



# **PAULDING COUNTY BOARD OF EDUCATION DALLAS, GEORGIA**

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



PAULDING COUNTY BOARD OF EDUCATION

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SECTION I  
FINANCIAL



# DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

February 24, 2014

Honorable Nathan Deal, Governor  
Members of the General Assembly  
Members of the State Board of Education  
and  
Superintendent and Members of the  
Paulding 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 Paulding County Board of Education, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

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

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

expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

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

### ***Emphasis of Matter***

As described in Note 2 to the financial statements, in 2013, the Paulding County Board of Education adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinion is not modified with respect to this matter.

As discussed in Note 2 to the financial statements, in 2013, the Paulding County Board of Education restated the prior period financial statements to remove the previously reported component unit, Paulding Education Foundation, Inc. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual, as presented on pages i through vii and page 29 respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2014, on our consideration of the Paulding County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Paulding County Board of Education's internal control over financial reporting and compliance.

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

Respectfully submitted,



Greg S. Griffin  
State Auditor

GSG:as  
2013ARL-11

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

The discussion and analysis of the Paulding County Board of Education's financial performance provides an overall review of the Board's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the Board's financial performance as a whole. Readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the Board's financial performance.

The Paulding County School District has prepared the annual financial report to comply with the reporting model for financial statements (GASB Statement 34).

**Financial Highlights**

Key financial highlights for fiscal year 2013 are as follows:

- ✓ The Board's financial status continued to improve during fiscal year 2013. In total, net position increased \$6.9 million, which represents a 2.0 percent increase from the fiscal year 2012 balance. This total increase was due to governmental activities since the Board has no business-type activities.
- ✓ General revenues accounted for \$96.1 million in revenue or 39.0 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$148.2 million or 61.0 percent of total revenues. Total revenues were \$244.3 million.
- ✓ The Board had \$237.4 million in expenses related to governmental activities; only \$148.2 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues, primarily taxes, of \$96.1 million were adequate to provide for these programs.
- ✓ Among major funds, the general fund had \$226.6 million in revenues, \$0.4 million in net other financing sources and \$221.8 million in expenditures. The general fund's balance increased to \$34.7 million from \$29.5 million.

**Using the Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Paulding County Board of Education as a financial whole, or as an entire operating entity.

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the Board as a whole, presenting both an aggregate view of the Board's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Board's most significant funds. In the case of the Paulding County Board of Education, the general fund is by far the most significant fund.



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

***Reporting the Board as a Whole***

*Statement of Net Position and Statement of Activities*

While these documents contain the large number of funds used by the Board to provide programs and activities, the view of the Board as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2013?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include *all assets and all liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. The accrual basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Board's *net position* and changes in those assets. This change in net position is important because it tells the reader whether, for the Board as a whole, the *financial position* of the Board has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Nonfinancial factors include the Board's property tax base, facility conditions, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, the Board has one distinct type of activity:

- Governmental Activities - All of the Board's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, food service, after school program, school activity accounts and various others.

***Reporting the Board's Most Significant Funds***

*Fund Financial Statements*

Fund financial reports provide detailed information about the Board's major funds. The Board uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Board's most significant funds. The Board's major governmental funds are the General Fund, the District-Wide Capital Projects Fund, and the Debt Service Fund.

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

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

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

**The Board as a Whole**

The perspective of the Statement of Net Position is of the Board as a whole. Table 1 provides a summary of the Board's net position for fiscal year 2013.

**Table 1  
Net Position  
(In Thousands)**

	Governmental Activities	
	Fiscal Year 2013	Fiscal Year 2012
<b>Assets</b>		
Current and Other Assets	\$ 87,161	\$ 84,369
Capital Assets, Net	390,185	389,339
<b>Total Assets</b>	<b>\$ 477,346</b>	<b>\$ 473,708</b>
<b>Liabilities</b>		
Current and Other Liabilities	\$ 39,861	\$ 36,478
Long-Term Liabilities	123,059	129,772
<b>Total Liabilities</b>	<b>\$ 162,920</b>	<b>\$ 166,250</b>
<b>Net Position</b>		
Net Investment in Capital Assets	\$ 290,640	\$ 289,054
Restricted	6,218	4,690
Unrestricted	17,568	13,714
<b>Total Net Position</b>	<b>\$ 314,426</b>	<b>\$ 307,458</b>

Total net position increased \$6.97 million.

Table 2 shows the changes in net position for fiscal year 2013 compared to the changes in net position in fiscal year 2012.

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

**Table 2  
Change in Net Position  
(In Thousands)**

	Governmental Activities	
	Fiscal Year	Fiscal Year
	2013	2012
<b>Revenues</b>		
Program Revenues:		
Charges for Services and Sales	\$ 6,077	\$ 6,141
Operating Grants and Contributions	137,692	132,446
Capital Grants and Contributions	4,417	8,520
	<u>\$ 148,186</u>	<u>\$ 147,107</u>
Total Program Revenues		
General Revenues:		
Taxes		
Property Taxes		
For Maintenance and Operations	\$ 49,751	\$ 52,845
For Debt Services	46	419
Railroad Cars and Other Taxes	20	24
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Capital Projects	14,101	14,389
Intangible Recording Tax	1,396	1,007
Grants and Contributions not		
Restricted to Specific Programs	26,137	21,174
Investment Earnings	61	45
Miscellaneous	4,604	4,590
Special Items		
Gain on Sale of Equipment	27	22
	<u>\$ 96,143</u>	<u>\$ 94,515</u>
Total General Revenues and Special Items		
Total Revenues	<u>\$ 244,329</u>	<u>\$ 241,622</u>
<b>Program Expenses:</b>		
Instruction	\$ 154,744	\$ 154,021
Support Services		
Pupil Services	7,026	7,013
Improvement of Instructional Services	5,786	5,870
Educational Media Services	4,214	4,318
General Administration	576	293
School Administration	13,676	13,247
Business Administration	934	1,008
Maintenance and Operation of Plant	16,921	16,647
Student Transportation Services	11,657	11,199
Central Support Services	1,367	1,288
Other Support Services	459	302
Operations of Non-Instructional Services		
Enterprise Operations	1,206	1,303
Community Services	51	32
Food Services	13,070	14,188
Interest on Short-Term and Long-Term Debt	5,675	5,150
	<u>\$ 237,362</u>	<u>\$ 235,879</u>
Total Expenses		
Increase in Net Position	<u>\$ 6,967</u>	<u>\$ 5,743</u>

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

***Governmental Activities***

Instruction comprises 65.2 percent of governmental program expenses. Interest expense comprises 2.4 percent of governmental program expenses. Interest expense was attributable to the outstanding bonds for capital projects and capital leases.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**Table 3  
Governmental Activities  
(In Thousands)**

	Total Cost of Services		Net Cost of Services	
	Fiscal	Fiscal	Fiscal	Fiscal
	Year 2013	Year 2012	Year 2013	Year 2012
Instruction	\$ 154,744	\$ 154,021	\$ 52,278	\$ 57,476
Support Services:				
Pupil Services	7,026	7,013	5,538	5,389
Improvement of Instructional Services	5,786	5,870	1,678	1,185
Educational Media Services	4,214	4,318	660	282
General Administration	576	293	-2,720	-3,318
School Administration	13,676	13,247	6,588	5,189
Business Administration	934	1,008	868	929
Maintenance and Operation of Plant	16,921	16,647	8,413	5,912
Student Transportation Services	11,657	11,199	9,066	8,455
Central Support Services	1,367	1,288	1,225	1,109
Other Support Services	459	302	141	118
Operations of Non-Instructional Services:				
Enterprise Operations	1,206	1,303	-40	74
Community Services	51	32	47	28
Food Services	13,070	14,188	-242	794
Interest on Short-Term and Long-Term Debt	5,675	5,150	5,675	5,150
<b>Total Expenses</b>	<b>\$ 237,362</b>	<b>\$ 235,879</b>	<b>\$ 89,175</b>	<b>\$ 88,772</b>

Although program revenues make up a majority of the revenues, the Board is still dependent upon tax revenues for governmental activities. 33.8 percent of instruction activities are supported through taxes and other general revenues; for all governmental activities general revenue support is over 37.6 percent.

