



PAULDING COUNTY BOARD OF EDUCATION DALLAS, GEORGIA

**ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2014**

(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

March 23, 2015

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
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, 2014, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Paulding County Board of Education, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual, as presented on pages i through 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 March 23, 2015, 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
2014ARL-11

PAULDING COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

The 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 2014 are as follows:

- ✓ The School District's financial status continued to improve during fiscal year 2014. In total, net position, after a restatement of beginning net position for capitalized bond issuance costs, increased \$11.5 million, which represents a 3.7 percent increase from the fiscal year 2013 balance. This increase was due to an increase in state revenue, mostly the Education Equalization Funding Grant.
- ✓ General revenues accounted for \$105.8 million in revenue or 41.5 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$149.5 million or 58.3 percent of total revenues. Total revenues were \$255.5 million.
- ✓ The School District had \$243.8 million in expenses related to governmental activities; only \$149.5 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues, primarily taxes, of \$105.8 million were adequate to provide for these programs.
- ✓ Among major funds, the general fund had \$237.4 million in revenues, \$0.5 million in net other financing uses and \$230.9 million in expenditures. The general fund's balance increased to \$40.7 million from \$34.7 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 School District as a whole, presenting both an aggregate view of the School District'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 School District'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, 2014

Reporting the School District as a Whole

Statement of Net Position and Statement of Activities

While these documents contain the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2014?" 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 School District's *net position* and changes in those assets. This change in net position is important because it tells the reader whether, for the School District as a whole, the *financial position* of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Nonfinancial factors include the School District's property tax base, facility conditions, required educational programs and other factors.

In the *Statement of Net Position and the Statement of Activities*, the School District has one distinct type of activity:

- Governmental Activities - All of the School District'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 School District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds: Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the School District's general 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 School District is the trustee, or *fiduciary*, for assets that belong to others, such as school clubs and organizations within the school activity accounts. The School District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

PAULDING COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

The School District as a Whole

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

Table 1
Net Position
(In Thousands)

	Governmental Activities	
	Fiscal Year 2014	Fiscal Year 2013
Assets		
Current and Other Assets (2013 restated)	\$ 93,918	\$ 86,012
Capital Assets, Net	387,858	390,185
Total Assets	481,776	476,197
Liabilities		
Current and Other Liabilities	41,361	39,861
Long-Term Liabilities	115,594	123,059
Total Liabilities	156,955	162,920
Net Position		
Net Investment in Capital Assets	294,922	290,640
Restricted	6,068	6,218
Unrestricted (2013 restated)	23,831	16,419
Total Net Position	\$ 324,821	\$ 313,277

Total net position increased \$11.5 million.

Table 2 shows the changes in net position for fiscal year 2014 compared to the changes in net position in fiscal year 2013. The fiscal year 2013 balances do not reflect the effects of the restatement of beginning net position related to capitalized bond issuance costs. See note 2 in the Notes to the Basic Financial Statements for additional information.

PAULDING COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Table 2
Change in Net Position
(In Thousands)

	Governmental Activities	
	Fiscal Year	Fiscal Year
	2014	2013
Revenues		
Program Revenues:		
Charges for Services and Sales	\$ 5,918	\$ 6,077
Operating Grants and Contributions	140,709	137,692
Capital Grants and Contributions	2,871	4,417
Total Program Revenues	<u>149,498</u>	<u>148,186</u>
General Revenues:		
Taxes		
Property Taxes		
For Maintenance and Operations	51,509	49,751
For Debt Services	17	46
Railroad Cars and Other Taxes	21	20
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Capital Projects	14,131	14,101
Intangible Recording Tax	1,121	1,396
Grants and Contributions not		
Restricted to Specific Programs	34,988	26,137
Investment Earnings	30	61
Miscellaneous	3,999	4,604
Special Items		
Gain on Sale of Equipment	<u>1</u>	<u>27</u>
Total General Revenues and Special Items	<u>105,817</u>	<u>96,143</u>
Total Revenues	<u>255,315</u>	<u>244,329</u>
Program Expenses:		
Instruction	157,573	154,744
Support Services		
Pupil Services	7,533	7,026
Improvement of Instructional Services	6,136	5,786
Educational Media Services	4,280	4,214
General Administration	509	576
School Administration	14,349	13,676
Business Administration	1,080	934
Maintenance and Operation of Plant	18,343	16,921
Student Transportation Services	12,439	11,657
Central Support Services	1,493	1,367
Other Support Services	447	459
Operations of Non-Instructional Services		
Enterprise Operations	1,259	1,206
Community Services	43	51
Food Services	13,002	13,070
Interest on Short-Term and Long-Term Debt	<u>5,284</u>	<u>5,675</u>
Total Expenses	<u>243,770</u>	<u>237,362</u>
Increase in Net Position	<u>\$ 11,545</u>	<u>\$ 6,967</u>

PAULDING COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Governmental Activities

Instruction comprises 64.6 percent of governmental program expenses. Interest expense comprises 2.2 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. The fiscal year 2013 balances do not reflect the effects of the restatement of beginning net position related to capitalized bond issuance costs. See note 2 in the Notes to the Basic Financial Statements for additional information.

Table 3
Governmental Activities
(In Thousands)

	Total Cost of Services		Net Cost of Services	
	Fiscal	Fiscal	Fiscal	Fiscal
	Year 2014	Year 2013	Year 2014	Year 2013
Instruction	\$ 157,573	\$ 154,744	\$ 50,546	\$ 52,278
Support Services:				
Pupil Services	7,533	7,026	6,405	5,538
Improvement of Instructional Services	6,136	5,786	2,278	1,678
Educational Media Services	4,280	4,214	1,049	660
General Administration	509	576	-2,360	-2,720
School Administration	14,349	13,676	8,075	6,588
Business Administration	1,080	934	1,068	868
Maintenance and Operation of Plant	18,343	16,921	10,302	8,413
Student Transportation Services	12,439	11,657	9,978	9,066
Central Support Services	1,493	1,367	1,442	1,225
Other Support Services	447	459	136	141
Operations of Non-Instructional Services:				
Enterprise Operations	1,259	1,206	-4	-40
Community Services	43	51	42	47
Food Services	13,002	13,070	31	-242
Interest on Short-Term and Long-Term Debt	5,284	5,675	5,284	5,675
Total Expenses	\$ 243,770	\$ 237,362	\$ 94,272	\$ 89,175

Although program revenues make up a majority of the revenues, the School District is still dependent upon tax revenues for governmental activities. Approximately, 32.1 percent of instruction activities are supported through taxes and other general revenues; for all governmental activities general revenue support is over 38.7 percent.

