

**CITY OF CARROLLTON  
BOARD OF EDUCATION  
CARROLLTON, GEORGIA**

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

**CITY OF CARROLLTON BOARD OF EDUCATION  
ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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## **I. FINANCIAL SECTION**



## INDEPENDENT AUDITOR'S REPORT

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**To the Superintendent and Members of  
the City of Carrollton Board of Education  
Carrollton, Georgia**

### **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 of the City of Carrollton 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 City of Carrollton Board of Education's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

### ***Opinions***

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

### **Other Matters**

#### *Required Supplementary Information*

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

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Carrollton Board of Education's basic financial statements. The schedule of expenditures of special purpose local option sales tax proceeds, as required by the Official Code of Georgia 48-8-21, and the accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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The schedule of expenditures of special purpose local option sales tax proceeds and the schedule of expenditures of federal awards (collectively “the supplementary information”) are the responsibility of management and were derived from and relate 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 supplementary 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 January 12, 2015 on our consideration of the City of Carrollton Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Carrollton Board of Education’s internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Atlanta, Georgia  
January 12, 2015

## **BASIC FINANCIAL STATEMENTS**

# CITY OF CARROLLTON BOARD OF EDUCATION

## STATEMENT OF NET POSITION

JUNE 30, 2014

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 6,454,311
Receivables:	
Taxes	689,179
Intergovernmental	6,560,701
Inventory	66,469
Capital assets (nondepreciable)	5,006,035
Capital assets (depreciable, net of accumulated depreciation)	63,650,108
Total assets	<u>82,426,803</u>
<b>LIABILITIES</b>	
Accounts payable	277,272
Salaries and benefits payable	4,301,927
Contracts payable	387,158
Accrued interest payable	46,375
Retainage payable	168,565
Bonds payable due within one year	1,640,000
Bonds payable due in more than one year	3,239,140
Intergovernmental payable, Carrollton	
Redevelopment Authority, due in more than one year	8,000,000
Total liabilities	<u>18,060,437</u>
<b>NET POSITION</b>	
Net investment in capital assets	55,221,280
Restricted for:	
Federal programs	687,675
Capital projects	3,864
Debt service	87
Unrestricted	8,453,460
Total net position	<u>\$ 64,366,366</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF CARROLLTON BOARD OF EDUCATION**

**STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
Instruction	\$ 29,347,169	\$ 756,902	\$ 16,971,506	\$ 1,644,667	\$ (9,974,094)
Support services:					
Pupil services	821,745	-	560,797	8,921	(252,027)
Improvement of instructional services	1,525,645	-	1,058,385	4,205	(463,055)
Educational media services	464,687	-	565,397	701	101,411
Federal grant administration	474,956	-	474,956	-	-
General administration	781,940	-	724,412	9,263	(48,265)
School administration	2,502,626	-	1,079,702	6,800	(1,416,124)
Business administration	379,601	-	40,167	2,246	(337,188)
Maintenance and operation of plant	3,474,800	-	1,580,216	130,741	(1,763,843)
Student transportation services	1,749,354	-	478,927	198,501	(1,071,926)
Central support services	266,408	-	76,984	12,880	(176,544)
Other support services	381,582	-	71,639	185,117	(124,826)
Community service operation	36,841	-	-	-	(36,841)
Food services operation	2,794,741	583,911	2,082,098	94,033	(34,699)
Interest on long-term debt	583,146	-	377,405	-	(205,741)
Total governmental activities	<u>\$ 45,585,241</u>	<u>\$ 1,340,813</u>	<u>\$ 26,142,591</u>	<u>\$ 2,298,075</u>	<u>(15,803,762)</u>
General revenues:					
Taxes:					
Property taxes, levied for general purposes					13,523,990
Sales taxes:					
For capital projects					3,207,666
Unrestricted investment earnings					39,210
Other					1,455,482
Total general revenues					<u>18,226,348</u>
Change in net position					2,422,586
Net position, beginning of year					61,943,780
Net position, end of year					<u>\$ 64,366,366</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF CARROLLTON BOARD OF EDUCATION**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014**

ASSETS	General	District- Wide Capital Projects	Debt Service	Total Governmental Funds
Cash and cash equivalents	\$ 6,454,224	\$ -	\$ 87	\$ 6,454,311
Receivables:				
Taxes	447,540	241,639	-	689,179
Intergovernmental	4,054,386	2,506,315	-	6,560,701
Due from other funds	2,052,305	-	-	2,052,305
Inventory	66,469	-	-	66,469
Total assets	<u>\$ 13,074,924</u>	<u>\$ 2,747,954</u>	<u>\$ 87</u>	<u>\$ 15,822,965</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 141,210	\$ 136,062	\$ -	\$ 277,272
Salaries and benefits payable	4,301,927	-	-	4,301,927
Due to other funds	-	2,052,305	-	2,052,305
Retainage payable	-	168,565	-	168,565
Contracts payable	-	387,158	-	387,158
Total liabilities	<u>4,443,137</u>	<u>2,744,090</u>	<u>-</u>	<u>7,187,227</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes	<u>304,883</u>	<u>-</u>	<u>-</u>	<u>304,883</u>
Total deferred inflows of resources	<u>304,883</u>	<u>-</u>	<u>-</u>	<u>304,883</u>
<b>FUND BALANCES</b>				
Nonspendable for inventory	66,469	-	-	66,469
Restricted for:				
Federal programs	687,675	-	-	687,675
Capital projects	-	3,864	-	3,864
Debt service	-	-	87	87
Assigned for:				
Appropriation for next year's budget	1,033,091	-	-	1,033,091
Construction	1,800,000	-	-	1,800,000
Unassigned:	4,739,669	-	-	4,739,669
Total fund balances	<u>8,326,904</u>	<u>3,864</u>	<u>87</u>	<u>8,330,855</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 13,074,924</u>	<u>\$ 2,747,954</u>	<u>\$ 87</u>	