**The Board's Funds**

The Board's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues and other financing sources of \$245.7 million and expenditures and other financing uses of \$245.3 million. There was a net decrease of \$4.5 million in the capital projects fund due to construction. The general fund had an increase of \$5.1 million and the debt service fund had a net decrease of \$0.2 million. The negative change in the fund balance of the debt service fund for the year is due to the required principal and interest payments of the General Obligation Bonds as well as the roll back of the bond millage rate to zero.

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

***General Fund Budgeting Highlights***

The Board's budget is prepared according to Georgia law. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2013, the Board amended its general fund budget as needed. The Board uses site-based budgeting. The budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, the final budgeted revenues of \$223.9 million reflect an increase to the original budgeted amount of \$218.9 million by \$5.0 million. This difference was primarily due to increases in state revenues budgeted of \$2.6 million and Federal revenues budgeted of \$2.5 million. The actual revenues of \$226.6 million were more than the final budgeted amount by \$2.7 million.

The final budgeted expenditures of \$231.4 million reflect an increase to the original budgeted amount of \$228.3 million by \$3.1 million. This difference was primarily due to an increase in instruction of \$1.8 million, an increase of \$0.5 million in Improvement of Instructional Services and an increase in Transportation of \$0.2 million. The final budgeted amount of \$231.4 exceeded the actual expenditures by \$9.5 million.

General Fund revenues exceeded expenditures by \$4.7 million. The Board has made a concerted effort to maintain an appropriate fund balance for current operations and anticipated austerity reductions.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2013, the Board had \$390.2 million invested in capital assets, all in governmental activities. Table 4 shows fiscal year 2013 balances compared with fiscal year 2012 balances.

**Table 4  
Capital Assets  
(Net of Depreciation, in Thousands)**

	Governmental Activities	
	Fiscal	Fiscal
	Year 2013	Year 2012
Land	\$ 11,170	\$ 11,170
Construction In Progress	12,132	14,792
Building and Improvements	353,814	348,049
Equipment	11,081	13,239
Land Improvements	1,988	2,089
Total	\$ 390,185	\$ 389,339

The primary increases occurred in Buildings and Improvements as a result of the completion of one elementary school renovation and miscellaneous additions to other schools. The Board has numerous construction projects including additions and renovations.

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

***Debt***

At June 30, 2013, the Board had \$115.9 million in bonds outstanding with \$6.2 million due within one year. The School District's legal debt limit is 10 percent of the net assessed valuation of \$2,612.6 million, or a maximum debt of \$261.3 million. The total current bonded restricted debt of \$115.9 million is well below the legal limit. Other long-term liabilities amounted to \$7.1 million, which consists of unamortized bond premiums, capital leases and compensated absences.

**Factors Bearing on the District's Future**

With approximately 28,000 students, Paulding County School District is the 13<sup>th</sup> largest school district in the state. As such, the continued economic slowdown has put increased demands on the district's resources, facilities, and employees. Factors bearing on the district's future include, but are not limited to, future tax digest levels based on home values, rising employee healthcare costs, and continued state austerity funding cuts. With the erosion of Federal, state, and local funding, the district is committed to finding solutions that provide the best education for the children of Paulding County, while minimizing the financial impact to our employees. The continued support of our schools by the public and by local community and business organizations is also an integral part of our ability to educate our students.

**Contacting the Board's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Board's finances and to show the Board's accountability for the money it receives. If you have questions about this report or need additional information, contact Steve Barnette, Chief Financial Officer at the Paulding County Board of Education, 3236 Atlanta Highway, Dallas, Georgia 30132.

PAULDING COUNTY BOARD OF EDUCATION

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

EXHIBIT "A"

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 56,204,087.99
Investments	2,347,552.56
Accounts Receivable, Net	
Taxes	4,657,071.50
State Government	19,240,856.48
Federal Government	2,550,173.14
Other	369,034.26
Inventories	447,598.87
Prepaid Items	195,529.05
Capitalized Bond and Other Debt Issuance Costs	1,149,003.01
Capital Assets, Non-Depreciable	23,302,283.62
Capital Assets, Depreciable (Net of Accumulated Depreciation)	<u>366,882,665.15</u>
Total Assets	<u>\$ 477,345,855.63</u>
<u>LIABILITIES</u>	
Accounts Payable	\$ 7,208,794.08
Salaries and Benefits Payable	25,809,169.83
Claims Incurred but not Reported (IBNR)	139,346.86
Payroll Withholdings Payable	17,107.76
Contracts Payable	3,778,520.35
Retainages Payable	639,070.14
Interest Payable	2,268,618.13
Long-Term Liabilities	
Due Within One Year	7,992,356.81
Due in More Than One Year	<u>115,067,058.51</u>
Total Liabilities	<u>\$ 162,920,042.47</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	\$ 290,640,372.96
Restricted for	
Continuation of Federal Programs	4,531,079.98
Debt Service	605,341.33
Capital Projects	1,081,990.35
Unrestricted	<u>17,567,028.54</u>
Total Net Position	<u>\$ 314,425,813.16</u>

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



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

	EXPENSES	CHARGES FOR SERVICES
<u>GOVERNMENTAL ACTIVITIES</u>		
Instruction	\$ 154,743,547.93	
Support Services		
Pupil Services	7,025,955.44	
Improvement of Instructional Services	5,786,224.33	
Educational Media Services	4,214,322.51	
General Administration	576,295.94	
School Administration	13,675,909.49	
Business Administration	934,237.22	
Maintenance and Operation of Plant	16,920,603.24	
Student Transportation Services	11,656,810.00	
Central Support Services	1,367,164.84	
Other Support Services	459,127.63	
Operations of Non-Instructional Services		
Enterprise Operations	1,205,920.98	\$ 1,245,958.04
Community Services	50,693.39	
Food Services	13,069,614.63	4,830,974.50
Interest on Short-Term and Long-Term Debt	5,675,529.86	
Total Governmental Activities	\$ 237,361,957.43	\$ 6,076,932.54
General Revenues		
Taxes		
Property Taxes		
For Maintenance and Operations		
For Debt Services		
For Railroad Cars		
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Capital Projects		
Other Sales Tax		
Grants and Contributions not Restricted to Specific Programs		
Investment Earnings		
Miscellaneous		
Special Items		
Sale of Equipment		
Total General Revenues and Special Items		
Change in Net Position		
Net Position - Beginning of Year		
Net Position - End of Year		