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues of \$254.4 million and expenditures of \$249.0 million. There was a net decrease of \$0.6 million in the capital projects fund due to construction and transfers out to cover debt payments. The general fund had an increase of \$6.0 million and the debt service fund had a net decrease of \$0.02 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, 2014

General Fund Budgeting Highlights

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

During the course of fiscal year 2014, the School District amended its general fund budget as needed. The School District uses zero-based budgeting to propose its annual budget. Any adjustments to the original budget, as governed by board policy, are reflected in the working budget and presented to the board with explanations for any significant variances.

For the General Fund, the final budgeted revenues of \$240.5 million reflect an increase to the original budgeted amount of \$234.6 million by \$5.9 million. This difference was primarily due to increases in property tax revenue budgeted of \$2.5 million, state revenues budgeted of \$1.6 million and federal revenues budgeted of \$2.6 million. The actual revenues of \$237.4 million were less than the final budgeted amount by \$3.1 million due to receiving less than anticipated property tax and federal revenues.

The final budgeted expenditures of \$241.0 million reflect an increase to the original budgeted amount of \$234.8 million by \$6.2 million. This difference was primarily due to an increase in instruction of \$2.0 million, an increase of \$1.3 million in Improvement of Instructional Services and an increase in Student Transportation of \$1.5 million. The final budgeted amount of \$241.0 exceeded the actual expenditures by \$10.0 million, which resulted from management's efforts to decrease cost in line with receiving less than anticipated revenues.

General Fund revenues exceeded expenditures by \$6.5 million. The School District 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 2014, the School District had \$387.9 million invested in capital assets, all in governmental activities. Table 4 shows fiscal year 2014 balances compared with fiscal year 2013 balances.

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

	Governmental Activities			
	Fiscal		Fiscal	
	Year 2014		Year 2013	
Land	\$	11,200	\$	11,170
Construction In Progress		3,665		12,132
Building and Improvements		359,426		353,814
Equipment		11,734		11,081
Land Improvements		1,833		1,988
Total	\$	387,858	\$	390,185

PAULDING COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

A decrease occurred in Construction in Progress as a result of the completion of the Hiram Elementary School Replacement project and various other renovation projects.

Debt

At June 30, 2014, the School District had \$109.6 million in bonds outstanding with \$6.7 million due within one year. The School District's legal debt limit is 10 percent of the net assessed valuation of \$2,698.7 million, or a maximum debt of \$269.9 million. The total current bonded restricted debt of \$109.6 million is well below the legal limit. Other long-term liabilities amounted to \$6.0 million, which consists of unamortized bond premiums, capital leases and compensated absences.

Factors Bearing on the District's Future

With over 28,000 students, Paulding County Board of Education is the 13th largest school district in the state. Over two-thirds of the School District's revenue comes from the state. As such, the School District is sensitive to changes in state funding. There are indications the state might adjust its formula-based methodology for allocating state funding, called Quality Basic Education (QBE). Less than one-third of the School District's revenue comes from local sources, which continue to lag behind historic level as the result of the recent economic slowdown. Factors bearing on the School District's future include, but are not limited to, changes in state funding methodology, future tax digest levels based on home values, rising employer healthcare costs, and continued state austerity reductions. In addition, the School District will adopt GASB Statement 68 in fiscal year 2015, which will result in a material restatement of beginning net position. The School District remains committed to provide the most effective and efficient education for the children of Paulding County.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District'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, 2014

EXHIBIT "A"

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 66,720,487.82
Investments	1,242,998.06
Accounts Receivable, Net	
Taxes	4,759,513.92
State Government	17,534,232.87
Federal Government	2,368,652.05
Other	361,808.06
Inventories	519,866.90
Prepaid Items	411,079.01
Capital Assets, Non-Depreciable	14,864,469.03
Capital Assets, Depreciable (Net of Accumulated Depreciation)	<u>372,993,246.29</u>
Total Assets	<u>481,776,354.01</u>
<u>LIABILITIES</u>	
Accounts Payable	9,890,388.99
Salaries and Benefits Payable	26,341,611.13
Claims Incurred but not Reported (IBNR)	132,104.48
Payroll Withholdings Payable	149.21
Interest Payable	2,163,302.29
Contracts Payable	2,616,642.74
Retainages Payable	216,390.07
Long-Term Liabilities	
Due Within One Year	8,008,371.42
Due in More Than One Year	<u>107,585,780.23</u>
Total Liabilities	<u>156,954,740.56</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	294,922,435.48
Restricted for	
Continuation of Federal Programs	5,169,540.70
Debt Service	517,646.81
Capital Projects	380,418.61
Unrestricted	<u>23,831,571.85</u>
Total Net Position	<u>\$ 324,821,613.45</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, 2014

	EXPENSES	CHARGES FOR SERVICES
<u>GOVERNMENTAL ACTIVITIES</u>		
Instruction	\$ 157,573,236.57	
Support Services		
Pupil Services	7,533,341.37	
Improvement of Instructional Services	6,136,013.88	
Educational Media Services	4,280,237.10	
General Administration	508,729.09	
School Administration	14,349,225.59	
Business Administration	1,080,277.28	
Maintenance and Operation of Plant	18,342,830.27	
Student Transportation Services	12,439,199.08	
Central Support Services	1,492,690.84	
Other Support Services	446,952.75	
Operations of Non-Instructional Services		
Enterprise Operations	1,259,307.76	\$ 1,263,400.21
Community Services	42,671.64	
Food Services	13,002,320.56	4,655,086.33
Interest on Short-Term and Long-Term Debt	5,284,185.99	
	\$ 243,771,219.77	\$ 5,918,486.54
General Revenues		
Taxes		
Property Taxes		
For Maintenance and Operations		
For Debt Services		
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		
Gain on Sale of Land		
Total General Revenues and Special Items		
Change in Net Position		
Net Position - Beginning of Year (Restated)		
Net Position - End of Year		