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.

Cost	89,793,675	
Less accumulated depreciation	<u>(21,137,532)</u>	68,656,143

Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds

Property taxes	304,883
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds

Bonds	(4,740,000)	
Bond premium, net of amortization	(139,140)	
Accrued interest	(46,375)	
Intergovernmental payable	<u>(8,000,000)</u>	(12,925,515)

Net position of governmental activities \$ 64,366,366

The accompanying notes are an integral part of these financial statements.

**CITY OF CARROLLTON BOARD OF EDUCATION**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	General	District - Wide Capital Projects	Debt Service	Total Governmental Funds
<b>REVENUES</b>				
Property taxes	\$ 13,590,836	\$ -	\$ -	\$ 13,590,836
Sales taxes	-	3,207,666	-	3,207,666
State funds	19,278,642	2,878,569	-	22,157,211
Federal funds	6,863,950	-	-	6,863,950
Charges for services	1,340,813	-	-	1,340,813
Investment earnings	35,812	3,398	-	39,210
Miscellaneous	1,455,482	-	-	1,455,482
Total revenues	<u>42,565,535</u>	<u>6,089,633</u>	<u>-</u>	<u>48,655,168</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	27,564,533	-	-	27,564,533
Support services:				
Pupil services	813,694	-	-	813,694
Improvement of instructional services	1,522,455	-	-	1,522,455
Educational media services	464,155	-	-	464,155
Federal grant administration	474,956	-	-	474,956
General administration	774,912	-	-	774,912
School administration	2,496,893	-	-	2,496,893
Business administration	377,897	-	-	377,897
Maintenance and operation of facilities	3,375,610	-	-	3,375,610
Student transportation services	1,598,756	-	-	1,598,756
Central support services	256,636	-	-	256,636
Other support services	241,138	-	-	241,138
Community service operations	36,841	-	-	36,841
Food services operation	2,723,753	-	-	2,723,753
Capital outlay	-	5,298,744	-	5,298,744
Debt service:				
Principal retirement	-	338,656	1,585,000	1,923,656
Interest and fees	410,000	11,344	246,919	668,263
Total expenditures	<u>43,132,229</u>	<u>5,648,744</u>	<u>1,831,919</u>	<u>50,612,892</u>
Excess (deficiency) of revenues over expenditures	<u>(566,694)</u>	<u>440,889</u>	<u>(1,831,919)</u>	<u>(1,957,724)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	9,950	1,831,919	1,841,869
Transfers out	(9,950)	(1,831,919)	-	(1,841,869)
Total other financing sources	<u>(9,950)</u>	<u>(1,821,969)</u>	<u>1,831,919</u>	<u>-</u>
Net change in fund balances	(576,644)	(1,381,080)	-	(1,957,724)
<b>FUND BALANCES, beginning of year</b>	<u>8,903,548</u>	<u>1,384,944</u>	<u>87</u>	<u>10,288,579</u>
<b>FUND BALANCES, end of year</b>	<u>\$ 8,326,904</u>	<u>\$ 3,864</u>	<u>\$ 87</u>	<u>\$ 8,330,855</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF CARROLLTON BOARD OF EDUCATION**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$	(1,957,724)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 5,007,739	
Depreciation expense	<u>(1,973,696)</u>	3,034,043

The net effect of the disposal of capital assets is to decrease net position.		(15,165)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes		(66,846)
State grants		(580,495)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments - bonds	\$ 1,585,000	
Principal payments - capital leases	338,656	
Bond premium amortization expense	<u>59,363</u>	1,983,019

Some expenses 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.