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

EXHIBIT "B"

PROGRAM REVENUES		NET (EXPENSES)
OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	REVENUES AND CHANGES IN NET POSITION
\$ 98,822,801.78	\$ 3,642,426.80	\$ -52,278,319.35
1,486,190.10	2,218.43	-5,537,546.91
4,105,657.40	1,805.20	-1,678,761.73
3,432,466.23	122,163.58	-659,692.70
3,293,864.73	2,527.73	2,720,096.52
6,979,899.47	108,001.96	-6,588,008.06
66,129.31	311.77	-867,796.14
8,401,981.69	105,239.48	-8,413,382.07
2,583,322.59	7,372.64	-9,066,114.77
107,038.56	34,867.90	-1,225,258.38
316,284.77	2,117.20	-140,725.66
	322.37	40,359.43
3,083.07	262.13	-47,348.19
8,093,566.48	387,525.67	242,452.02
		-5,675,529.86
<u>\$ 137,692,286.18</u>	<u>\$ 4,417,162.86</u>	<u>\$ -89,175,575.85</u>

\$ 49,750,688.69  
46,163.54  
20,553.77

14,100,695.01  
1,396,093.31  
26,136,961.00  
60,668.97  
4,604,032.40

27,303.39

\$ 96,143,160.08

\$ 6,967,584.23

307,458,228.93

\$ 314,425,813.16

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

EXHIBIT "C"

	GENERAL FUND	DISTRICT- WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 43,685,919.74	\$ 12,454,235.64	\$ 63,932.61	\$ 56,204,087.99
Investments	1,110,565.00	1,236,987.56		2,347,552.56
Accounts Receivable, Net				
Taxes	3,359,023.60	1,128,078.94	169,968.96	4,657,071.50
State Government	17,074,384.19	2,166,472.29		19,240,856.48
Federal Government	2,550,173.14			2,550,173.14
Other	217,594.26	151,440.00		369,034.26
Inventories	447,598.87			447,598.87
Prepaid	195,529.05			195,529.05
	<u>68,640,787.85</u>	<u>17,137,214.43</u>	<u>233,901.57</u>	<u>86,011,903.85</u>
Total Assets	<u>\$ 68,640,787.85</u>	<u>\$ 17,137,214.43</u>	<u>\$ 233,901.57</u>	<u>\$ 86,011,903.85</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 7,093,703.67	\$ 115,090.41		\$ 7,208,794.08
Salaries and Benefits Payable	25,809,169.83			25,809,169.83
Payroll Withholdings Payable	17,107.76			17,107.76
Contracts Payable		3,778,520.35		3,778,520.35
Retainages Payable		639,070.14		639,070.14
Deferred Revenue	1,063,995.83		\$ 151,617.71	1,215,613.54
	<u>33,983,977.09</u>	<u>4,532,680.90</u>	<u>151,617.71</u>	<u>38,668,275.70</u>
Total Liabilities	<u>\$ 33,983,977.09</u>	<u>\$ 4,532,680.90</u>	<u>\$ 151,617.71</u>	<u>\$ 38,668,275.70</u>
<u>FUND BALANCES</u>				
Nonspendable	\$ 643,127.92			\$ 643,127.92
Restricted	4,083,481.11	\$ 12,604,533.53	\$ 82,283.86	16,770,298.50
Assigned	1,309,570.46			1,309,570.46
Unassigned	28,620,631.27			28,620,631.27
	<u>34,656,810.76</u>	<u>12,604,533.53</u>	<u>82,283.86</u>	<u>47,343,628.15</u>
Total Fund Balances	<u>\$ 34,656,810.76</u>	<u>\$ 12,604,533.53</u>	<u>\$ 82,283.86</u>	<u>\$ 47,343,628.15</u>
Total Liabilities and Fund Balances	<u>\$ 68,640,787.85</u>	<u>\$ 17,137,214.43</u>	<u>\$ 233,901.57</u>	<u>\$ 86,011,903.85</u>

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

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

EXHIBIT "D"

Total Fund Balances - Governmental Funds (Exhibit "C") \$ 47,343,628.15

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Capital Assets used in Governmental Activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	\$	11,170,087.54	
Construction in Progress		12,132,196.08	
Land Improvements		4,152,188.18	
Buildings		429,110,019.11	
Machinery and Equipment		34,844,533.51	
Accumulated Depreciation		<u>-101,224,075.65</u>	
Total Capital Assets			390,184,948.77

Taxes that are not available to pay for current period expenditures are deferred in the funds.

Property Taxes			1,215,613.54
----------------	--	--	--------------

Other Long-Term Assets are not available to pay for current period expenditures and therefore, are deferred on the Statement of Net Position.

Deferred Charges - Capitalized Bond Issuance Costs			1,149,003.01
--	--	--	--------------

Long-Term Liabilities, including Bonds Payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-Term Liabilities at year-end consist of:

Bonds Payable	\$	-115,905,000.00	
Interest Payable		-2,268,618.13	
Capital Leases Payable		-1,835,566.54	
Compensated Absences		-536,894.08	
Bond Premiums, Net of Amortization		-4,781,954.70	
Claims Incurred but not Reported		<u>-139,346.86</u>	
Total Long-Term Liabilities			<u>-125,467,380.31</u>

Net Position of Governmental Activities (Exhibit "A") \$ 314,425,813.16

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

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

EXHIBIT "E"

	GENERAL FUND	DISTRICT- WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
<b>REVENUES</b>				
Property Taxes	\$ 50,810,441.48		\$ 139,954.17	\$ 50,950,395.65
Sales Taxes	1,396,093.31	\$ 14,100,695.01		15,496,788.32
State Funds	145,713,243.71	4,351,349.85		150,064,593.56
Federal Funds	18,181,816.48			18,181,816.48
Charges for Services	6,076,932.54			6,076,932.54
Investment Earnings	26,879.29	33,704.47	85.21	60,668.97
Miscellaneous	4,389,830.68	14,500.00		4,404,330.68
	\$ 226,595,237.49	\$ 18,500,249.33	\$ 140,039.38	\$ 245,235,526.20
<b>EXPENDITURES</b>				
Current				
Instruction	\$ 146,218,452.75			\$ 146,218,452.75
Support Services				
Pupil Services	7,015,524.49			7,015,524.49
Improvement of Instructional Services	5,792,136.16			5,792,136.16
Educational Media Services	3,957,911.15			3,957,911.15
General Administration	575,722.26			575,722.26
School Administration	13,455,494.51			13,455,494.51
Business Administration	926,804.76			926,804.76
Maintenance and Operation of Plant	16,794,111.12			16,794,111.12
Student Transportation Services	10,522,353.38			10,522,353.38
Central Support Services	1,296,420.41			1,296,420.41
Other Support Services	454,683.82			454,683.82
Enterprise Operations	1,205,244.36			1,205,244.36
Community Services	50,143.21			50,143.21
Food Services Operation	12,414,102.15			12,414,102.15
Capital Outlay		\$ 11,958,649.92		11,958,649.92
Debt Services				
Principal	1,005,576.12		\$ 5,800,000.00	6,805,576.12
Interest	146,914.23		5,706,704.28	5,853,618.51
Dues and Fees		3,675.00	3,151.50	6,826.50
	\$ 221,831,594.88	\$ 11,962,324.92	\$ 11,509,855.78	\$ 245,303,775.58
Excess of Revenues over (under) Expenditures	\$ 4,763,642.61	\$ 6,537,924.41	\$ -11,369,816.40	\$ -68,249.38
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of Equipment	\$ 32,360.00			\$ 32,360.00
Insurance Proceeds	48,261.72	\$ 151,440.00		199,701.72
Capital Leases	267,711.19			267,711.19
Transfers In			\$ 11,159,429.89	11,159,429.89
Transfers Out	-3,151.50	-11,156,278.39		-11,159,429.89
	\$ 345,181.41	\$ -11,004,838.39	\$ 11,159,429.89	\$ 499,772.91
Net Change in Fund Balances	\$ 5,108,824.02	\$ -4,466,913.98	\$ -210,386.51	\$ 431,523.53
Fund Balances - Beginning	29,547,986.74	17,071,447.51	292,670.37	46,912,104.62
Fund Balances - Ending	\$ 34,656,810.76	\$ 12,604,533.53	\$ 82,283.86	\$ 47,343,628.15