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

EXHIBIT "B"

PROGRAM REVENUES		NET (EXPENSES)
OPERATING	CAPITAL	REVENUES
GRANTS AND	GRANTS AND	AND CHANGES IN
CONTRIBUTIONS	CONTRIBUTIONS	NET POSITION
\$ 104,784,698.49	\$ 2,242,776.78	\$ -50,545,761.30
1,127,389.90	839.90	-6,405,111.57
3,857,081.00	1,415.54	-2,277,517.34
3,156,266.40	74,636.70	-1,049,334.00
2,867,392.28	1,174.48	2,359,837.67
6,209,344.60	64,930.31	-8,074,950.68
12,067.60	189.43	-1,068,020.25
7,973,028.60	67,603.13	-10,302,198.54
2,306,803.22	154,440.00	-9,977,955.86
29,311.33	21,185.39	-1,442,194.12
309,812.27	1,042.92	-136,097.56
	341.16	4,433.61
	254.58	-42,417.06
8,076,229.04	239,747.25	-31,257.94
		-5,284,185.99
<u>\$ 140,709,424.73</u>	<u>\$ 2,870,577.57</u>	<u>-94,272,730.93</u>
		51,509,069.88
		17,275.70
		20,793.30
		14,131,070.02
		1,121,431.89
		34,988,384.00
		29,847.37
		3,998,920.12
		741.95
		<u>105,817,534.23</u>
		11,544,803.30
		<u>313,276,810.15</u>
		<u>\$ 324,821,613.45</u>

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

EXHIBIT "D"

Total Fund Balances - Governmental Funds (Exhibit "C") \$ 52,700,875.48

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	\$	11,199,852.54	
Construction in Progress		3,664,616.49	
Land Improvements		4,181,201.94	
Buildings		443,575,496.22	
Equipment		37,399,857.57	
Accumulated Depreciation		<u>-112,163,309.44</u>	
Total Capital Assets			387,857,715.32

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

Property Taxes	2,152,581.07
----------------	--------------

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	\$	-109,640,000.00	
Accrued Interest		-2,163,302.29	
Capital Leases Payable		-786,069.34	
Compensated Absences Payable		-543,665.14	
Unamortized Bond Premiums		-4,624,417.17	
Claims and Judgments Payable		<u>-132,104.48</u>	
Total Long-Term Liabilities			<u>-117,889,558.42</u>

Net Position of Governmental Activities (Exhibit "A") \$ 324,821,613.45

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, 2014

EXHIBIT "E"

	<u>GENERAL FUND</u>	<u>DISTRICT- WIDE CAPITAL PROJECTS FUND</u>	<u>DEBT SERVICE FUND</u>	<u>TOTAL</u>
<u>REVENUES</u>				
Property Taxes	\$ 50,526,264.29		\$ 83,907.06	\$ 50,610,171.35
Sales Taxes	1,121,431.89	\$ 14,131,070.02		15,252,501.91
State Funds	157,766,606.79	2,716,137.57		160,482,744.36
Federal Funds	18,085,641.94			18,085,641.94
Charges for Services	5,918,486.54			5,918,486.54
Investment Earnings	19,485.82	10,324.37	37.18	29,847.37
Miscellaneous	3,944,705.07	42,012.95		3,986,718.02
	<u>237,382,622.34</u>	<u>16,899,544.91</u>	<u>83,944.24</u>	<u>254,366,111.49</u>
<u>EXPENDITURES</u>				
Current				
Instruction	149,565,573.68			149,565,573.68
Support Services				
Pupil Services	7,531,979.58			7,531,979.58
Improvement of Instructional Services	6,130,923.88			6,130,923.88
Educational Media Services	3,971,810.70			3,971,810.70
General Administration	497,747.12			497,747.12
School Administration	14,081,457.95			14,081,457.95
Business Administration	1,076,023.54			1,076,023.54
Maintenance and Operation of Plant	18,314,101.34			18,314,101.34
Student Transportation Services	13,283,959.15			13,283,959.15
Central Support Services	1,407,075.29			1,407,075.29
Other Support Services	442,643.06			442,643.06
Enterprise Operations	1,257,897.96			1,257,897.96
Community Services	41,619.64			41,619.64
Food Services Operation	12,142,150.81			12,142,150.81
Capital Outlay		6,414,283.95		6,414,283.95
Debt Services				
Principal	1,049,497.20		6,265,000.00	7,314,497.20
Dues and Fees		3,675.00	2,300.00	5,975.00
Interest	102,355.86		5,444,683.50	5,547,039.36
	<u>230,896,816.76</u>	<u>6,417,958.95</u>	<u>11,711,983.50</u>	<u>249,026,759.21</u>
Excess of Revenues over (under) Expenditures	<u>6,485,805.58</u>	<u>10,481,585.96</u>	<u>-11,628,039.26</u>	<u>5,339,352.28</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Sale of Equipment	5,692.95			5,692.95
Insurance Proceeds	12,202.10			12,202.10
Transfers In		499,286.00	11,605,864.34	12,105,150.34
Transfers Out	-501,586.00	-11,603,564.34		-12,105,150.34
	<u>-483,690.95</u>	<u>-11,104,278.34</u>	<u>11,605,864.34</u>	<u>17,895.05</u>
Net Change in Fund Balances	6,002,114.63	-622,692.38	-22,174.92	5,357,247.33
Fund Balances - Beginning	<u>34,656,810.76</u>	<u>12,604,533.53</u>	<u>82,283.86</u>	<u>47,343,628.15</u>
Fund Balances - Ending	<u>\$ 40,658,925.39</u>	<u>\$ 11,981,841.15</u>	<u>\$ 60,108.94</u>	<u>\$ 52,700,875.48</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 STATEMENT OF
 REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2014

EXHIBIT "F"

Total Net Change in Fund Balances - Governmental Funds (Exhibit "E") \$ 5,357,247.33

