASSETS | |
| Cash and Cash Equivalents | $ 1,465,712.92 |
| Accounts Receivable, Net | |
| Taxes | 268,363.29 |
| State Government | 52,763.86 |
| Federal Government | 36,027.97 |
| Other | 247.49 |
| Inventories | 4,258.24 |
| Capital Assets, Non-Depreciable | 52,275.00 |
| Capital Assets, Depreciable (Net of Accumulated Depreciation) | 4,427,156.27 |
| Total Assets | 6,306,805.04 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Related to Defined Benefit Pension Plan | 308,473.00 |
| LIABILITIES | |
| Accounts Payable | 34,226.90 |
| Salaries and Benefits Payable | 212,958.68 |
| Net Pension Liability | 1,997,764.00 |
| Total Liabilities | 2,244,949.58 |
| DEFERRED INFLOWS OF RESOURCES | |
| Related to Defined Benefit Pension Plan | 696,463.00 |
| NET POSITION | |
| Investment in Capital Assets | 4,479,431.27 |
| Restricted for | |
| Bus Replacement | 44,889.50 |
| Continuation of Federal Programs | 4,258.24 |
| Capital Projects | 170,673.52 |
| Unrestricted (Deficit) | -1,025,387.07 |
| Total Net Position | $ 3,673,865.46 |

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

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

EXHIBIT "B"

| | EXPENSES | PROGRAM REVENUES: CHARGES FOR SERVICES | PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS | NET (EXPENSES) REVENUES AND CHANGES IN NET POSITION |
|---|---|---|---|---|
| GOVERNMENTAL ACTIVITIES | | | | |
| Instruction | $ 2,229,142.78 | $ 12,964.63 | $ 1,153,817.72 | $ -1,062,360.43 |
| Support Services | | | | |
| Pupil Services | 62,110.07 | | 45,000.00 | -17,110.07 |
| Improvement of Instructional Services | 151,914.75 | | 110,110.71 | -41,804.04 |
| Educational Media Services | 43,816.88 | | 25,456.50 | -18,360.38 |
| General Administration | 106,924.69 | | 322,807.00 | 215,882.31 |
| School Administration | 167,499.87 | | 117,516.20 | -49,983.67 |
| Business Administration | 133,407.20 | | -4,665.70 | -138,072.90 |
| Maintenance and Operation of Plant | 210,140.82 | | 48,914.79 | -161,226.03 |
| Student Transportation Services | 244,770.46 | | 84,606.91 | -160,163.55 |
| Other Support Services | 6,430.40 | | | -6,430.40 |
| Operations of Non-Instructional Services | | | | |
| Enterprise Operations | 15,500.58 | | | -15,500.58 |
| Food Services | 222,859.74 | 5,217.75 | 135,942.28 | -81,699.71 |
| Total Governmental Activities | $ 3,594,518.24 | $ 18,182.38 | $ 2,039,506.41 | -1,536,829.45 |
| General Revenues | | | | |
| Taxes | | | | |
| Property Taxes | | | | |
| For Maintenance and Operations | | | | 1,441,020.47 |
| Railroad Cars | | | | 16,773.50 |
| Sales Taxes | | | | |
| Special Purpose Local Option Sales Tax | | | | |
| For Capital Projects | | | | 76,417.08 |
| Other Sales Tax | | | | 4,016.96 |
| Investment Earnings | | | | 4,508.09 |
| Miscellaneous | | | | 24,229.54 |
| Total General Revenues | | | | 1,566,965.64 |
| Change in Net Position | | | | 30,136.19 |
| Net Position - Beginning of Year, Restated | | | | 3,643,729.27 |
| Net Position - End of Year | | | | $ 3,673,865.46 |

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

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

EXHIBIT "C"

| | GENERAL FUND | DISTRICT-WIDE CAPITAL PROJECTS FUND | TOTAL |
|---|---|---|---|
| ASSETS | | | |
| Cash and Cash Equivalents | $ 1,294,804.99 | $ 170,907.93 | $ 1,465,712.92 |
| Accounts Receivable, Net | | | |
| Taxes | 262,177.17 | 6,186.12 | 268,363.29 |
| State Government | 52,763.86 | | 52,763.86 |
| Federal Government | 36,027.97 | | 36,027.97 |
| Other | 247.49 | | 247.49 |
| Inventories | 4,258.24 | | 4,258.24 |
| Total Assets | $ 1,650,279.72 | $ 177,094.05 | $ 1,827,373.77 |
| LIABILITIES | | | |
| Accounts Payable | $ 27,806.37 | $ 6,420.53 | $ 34,226.90 |
| Salaries and Benefits Payable | 212,958.68 | | 212,958.68 |
| Total Liabilities | 240,765.05 | 6,420.53 | 247,185.58 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable Revenue - Property Taxes | 216,910.01 | | 216,910.01 |
| FUND BALANCES | | | |
| Nonspendable | 4,258.24 | | 4,258.24 |
| Restricted | 44,889.50 | 170,673.52 | 215,563.02 |
| Assigned | 10,741.87 | | 10,741.87 |
| Unassigned | 1,132,715.05 | | 1,132,715.05 |
| Total Fund Balances | 1,192,604.66 | 170,673.52 | 1,363,278.18 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | $ 1,650,279.72 | $ 177,094.05 | $ 1,827,373.77 |