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

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

EXHIBIT "F"

Total Net Change in Fund Balances - Governmental Funds (Exhibit "E") \$ 431,523.53

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	\$	12,511,237.37	
Depreciation Expense		<u>-11,065,326.36</u>	
Excess of Capital Outlay over Depreciation Expense			1,445,911.01

Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. -1,132,989.65

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, and disposals) is to decrease net assets. -600,277.98

Bond issuance costs, deferred gains on refundings and similar items when debt is first issued are reported as an expenditure in Governmental Funds, but are reported as deferred charges on the Statement of Net Position and amortized over the term of the debt, using the straight-line method. The details of this difference in the current period are as follows:

Amortization of Bond Issuance Costs			-81,739.43
-------------------------------------	--	--	------------

Some of the Capital Assets acquired this year were financed with capital leases. In Governmental Funds, a capital lease arrangement is considered a source of financing, but in the Statement of Net Position, the lease obligation is reported as a Long-Term Liability. -267,711.19

Repayment of Long-Term Debt is reported as an expenditure in Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Position. In the current year, these amounts consist of:

Bond Principal Retirements	\$	5,800,000.00	
Bond Premium Retirements		150,638.07	
Capital Lease Payments		<u>1,005,576.12</u>	
Total Long-Term Debt Repayments			6,956,214.19

Interest expense reported in the Statement of Activities is recorded as incurred, whereas interest expense in the governmental fund statements is reported when paid. 109,190.00

Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in Governmental Funds. These activities consist of:

Decrease in Compensated Absences	\$	23,608.71	
Decrease in Claims and Judgments		<u>83,855.04</u>	
Total Additional Expenditures			<u>107,463.75</u>

Change in Net Position of Governmental Activities (Exhibit "B") \$ 6,967,584.23

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

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

EXHIBIT "G"

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ <u>291,138.76</u>
<u>LIABILITIES</u>	
Funds Held for Others	\$ <u>291,138.76</u>

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 Paulding 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 Paulding 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 (SPLOST), Bond Proceeds and grants from Georgia State Financing and Investment Commission to be used for the acquisition, construction or renovation of major capital facilities.

- Debt Service Fund accounts for and reports taxes (property and sales) legally restricted for the payment of general long-term principal, interest and paying agent's fees.

The School District reports the following fiduciary fund type:

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

### **BASIS OF ACCOUNTING**

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

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

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

The School District funds certain programs by a combination of specific cost-reimbursement grants, categorical grants, and general revenues. Thus, when program costs are incurred, there are both restricted and unrestricted net position 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.

### **RESTATEMENTS – CHANGE IN ACCOUNTING ENTITY**

The Paulding Education Foundation, Inc. (Foundation) was discretely presented for 2012. During the year ended June 30, 2013, the District determined that, per GASB Statement No. 14, The *Financial Reporting Entity* as amended by GASB 39, and 61, the Paulding Education Foundation, Inc. is not a component unit for financial reporting purposes. While the Foundation's primary purpose is to benefit the District by soliciting contributions, it is management's determination that the financial

PAULDING COUNTY BOARD OF EDUCATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2013

EXHIBIT "H"

statements of the Foundation are not material to the financial statements of the District and their exclusion would not render the District's financial statements incomplete or misleading. While the relationship between the Foundation and District is consequential, it is management's determination that the nature, scope, and significance of the relationship does not warrant the designation of component unit. Due to this change in accounting entity, a restatement of the June 30, 2012 net positions is required. June 30, 2012 net positions have been adjusted as shown below:

Discretely Presented Component Unit:	
Net Position, July 1, 2012, as previously reported	\$ 377,731.48
Change in Reporting Entity - Component Unit	
Paulding Education Foundation, Inc.	
Change in positions	-377,731.48
	0.00
Discretely presented component unit 2012, net position, restated	\$ 0.00

**NEW ACCOUNTING PRONOUNCEMENTS**

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

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

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

**CASH AND CASH EQUIVALENTS**

**COMPOSITION OF DEPOSITS**

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

## INVESTMENTS

### COMPOSITION OF INVESTMENTS

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

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

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

## RECEIVABLES

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

## PROPERTY TAXES

The Paulding County Board of Commissioners fixed the property tax levy for the 2012 tax digest year (calendar year) on August 24, 2012 (levy date). Taxes were due on November 15, 2012 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2012 tax digest are reported as revenue in the governmental funds for fiscal year 2013. The Paulding County Tax Commissioner bills and collects the property taxes for the School District, withholds 2.5% of taxes collected as a fee for tax collection and remits the balance of taxes collected to the School District. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2013, for maintenance and operations amounted to \$49,587,283.55 and for school bonds amounted to \$139,954.17.

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

School Operations	<u>18.909</u> mills
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The School District elected to roll back the bond millage rate from 2.963 mills to 0.000 mills in fiscal year 2012. The property tax revenue associated with bonds reported in the Debt Service Fund is related to prior years' tax levy.

Additionally, Title Ad Valorem Taxes in the amount of \$1,223,157.93 were collected during the fiscal year.

### **SALES TAXES**

Education Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to \$14,100,695.01 and is to be used for debt service or 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.

### **PREPAID ITEMS**

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

### **CAPITAL ASSETS**

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

PAULDING COUNTY BOARD OF EDUCATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2013

EXHIBIT "H"

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	20 years
Buildings and Improvements	\$ 5,000.00	50 years
Equipment	\$ 5,000.00	5 to 25 years
Intangible Assets	\$ 100,000.00	20 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 10 to 20 years.

**COMPENSATED ABSENCES**

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

Vacation leave of 12 days is awarded on a fiscal year basis to all full time personnel employed on a twelve month basis with less than 5 years experience and 15 days per fiscal year to all full time personnel employed on a twelve month basis with 5 or more years of experience. No other employees are eligible to earn vacation leave. Vacation leave not utilized during the fiscal year may be carried over to the next fiscal year, providing such vacation leave does not exceed 20 days.