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	\$ 8,958,674.98	
Depreciation Expense	<u>-11,252,103.01</u>	
Excess of Capital Outlay over Depreciation Expense		-2,293,428.03

Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 936,967.53

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, and disposals) is to decrease net assets. -33,805.42

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	\$ 6,265,000.00	
Capital Lease Payments	1,049,497.20	
Bond Premium Retirements	<u>157,537.53</u>	
Total Long-Term Debt Repayments		7,472,034.73

Interest expense reported in the Statement of Activities is recorded as incurred, whereas interest expense in the governmental fund statements is reported when paid. 105,315.84

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:

Increase in Compensated Absences	\$ -6,771.06	
Decrease in Claims and Judgments	<u>7,242.38</u>	
Total Additional Expenditures		<u>471.32</u>

Change in Net Position of Governmental Activities (Exhibit "B") \$ 11,544,803.30

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, 2014

EXHIBIT "G"

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Current Assets	
Cash and Cash Equivalents	\$ <u>290,555.31</u>
<u>LIABILITIES</u>	
Funds Held for Others	\$ <u>290,555.31</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 (ESPLOST), Bond Proceeds and grants from Georgia State Financing and Investment Commission that are restricted, committed or assigned to the expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

- Debt Service Fund accounts for and reports financial resources that are restricted, committed, or assigned including taxes (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 assets available to finance the program. It is the School District's policy to first apply grant resources to such programs, followed by cost-reimbursement grants, then general revenues.

RESTATEMENT OF PRIOR YEAR NET POSITION

For fiscal year 2014, the School District made a prior period adjustment due to the adoption of GASB Statement No. 65, as described in "New Accounting Pronouncements" below, which requires the restatement of the June 30, 2013, Net Position in Governmental Activities. The result is a decrease in Net Position at July 1, 2013 of \$1,149,003.01. This change is in accordance with generally accepted accounting principles.

PAULDING COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

EXHIBIT "H"

Net Position, July 1, 2013, as previously reported	\$	314,425,813.16
Removal of Unamortized Bond Issuance Costs		<u>-1,149,003.01</u>
Net Position, July 1, 2013, as restated	\$	<u>313,276,810.15</u>

NEW ACCOUNTING PRONOUNCEMENTS

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

FUTURE ACCOUNTING PRONOUNCEMENTS

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

CASH AND CASH EQUIVALENTS

COMPOSITION OF DEPOSITS

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

INVESTMENTS

COMPOSITION OF INVESTMENTS

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

- (1) Obligations issued by the State of Georgia or by other states,
- (2) Obligations issued by the United States government,
- (3) Obligations fully insured or guaranteed by the United States government or a United States government agency,
- (4) Obligations of any corporation of the United States government,

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

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

RECEIVABLES

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

PROPERTY TAXES

The Paulding County Board of Commissioners adopted the property tax levy for the 2013 tax digest year (calendar year) on August 13, 2013 (levy date) based on property values as of January 1, 2013. Taxes were due on November 15, 2013 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2013 tax digest are reported as revenue in the governmental funds for fiscal year 2014. The 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, 2014, for maintenance and operations amounted to \$47,364,249.43 and for school bonds amounted to \$70,277.71.

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

School Operations	<u>18.879</u> mills
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The School District elected to roll back the maintenance and operations millage rate from 18.909 mills to 18.879 for the fiscal year. Fiscal year 2013, the School District elected to roll back the bond millage rate from 2.963 mills to 0.000 mills. The property tax revenue associated with bonds reported in the Debt Service Fund is related to prior years' tax levy.

Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to \$3,154,850.91 during fiscal year ended June 30, 2014.

SALES TAXES

Education Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to \$14,131,070.02 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

On May 20, 2014, the voters of Paulding County voted in favor of a Special Purpose Local Option Sales Tax referendum for educational purposes. The re-imposition of the tax, as approved by the voters, is for the purposes of (A) paying the principal and interest (during the period the one percent sales and

use tax is to be imposed) on Paulding County School District's outstanding General Obligation Bonds, Series 2007 and 2008 in a maximum amount of \$43,396,575 and (B) funding the following capital outlay projects in a maximum amount of \$56,603,425: acquisition, construction and equipping of facilities and equipment throughout the School District, including renovations, additions and improvements to Shelton Elementary School and North Paulding High School, track and field improvements, HVAC upgrades, roof and gutter replacement, flooring improvements, safety and security upgrades, intercom replacement, plumbing improvements, new technology and band equipment. Proceeds from this referendum will begin in May 2016.

INVENTORIES

FOOD INVENTORIES

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

PREPAID ITEMS

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

CAPITAL ASSETS

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

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

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
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.

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

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

COMPENSATED ABSENCES

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

Vacation leave of 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.

GENERAL OBLIGATION BONDS

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

In the fund financial statements, the School District recognizes bond premiums and discounts, as well as bond issuance costs during the fiscal year bonds are issued. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. 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 is classified as follows:

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

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

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

FUND BALANCES

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

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

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

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

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

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

PAULDING COUNTY BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2014

EXHIBIT "H"

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

Nonspendable		
Inventories	\$ 519,866.90	
Prepaid Assets	411,079.01	\$ 930,945.91
Restricted		
Continuation of Federal Programs	\$ 4,649,673.80	
Capital Projects	9,445,987.34	
Debt Service	2,595,962.75	16,691,623.89
Assigned		
School Activity Accounts	\$ 1,365,817.38	
Local Capital Outlay Projects	2,090,000.00	3,455,817.38
Unassigned		31,622,488.00
Fund Balance, June 30, 2014		\$ 52,700,875.18

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.

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

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

CATEGORIZATION OF DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At June 30, 2014, School District had deposits with a carrying amount of \$67,011,043.13 and a bank balance of \$67,757,146.13. The bank balances insured by Federal depository insurance were \$1,441,941.79.