Change in accrued interest		<u>25,754</u>
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	\$	<u><u>2,422,586</u></u>
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**The accompanying notes are an integral part of these financial statements.**

# CITY OF CARROLLTON BOARD OF EDUCATION

## GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 12,600,000	\$ 13,305,150	\$ 13,590,836	\$ 285,686
State funds	18,724,367	19,301,867	19,278,642	(23,225)
Federal funds	2,961,556	6,636,650	6,863,950	227,300
Charges for services	940,500	995,500	1,340,813	345,313
Investment earnings	75,000	75,000	35,812	(39,188)
Miscellaneous	190,000	190,000	1,455,482	1,265,482
Total revenues	<u>35,491,423</u>	<u>40,504,167</u>	<u>42,565,535</u>	<u>2,061,368</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	23,680,002	26,364,119	27,564,533	(1,200,414)
Support services:				
Pupil services	601,836	861,148	813,694	47,454
Improvement of instructional services	1,105,345	2,096,095	1,522,455	573,640
Educational media services	455,224	464,224	464,155	69
Federal grant administration	-	-	474,956	(474,956)
General administration	749,817	775,959	774,912	1,047
School administration	2,443,192	2,475,692	2,496,893	(21,201)
Business administration	328,619	788,763	377,897	410,866
Maintenance and operation of plant	3,416,521	3,376,006	3,375,610	396
Student transportation services	1,449,899	1,574,009	1,598,756	(24,747)
Central support services	247,730	256,787	256,636	151
Other support services	130,050	170,373	241,138	(70,765)
Community services operation	-	-	36,841	(36,841)
Food services operation	2,506,100	2,763,904	2,723,753	40,151
Debt service:				
Interest and fees	-	-	410,000	(410,000)
Total expenditures	<u>37,114,335</u>	<u>41,967,079</u>	<u>43,132,229</u>	<u>(1,165,150)</u>
Deficiency of revenues over expenditures	<u>(1,622,912)</u>	<u>(1,462,912)</u>	<u>(566,694)</u>	<u>896,218</u>
<b>OTHER FINANCING USES</b>				
Transfers out	-	-	(9,950)	(9,950)
Total other financing uses	<u>-</u>	<u>-</u>	<u>(9,950)</u>	<u>(9,950)</u>
Net change in fund balances	<u>(1,622,912)</u>	<u>(1,462,912)</u>	<u>(576,644)</u>	<u>886,268</u>
<b>FUND BALANCES, beginning of year</b>	<u>8,903,548</u>	<u>8,903,548</u>	<u>8,903,548</u>	<u>-</u>
<b>FUND BALANCES, end of year</b>	<u>\$ 7,280,636</u>	<u>\$ 7,440,636</u>	<u>\$ 8,326,904</u>	<u>\$ 886,268</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF CARROLLTON BOARD OF EDUCATION**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**

**AGENCY FUND**

**JUNE 30, 2014**

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	<b>ASSETS</b>	<b>Agency Fund</b>
Cash		\$ 156,648
	<b>LIABILITIES</b>	
Funds held for others		\$ 156,648

**The accompanying notes are an integral part of these financial statements.**

**CITY OF CARROLLTON BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**Note 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY**

**REPORTING ENTITY**

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

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**BASIS OF PRESENTATION**

The School District's basic financial statements are collectively comprised of the District-wide financial statements, fund financial statements and notes to the basic financial statements of the City of Carrollton 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.

In the Statement of Net Position, equity is reported as net position and consists of net investment in capital assets, amounts restricted by outside parties for specific purposes and unrestricted amounts.

***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.

**CITY OF CARROLLTON BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The School District reports the following major governmental funds:

- *General Fund* is the School District's primary operating fund. It accounts for all financial resources of the School District, except those resources required to be accounted for in another fund.
- *District-Wide Capital Projects Fund* accounts for financial resources including sales taxes and grants from the Georgia State Financing and Investment Commission to be used for the acquisition, construction or renovation of major capital facilities.
- *Debt Service Fund* accounts for the accumulation of resources for the payment of general long-term principal, interest and paying agent's fees.

The School District reports the following fiduciary fund types:

- *Agency Fund* accounts for assets held by the School District as an agent for various individual school clubs and activities.

**Basis of Accounting and Measurement Focus**

The basis of accounting determines when transactions are reported on the financial statements. The School District-wide governmental activities and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Agency funds are custodial in nature and do not present results of operations or have a measurement focus. 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 one hundred eighty days after year-end with the exception of property taxes which the School District considers available if they are collected within sixty days after year-end. Property taxes, sales taxes, intergovernmental revenue, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures to the extent they have matured.

**CITY OF CARROLLTON BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases and bonds are reported as other financing sources.

Revenues from grants and donations are recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis.

The State of Georgia reimburses the School District for teachers' salaries and operating costs through the Quality Basic Education (QBE) Formula Earnings program. State of Georgia law defines the formula driven grant that determines the cost of an academic school year and the State of Georgia's share in this cost. Generally teachers are contracted for the school year (July 1 – June 30) and paid over a twelve month contract period, generally September 1 through August 31. In accordance with the requirements of the enabling legislation of the QBE program, the State of Georgia reimburses the School District over the same twelve month period in which teachers are paid, funding the academic school year expenditures. At June 30, the amount of teachers' salaries incurred but not paid until July and August of the subsequent year are accrued as the State of Georgia has only postponed the final payment of their share of the cost until the subsequent appropriations for cash management purposes. By June 30 of each year, the State of Georgia has a signed appropriation that includes this final amount, which represents the State of Georgia's intent to fund this final payment. Based on guidance in Government Accounting Standards Board (GASB) Statement No. 33, paragraph 74, the State of Georgia recognizes its QBE liability for the July and August salaries at June 30, and the School District recognizes the same QBE as a receivable and revenue, consistent with symmetrical recognition.