Changes in the compensated absences liability for the three fiscal years are a follows:

	Beginning of Year Liability	Increases	Decreases	End of Year Liability
2011	\$ 556,133.50	\$ 933,650.97	\$ 915,052.46	\$ 574,732.01
2012	\$ 574,732.01	\$ 641,399.42	\$ 655,628.64	\$ 560,502.79
2013	\$ 560,502.79	\$ 933,810.88	\$ 957,419.59	\$ 536,894.08

**GENERAL OBLIGATION BONDS**

The School District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. In the District-wide financial statements, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are reported as deferred charges and amortized over the term of the debt using the straight-line method.

In the fund financial statements, the School District recognizes bond premiums and discounts, as well as bond issuance costs during the fiscal year bonds are issued. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as

other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. In addition, general obligation bonds have been issued to refund existing general obligation bonds. General obligation bonds are direct obligations and pledge the full faith and credit of the government. The outstanding amount of these bonds is recorded in the Statement of Net Position.

## NET POSITION

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

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

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

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

## FUND BALANCES

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

**Nonspendable** - Amounts that cannot be spent either because they are in a nonspendable form of 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.

PAULDING COUNTY BOARD OF EDUCATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2013

EXHIBIT "H"

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

Nonspendable		
Inventories	\$ 447,598.87	
Prepaid Assets	195,529.05	\$ 643,127.92
Restricted		
Debt Service	\$ 2,722,341.75	
Capital Projects	9,964,475.64	
Continuation of Federal Programs	4,083,481.11	16,770,298.50
Assigned		
School Activity Accounts		1,309,570.46
Unassigned		28,620,631.27
Fund Balance, June 30, 2013		\$ 47,343,628.15

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, special revenue, debt service, and capital projects funds. There is no statutory prohibition regarding over expenditure of the budget at any level. The budget for all governmental funds, except the various school activity (principal) accounts, is prepared and adopted by fund, function and object. The legal level of budgetary control was established by the Board at the aggregate fund level. The budget for the General Fund was prepared in accordance with accounting principles generally accepted in the United States of America.

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



The Superintendent is authorized by the Board to approve adjustments of no more than 10 percent of the amount budgeted for expenditures in any budget function for any fund. The Superintendent shall report any such adjustments to the Board. If expenditure of funds in any budget function for any fund is anticipated to be more than 10 percent of the budgeted amount, the Superintendent shall request Board approval for the budget amendment. Under no circumstance is the Superintendent or other staff person authorized to spend funds that exceed the total budget without approval by the Board.

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

Note 4: DEPOSITS 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. At June 30, 2013 \$152,039.52 of deposits were not secured by surety bond, insurance or collateral as specified above. The School District is working with the affected financial institution to ensure appropriate levels of collateral are maintained for all of the School District's deposits.

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.

PAULDING COUNTY BOARD OF EDUCATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2013

EXHIBIT "H"

CATEGORIZATION OF DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At June 30, 2013, the bank balances were \$57,519,446.17. 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 credit risk category at June 30, 2013, are as follows:

Custodial Credit Risk Category	Bank Balance
1	\$ 152,039.92
2	0.00
3	0.00
Total	\$ 152,039.92

CATEGORIZATION OF INVESTMENTS

At June 30, 2013, the carrying value of the School District's total investments was \$2,347,552.56, which is materially the same as fair value. This investment consisted entirely of funds invested in the Georgia Fund 1, formerly referred to as LGIP, administered by the State of Georgia, Office of the State Treasurer which is not required to be categorized since the School District did not own any specific identifiable securities in the pool. The investment policy of the State of Georgia, Office of the State Treasurer for the Georgia Fund 1 (Primary Liquidity Portfolio) does not provide for investment in derivatives or similar investments. Additional information on the Georgia Fund 1 is disclosed in the *State of Georgia* Comprehensive Annual Financial Report. This audit can be obtained from the Georgia Department of Audits and Accounts at [www.audits.ga.gov/SGD/CAFR.html](http://www.audits.ga.gov/SGD/CAFR.html).

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

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**

PAULDING COUNTY BOARD OF EDUCATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2013

EXHIBIT "H"

Note 6: CAPITAL ASSETS

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

	Balances			Balances
	July 1, 2012	Increases	Decreases	June 30, 2013
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 11,170,087.54			\$ 11,170,087.54
Construction Work In Progress	14,792,053.26	\$ 11,646,699.42	\$ 14,306,556.60	12,132,196.08
Total Capital Assets, Not Being Depreciated	\$ 25,962,140.80	\$ 11,646,699.42	\$ 14,306,556.60	\$ 23,302,283.62
Capital Assets, Being Depreciated:				
Buildings and Improvements	\$ 414,776,065.01	\$ 14,343,454.11	\$ 9,500.01	\$ 429,110,019.11
Equipment	35,495,119.89	763,090.44	1,413,676.82	34,844,533.51
Land Improvements	4,087,638.18	64,550.00		4,152,188.18
Less: Accumulated Depreciation:				
Buildings and Improvements	66,726,582.13	8,570,909.42	1,013.35	75,296,478.20
Equipment	22,256,376.97	2,328,776.50	821,885.50	23,763,267.97
Land Improvements	1,998,689.04	165,640.44		2,164,329.48
Total Capital Assets, Being Depreciated, Net	\$ 363,377,174.94	\$ 4,105,768.19	\$ 600,277.98	\$ 366,882,665.15
Governmental Activity Capital Assets - Net	\$ 389,339,315.74	\$ 15,752,467.61	\$ 14,906,834.58	\$ 390,184,948.77

Current year depreciation expense by function is as follows:

Instruction		\$	7,897,149.06
Support Services			
Pupil Services	\$		5,568.40
Improvement of Instructional Services			4,531.16
Educational Media Services			306,637.86
General Administration			6,344.75
School Administration			271,091.37
Business Administration			782.56
Maintenance and Operation of Plant			264,157.36
Student Transportation Services			1,242,049.37
Central Support Services			87,520.52
Other Support Services			5,314.30
Athletic Programs			809.16
Community Services			657.95
Food Services			2,195,464.76
			972,712.54
			\$ 11,065,326.36

PAULDING COUNTY BOARD OF EDUCATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2013

EXHIBIT "H"

Note 7: INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2013, consisted of the following:

<u>Transfer to</u>	Transfers From	
	General Fund	District-wide Capital Projects
Debt Service Fund	\$ 3,151.50	\$ 11,156,278.39

Transfers are used to move property tax revenues collected by the General Fund and SPLOST proceeds collected by Capital Projects Fund to the Debt Service Fund to pay principal, interest and administration fees on Bonds.

Note 8: RISK MANAGEMENT

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

The School District 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 participates in the Georgia School Boards Association Workers' Compensation Fund, a public entity risk pool organized on July 1, 1992, to develop, implement, and administer a program of workers' compensation self-insurance for its member organizations. The School District pays an annual premium to the Fund for its general insurance coverage. Additional insurance coverage is provided through an agreement by the Fund with the Safety National Casualty Corporation to provide coverage for potential losses sustained by the Fund in excess of \$550,000.00 loss per occurrence, up to the statutory limit. Employers' Liability insurance coverage is also provided by Safety National Casualty Corporation to provide coverage for potential losses sustained by the Fund in excess of \$550,000.00 loss per occurrence, up to \$2,000,000.00.