PAULDING COUNTY BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2014

EXHIBIT "H"

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, 2014, are as follows:

Custodial Credit Risk Category	Bank Balance
1	\$ 0.00
2	66,222,334.07
3	92,870.27
Total	\$ 66,315,204.34

CATEGORIZATION OF INVESTMENTS

At June 30, 2014, the carrying value of the School District's total investments was \$1,242,998.06, which is materially the same as fair value. This investment consisted entirely of funds invested in the Georgia Fund 1, (local government investment pool), administered by the State of Georgia, Office of the State Treasurer which is not required to be categorized since the School District did not own any specific identifiable securities in the pool. The investment policy of the State of Georgia, Office of the State Treasurer for the Georgia Fund 1 (Primary Liquidity Portfolio) does not provide for investment in derivatives or similar investments. Additional information on the Georgia Fund 1 is disclosed in the *State of Georgia Comprehensive Annual Financial Report*. This audit can be obtained from the Georgia Department of Audits and Accounts at www.audits.ga.gov/SGD/CAFR.html.

The Primary Liquidity Portfolio consists of Georgia Fund 1 which is not registered with the SEC as an investment company and does not operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. The investment is valued at the pool's share price, \$1.00 per share. The pool is an AAf rated investment pool by Standard and Poor's. The weighted average maturity for Georgia Fund 1 on June 30, 2014, was 62 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, 2014

EXHIBIT "H"

Note 6: CAPITAL ASSETS

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

	Balances July 1, 2013	Adjustments	Increase	Decreases	Balances June 30, 2014
Governmental Activities					
Capital Assets, Not Being Depreciated:					
Land	\$ 11,170,087.54	\$ 0.00	\$ 29,765.00		\$ 11,199,852.54
Construction Work In Progress	12,132,196.08		5,787,545.69	\$ 14,255,125.28	3,664,616.49
Total Capital Assets, Not Being Depreciated	23,302,283.62	0.00	5,817,310.69	14,255,125.28	14,864,469.03
Capital Assets, Being Depreciated:					
Buildings and Improvements	429,110,019.11	-48,623.40	14,514,100.51		443,575,496.22
Equipment	34,844,533.51	196,241.64	2,705,757.06	346,674.64	37,399,857.57
Land Improvements	4,152,188.18	-147,618.24	176,632.00		4,181,201.94
Less: Accumulated Depreciation:					
Buildings and Improvements	75,296,478.20		8,853,269.72		84,149,747.92
Equipment	23,763,267.97		2,214,775.83	312,869.22	25,665,174.58
Land Improvements	2,164,329.48		184,057.46		2,348,386.94
Total Capital Assets, Being Depreciated, Net	366,882,665.15	0.00	6,144,386.56	33,805.42	372,993,246.29
Governmental Activity Capital Assets - Net	\$ 390,184,948.77	\$ 0.00	\$ 11,961,697.25	\$ 14,288,930.70	\$ 387,857,715.32

Current year depreciation expense by function is as follows:

Instruction			\$	8,167,130.37
Support Services				
Pupil Services	\$	3,469.80		
Improvement of Instructional Services		5,847.84		
Educational Media Services		308,337.10		
General Administration		4,851.97		
School Administration		268,238.33		
Business Administration		782.56		
Maintenance and Operation of Plant		293,131.00		
Student Transportation Services		1,115,586.68		
Central Support Services		87,520.52		
Other Support Services		4,308.47		
Athletic Programs		1,409.40		
Community Services		1,051.70		2,094,535.37
Food Services				990,437.27
			\$	11,252,103.01

PAULDING COUNTY BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2014

EXHIBIT "H"

Note 7: INTERFUND TRANSFERS

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

<u>Transfer to</u>	Transfers From	
	General Fund	District-wide Capital Projects
District-wide Capital Projects	\$ 499,286.00	
Debt Service Fund	2,300.00	\$ 11,603,564.34
Total	\$ 501,586.00	\$ 11,603,564.34

Transfers are used to move property tax revenues collected by the General Fund to (1) the District-wide Capital Projects Fund as required match or supplemental funding source for capital construction projects and to the Debt Service Fund to pay Bond administration fees, and to (2) move ESPLOST proceeds collected by the Capital Projects Fund to the Debt Service Fund to pay principal and interest 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 Workers' Compensation insurance coverage. Excess 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 thousand 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.

PAULDING COUNTY BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
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EXHIBIT "H"

Changes in the workers' 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>
2013	\$ 223,201.90	\$ 2,009,110.88	\$ 2,092,965.92	\$ 139,346.86
2014	\$ 139,346.86	\$ 2,197,916.06	\$ 2,205,158.44	\$ 132,104.48

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>
2013	\$ 0.00	\$ 55,304.09	\$ 55,304.09	\$ 0.00
2014	\$ 0.00	\$ 19,574.75	\$ 19,574.75	\$ 0.00

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

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

Note 9: LONG-TERM LIABILITIES

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.

PAULDING COUNTY BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2014

EXHIBIT "H"

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%	\$ 44,025,000.00
General Government - Series 2007	4.25% - 5.00%	62,500,000.00
General Government - Refunding - Series 2003	2.87%	<u>3,115,000.00</u>
		<u>\$ 109,640,000.00</u>

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

	<u>Governmental Activities</u>					
	<u>Balance</u>				<u>Balance</u>	<u>Due Within</u>
	<u>July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2014</u>	<u>One Year</u>	
G. O. Bonds	\$ 115,905,000.00		\$ 6,265,000.00	\$ 109,640,000.00	\$ 6,695,000.00	
Capital Leases	1,835,566.54		1,049,497.20	786,069.34	614,631.68	
Compensated Absences	536,894.08	\$ 901,513.49	894,742.43	543,665.14	534,072.78	
Bond Premium Amortized	<u>4,781,954.70</u>		<u>157,537.53</u>	<u>4,624,417.17</u>	<u>164,666.96</u>	
	<u>\$ 123,059,415.32</u>	<u>\$ 901,513.49</u>	<u>\$ 8,366,777.16</u>	<u>\$ 115,594,151.65</u>	<u>\$ 8,008,371.42</u>	

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

	<u>Capital Leases</u>	
	<u>Principal</u>	<u>Interest</u>
<u>Fiscal Year Ended June 30:</u>		
2015	\$ 614,631.68	\$ 39,800.54
2016	161,150.12	8,640.81
2017	<u>10,287.54</u>	<u>341.56</u>
Total Principal and Interest	<u>\$ 786,069.34</u>	<u>\$ 48,782.91</u>