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

**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. Georgia Laws OCGA 45-8-14 authorizes the School District to deposit its funds in one or more solvent banks or insured Federal savings and loan associations.

**CITY OF CARROLLTON BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 include any amounts which would necessitate the need for an allowance for uncollectible receivables.

**Property Taxes**

The City of Carrollton levied the property tax for the 2013 tax digest year (calendar year) on July 31, 2013 (levy date). Taxes were due on December 1, 2013 (lien date). Taxes collected within the current fiscal year or within 60 days after fiscal year-end on the 2013 tax digest are reported as revenue in the governmental funds for fiscal year 2014. The City of Carrollton City Clerk bills and collects the property taxes for the School District and remits the balance of taxes collected to the School District. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2014, for maintenance and operations amounted to \$13,590,836.

The Georgia Constitution, Article VIII, Section VI, Paragraph I requires the board of education of each school system to annually certify to its fiscal authority or authorities a school tax not greater than 20 mills per dollar for the support and maintenance of education. The City of Carrollton Board of Education is in compliance with this law. Tax millage rates levied for the 2013 tax year (calendar year) for the City of Carrollton Board of Education were as follows (a mill equals \$1 per thousand dollars of assessed value):

School Operations	<u>19.19</u> mills
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**Sales Taxes**

Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to \$3,207,666 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

**Inventories**

**CONSUMABLE SUPPLIES**

On the basic financial statements, consumable supplies are reported at cost (first-in, first-out). The School District uses the consumption method to account for the consumable supplies inventory whereby an asset is recorded when supplies are purchased and expenses/expenditures are recorded at the time the supplies are consumed.

**CITY OF CARROLLTON BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Inventories (Continued)**

**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.

The food commodities, received during the fiscal year, from the United States Department of Agriculture (USDA) for school breakfast and lunch programs are recorded at their federally assigned value of \$134,332.

**Prepaid Items**

Payments made to vendors for services that will benefit periods subsequent to June 30, 2014, are recorded as prepaid items. The cost of prepaid items is recorded as expenditures when consumed rather than when purchased.

**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. Depreciation is used to allocate the actual or estimated historical cost of all capital assets over estimated useful lives.

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
Buildings and Improvements	<u>\$5,000</u>	<u>30 to 80 years</u>
Equipment	<u>\$5,000</u>	<u>5 to 25 years</u>
Land Improvements	<u>\$5,000</u>	<u>15 to 20 years</u>

**CITY OF CARROLLTON BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Compensated Absences**

Vacation leave must be used in the fiscal year in which it is earned. Accordingly, there is no liability for vacation leave at year end.

Sick and personal leave do not vest with the employee, and unused accumulated sick and personal leave is forfeited upon retirement or termination of employment. Therefore, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

**Deferred Inflows of Resources**

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

**General Obligation Bonds**

The School District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. In addition, general obligation bonds have been issued to refund existing general obligations bonds. Bond issuance costs are recognized in the financial statements during the fiscal year bonds are issued. General obligation bonds are direct obligations and pledge the full faith and credit of the government.

In the fund financial statements, the face amount of debt issued and any related premium, is reported as other financing sources. Issuance costs, whether or not withheld from actual proceeds, are reported as debt service expenditures.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when incurred.

**CITY OF CARROLLTON BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Fund Equity**

Fund equity at the governmental fund financial reporting level is classified as “fund balance.” Fund equity for all other reporting is classified as “net position.”

***Fund Balance*** – Generally, fund balance represents the difference between the assets, liabilities and deferred inflows of resources under the current financial resources measurement focus of accounting.

In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the School District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

- ***Nonspendable*** – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.
- ***Restricted*** – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- ***Committed*** – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Education through the adoption of a resolution. Only the Board of Education may modify or rescind the commitment.
- ***Assigned*** – Fund balances are reported as assigned when amounts are constrained by the District’s intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the Board of Education has authorized the Superintendent and the Director of Finance the authority to assign fund balances.
- ***Unassigned*** – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The School District reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all funds.

**CITY OF CARROLLTON BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fund Equity (Continued)**

*Flow Assumptions* – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the School District’s policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the School District’s policy to use fund balance in the following order:

- Committed
- Assigned
- Unassigned

*Net Position* – Net position represents the difference between assets and liabilities in reporting which utilizes the economic resources measurement focus. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the School District has spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net position is reported as unrestricted.

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**Note 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

The School System adopts an annual budget for the General Fund and Debt Service Fund. The budget is prepared in accordance with provisions of the Quality Basic Education Act, OCGA Section 20-2-167 and in accordance with U.S. generally accepted accounting principles. After the Board of Education has tentatively adopted the budget, such budget is advertised at least one time in a local newspaper of general circulation. At the next regular meeting of the Board after advertisement, the budget is revised as necessary and adopted as the final budget.

The following General Fund functions had excesses of actual expenditures over appropriations in the amount shown for the fiscal year ended June 30, 2014.