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

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

EXHIBIT "D"

| | | |
|---|---|---|
| Total Fund Balances - Governmental Funds (Exhibit "C") | | $ 1,363,278.18 |
| 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 | $ 52,275.00 | |
| Land Improvements | 723,029.13 | |
| Buildings | 4,695,832.30 | |
| Equipment | 959,245.35 | |
| Accumulated Depreciation | -1,950,950.51 | |
| Total Capital Assets | | 4,479,431.27 |
| Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds. | | |
| Net Pension Liability | | -1,997,764.00 |
| Deferred Outflows and Inflows of Resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds. | | -387,990.00 |
| Taxes that are not available to pay for current period expenditures are deferred in the governmental funds. | | |
| Property Taxes | | 216,910.01 |
| Net Position of Governmental Activities (Exhibit "A") | | $ 3,673,865.46 |

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

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

| | GENERAL FUND | DISTRICT-WIDE CAPITAL PROJECTS FUND | TOTAL |
|---|---|---|---|
| REVENUES | | | |
| Property Taxes | $ 1,402,694.16 | | $ 1,402,694.16 |
| Sales Taxes | 4,016.96 | $ 76,417.08 | 80,434.04 |
| State Funds | 1,690,563.23 | | 1,690,563.23 |
| Federal Funds | 353,965.18 | | 353,965.18 |
| Charges for Services | 18,182.38 | | 18,182.38 |
| Investment Earnings | 4,019.36 | 488.73 | 4,508.09 |
| Miscellaneous | 24,229.54 | | 24,229.54 |
| Total Revenues | 3,497,670.81 | 76,905.81 | 3,574,576.62 |
| EXPENDITURES | | | |
| Current | | | |
| Instruction | 2,153,032.17 | 52,643.06 | 2,205,675.23 |
| Support Services | | | |
| Pupil Services | 63,418.25 | | 63,418.25 |
| Improvement of Instructional Services | 156,408.72 | | 156,408.72 |
| Educational Media Services | 42,574.08 | | 42,574.08 |
| General Administration | 113,587.07 | | 113,587.07 |
| School Administration | 169,240.49 | | 169,240.49 |
| Business Administration | 137,642.91 | | 137,642.91 |
| Maintenance and Operation of Plant | 210,085.64 | | 210,085.64 |
| Student Transportation Services | 224,708.91 | | 224,708.91 |
| Other Support Services | 6,430.40 | | 6,430.40 |
| Enterprise Operations | 15,500.58 | | 15,500.58 |
| Food Services Operation | 221,783.62 | | 221,783.62 |
| Capital Outlay | | 6,361.13 | 6,361.13 |
| Total Expenditures | 3,514,412.84 | 59,004.19 | 3,573,417.03 |
| Net Change in Fund Balances | -16,742.03 | 17,901.62 | 1,159.59 |
| Fund Balances - Beginning | 1,209,346.69 | 152,771.90 | 1,362,118.59 |
| Fund Balances - Ending | $ 1,192,604.66 | $ 170,673.52 | $ 1,363,278.18 |

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

TALIAFERRO COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2015

EXHIBIT "F"

| | | |
|---|---|---|
| Total Net Change in Fund Balances - Governmental Funds (Exhibit "E") | | $ 1,159.59 |
| 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 | $ 33,572.08 | |
| Depreciation Expense | -131,735.29 | |
| Excess of Capital Outlay over Depreciation Expense | | -98,163.21 |
| Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. | | 55,099.81 |
| Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in Governmental Funds. The net adjustment consists of: | | |
| Pension Expense | | 72,040.00 |
| Change in Net Position of Governmental Activities (Exhibit "B") | | $ 30,136.19 |

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

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

EXHIBIT "G"

| | AGENCY FUNDS |
|---|---|
| ASSETS | |
| Cash and Cash Equivalents | $ 5,404.58 |
| Investments | 309.43 |
| Total Assets | $ 5,714.01 |
| LIABILITIES | |
| Funds Held for Others | $ 5,714.01 |

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

## NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### BASIS OF PRESENTATION

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

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

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

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

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

The School District reports the following major governmental funds:

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

The School District reports the following fiduciary fund type:

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

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

## RESTATEMENT OF PRIOR YEAR NET POSITION

For fiscal year 2015, the School District made several prior period adjustments due to the adoption of GASB Statement No. 68 and GASB Statement No. 71, as described in "New Accounting Pronouncements" below, which require the restatement of the June 30, 2014, Net Position in Governmental Activities. The result is a decrease in Net Position at July 1, 2014 of $2,457,794.00. This change is in accordance with generally accepted accounting principles.