	<u>General Obligation Debt</u>		<u>Unamortized</u>
	<u>Principal</u>	<u>Interest</u>	<u>Bond Premium</u>
<u>Fiscal Year Ended June 30:</u>			
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	4,280,000.00	4,413,225.00	196,864.41
2020 - 2024	24,665,000.00	18,644,875.00	1,133,442.85
2025 - 2029	31,255,000.00	12,318,525.00	1,299,921.70
2030 - 2033	<u>31,005,000.00</u>	<u>3,969,000.00</u>	<u>1,289,524.00</u>
Total Principal and Interest	<u>\$ 109,640,000.00</u>	<u>\$ 58,846,025.50</u>	<u>\$ 4,624,417.17</u>

Note 10: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of \$12,356,357.54 for health insurance and retirement contributions paid on the School District's behalf by the following State Agencies.

Georgia Department of Education

Paid to the Georgia Department of Community Health
 For Health Insurance of Certificated Personnel
 In the amount of \$11,737,140.00

Paid to the Teachers' Retirement System of Georgia

For Teachers' Retirement System (TRS) Employer's Cost
 In the amount of \$138,282.54

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 \$480,935.00

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, 2014, together with funding available:

<u>Project</u>	<u>Unearned Executed Contracts</u>	<u>Funding Available From State</u>
New Georgia Elementary School Renovation	\$ 280,869.24	\$ 280,869.24
South Paulding Middle School	732,386.01	732,386.01
Paulding County High School	86,528.55	86,528.55
South Paulding High School	433,264.68	
Shelton Elementary School	26,812.50	
Northside Elementary School	29,250.00	
	<u>\$ 1,589,110.98</u>	<u>\$ 1,099,783.80</u>

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

Note 12: SIGNIFICANT CONTINGENT LIABILITIES

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

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

Note 13: SUBSEQUENT EVENTS

On October 23, 2014 the Paulding County Board of Education issued \$90,640,000.00 in General Obligation Refunding Bonds to advance refund \$91,205,000.00 of outstanding bonds. The bond issue of \$101,716,840.15 less underwriters and bond issue cost of \$1,247,292.95 provided net proceeds of \$100,469,547.20. The total net proceeds plus additional debt service funds of \$735,537.50 were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on portions of the 2007 and 2008 Bond issues. As a result, portions of the 2007 Series Bonds and portions of the 2008 Series Bonds are considered defeased, and the liability for these portions will be removed from the District-wide Statement of Net Assets. The Paulding County Board of Education refunded the aforementioned bonds to reduce its total Debt Service payments over 19 years beginning subsequent to fiscal year 2014 by \$8,898,228.89 and to obtain an economic gain (difference between the present values of total debt service payments and the old and new debt) of \$6,821,308.28.

Note 14: POST-EMPLOYMENT BENEFITS

Georgia School Personnel Post-employment Health Benefit Fund

Plan Description. The Georgia School Personnel Post-employment Health Benefit Fund (School OPEB Fund) is a cost-sharing multiple-employer defined benefit post-employment healthcare plan that covers eligible former employees of public school systems, libraries and regional educational service agencies. The School OPEB Fund provides health insurance benefits to eligible former employees and their qualified beneficiaries through the State Employees Health Benefit Plan administered by the Department of Community Health. The Official Code of Georgia Annotated (O.C.G.A.) assigns the authority to establish and amend the benefit provisions of the group health plans, including benefits for retirees, to the Board of Community Health (Board). The Department of Community Health, which includes the School OPEB Fund, issues a separate stand alone financial audit report and a copy can be obtained from the Georgia Department of Audits and Accounts.

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

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

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

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

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

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

For non-certificated school personnel:

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

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

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

Fiscal Year	Percentage Contributed	Required Contribution
2014	100%	\$ 23,863,046.18
2013	100%	\$ 22,949,775.09
2012	100%	\$ 21,980,710.75

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.

PAULDING COUNTY BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2014

EXHIBIT "H"

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

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

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

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

Fiscal Year	Percentage Contributed	Required Contribution
2014	100%	\$ 15,162,833.64
2013	100%	\$ 13,852,585.04
2012	100%	\$ 12,471,991.66

PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS)

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

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

SCHEDULE "1"

	NONAPPROPRIATED BUDGETS		ACTUAL AMOUNTS	VARIANCE OVER/UNDER
	ORIGINAL	FINAL		
REVENUES				
Property Taxes	\$ 49,227,000.00	\$ 51,751,354.00	\$ 50,526,264.29	\$ -1,225,089.71
Sales Taxes	2,021,000.00	1,181,147.00	1,121,431.89	-59,715.11
State Funds	155,751,173.00	157,377,581.92	157,766,606.79	389,024.87
Federal Funds	17,280,825.65	19,916,105.03	18,085,641.94	-1,830,463.09
Charges for Services	9,076,579.82	9,076,579.82	5,918,486.54	-3,158,093.28
Investment Earnings	28,441.00	28,441.00	19,485.82	-8,955.18
Miscellaneous	1,190,000.00	1,180,263.19	3,944,705.07	2,764,441.88
Total Revenues	234,575,019.47	240,511,471.96	237,382,622.34	-3,128,849.62
EXPENDITURES				
Current				
Instruction	152,681,640.64	154,677,269.34	149,565,573.68	5,111,695.66
Support Services				
Pupil Services	7,861,048.52	7,946,517.39	7,531,979.58	414,537.81
Improvement of Instructional Services	5,177,568.35	6,511,641.52	6,130,923.88	380,717.64
Educational Media Services	4,153,400.00	4,123,921.15	3,971,810.70	152,110.45
General Administration	1,230,551.27	1,304,405.63	497,747.12	806,658.51
School Administration	14,216,569.00	14,212,289.43	14,081,457.95	130,831.48
Business Administration	1,325,833.00	1,336,934.96	1,076,023.54	260,911.42
Maintenance and Operation of Plant	17,812,123.00	18,779,576.53	18,314,101.34	465,475.19
Student Transportation Services	12,067,363.45	13,588,382.52	13,283,959.15	304,423.37
Central Support Services	1,673,518.00	1,615,258.50	1,407,075.29	208,183.21
Other Support Services	313,112.00	454,196.17	442,643.06	11,553.11
Enterprise Operations	1,261,969.69	1,261,969.69	1,257,897.96	4,071.73
Community Services	35,000.00	21,063.19	41,619.64	-20,556.45
Food Services Operation	15,028,986.00	15,156,703.97	12,142,150.81	3,014,553.16
Debt Service			1,151,853.06	-1,151,853.06
Total Expenditures	234,838,682.92	240,990,129.99	230,896,816.76	10,093,313.23
Excess of Revenues over (under) Expenditures	-263,663.45	-478,658.03	6,485,805.58	6,964,463.61
OTHER FINANCING SOURCES (USES)				
Other Sources	594,369.00	1,644,417.47	17,895.05	-1,626,522.42
Other Uses	-589,369.00	-1,140,131.47	-501,586.00	638,545.47
Total Other Financing Sources (Uses)	5,000.00	504,286.00	-483,690.95	-987,976.95
Net Change in Fund Balances	-258,663.45	25,627.97	6,002,114.63	5,976,486.66
Fund Balances - Beginning	29,428,606.69	29,339,633.78	34,656,810.76	5,317,176.98
Fund Balances - Ending	\$ 29,169,943.24	\$ 29,365,261.75	\$ 40,658,925.39	\$ 11,293,663.64