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

	Beginning of Year Liability	Claims and Changes in Estimates	Claims Paid	End of Year Liability
2012	\$ 369,172.16	\$ 2,149,532.05	\$ 2,295,502.31	\$ 223,201.90
2013	\$ 223,201.90	\$ 2,009,110.88	\$ 2,092,965.92	\$ 139,346.86

PAULDING COUNTY BOARD OF EDUCATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2013

EXHIBIT "H"

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:

	<u>Beginning of Year Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Paid</u>	<u>End of Year Liability</u>
2012	\$ 0.00	\$ 208,682.69	\$ 208,682.69	\$ 0.00
2013	\$ 0.00	\$ 55,304.09	\$ 55,304.09	\$ 0.00

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

<u>Position Covered</u>	<u>Amount</u>
Superintendent	\$ 250,000.00
All Other Employees	\$ 250,000.00

Note 9: LONG-TERM DEBT

CAPITAL LEASES

The Paulding County Board of Education has entered into various lease agreements for computer equipment. These lease agreements qualify as capital leases for accounting purposes, and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

COMPENSATED ABSENCES

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

GENERAL OBLIGATION DEBT OUTSTANDING

General Obligation Bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
General Government - Series 2008	3.00% - 5.00%	\$ 47,450,000.00
General Government - Series 2007	4.25% - 5.00%	62,500,000.00
General Government - Refunding - Series 2003	2.87%	5,955,000.00
		<u>\$ 115,905,000.00</u>

PAULDING COUNTY BOARD OF EDUCATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2013

EXHIBIT "H"

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

	Governmental Funds				
	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013	Due Within One Year
G. O. Bonds	\$ 121,705,000.00		\$ 5,800,000.00	\$ 115,905,000.00	\$ 6,265,000.00
Capital Leases	2,573,431.47	\$ 267,711.19	1,005,576.12	1,835,566.54	1,049,497.20
Compensated Absences	560,502.79	933,810.88	957,419.59	536,894.08	520,322.08
Bond Premiums Amortized	4,932,592.77		150,638.07	4,781,954.70	157,537.53
	<u>\$ 129,771,527.03</u>	<u>\$ 1,201,522.07</u>	<u>\$ 7,913,633.78</u>	<u>\$ 123,059,415.32</u>	<u>\$ 7,992,356.81</u>

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

	Capital Leases	
	Principal	Interest
<u>Fiscal Year Ended June 30:</u>		
2014	\$ 1,049,497.20	\$ 102,355.86
2015	614,631.68	39,800.54
2016	161,150.12	8,640.81
2017	10,287.54	341.56
Total Principal and Interest	<u>\$ 1,835,566.54</u>	<u>\$ 151,138.77</u>

	General Obligation Debt		Unamortized
	Principal	Interest	Bond Premium
<u>Fiscal Year Ended June 30:</u>			
2014	\$ 6,265,000.00	\$ 5,444,683.50	\$ 157,537.53
2015	6,695,000.00	5,191,925.50	164,666.96
2016	3,740,000.00	4,959,325.00	172,026.38
2017	3,910,000.00	4,772,325.00	179,845.76
2018	4,090,000.00	4,576,825.00	188,125.11
2019 - 2023	23,540,000.00	19,821,875.00	1,082,754.27
2024 - 2028	29,795,000.00	13,678,412.50	1,261,953.57
2029 - 2033	37,870,000.00	5,845,337.50	1,575,045.12
Total Principal and Interest	<u>\$ 115,905,000.00</u>	<u>\$ 64,290,709.00</u>	<u>\$ 4,781,954.70</u>

PAULDING COUNTY BOARD OF EDUCATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2013

EXHIBIT "H"

Note 10: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of \$15,126,704.35, for health insurance and retirement contributions paid on the School District's behalf by the following State Agencies.

- Georgia Department of Education
  - Paid to the Georgia Department of Community Health
  - For Health Insurance of Certified Personnel
  - In the amount of \$14,552,208.00
- Paid to the Teachers' Retirement System of Georgia
  - For Teachers' Retirement System (TRS) Employer's Cost
  - In the amount of \$124,664.35
- Office of State Treasurer
  - Paid to the Public School Employees' Retirement System
  - For Public School Employees' Retirement (PSERS) Employer's Cost
  - In the amount of \$449,832.00

Note 11: SIGNIFICANT COMMITMENTS

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

Project	Unearned Executed Contracts	Funding Available From State
Hiram Elementary School Replacement	\$ 1,334,775.85	\$ 877,588.57
Dallas Elementary School Renovation	497,326.32	
Union Elementary School Renovation	408,985.68	
Multiple Schools Renovation Projects	333,109.68	
	\$ 2,574,197.53	\$ 877,588.57

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

Note 12: SIGNIFICANT CONTINGENT LIABILITIES

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

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

Note 14: POST-EMPLOYMENT BENEFITS

***Georgia School Personnel Employees 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 Insurance Plan administered by the Department of Community Health. The Official Code of Georgia Annotated (OCGA) 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.



PAULDING COUNTY BOARD OF EDUCATION  
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 JUNE 30, 2013

EXHIBIT "H"

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

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

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

**For non-certificated school personnel:**

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

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

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

Fiscal Year	Percentage Contributed	Required Contribution
2013	100%	\$ 22,949,775.09
2012	100%	\$ 21,980,710.75
2011	100%	\$ 21,342,501.92

Note 15: RETIREMENT PLANS

**TEACHERS' RETIREMENT SYSTEM OF GEORGIA (TRS)**

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

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

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

PAULDING COUNTY BOARD OF EDUCATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2013

EXHIBIT "H"

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

*Funding Policy.* TRS is funded by member and employer contributions as adopted and amended by the Board of Trustees. Members become fully vested after 10 years of service. If a member terminates with less than 10 years of service, no vesting of employer contributions occurs, but the member's contributions may be refunded with interest. Member contributions are limited by State law to not less than 5% or more than 6% of a member's earnable compensation. Member contributions as adopted by the Board of Trustees for the fiscal year ended June 30, 2013, were 6.00% of annual salary. Employer contributions required for fiscal year 2013 were 11.41% of annual salary as required by the June 30, 2010, actuarial valuation. The employer contribution rate will increase to 12.28% effective July 1, 2013.

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

Fiscal Year	Percentage Contributed	Required Contribution
2013	100%	\$ 13,852,585.04
2012	100%	\$ 12,471,991.66
2011	100%	\$ 12,647,372.00

**PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS)**

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

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

SCHEDULE "1"