| | | |
|---|---|---|
| Net Position, July 1, 2014, as previously reported | $ | 6,101,523.27 |
| Prior Period adjustment - Implementation of GASB No. 68: | | |
| Net Pension Liability (measurement date) | | |
| TRS | | -2,655,900.00 |
| Deferred Outflows - School District's contribution made during fiscal year 2014 | | |
| TRS | | 198,106.00 |
| Net Position, July 1, 2014, as restated | $ | 3,643,729.27 |

## NEW ACCOUNTING PRONOUNCEMENTS

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

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

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

## CASH AND CASH EQUIVALENTS

### Composition of Deposits

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

## INVESTMENTS

### Composition of Investments

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

1. Obligations issued by the State of Georgia or by other states,
2. Obligations issued by the United States government,
3. Obligations fully insured or guaranteed by the United States government or a United States government agency,

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

The School District does not have a formal policy regarding investments policies that address credit quality 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 Taliaferro County Board of Commissioners Board of Commissioners adopted the property tax levy for the 2014 tax digest year (calendar year) on October 30, 2014 (levy date) based on property values as of January 1, 2014. Taxes were due on December 31, 2014 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2014 tax digest are reported as revenue in the governmental funds for fiscal year 2015. The Taliaferro County Tax Commissioner bills and collects the property taxes for the School District, withholds 2.50% of taxes collected as a fee for tax collection and remits the balance of taxes collected to the School District. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2015, for maintenance and operations amounted to $1,352,779.41.

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

| | |
|---|---|
| School Operations | 18.00 mills |

Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to $33,141.25 during fiscal year ended June 30, 2015.

## SALES TAXES

Education Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to $76,417.08 and is to be used for capital outlay for educational purposes. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

## INVENTORIES

### Food Inventories

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

## CAPITAL ASSETS

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

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

| | | Capitalization Policy | Estimated Useful Life |
|---|---|---|---|
| Land | | All | N/A |
| Land Improvements | $ | 5,000.00 | 10 to 90 years |
| Buildings and Improvements | $ | 5,000.00 | 30 to 90 years |
| Equipment | $ | 5,000.00 | 5 to 50 years |
| Intangible Assets | $ | 100,000.00 | 5 to 80 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 80 years.

## DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of net position and/or the balance sheet will report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of resources that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense/expenditure) until then. Under the full accrual method of accounting, the School District has reported deferred outflows of resources related to a defined benefit pension plan, as discussed in Note 11 – Retirement Plans.

In addition to liabilities, the statement of net position and/or the balance sheet will report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of resources that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until that time. Under the full accrual method of accounting, the School District has reported deferred inflows of resources related to a defined benefit pension plan, as discussed in Note 11 – Retirement Plans. This item is reported only in the District-wide Statement of Net Position. 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.

## PENSIONS

For purposes of measuring the Net Pension Liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers' Retirement System of Georgia (TRS), and the Public School Employees Retirement System (PSERS) and additions to/deductions from TRS/PSERS's fiduciary net position have been determined on the same basis as they are reported by TRS/PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See Note 11 - Retirement Plans.

## NET POSITION

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

Investment in capital assets - This represents the School District's total investment in capital assets.

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, and capital projects in accordance with restrictions imposed by external third parties.

Unrestricted net position - Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of Net Investment of Capital Assets and Restricted Net Position. Included in the net deficit reported is the School District's Net Pension liability of $1,997,764.00 which is required for financial reporting.

## FUND BALANCES

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

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

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

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

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

Unassigned – The residual classification for the General Fund. This classification represents fund balances that 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, 2015, are as follows:

| | | |
|---|---|---|
| Nonspendable | | |
| Inventories | | $ 4,258.24 |
| Restricted | | |
| Bus Replacement | $ 44,889.50 | |
| Capital Projects | 170,673.52 | 215,563.02 |
| Assigned | | |
| School Activity Accounts | | 10,741.87 |
| Unassigned | | 1,132,715.05 |
| Fund Balance, June 30, 2015 | | $ 1,363,278.18 |

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 25% of 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 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 level. The budget for the General Fund was prepared in accordance with accounting principles generally accepted in the United States of America.

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

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

## NOTE 4: DEPOSITS AND INVESTMENTS

### COLLATERALIZATION OF DEPOSITS

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

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

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

### CATEGORIZATION OF DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At June 30, 2015, the School District had deposits with a carrying amount of $1,471,426.93, which includes $309.43 in Certificates of Deposit that are reported as Investments, and a bank balance of $1,571,745.81. The bank balances insured by Federal depository insurance were $266,614.30.