Instruction	\$ 1,200,414
Support services:	
Federal grant administration	474,956
School administration	21,201
Student transportation services	24,747
Other support services	70,765
Community services operations	36,841
Debt service:	
Interest and fees	410,000

**CITY OF CARROLLTON BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**Note 4: DEPOSITS**

COLLATERALIZATION OF DEPOSITS

Official Code of Georgia Annotated (OCGA) 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 (OCGA 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.

**Custodial credit risk.** Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the School District will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of June 30, 2014, the School District's cash accounts and investments were collateralized as required by State statutes.

**Note 5: RECEIVABLES**

Receivables at June 30, 2014, for the School District's individual funds, including the applicable allowances for uncollectible accounts are as follows:

	<u>General</u>	<u>District - Wide Capital Projects</u>	<u>Total</u>
Receivables:			
Taxes	\$ 456,673	\$ 241,639	\$ 698,312
Intergovernmental	4,054,386	2,506,315	6,560,701
Gross receivables	<u>4,511,059</u>	<u>2,747,954</u>	<u>7,259,013</u>
Less allowance for uncollectibles	(9,133)	-	(9,133)
Net total receivables	<u><u>\$ 4,501,926</u></u>	<u><u>\$ 2,747,954</u></u>	<u><u>\$ 7,249,880</u></u>

**CITY OF CARROLLTON BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**Note 6: CAPITAL ASSETS**

The following is a summary of changes in the capital assets during the fiscal year:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,079,081	\$ -	\$ -	\$ 1,079,081
Construction in progress	725,148	4,113,518	(911,712)	3,926,954
Total	<u>1,804,229</u>	<u>4,113,518</u>	<u>(911,712)</u>	<u>5,006,035</u>
Capital assets, being depreciated:				
Buildings and improvements	72,071,447	1,481,964	-	73,553,411
Equipment	7,672,710	100,169	(37,614)	7,735,265
Land improvements	3,275,164	223,800	-	3,498,964
Total	<u>83,019,321</u>	<u>1,805,933</u>	<u>(37,614)</u>	<u>84,787,640</u>
Less accumulated depreciation for:				
Buildings and improvements	(12,067,156)	(1,111,002)	-	(13,178,158)
Equipment	(5,254,115)	(760,157)	22,449	(5,991,823)
Land improvements	(1,865,014)	(102,537)	-	(1,967,551)
Total	<u>(19,186,285)</u>	<u>(1,973,696)</u>	<u>22,449</u>	<u>(21,137,532)</u>
Total capital assets, being depreciated, net	<u>63,833,036</u>	<u>(167,763)</u>	<u>(15,165)</u>	<u>63,650,108</u>
Governmental activities capital assets, net	<u>\$ 65,637,265</u>	<u>\$ 3,945,755</u>	<u>\$ (926,877)</u>	<u>\$ 68,656,143</u>

Depreciation expense was charged to functions as follows:

Instruction	\$ 1,476,466
Support Services:	
Pupil Services	\$ 8,051
Improvement of Instructional Services	3,190
Educational Media Services	532
General Administration	7,028
School Administration	5,733
Business Administration	1,704
Maintenance and Operation of Plant	99,190
Student Transportation Services	150,598
Central Support Services	9,772
Other Support Services	140,444
Food Services Operation	70,988
Total depreciation expense - governmental activities	<u>\$ 1,973,696</u>

**CITY OF CARROLLTON BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**Note 7: RISK MANAGEMENT**

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

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

The School District 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</u>		<u>Claims and Changes in Estimates</u>	<u>Claims Paid</u>	<u>End of Year</u>
2013	\$ -	\$	30,256	\$ 30,256	\$ -
2014	-		25,447	25,447	-

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

<u>Position Covered</u>	<u>Amount</u>
Superintendent	\$ 100,000
All Other Employees	\$ 25,000

**Note 8: INTERFUND TRANSACTIONS**

Interfund transactions as of the year ended June 30, 2014 are as follows:

<u>Interfund Payable</u>	<u>Interfund Receivable</u>	<u>Amount</u>
District-Wide Capital Projects Fund	General Fund	<u>\$ 2,052,305</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**CITY OF CARROLLTON BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**Note 8: INTERFUND TRANSACTIONS (Continued)**

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

<u>Transfers In</u>	<u>Transfers From</u>	<u>Amount</u>
District-Wide Capital Projects Fund	General Fund	9,950
Debt Service Fund	District-Wide Capital Projects Fund	1,831,919
		<u>\$ 1,841,869</u>

Transfers are used to move SPLOST proceeds from the District-Wide Capital Projects Fund to the Debt Service Fund to fund debt service as allowed in the referendum.