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, 2014

SCHEDULE "2"

FUNDING AGENCY PROGRAM/GRANT	<u>CFDA NUMBER</u>	<u>PASS- THROUGH ENTITY ID NUMBER</u>	<u>EXPENDITURES IN PERIOD</u>
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>11,654,827.39</u> (1)
Total U. S. Department of Agriculture			<u>11,654,827.39</u>
Education, U. S. Department of			
School Improvement Grants Cluster			
Pass-Through From Georgia Department of Education			
ARRA - School Improvement Grants	84.388	N/A	902,790.13
School Improvement Grants	84.377	N/A	<u>204,391.09</u>
Total School Improvement Grants Cluster			<u>1,107,181.22</u>
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Grants to States	84.027	N/A	4,223,881.08
Preschool Grants	84.173	N/A	<u>81,425.32</u>
Total Special Education Cluster			<u>4,305,306.40</u>
Other Programs			
Direct			
Fund for the Improvement of Education	84.215		109,737.79
Pass-Through From Georgia Department of Education			
ARRA - Race-to-the-Top Incentive Grants	84.395	N/A	22,283.72
Career and Technical Education - Basic Grants to States	84.048	N/A	204,706.42
Education of Homeless Children and Youth	84.196	N/A	49,436.84
English Language Acquisition Grants	84.365	N/A	51,659.60
Improving Teacher Quality State Grants	84.367	N/A	563,170.07
Mathematics and Science Partnerships	* 84.366	N/A	743,393.53
Title I Grants to Local Educational Agencies	84.010	N/A	<u>2,951,076.42</u>
Total Other Programs			<u>4,695,464.39</u>
Total U. S. Department of Education			<u>10,107,952.01</u>
Defense, U. S. Department of			
Direct			
Department of the Air Force			
R.O.T.C. Program			63,353.19
Department of the Army			
R.O.T.C. Program			<u>325,663.67</u>
Total U. S. Department of Defense			<u>389,016.86</u>
Total Expenditures of Federal Awards			<u>\$ 22,151,796.26</u>

N/A = Not Available

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

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 \$657,136.35.
- (2) Expenditures for the funds earned on the School Breakfast Program (\$1,568,478.69) were not maintained separately and are included in the 2014 National School Lunch Program.

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

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

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the 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, 2014

SCHEDULE "3"

AGENCY/FUNDING	GOVERNMENTAL FUND TYPES		TOTAL
	GENERAL FUND	CAPITAL PROJECTS FUND	
GRANTS			
Education, Georgia Department of			
Quality Basic Education			
Direct Instructional Cost			
Kindergarten Program	\$ 7,579,357.00		\$ 7,579,357.00
Kindergarten Program - Early Intervention Program	1,858,839.00		1,858,839.00
Primary Grades (1-3) Program	19,583,956.00		19,583,956.00
Primary Grades - Early Intervention (1-3) Program	4,894,982.00		4,894,982.00
Primary Grades - Early Intervention (4-5) Program	9,591,636.00		9,591,636.00
Upper Elementary Grades (4-5) Program	2,327,417.00		2,327,417.00
Middle Grades (6-8) Program	18,770,730.00		18,770,730.00
High School General Education (9-12) Program	16,720,287.00		16,720,287.00
Vocational Laboratory (9-12) Program	5,275,408.00		5,275,408.00
Students with Disabilities	21,940,941.00		21,940,941.00
Gifted Student - Category VI	5,730,147.00		5,730,147.00
Remedial Education Program	639,354.00		639,354.00
Alternative Education Program	1,326,898.00		1,326,898.00
English Speakers of Other Languages (ESOL)	561,368.00		561,368.00
Media Center Program	3,156,438.00		3,156,438.00
20 Days Additional Instruction	967,587.00		967,587.00
Staff and Professional Development	629,819.00		629,819.00
Indirect Cost			
Central Administration	2,753,152.00		2,753,152.00
School Administration	5,902,318.00		5,902,318.00
Facility Maintenance and Operations	7,701,490.00		7,701,490.00
Categorical Grants			
Pupil Transportation	1,353,344.00		1,353,344.00
Nursing Services	546,046.00		546,046.00
Education Equalization Funding Grant	34,988,384.00		34,988,384.00
Food Services	359,838.00		359,838.00
Vocational Education	286,602.36		286,602.36
Amended Formula Adjustment	-30,974,243.00		-30,974,243.00
Other State Programs			
Health Insurance (1)	11,737,140.00		11,737,140.00
Math and Science Supplements	164,040.38		164,040.38
Move On When Ready	1,100.00		1,100.00
Preschool Handicapped Program	397,145.51		397,145.51
Principal Staff and Professional Development	10,910.00		10,910.00
Pupil Transportation-State Bonds	154,440.00		154,440.00
Teachers' Retirement	138,282.54		138,282.54
Technology to Support Digital Learning Bonds	82,000.00		82,000.00
Tuition for Multi-Handicapped Children	83,518.00		83,518.00
Georgia State Financing and Investment			
Commission			
Reimbursement on Construction Projects		\$ 2,716,137.57	2,716,137.57
Office of the State Treasurer			
Public School Employees' Retirement	480,935.00		480,935.00
CONTRACT			
Human Services, Georgia Department of			
Family Connection	45,000.00		45,000.00
	<u>\$ 157,766,606.79</u>	<u>\$ 2,716,137.57</u>	<u>\$ 160,482,744.36</u>