The amounts exposed to custodial credit risk are classified into three categories as follows:

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

The School District's deposits by custodial risk category at June 30, 2015, are as follows:

| Custodial Credit Risk Category | Bank Balance |
|---|---|
| 1 | $ 0.00 |
| 2 | 0.00 |
| 3 | 1,305,131.51 |
| Total | $ 1,305,131.51 |

## CATEGORIZATION OF INVESTMENTS

At June 30, 2015, the carrying value of the School District's total investments was $309.43, which is materially the same as fair value. This includes amount is invested in a Certificates of Deposit, which are collateralized in the same manner as other cash deposits.

## NOTE 5: NON-MONETARY TRANSACTIONS

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

## NOTE 6: CAPITAL ASSETS

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

| | Balances July 1, 2014 | Increases | Decreases | Balances June 30, 2015 |
|---|---|---|---|---|
| Governmental Activities | | | | |
| Capital Assets, Not Being Depreciated: | | | | |
| Land | $ 52,275.00 | $ 0.00 | $ 0.00 | $ 52,275.00 |
| Capital Assets Being Depreciated | | | | |
| Buildings and Improvements | 4,695,832.30 | | | 4,695,832.30 |
| Equipment | 925,673.27 | 33,572.08 | | 959,245.35 |
| Land Improvements | 723,029.13 | | | 723,029.13 |
| Less Accumulated Depreciation for: | | | | |
| Buildings and Improvements | 839,824.81 | 59,029.29 | | 898,854.10 |
| Equipment | 679,413.03 | 32,636.00 | | 712,049.03 |
| Land Improvements | 299,977.38 | 40,070.00 | | 340,047.38 |
| Total Capital Assets, Being Depreciated, Net | 4,525,319.48 | -98,163.21 | 0.00 | 4,427,156.27 |
| Governmental Activity Capital Assets - Net | $ 4,577,594.48 | $ -98,163.21 | $ 0.00 | $ 4,479,431.27 |

Current year depreciation expense by function is as follows:

| | | |
|---|---|---|
| Instruction | | $ 94,280.29 |
| Support Services | | |
| Educational Media Services | $ 2,951.00 | |
| Maintenance and Operation of Plant | 1,012.00 | |
| Student Transportation Services | 27,690.00 | 31,653.00 |
| Food Services | | 5,802.00 |
| | | $ 131,735.29 |

## NOTE 7: RISK MANAGEMENT

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

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

The School District 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 |
|---|---|---|---|---|
| 2014 | $ 4,290.00 | $ 0.00 | $ 4,290.00 | $ 0.00 |
| 2015 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 |

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

| Position Covered | Amount |
|---|---|
| Superintendent | $ 50,000.00 |

## NOTE 8: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of $7,363.00 for health insurance and retirement contributions paid on the School District's behalf by the following State Agencies.

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 $7,363.00

Funds paid on behalf of the School District are reported in governmental funds. See Note 11 - Retirement Plans for the State support related to the Net Pension Liability.

## NOTE 9: SIGNIFICANT CONTINGENT LIABILITIES

Amounts received or receivable principally from the Federal government are subject to audit and review by grantor agencies. This could result in requests for reimbursement to the grantor agency for any costs which are disallowed under grant terms. The School District believes that such disallowances, if any, will be immaterial to its overall financial position.

The School District is a defendant in various legal proceedings pertaining to matters incidental to the performance of routine School District operations. The ultimate disposition of these proceedings is not presently determinable, but is not believed to be material to the basic financial statements.

## NOTE 10: 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, 2015:

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

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

For non-certificated school personnel:

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

No additional contribution was required by the Board for fiscal year 2015 nor contributed to the School OPEB Fund to prefund retiree benefits. Such additional contribution amounts are determined annually by the Board in accordance with the School plan for other post-employment benefits and are subject to appropriation.

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

| Fiscal Year | Percentage Contributed | Required Contribution |
|---|---|---|
| 2015 | 100% | $ 369,321.44 |
| 2014 | 100% | $ 302,168.24 |
| 2013 | 100% | $ 353,482.00 |

## NOTE 11: RETIREMENT PLANS

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

### TEACHERS RETIREMENT SYSTEM OF GEORGIA (TRS)

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

**Benefits Provided:** TRS provides service retirement, disability retirement, and death benefits. Normal retirement benefits are determined as 2% of the average of the employee's two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. An employee is eligible for normal service retirement after 30 years of creditable service, regardless of age, or after 10 years of service and attainment of age 60. Ten years of service is required for disability and death benefits eligibility. Disability benefits are based on the employee's creditable service and compensation up to the time of disability. Death benefits equal the amount that would be payable to the employee's beneficiary had the employee retired on the date of death. Death benefits are based on the employee's creditable service and compensation up to the date of death.

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

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

| Fiscal Year | Percentage Contributed | Required Contribution |
|---|---|---|
| 2015 | 100% | $ 228,281.85 |
| 2014 | 100% | $ 198,105.49 |
| 2013 | 100% | $ 174,902.98 |

## PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (PSERS)

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

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

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

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

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

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

At June 30, 2015, the School District reported a liability of $1,997,764.00 for its proportionate share of the Net Pension Liability for TRS.