**Note 9: LONG – TERM DEBT**

**GENERAL OBLIGATION DEBT OUTSTANDING**

General Obligation Bonds are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Original</u>
General Government – Series 2007	4.00% - 5.00%	\$ 18,000,000
General Government – Series 2011	3.00% - 4.00%	<u>3,100,000</u>
		<u>\$ 21,100,000</u>

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

<u>Fiscal Year Ended June 30</u>	<u>General Obligation Debt</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 1,640,000	\$ 185,500
2016	1,015,000	103,500
2017	1,035,000	73,050
2018	<u>1,050,000</u>	<u>42,000</u>
Total Principal and Interest	<u>\$ 4,740,000</u>	<u>\$ 404,050</u>

**CITY OF CARROLLTON BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**Note 9: LONG – TERM DEBT (Continued)**

INTERGOVERNMENTAL PAYABLE

In August 2010, the Carrollton Redevelopment Authority (Authority), issued \$8,000,000 in federally taxable qualified school construction bonds, with interest payments beginning April 1, 2011 through April 1, 2025 with the principal balance due with the final interest payment at an interest rate of 5.125%. The School District will fund the bonds with ad valorem property tax revenues and thus the School District has an intergovernmental payable to the Authority equal to the outstanding bonds. The proceeds from the bonds will be used for the purpose of the (i) renovation, modernization and revitalization of the restrooms and gymnasium at the Carrollton High School to meet applicable federal and state standards, (ii) addition of two-story classroom wing to house pre-kindergarten and sixth grade classes located at the Carrollton Middle School for the benefit of the public educational system of the City of Carrollton, Georgia and (iii) the costs of issuing the Bonds. The interest on these bonds are subsidized 100% by the federal government.

The intergovernmental payable currently outstanding is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal Year Ending June 30,			
2015	\$ -	\$ 410,000	\$ 410,000
2016	-	410,000	410,000
2017	-	410,000	410,000
2018	-	410,000	410,000
2019	-	410,000	410,000
2020 - 2024	-	2,050,000	2,050,000
2025	8,000,000	410,000	8,410,000
Total	<u>\$8,000,000</u>	<u>\$4,510,000</u>	<u>\$12,510,000</u>

**CITY OF CARROLLTON BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**Note 9: LONG – TERM DEBT (Continued)**

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

	Governmental Activities				Total
	Capital Leases	General Obligation Bonds	Intergovernmental Payable	Bond Premium	
Balance July 1, 2013	\$ 338,656	\$ 6,325,000	\$ 8,000,000	\$ 198,503	\$ 14,862,159
Deductions					
Bond Premium Amortization	-	-	-	59,363	59,363
Debt Retired	338,656	1,585,000	-	-	1,923,656
Balance June 30, 2014	<u>\$ -</u>	<u>\$ 4,740,000</u>	<u>\$ 8,000,000</u>	<u>\$ 139,140</u>	<u>\$ 12,879,140</u>
Due within One Year	<u>\$ -</u>	<u>\$ 1,640,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,640,000</u>

**Note 10: SIGNIFICANT COMMITMENTS**

The following is an analysis of significant outstanding construction or renovation contracts executed by the School District as of June 30, 2014:

<u>Project</u>	
Carrollton Elementary School Addition	\$ 160,952

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

**CITY OF CARROLLTON BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**Note 11: ON-BEHALF PAYMENTS**

The School District has recognized revenues and costs in the amount of \$1,713,501 for health insurance and retirement contributions paid on the School District's behalf by the following State Agencies:

Georgia Department of Education  
Paid to Georgia Department of Community Health  
For Health Insurance of Non-Certified Personnel  
In the amount of \$1,609,368

Georgia Department of Education  
Paid the Teachers Retirement District  
For Teachers Retirement (TRS)  
In the amount of \$28,014

Office of the State Treasurer  
Paid to the Public School Employees Retirement District  
For Public School Employees Retirement (PSERS) Employer's Cost  
In the amount of \$76,119

**Note 12: RETIREMENT PLANS**

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

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

On October 25, 1996, the Board of Trustees created the Supplemental Retirement Benefits Plan of the Georgia Teachers Retirement System (SRBP-TRS). SRPB-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 SRPB-TRS whenever their benefits under TRS exceed the IRC Section 415 imposed limitation on benefits.

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

**CITY OF CARROLLTON BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**Note 12: RETIREMENT PLANS (Continued)**

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.

The following table summarizes the School District's employer contributions for the TRS for the years ended June 30, 2014, 2013 and 2012.

<u>Fiscal Year</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>
2014	100%	\$ 2,551,673
2013	100%	\$ 2,291,209
2012	100%	\$ 1,994,750

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

Substantially all bus drivers, maintenance, custodial, and lunchroom personnel employed by the School District are members of the Public School Employees Retirement System of Georgia (PSERS), which is also a cost-sharing multiple employer public employee retirement system. The Board of the Public School Employees Retirement System of Georgia issues a publicly available financial report that includes financial statements and supplementary information for PSERS. That report may be obtained by writing Public School Employee Retirement System, Two Northside 75, Atlanta, Georgia 30318-7778, or by calling 1-800-805-4609.

PSERS provides service retirement, disability retirement and survivor's benefits for its members. A member is eligible for normal service retirement after 10 years of service and attainment of age 65. A member applying for service retirement with 10 years of services and retirees between the ages of 60 and 65 receive a reduced benefit. Monthly retirement benefits paid to members are equal to eight dollars per month multiplied by the number of years of creditable service. Retirement provisions include death and disability benefits. Benefits are established by state statute.