	NONAPPROPRIATED BUDGETS		ACTUAL AMOUNTS	VARIANCE OVER/UNDER
	ORIGINAL	FINAL		
<b>REVENUES</b>				
Property Taxes	\$ 48,230,002.00	\$ 48,230,002.00	\$ 50,810,441.48	\$ 2,580,439.48
Sales Taxes	700,000.00	700,000.00	1,396,093.31	696,093.31
State Funds	141,987,573.92	144,543,425.23	145,713,243.71	1,169,818.48
Federal Funds	16,978,382.43	19,432,461.80	18,181,816.48	-1,250,645.32
Charges for Services	9,995,812.72	9,995,812.72	6,076,932.54	-3,918,880.18
Investment Earnings	17,000.00	17,000.00	26,879.29	9,879.29
Miscellaneous	1,037,262.95	952,562.95	4,389,830.68	3,437,267.73
<b>Total Revenues</b>	<b>\$ 218,946,034.02</b>	<b>\$ 223,871,264.70</b>	<b>\$ 226,595,237.49</b>	<b>\$ 2,723,972.79</b>
<b>EXPENDITURES</b>				
<b>Current</b>				
Instruction	\$ 149,447,120.77	\$ 151,284,615.22	\$ 146,218,452.75	\$ 5,066,162.47
Support Services				
Pupil Services	7,195,974.65	7,344,744.99	7,015,524.49	329,220.50
Improvement of Instructional Services	5,502,139.31	6,051,096.03	5,792,136.16	258,959.87
Educational Media Services	3,985,444.30	3,989,890.22	3,957,911.15	31,979.07
General Administration	1,108,655.00	1,174,625.30	575,722.26	598,903.04
School Administration	13,456,358.34	13,484,750.28	13,455,494.51	29,255.77
Business Administration	1,022,668.21	1,022,668.21	926,804.76	95,863.45
Maintenance and Operation of Plant	17,934,887.19	17,928,272.62	16,794,111.12	1,134,161.50
Student Transportation Services	10,592,717.91	10,804,904.50	10,522,353.38	282,551.12
Central Support Services	1,307,143.23	1,306,327.61	1,296,420.41	9,907.20
Other Support Services	276,695.50	513,056.54	454,683.82	58,372.72
Enterprise Operations	1,284,313.32	1,284,313.32	1,205,244.36	79,068.96
Community Services	0.00	27,246.39	50,143.21	-22,896.82
Food Services Operation	15,167,741.20	15,159,608.17	12,414,102.15	2,745,506.02
Debt Service	0.00	0.00	1,152,490.35	-1,152,490.35
<b>Total Expenditures</b>	<b>\$ 228,281,858.93</b>	<b>\$ 231,376,119.40</b>	<b>\$ 221,831,594.88</b>	<b>\$ 9,544,524.52</b>
<b>Excess of Revenues over (under) Expenditures</b>	<b>\$ -9,335,824.91</b>	<b>\$ -7,504,854.70</b>	<b>\$ 4,763,642.61</b>	<b>\$ 12,268,497.31</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Other Sources	\$ 644,859.00	\$ 824,514.00	\$ 348,332.91	\$ -476,181.09
Other Uses	-651,159.00	-830,814.00	-3,151.50	827,662.50
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -6,300.00</b>	<b>\$ -6,300.00</b>	<b>\$ 345,181.41</b>	<b>\$ 351,481.41</b>
<b>Net Change in Fund Balances</b>	<b>\$ -9,342,124.91</b>	<b>\$ -7,511,154.70</b>	<b>\$ 5,108,824.02</b>	<b>\$ 12,619,978.72</b>
Fund Balances - Beginning	29,428,606.69	29,339,633.78	29,547,986.74	208,352.96
<b>Fund Balances - Ending</b>	<b>\$ 20,086,481.78</b>	<b>\$ 21,828,479.08</b>	<b>\$ 34,656,810.76</b>	<b>\$ 12,828,331.68</b>

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

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.

PAULDING COUNTY BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2013

SCHEDULE "2"

FUNDING AGENCY PROGRAM/GRANT	CFDA NUMBER	PASS- THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD
Agriculture, U. S. Department of			
Child Nutrition Cluster			
Pass-Through From Georgia Department of Education			
Food Services			
School Breakfast Program	10.553	N/A	(2)
National School Lunch Program	10.555	N/A	\$ <u>12,637,861.33</u> (1)
Total U. S. Department of Agriculture			\$ <u>12,637,861.33</u>
Education, U. S. Department of			
Education of Homeless Children and Youth Cluster			
Pass-Through From Georgia Department of Education			
Education for Homeless Children and Youth	84.196	N/A	\$ <u>71,074.70</u>
School Improvement Grants Cluster			
Pass-Through From Georgia Department of Education			
School Improvement Grants	84.377	N/A	\$ <u>1,399,110.72</u>
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Grants to States	* 84.027	N/A	\$ 4,123,643.90
Preschool Grants	* 84.173	N/A	<u>81,946.49</u>
Total Special Education Cluster			\$ <u>4,205,590.39</u>
Title I, Part A Cluster			
Pass-Through From Georgia Department of Education			
Title I Grants to Local Educational Agencies	* 84.010	N/A	\$ <u>2,771,334.76</u>
Other Programs			
Direct			
Fund for the Improvement of Education	84.215		\$ 279,021.13
Pass-Through From Georgia Department of Education			
Career and Technical Education - Basic Grants to States	84.048	N/A	168,765.00
Education Jobs Fund	84.410	N/A	10,526.00
English Language Acquisition Grants	84.365	N/A	72,324.89
Improving Teacher Quality State Grants	84.367	N/A	458,292.71
Mathematics and Science Partnerships	84.366	N/A	<u>633,677.91</u>
Total Other Programs			\$ <u>1,622,607.64</u>
Total U. S. Department of Education			\$ <u>10,069,718.21</u>
Defense, U. S. Department of			
Direct			
Department of the Air Force			
R.O.T.C. Program - Air Force			\$ 62,821.24
Department of the Army			
R.O.T.C. Program - Army			<u>323,302.55</u>
Total Department of Defense			\$ <u>386,123.79</u>
Total Expenditures of Federal Awards			\$ <u>23,093,703.33</u>

N/A = Not Available

PAULDING COUNTY BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2013

SCHEDULE "2"

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 \$714,905.55.
- (2) Expenditures for the funds earned on the School Breakfast Program (\$1,530,207.16) were not maintained separately and are included in the 2013 National School Lunch Program.

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

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

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

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

SCHEDULE "3"

AGENCY/FUNDING	GOVERNMENTAL FUND TYPES		TOTAL
	GENERAL FUND	CAPITAL PROJECTS FUND	
<b>GRANTS</b>			
Education, Georgia Department of			
Quality Basic Education (1)			
Direct Instructional Cost			
Kindergarten Program	\$ 8,110,571.00		\$ 8,110,571.00
Kindergarten Program - Early Intervention Program	1,756,224.00		1,756,224.00
Primary Grades (1-3) Program	18,086,528.00		18,086,528.00
Primary Grades - Early Intervention (1-3) Program	5,889,006.00		5,889,006.00
Upper Elementary Grades (4-5) Program	9,099,068.00		9,099,068.00
Upper Elementary Grades - Early Intervention (4-5) Program	3,425,483.00		3,425,483.00
Middle Grades (6-8) Program	18,366,482.00		18,366,482.00
High School General Education (9-12) Program	16,428,381.00		16,428,381.00
Vocational Laboratory (9-12) Program	4,935,202.00		4,935,202.00
Students with Disabilities	20,494,672.00		20,494,672.00
Gifted Student - Category VI	5,605,846.00		5,605,846.00
Remedial Education Program	775,134.00		775,134.00
Alternative Education Program	1,470,029.00		1,470,029.00
English Speakers of Other Languages (ESOL)	469,164.00		469,164.00
Media Center Program	3,124,989.00		3,124,989.00
20 Days Additional Instruction	955,544.00		955,544.00
Staff and Professional Development	621,039.00		621,039.00
Indirect Cost			
Central Administration	3,093,760.00		3,093,760.00
School Administration	5,822,713.00		5,822,713.00
Facility Maintenance and Operations	7,597,460.00		7,597,460.00
Categorical Grants			
Pupil Transportation	1,351,526.00		1,351,526.00
Nursing Services	471,748.00		471,748.00
Education Equalization Funding Grant	26,136,961.00		26,136,961.00
Food Services	367,592.00		367,592.00
Vocational Education	237,778.16		237,778.16
Amended Formula Adjustment	-34,790,509.00		-34,790,509.00
Other State Programs			
Health Insurance	14,552,208.00		14,552,208.00
Math and Science Supplements	208,510.23		208,510.23
Move On When Ready	1,000.00		1,000.00
Preschool Handicapped Program	286,191.89		286,191.89
Teachers' Retirement	124,664.35		124,664.35
Tuition For Multi-Handicapped Children	143,490.00		143,490.00
Georgia State Financing and Investment Commission			
Reimbursement on Construction Projects		\$ 4,351,349.85	4,351,349.85
Office of the State Treasurer			
Public School Employees' Retirement	449,832.00		449,832.00
<b>CONTRACT</b>			
Human Resources, Georgia Department of			
Family Connection	44,956.08		44,956.08
	<u>\$ 145,713,243.71</u>	<u>\$ 4,351,349.85</u>	<u>\$ 150,064,593.56</u>