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

At June 30, 2014, the School District's TRS proportion was 0.015813%, which was an increase of 0.000571% from its proportion measured as of June 30, 2013.

At June 30, 2015, the School District did not have a PSERS liability for a proportionate share of the Net Pension Liability because of a Special Funding Situation with the State of Georgia, which is responsible for the Net Pension Liability of the plan. The amount of the State's proportionate share of the Net Pension Liability associated with the School District is $26,958.00.

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

For the year ended June 30, 2015, the School District recognized pension expense of $155,362.00 for TRS and $2,341.00 for PSERS and associated revenue of $2,341.00 for PSERS. The revenue is support provided by the State of Georgia.

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

| | TRS | |
|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Net difference between projected and actual earnings on pension plan investments | | $ 696,463.00 |
| Changes in proportion and differences between School District contributions and proportionate share of contributions | $ 81,071.00 | |
| School District contributions subsequent to the measurement date | 227,402.00 | |
| Total | $ 308,473.00 | $ 696,463.00 |

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

| Year Ended June 30: | TRS |
|---|---|
| 2016 | $ -155,690.00 |
| 2017 | $ -155,690.00 |
| 2018 | $ -155,690.00 |
| 2019 | $ -155,691.00 |
| 2020 | $ 7,369.00 |

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

*Teachers Retirement System:*

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

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

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

*Public School Employees Retirement System:*

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

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

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

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

| Asset class | Target allocation | Long-term expected real rate of return* |
|---|---|---|
| Fixed income | 30.00% | 3.00% |
| Domestic large stocks | 39.70% | 6.50% |
| Domestic mid stocks | 3.70% | 10.00% |
| Domestic small stocks | 1.60% | 13.00% |
| International developed market stocks | 18.90% | 6.50% |
| International emerging market stocks | 6.10% | 11.00% |
| Total | 100.00% | |

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

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

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

**Teachers' Retirement System:**

| | 1% Decrease (6.50%) | Current discount rate (7.50%) | 1% Increase (8.50%) |
|---|---|---|---|
| School District's proportionate share of the net pension liability | $ 3,681,611.00 | $ 1,997,764.00 | $ 611,151.00 |

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

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

SCHEDULE "1"

| | | 2015 |
|---|---|---|
| School District's proportion of the net pension liability | | 0.015813% |
| School District's proportionate share of the net pension liability | $ | 1,997,764.00 |
| School District's covered-employee payroll | $ | 1,613,240.53 |
| School District's proportionate share of the net pension liability as a percentage of its covered employee payroll | | 123.84% |
| Plan fiduciary net position as a percentage of the total pension liability | | 84.03% |

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

TALIAFERRO COUNTY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
TEACHERS RETIREMENT SYSYTEM OF GEORGIA
FOR THE YEAR ENDED JUNE 30

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| Contractually required contribution | $ 228,281.85 | $ 198,105.49 | $ 174,902.98 |
| Contributions in relation to the contractually required contribution | 228,281.85 | 198,105.49 | 174,902.98 |
| Contribution deficiency (excess) | $ 0.00 | $ 0.00 | $ 0.00 |
| School District's covered-employee payroll | $ 1,735,986.03 | $ 1,613,240.53 | $ 1,532,892.02 |
| Contributions as a percentage of covered-employee payroll | 13.15% | 12.28% | 11.41% |

This schedule is intended to show information for 10 years. Due to the retention policy of the Taliaferro County Board of Education, the School District is only able to display seven years of information.

SCHEDULE "2"

| 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|
| 161,464.18 | $ 163,026.68 | $ 173,994.14 | $ 157,250.69 |
| 161,464.18 | 163,026.68 | 173,994.14 | 157,250.69 |
| 0.00 | $ 0.00 | $ 0.00 | $ 0.00 |
| 1,570,663.23 | $ 1,585,862.65 | 1,786,387.47 | $ 1,694,511.75 |
| 10.28% | 10.28% | 9.74% | 9.28% |

***Teachers Retirement System***

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

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

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

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

SCHEDULE "4"