(1) Payments to the Georgia Department of Community Health by the Georgia Department of Education on behalf of the School District are reported separately in the schedule above, however, the payments are part of the Quality Basic Education revenue allotments for the School District.

See notes to the basic financial statements.

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

SCHEDULE "4"

PROJECT (SPLOST IV)	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3) (4)	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	\$ 11,603,564.34	\$ 18,495,426.82	\$ 0.00	\$ 0.00	8/1/16
(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>2,924,334.60</u>	<u>3,425,838.12</u>	<u>0.00</u>	<u>0.00</u>	8/1/16
Total SPLOST IV	90,000,000.00	90,000,000.00	14,527,898.94	21,921,264.94	0.00	0.00	
PROJECT (SPLOST V)							
Funding the following capital outlay projects in a maximum amount of \$56,603,425: acquisition, construction and equipping of facilities and equipment throughout the School District, including renovations, additions and improvements to Shelton Elementary School and North Paulding High School, track and field improvements, HVAC upgrades, roof and gutter replacement, flooring improvements, safety and security upgrades, public address and intercom replacement, plumbing improvements, new technology and band equipment.	<u>56,603,425.00</u>	<u>56,603,425.00</u>	<u>267,518.00</u>				8/1/16
Total of All Projects	<u>\$ 146,603,425.00</u>	<u>\$ 146,603,425.00</u>	<u>\$ 14,795,416.94</u>	<u>\$ 21,921,264.94</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 may include sales tax proceeds, state, local property taxes and/or other funds over the life of the projects.
- (4) SPLOST V has been approved by voters of Paulding County, but does not go into effect until April 2016 when SPLOST IV expires. The School District used local funds to partially fund SPLOST V projects during the year ending June 30, 2014. These expenses will be reimbursed when SPLOST V goes into effect. The debt service portion of SPLOST V is \$43,396.575, which is not shown on the above schedule since it is not in effect and is not funded with local funds.

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, 2014

SCHEDULE "5"

DESCRIPTION	ALLOTMENTS FROM GEORGIA		ELIGIBLE QBE PROGRAM COSTS		
	DEPARTMENT OF EDUCATION (1) (2) (3)		SALARIES	OPERATIONS	TOTAL
Direct Instructional Programs					
Kindergarten Program	\$ 8,486,250.00	\$ 8,537,987.57	\$ 154,801.33	\$ 8,692,788.90	
Kindergarten Program-Early Intervention Program	2,043,974.00	248,788.74	2,748.82	251,537.56	
Primary Grades (1-3) Program	21,531,321.00	24,567,008.79	653,840.91	25,220,849.70	
Primary Grades-Early Intervention (1-3) Program	5,528,185.00	1,648,237.85	5,185.40	1,653,423.25	
Upper Elementary Grades (4-5) Program	10,571,203.00	12,689,842.80	209,862.26	12,899,705.06	
Upper Elementary Grades-Early Intervention (4-5) Program	2,732,298.00	1,212,816.60	4,948.77	1,217,765.37	
Middle School (6-8) Program	20,744,820.00	22,854,193.30	555,180.44	23,409,373.74	
High School General Education (9-12) Program	18,490,770.00	20,609,535.82	867,272.62	21,476,808.44	
Vocational Laboratory (9-12) Program	5,796,091.00	3,875,296.15	418,358.35	4,293,654.50	
Students with Disabilities	24,077,546.00				
Category I				55,659.89	55,659.89
Category II			1,776,181.27	10,834.12	1,787,015.39
Category III			18,301,427.53	75,134.03	18,376,561.56
Category IV			378,678.97	10,424.17	389,103.14
Category V				11,125.19	11,125.19
Gifted Student - Category VI	6,313,208.00	1,248,271.34	50,080.94	1,298,352.28	
Remedial Education Program	732,018.00		1,746.45	1,746.45	
Alternative Education Program	1,493,166.00	518,495.48	2,341.51	520,836.99	
English Speakers of Other Languages (ESOL)	607,560.00	1,224,096.36	19,823.31	1,243,919.67	
TOTAL DIRECT INSTRUCTIONAL PROGRAMS	129,148,410.00	119,690,858.57	3,109,368.51	122,800,227.08	
Media Center Program	3,492,528.00	3,600,172.11	359,968.59	3,960,140.70	
Staff and Professional Development	699,176.00			545,490.94	
TOTAL QBE FORMULA FUNDS	\$ 133,340,114.00	\$ 123,291,030.68	\$ 3,469,337.10	\$ 127,305,858.72	

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

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

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

See notes to the basic financial statements.

SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS



DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

March 23, 2015

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
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, 2014, 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 March 23, 2015.

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 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 March 23, 2015.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, not to provide an opinion on the effectiveness of the 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
2014YB-10



DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

March 23, 2015

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
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, 2014. 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, 2014.

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, 2014

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV
FINDINGS AND QUESTIONED COSTS

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

I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Federal Awards

Internal Control over major programs:	
▪ Material weakness identified?	No
▪ Significant deficiency identified?	None Reported
Type of auditor's report issued on compliance for major programs: All major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-143, Section 510(a)?	No
Identification of major programs:	
<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	Child Nutrition Cluster
84.366	Mathematics and Science Partnerships
Dollar threshold used to distinguish between Type A and Type B programs:	\$664,553.89
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.