**CITY OF CARROLLTON BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**Note 12: RETIREMENT PLANS (Continued)**

Covered employees are required by state statute to contribute four dollars per month for the nine month school year. Unlike TRS, the School District makes no contribution to PSERS. Total contributions from employees of the School District were \$4,584, \$3,810, and \$3,864 for the fiscal years ended June 30, 2014, 2013 and 2012, respectively.

The State of Georgia is required by statute to make an annual contribution to PSERS based upon an actuarial calculation. The state's contribution for School District employees was \$76,119, \$79,528, and \$50,884 for the fiscal years ended June 30, 2014, 2013 and 2012, respectively.

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 are refunded with interest. There were 109, 95, and 106 employees (members) covered under PSERS for the fiscal years ended June 30, 2014, 2013 and 2012, respectively.

**Note 13: CONTINGENCIES**

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.

The School District participates in numerous State and Federal grant programs, which are governed by various rules and regulations of the grantor agencies.

Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School District has not complied with the rules and regulations governing the grants, refunds of any amounts received may be required and the collectability of any related receivable at year-end may be impaired. In the opinion of the School District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

**Note 14: POSTEMPLOYMENT BENEFITS**

**GEORGIA RETIREE 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.

**CITY OF CARROLLTON BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**Note 14: POSTEMPLOYMENT BENEFITS (Continued)**

**GEORGIA RETIREE HEALTH BENEFIT FUND (Continued)**

*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, 2013, contributions also vary based on years of service. On average, members with five years or more of service as of January 1, 2013, 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, 2013, 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.

**CITY OF CARROLLTON BOARD OF EDUCATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2014**

**Note 14: POSTEMPLOYMENT BENEFITS (Continued)**

**GEORGIA RETIREE HEALTH BENEFIT FUND (Continued)**

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:

<u>Fiscal Year</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>
2014	100%	\$ 4,027,667
2013	100%	\$ 3,646,315
2012	100%	\$ 3,338,458

**Note 15: SUBSEQUENT EVENTS**

In July 2014 the City of Carrollton Board of Education issued a Tax Anticipation Note in the amount of \$3,000,000 at an interest rate of 2.05%, to fund operating costs until property tax revenues are received.

## **II. OTHER SUPPLEMENTARY INFORMATION**

**CITY OF CARROLLTON BOARD OF EDUCATION**

**SCHEDULE OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

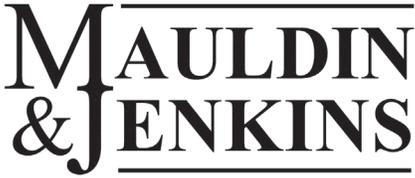
<u>Project</u>	<u>Original Estimated Cost(1)</u>	<u>Current Estimated Costs(2)</u>	<u>Expended In Current Year (3)</u>	<u>Expended In Prior Years (3)</u>	<u>Total Completion Cost</u>	<u>Project Status</u>
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Funding to pay or to be applied toward the cost of (i) payment of certain outstanding debt of the Carrollton School District, including, but not limited to the following: (A) payment of a portion of the debt service payments on the Carrollton School District's General Obligation Bonds, Series 2007; (B) payment of a portion of the sinking fund deposits relating to the Carrollton Redevelopment Authority Federally Taxable Qualified School Construction Bonds - Direct Pay, Series 2010; and (C) payment of certain of the Carrollton School District's outstanding technology lease payments; and (ii) capital outlay projects within the Carrollton Independent School District, consisting of acquiring, constructing, adding to, renovating, modifying, repairing, improving and equipping existing schools and other buildings and facilities including but not limited to the following: (A) as to Carrollton Elementary School, additional classrooms, exterior door replacement, interior and exterior painting, replacement of gutters, downspouts and roofs, HVAC modifications, bathroom renovations, new lighting and new acoustical tile; (B) as to Carrollton Junior High School, replacement of gutters, downspouts and roofs, storm water/drain modification, exterior painting, HVAC additions and modifications, exterior door replacement; (C) as to Carrollton High School, classroom modifications to accommodate STEM curriculum, acquisition and installation of technology and STEM equipment, exterior and interior painting and modifications to handicap access; and (D) as to system-wide, replacement and improvement of parking lots and driveways, replacement of tennis courts, replacement of telephone system head end, replacement of maintenance vehicles, replacement of grounds maintenance equipment, replacement of busses, pavement of transportation parking lot, system-wide technology upgrades, replacement of classroom furniture at all schools; and funding capitalized interest on the Carrollton School District Debt.

<u>\$ 21,787,500</u>	<u>\$ 21,787,500</u>	<u>\$ 4,515,767</u>	<u>\$ 566,427</u>	<u>\$ 5,082,194</u>	Ongoing
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- (1) The School District's original cost estimate as specified in the resolution calling for the imposition of the Local Option Sales Tax.
- (2) The School District's current estimate of total cost for the project(s). Includes all cost from project inception to completion.
- (3) The voters of Carroll 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.

### **III. SINGLE AUDIT SECTION**



**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***

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**To the Superintendent and Members of  
the City of Carrollton Board of Education  
Carrollton, Georgia**

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 the City of Carrollton 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 City of Carrollton Board of Education's basic financial statements, and have issued our report thereon dated January 12, 2015.