| | NONAPPROPRIATED BUDGETS | | ACTUAL | VARIANCE |
|---|---|---|---|---|
| | ORIGINAL (1) | FINAL (1) | AMOUNTS | OVER/UNDER |
| REVENUES | | | | |
| Property Taxes | $ 1,422,340.00 | $ 1,422,340.00 | $ 1,402,694.16 | $ -19,645.84 |
| Sales Taxes | 7,000.00 | 7,000.00 | 4,016.96 | -2,983.04 |
| State Funds | 1,682,149.02 | 1,697,023.31 | 1,690,563.23 | -6,460.08 |
| Federal Funds | 371,656.00 | 383,822.00 | 353,965.18 | -29,856.82 |
| Charges for Services | 8,900.00 | 8,900.00 | 18,182.38 | 9,282.38 |
| Investment Earnings | 5,000.00 | 5,000.00 | 4,019.36 | -980.64 |
| Miscellaneous | | | 24,229.54 | 24,229.54 |
| Total Revenues | 3,497,045.02 | 3,524,085.31 | 3,497,670.81 | -26,414.50 |
| EXPENDITURES | | | | |
| Current | | | | |
| Instruction | 2,223,640.24 | 2,231,846.00 | 2,153,032.17 | 78,813.83 |
| Support Services | | | | |
| Pupil Services | 58,938.00 | 58,938.00 | 63,418.25 | -4,480.25 |
| Improvement of Instructional Services | 163,721.00 | 161,934.00 | 156,408.72 | 5,525.28 |
| Educational Media Services | 55,695.00 | 55,695.00 | 42,574.08 | 13,120.92 |
| General Administration | 125,075.00 | 125,075.00 | 113,587.07 | 11,487.93 |
| School Administration | 180,827.00 | 180,827.00 | 169,240.49 | 11,586.51 |
| Business Administration | 131,526.00 | 133,861.21 | 137,642.91 | -3,781.70 |
| Maintenance and Operation of Plant | 219,198.00 | 220,294.35 | 210,085.64 | 10,208.71 |
| Student Transportation Services | 231,985.00 | 240,500.46 | 224,708.91 | 15,791.55 |
| Other Support Services | 25,500.00 | 25,500.00 | 6,430.40 | 19,069.60 |
| Enterprise Operations | | | 15,500.58 | -15,500.58 |
| Food Services Operation | 180,823.00 | 182,955.98 | 221,783.62 | -38,827.64 |
| Total Expenditures | 3,596,928.24 | 3,617,427.00 | 3,514,412.84 | 103,014.16 |
| Net Change in Fund Balances | -99,883.22 | -93,341.69 | -16,742.03 | 76,599.66 |
| Fund Balances - Beginning | 1,197,284.22 | 1,197,284.22 | 1,209,346.69 | 12,062.47 |
| Adjustments | | 226.15 | | -226.15 |
| Fund Balances - Ending | $ 1,097,401.00 | $ 1,104,168.68 | $ 1,192,604.66 | $ 88,435.98 |

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

(1) Original and Final Budget amounts do not include the budgeted revenues or expenditures of the various principal accounts.
The actual revenues and expenditures of the various principal accounts are $21,075.87 and $18,682.36 respectively.

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.

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

| FUNDING AGENCY<br>PROGRAM/GRANT | CFDA NUMBER | PASS-THROUGH ENTITY ID NUMBER | EXPENDITURES IN PERIOD | |
|---|---|---|---|---|
| Agriculture, U. S. Department of | | | | |
| Child Nutrition Cluster | | | | |
| Pass-Through From Georgia Department of Education | | | | |
| Food Services | | | | |
| School Breakfast Program | 10.553 | N/A | (2) | |
| National School Lunch Program | 10.555 | N/A | $ 145,123.95 | (1) |
| Total U. S. Department of Agriculture | | | 145,123.95 | |
| Education, U. S. Department of | | | | |
| Special Education Cluster | | | | |
| Pass-Through From Georgia Department of Education | | | | |
| Special Education | | | | |
| Grants to States | 84.027 | N/A | 37,285.00 | |
| Preschool Grants | 84.173 | N/A | 3,667.00 | |
| Total Special Education Cluster | | | 40,952.00 | |
| Other Programs | | | | |
| Pass-Through From Georgia Department of Education | | | | |
| ARRA - Race-to-the-Top Incentive Grants | 84.395 | N/A | 8,082.59 | |
| Career and Technical Education - Basic Grants to States | 84.048 | N/A | 7,649.00 | |
| Improving Teacher Quality State Grants | 84.367 | N/A | 39,436.82 | |
| Title I Grants to Local Educational Agencies | 84.010 | N/A | 118,164.72 | |
| Total Other Programs | | | 173,333.13 | |
| Total U. S. Department of Education | | | 214,285.13 | |
| Total Expenditures of Federal Awards | | | $ 359,409.08 | |

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 $8,199.86.

(2) Expenditures for the funds earned on the School Breakfast Program -$48,130.15 were not maintained separately and are included in the 2015 National School Lunch Program.

The School District had no major programs as defined by the Single Audit Act of 1984.

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

See notes to the basic financial statements.