(1) Payments to the Georgia Department of Community Health by the Georgia Department of Education on behalf of the School District in the amount of \$14,552,208 are included as part of the Quality Basic Education revenue allotments above.

See notes to the basic financial statements.

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

SCHEDULE "4"

PROJECT (SPLOST IV)	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
(v) Paying a portion of the principal and interest on the School District's outstanding General Obligation Bonds, Series 1995, Series 2003, Series 2007, and Series 2008 coming due February 1, 2012 through and including August 1, 2016, in the maximum amount of \$54,537,249.50	\$ 54,537,249.50	\$ 54,537,249.50	\$ 11,156,278.39	\$ 7,339,148.43	\$ 0.00	\$ 0.00	8/1/2016
(vi) (a) Financing capital outlays for the maintenance, renovation, completion, construction, and expansion of new and existing school facilities and (b) acquiring any property necessary or desirable therefore, both real and personal, the maximum cost of such projects not to exceed \$35,462,750.50.	<u>35,462,750.50</u>	<u>35,462,750.50</u>	<u>3,425,838.12</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	8/1/2016
Total SPLOST IV	<u>\$ 90,000,000.00</u>	<u>\$ 90,000,000.00</u>	<u>\$ 14,582,116.51</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	
Total All Projects	<u>\$ 90,000,000.00</u>	<u>\$ 90,000,000.00</u>	<u>\$ 14,582,116.51</u>	<u>\$ 7,339,148.43</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	

- (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 Paulding County approved the imposition of a 1% sales tax to fund the above projects and retire associated debt. Amounts expended for these projects includes sales tax proceeds, state, local property taxes and/or other funds over the life of the projects.

See notes to the basic financial statements.



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

SCHEDULE "5"

DESCRIPTION	ALLOTMENTS FROM GEORGIA		ELIGIBLE QBE PROGRAM COSTS		
	DEPARTMENT OF EDUCATION (1) (2) (3)		SALARIES	OPERATIONS	TOTAL
Direct Instructional Programs					
Kindergarten Program	\$ 9,067,421.00	\$ 8,932,737.79	\$ 90,863.02	\$ 9,023,600.81	
Kindergarten Program-Early Intervention Program	1,958,792.00	208,480.23	1,253.64	209,733.87	
Primary Grades (1-3) Program	20,580,062.00	24,271,491.01	467,051.63	24,738,542.64	
Primary Grades-Early Intervention (1-3) Program	6,199,864.00	1,384,764.62	3,976.95	1,388,741.57	
Upper Elementary Grades (4-5) Program	10,252,674.00	12,767,109.79	102,148.33	12,869,258.12	
Upper Elementary Grades-Early Intervention (4-5) Program	3,688,312.00	1,018,264.22	3,771.56	1,022,035.78	
Middle School (6-8) Program	20,490,352.00	22,647,555.67	626,958.85	23,274,514.52	
High School General Education (9-12) Program	18,312,863.00	20,030,978.89	1,200,728.02	21,231,706.91	
Vocational Laboratory (9-12) Program	5,487,370.00	3,805,562.14	367,311.73	4,172,873.87	
Students with Disabilities	22,789,910.00				
Category I			54,835.88	54,835.88	
Category II		1,622,979.41	9,886.22	1,632,865.63	
Category III		17,706,723.21	157,024.33	17,863,747.54	
Category IV		265,843.89	11,164.55	277,008.44	
Category V			12,474.55	12,474.55	
Gifted Student - Category VI	6,122,376.00	1,205,705.05	53,222.43	1,258,927.48	
Remedial Education Program	880,001.00		1,617.79	1,617.79	
Alternative Education Program	1,638,782.00	383,867.51		383,867.51	
English Speakers of Other Languages (ESOL)	522,998.00	1,191,066.33	17,222.41	1,208,288.74	
TOTAL DIRECT INSTRUCTIONAL PROGRAMS	\$ 127,991,777.00	\$ 117,443,129.76	\$ 3,181,511.89	\$ 120,624,641.65	
Media Center Program	3,483,744.00	3,589,401.43	341,272.30	3,930,673.73	
Staff and Professional Development	695,022.00	387,486.00		387,486.00	
TOTAL QBE FORMULA FUNDS	\$ 132,170,543.00	\$ 121,420,017.19	\$ 3,522,784.19	\$ 124,942,801.38	

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

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

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

SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS



# DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

February 24, 2014

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

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

Ladies and Gentlemen:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Paulding County Board of Education as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Paulding County Board of Education's basic financial statements and have issued our report thereon dated February 24, 2014.

## **Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Paulding 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 a certain matter that we have reported to management of Paulding County Board of Education in a separate letter dated February 24, 2014.

### **Purpose of this Report**

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

Respectfully submitted,



Greg S. Griffin  
State Auditor

GSG:as  
2013YB-10



# DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

February 24, 2014

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

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

Ladies and Gentlemen:

### **Report on Compliance for Each Major Federal Program**

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

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

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

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

### ***Opinion on Each Major Federal Program***

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

### **Report on Internal Control over Compliance**

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

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

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

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

Respectfully submitted,



Greg S. Griffin  
State Auditor

SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS



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

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV

FINDINGS AND QUESTIONED COSTS

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

**I SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issue: Governmental Activities; General Fund; Capital Projects Fund; Debt Service Fund; Aggregate Remaining Fund Information	Unmodified
Internal control over financial reporting:	
▪ Material weakness identified?	No
▪ Significant deficiency identified?	None Reported
Noncompliance material to financial statements noted:	No

**Federal Awards**

Internal Control over major programs:	
▪ Material weakness identified?	No
▪ Significant deficiency identified?	None Reported
Type of auditor's report issued on compliance for major programs: All major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)?	No
Identification of major programs:	
<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I, Part A Cluster
84.027, 84.173	Special Education Cluster
Dollar threshold used to distinguish between Type A and Type B programs:	\$692,811.10
Auditee qualified as low-risk auditee?	Yes

**II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS**

No matters were reported.

**III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.