**Internal Control Over Financial Reporting**

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

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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**

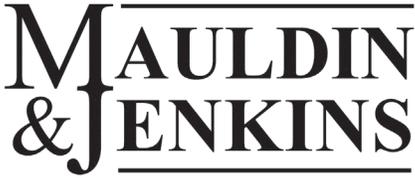
As part of obtaining reasonable assurance about whether the City of Carrollton Board of Education's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could 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*.

### **Purpose of this Report**

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



Atlanta, Georgia  
January 12, 2015



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

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**To the Superintendent and Members of  
the City of Carrollton Board of Education  
Carrollton, Georgia**

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

We have audited the City of Carrollton 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 the City of Carrollton Board of Education's major federal programs for the year ended June 30, 2014. The City of Carrollton 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 the City of Carrollton Board of Education's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Carrollton 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 the City of Carrollton Board of Education's compliance.

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

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

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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.

*Mauldin & Jenkins, LLC*

Atlanta, Georgia  
January 12, 2015

**CITY OF CARROLLTON BOARD OF EDUCATION**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Funding Agency Program/Grant	CFDA Number	Pass- Through Entity ID Number	Expenditures In Period
Agriculture, U. S. Department of			
Child Nutrition Cluster			
Pass-Through From Georgia Department of Education			
Child Nutrition Cluster			
School Breakfast Program - Cash Assistance	10.553	N/A	\$ 482,831
National School Lunch Program:			
Cash Assistance (2)	10.555	N/A	1,326,072
Non-Cash Assistance - Commodities (1)	10.555	N/A	<u>134,332</u>
Total Child Nutrition Cluster			<u>1,943,235</u>
Direct Award			
Farm to School Program	10.575	N/A	<u>3,068</u>
Total U. S. Department of Agriculture			<u>1,946,303</u>
Education, U. S. Department of			
Special Education Cluster (IDEA)			
Pass-Through From Georgia Department of Education			
Special Education			
Flowthrough	84.027	N/A	948,198
Preschool Grants	84.173	N/A	<u>51,453</u>
Total Special Education Cluster (IDEA)			<u>999,651</u>
Title I, Part A Cluster			
Pass-Through From Georgia Department of Education			
Title I, Part A			
Title I - Improving the Academic Achievement of the Disadvantaged	84.010	N/A	1,528,836
Title I - Distinguished Schools	84.010	N/A	<u>59,988</u>
Total Title I, Part A			<u>1,588,824</u>

**(Continued)**

# CITY OF CARROLLTON BOARD OF EDUCATION

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2014

<b>Other Programs</b>			
Pass-Through From Georgia Department of Education			
Title I, Part C - Migrant Education	84.011	N/A	4,615
Education of Homeless Children and Youth	84.196	N/A	40,260
Twenty-first Century Community Learning Centers	84.287	N/A	1,242,405
Title III, Part A - Limited English Proficient	84.365	N/A	34,533
ARRA - Race to the Top	84.395	N/A	407,027
ARRA - Race to the Top - Summer Attendance	84.395	N/A	4,116
Subtotal			411,143
Title II, Part A - Improving Teacher Quality	84.367	N/A	108,528
Title II, Part A - Advance Placement	84.367	N/A	700
Subtotal			109,228
Vocational Education - Basic Grants to States	84.048	N/A	41,463
Total U. S. Department of Education			4,472,122
 Defense, U. S. Department of			
Direct Award			
Department of the Army			
R.O.T.C. Program	12.unknown		68,119
Total Expenditures of Federal Awards			\$ 6,486,544

N/A = Not Available

- (1) The amounts shown for the Food Donation Program represent the Federally assigned value of nonmonetary assistance for donated commodities received and/or consumed by the School District during the current fiscal year.
- (2) Expenditures for the funds earned on Child and Adult Care Food Program were not maintained separately and are included in the National School Lunch Program.

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

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the City of Carrollton 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.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of State and Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

**CITY OF CARROLLTON BOARD OF EDUCATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

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**SECTION I**  
**SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued Unmodified

Internal control over financial reporting:  
 Material weaknesses identified? \_\_\_ yes  X  no

Significant deficiencies identified? \_\_\_ yes  X  none reported

Noncompliance material to financial statements noted? \_\_\_ yes  X  no

**Federal Awards**

Internal Control over major programs:  
 Material weaknesses identified? \_\_\_ yes  X  no

Significant deficiencies identified? \_\_\_ yes  X  none reported

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

Any audit findings disclosed that are required to  
 be reported in accordance with OMB Circular  
 A-133, Section 510(a)? \_\_\_ yes  X  no

Identification of major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	Child Nutrition Cluster
84.027, 84.173	Special Education Cluster (IDEA)
84.395	Race to the Top Program - ARRA

Dollar threshold used to distinguish between  
 Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? \_\_\_ yes  X  no

**CITY OF CARROLLTON BOARD OF EDUCATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

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**SECTION II**  
**FINANCIAL STATEMENT FINDINGS AND RESPONSES**

**None reported.**

**SECTION III**  
**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

**None reported.**

**CITY OF CARROLLTON BOARD OF EDUCATION**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2014**

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**None reported.**