TALIAFERRO COUNTY BOARD OF EDUCATION
SCHEDULE OF STATE REVENUE
YEAR ENDED JUNE 30, 2015

SCHEDULE "6"

| AGENCY/FUNDING | GOVERNMENTAL FUND TYPE GENERAL FUND |
|---|---|
| GRANTS | |
| Bright From the Start: | |
| Georgia Department of Early Care and Learning | |
| Pre-Kindergarten Program | $ 79,199.60 |
| Education, Georgia Department of | |
| Quality Basic Education (1) | |
| Direct Instructional Cost | |
| Kindergarten Program | 61,822.50 |
| Primary Grades (1-3) Program | 180,381.50 |
| Primary Grades - Early Intervention (1-3) Program | 5,534.00 |
| Upper Elementary Grades (4-5) Program | 74,311.50 |
| Upper Elementary Grades - Early Intervention (4-5) Program | 5,521.00 |
| Middle School (6-8) Program | 132,937.00 |
| High School General Education (9-12) Program | 82,824.00 |
| Vocational Laboratory (9-12) Program | 49,714.00 |
| Students with Disabilities | 117,047.00 |
| Alternative Education Program | 8,606.00 |
| Media Center Program | 20,831.00 |
| 20 Days Additional Instruction | 6,710.00 |
| Staff and Professional Development | 3,297.00 |
| Indirect Cost | |
| Central Administration | 264,238.50 |
| School Administration | 94,940.00 |
| Facility Maintenance and Operations | 43,178.00 |
| Mid-term Adjustment Hold-Harmless | 39,181.00 |
| Vocational Supervisor | 6,534.00 |
| Amended Formula Adjustment | -112,019.00 |
| Categorical Grants | |
| Pupil Transportation | |
| Regular | 88,691.00 |
| Nursing Services | 45,000.00 |
| Sparsity | 362,060.00 |
| Other State Programs | |
| Food Services | 3,716.00 |
| Math and Science Supplements | 13,347.46 |
| Teacher of the Year | 507.25 |
| Vocational Education | 5,089.92 |
| Office of the State Treasurer | |
| Public School Employees Retirement | 7,363.00 |
| | $ 1,690,563.23 |

See notes to the basic financial statements.

TALIAFERRO COUNTY BOARD OF EDUCATION
SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS
YEAR ENDED JUNE 30, 2015

SCHEDULE "7"

| PROJECT | ORIGINAL ESTIMATED COST (1) | CURRENT ESTIMATED COSTS (2) | AMOUNT EXPENDED IN CURRENT YEAR (3) | AMOUNT EXPENDED IN PRIOR YEARS (3) | TOTAL COMPLETION COST | EXCESS PROCEEDS NOT EXPENDED | ESTIMATED COMPLETION DATE |
|---|---|---|---|---|---|---|---|
| SPLOST III | | | | | | | |
| (i) Adding to, renovating, repairing, improving, and equipping existing school buildings and school system facilities, including but not limited to the main campus; (ii) acquiring real property for new school buildings and facilities; (iii) renovating and improving existing real property owned by the School District, including but not limited to paving, landscaping, irrigation and drainage; (iv) acquiring miscellaneous new equipment, fixtures and furnishings for the School System including HVAC equipment, information technology equipment and software, safety and security equipment; (v) acquiring school buses and transportation and maintenance equipment; (vi) purchasing textbooks; and (vii) acquiring, constructing and equipping new school buildings and facilities, including but not limited to a book repository/storage facility. | $ 600,000.00 | $ 600,000.00 | $ 59,004.19 | $ 152,900.30 | $ 0.00 | $ 0.00 | September 30, 2015 |
| Current Expenses | | | | | | | |
| $6,361.13 (i) Renovating, improving existing building | | | | | | | |
| $44,364.65 (vi) Purchase of expendable computer equipment | | | | | | | |
| $8,278.41 (vi) Purchase of textbooks | | | | | | | |
| Prior Year Expenses | | | | | | | |
| $75,135.89 (i) Renovating, improving existing building | | | | | | | |
| $12,597.00 (iv) Purchase of HVAC equipment | | | | | | | |
| $1,764.26 (v) Purchase of transportation equipment | | | | | | | |
| $63,403.15 (vi) Purchase of textbooks | | | | | | | |
| | $ 600,000.00 | $ 600,000.00 | $ 59,004.19 | $ 152,900.30 | $ 0.00 | $ 0.00 | |

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

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

(3) The voters of Taliaferro 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.

See notes to the basic financial statements.

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

SCHEDULE "8"

| DESCRIPTION | ALLOTMENTS FROM GEORGIA DEPARTMENT OF EDUCATION (1) (2) | ELIGIBLE QBE PROGRAM COSTS SALARIES | OPERATIONS | TOTAL |
|---|---|---|---|---|
| Direct Instructional Programs | | | | |
| Kindergarten Program | $ 77,516.00 | $ 133,361.35 | $ 7,532.84 | $ 140,894.19 |
| Kindergarten Program-Early Intervention Program | | 16,069.02 | 158.71 | 16,227.73 |
| Primary Grades (1-3) Program | 220,137.00 | 323,789.38 | 28,852.11 | 352,641.49 |
| Primary Grades-Early Intervention (1-3) Program | 7,270.00 | 34,193.50 | 441.59 | 34,635.09 |
| Upper Elementary Grades (4-5) Program | 89,737.00 | 188,320.55 | 19,082.93 | 207,403.48 |
| Upper Elementary Grades-Early Intervention (4-5) Program | 7,254.00 | 22,796.51 | | 22,796.51 |
| Middle Grades (6-8) Program | | 29,437.27 | 5,195.61 | 34,632.88 |
| Middle School (6-8) Program | 160,453.00 | 231,417.93 | 24,479.21 | 255,897.14 |
| High School General Education (9-12) Program | 103,454.00 | 355,565.65 | 33,970.18 | 389,535.83 |
| Vocational Laboratory (9-12) Program | 59,716.00 | 151,236.01 | 13,578.59 | 164,814.60 |
| Students with Disabilities | 145,232.00 | | | |
| Category I | | | 7,748.00 | 7,748.00 |
| Category II | | 87,124.48 | 48,314.06 | 135,438.54 |
| Category III | | 78,774.00 | 620.25 | 79,394.25 |
| Category IV | | 69,966.55 | | 69,966.55 |
| Alternative Education Program | 10,486.00 | 6,555.86 | | 6,555.86 |
| TOTAL DIRECT INSTRUCTIONAL PROGRAMS | 881,255.00 | 1,728,608.06 | 189,974.08 | 1,918,582.14 |
| Media Center Program | 25,468.00 | 29,057.88 | 13,516.20 | 42,574.08 |
| Staff and Professional Development | 3,694.00 | | 161.24 | 161.24 |
| TOTAL QBE FORMULA FUNDS | $ 910,417.00 | $ 1,757,665.94 | $ 203,651.52 | $ 1,961,317.46 |

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

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

See notes to the basic financial statements.

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SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS

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# DEPARTMENT OF AUDITS AND ACCOUNTS

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

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


February 1, 2018

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

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

Ladies and Gentlemen:

We have audited, in accordance with 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 Taliaferro County Board of Education as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Taliaferro County Board of Education's basic financial statements and have issued our report thereon dated February 1, 2018.

## Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item FS 2015-001, to be a material weakness.

## Compliance and Other Matters

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

We noted certain matters that we have reported to management of Taliaferro County Board of Education in a separate letter dated February 1, 2018.

## Taliaferro County Board of Education's Response to Findings

Taliaferro County Board of Education's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Taliaferro County Board of Education's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## Purpose of this Report

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

Respectfully submitted,



Greg S. Griffin
State Auditor

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SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

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

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

| FINDING CONTROL NUMBER AND STATUS | |
|---|---|
| FS-7311-13-01 | Previously Reported Corrective Action Implemented |
| FS-7311-14-01 | Previously Reported Corrective Action Implemented |

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

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SECTION IV

FINDINGS AND QUESTIONED COSTS

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

## I SUMMARY OF AUDITOR'S RESULTS

### Financial Statements

Type of auditor's report issue:

| | |
|---|---|
| Governmental Activities; General Fund; Capital Projects Fund; Aggregate Remaining Fund Information | Unmodified |

Internal control over financial reporting:

- Material weakness identified? — Yes
- Significant deficiency identified? — None Reported

Noncompliance material to financial statements noted: No

## II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2015 001 Inadequate Control over Expenditures
Control Category: Expenditures/Liabilities/Disbursements
Internal Control Impact: Material Weakness
Compliance Impact: None

Description:
The accounting procedures of the School District were insufficient to provide adequate internal control procedures over the expenditures process.

Criteria:
The School District's management is responsible for designing and maintaining internal controls over expenditures and disbursements.

Condition:
During the audit, several issues were noted when reviewing expenditures made by the Board.

Out of the 41 expenditures that were reviewed, auditor's noted the following issues:

1. Four expenditures were not appropriately approved, and
2. One expenditure was a check written to cash in the amount of $25,000.00. No invoice was provided to document the purpose of the expenditure. The School District believes the check was used to purchase technology equipment. However, the School District was unable to locate any of this equipment. The expenditure was approved by the former Superintendent. This potentially fraudulent expenditure was brought to the auditor's attention by the new Finance Director and Superintendent at the commencement of the audit.

## II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

### Cause:
In discussing this condition with the Taliaferro County Board of Education officials, they stated that the issue occurred due to the failure of personnel to follow established policies and procedures.

### Effect or Potential Effect:
The lack of adequate control over cash and expenditures increases the risk for theft, fraud, or misuse of School District resources that may result in errors and/or irregularities which would not be detected in a timely manner.

### Recommendation:
The School District should implement necessary procedures to ensure that all purchases are approved by the Board. Additionally the Board should consider lowering the expenditure amount that must be approved by the Board from $50,000.00 to a more reasonable amount.

### Views of Responsible Officials and Corrective Action Plans:
Procedures will be implemented in fiscal year 2016 to ensure that purchases are approved by the Board.

Estimated Corrective Action Date: June 30, 2016
Contact Person: Jess Pearson, Financial Accounting Officer
Telephone: (706) 456-2575
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## III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.