

**PEACH COUNTY
BOARD OF EDUCATION**

ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2015**

**PEACH COUNTY BOARD OF EDUCATION
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

**To the Superintendent and Members of the
Peach County Board of Education
Fort Valley, 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 **Peach County Board of Education** as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Peach County 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 the 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.

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

Emphasis of Matter

As discussed in Notes 2 and 15, the Peach County Board of Education implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as well as Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, as of July 1, 2014. These standards significantly changed the accounting for the Peach County Board of Education’s net pension liability and the related disclosures. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the General Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual, the schedule of proportionate share of the net pension liability, and the schedule of contributions, 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 about 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 Peach County Board of Education’s basic financial statements. The schedule of state revenue, the schedule of approved local option sales tax projects, as required by the Official Code of Georgia 48-8-121, the schedule of Quality Basic Education programs – allotments and expenditures by program – General Fund, and the schedule of schedule of expenditures of federal awards, as required by the U.S. 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.

The schedule of state revenue, the schedule of approved local option sales tax projects, the schedule of Quality Basic Education programs – allotments and expenditures by program – General Fund, 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 September 28, 2016, on our consideration of the Peach 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 the Peach County Board of Education’s internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Macon, Georgia
September 28, 2016

BASIC FINANCIAL STATEMENTS

PEACH COUNTY BOARD OF EDUCATION

**STATEMENT OF NET POSITION
JUNE 30, 2015**

ASSETS	Governmental Activities
Cash and cash equivalents	\$ 821,947
Investments	7,294,607
Receivables:	
Taxes	1,225,954
Intergovernmental:	
State	2,154,994
Federal	297,123
Inventory	55,208
Prepaid items	72,537
Capital assets (nondepreciable)	1,197,399
Capital assets (net of accumulated depreciation)	34,559,208
Total assets	47,678,977
DEFERRED OUTFLOWS	
Deferred loss on refunding	92,246
Pensions	2,327,743
Total deferred outflows	2,419,989
LIABILITIES	
Accounts payable	65,228
Salaries and benefits payable	4,245,753
Accrued interest payable	83,546
Bonds payable due within one year	3,978,609
Bonds payable due in more than one year	1,581,000
Compensated absences, due in less than one year	136,059
Compensated absences, due in more than one year	15,118
Net pension liability	21,355,722
Total liabilities	31,461,035
DEFERRED INFLOWS	
Pensions	8,966,804
Total deferred inflows	8,966,804
NET POSITION	
Net investment in capital assets	30,289,244
Restricted for:	
Debt service	3,835,987
Unrestricted	(24,454,104)
Total net position	\$ 9,671,127

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

PEACH COUNTY BOARD OF EDUCATION

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 18,019,057	\$ 223,341	\$ 13,730,205	\$ -	\$ (4,065,511)
Support services:					
Pupil services	1,035,311	-	296,032	-	(739,279)
Improvement of instructional services	1,133,294	-	945,760	-	(187,534)
Educational media services	523,043	-	465,730	-	(57,313)
General administration	877,921	-	654,584	-	(223,337)
School administration	2,038,563	-	984,353	-	(1,054,210)
Business administration	317,021	-	599	-	(316,422)
Maintenance and operation of plant	4,738,582	-	1,090,222	35,180	(3,613,180)
Student transportation services	2,128,673	-	494,477	77,220	(1,556,976)
Central support services	159,728	-	1,249	-	(158,479)
Other support services	650,006	-	229,805	-	(420,201)
Enterprise operations	295,294	-	-	-	(295,294)
Food service operations	2,179,811	178,018	2,043,714	-	41,921
Interest on long-term debt	172,015	-	-	-	(172,015)
Total governmental activities	<u>34,268,319</u>	<u>401,359</u>	<u>20,936,730</u>	<u>112,400</u>	<u>(12,817,830)</u>

General revenues:

Taxes:	
Property taxes, levied for maintenance and operations	11,046,103
Sales taxes, levied for debt service	3,474,729
Intangible taxes	90,284
Transfer taxes	24,605
Railroad equipment tax	26,811
Grants and contributions not restricted to specific programs	530,334
Unrestricted investment earnings	9,462
Gain on sale of capital assets	7,026
Miscellaneous	453,145
Total general revenues	<u>15,662,499</u>
Change in net position	2,844,669
Net position, beginning of year, as restated	6,826,458
Net position, end of year	<u>\$ 9,671,127</u>

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

PEACH COUNTY BOARD OF EDUCATION

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015**

ASSETS	General	District - Wide Capital Projects	Debt Service	Total Governmental Funds
Cash and cash equivalents	\$ 700,781	\$ -	\$ 121,166	\$ 821,947
Investments	3,791,869	-	3,502,738	7,294,607
Receivables:				
Taxes	930,325	-	295,629	1,225,954
Intergovernmental:				
State	2,154,994	-	-	2,154,994
Federal	297,123	-	-	297,123
Prepaid items	72,537	-	-	72,537
Inventory	55,208	-	-	55,208
Total assets	<u>\$ 8,002,837</u>	<u>\$ -</u>	<u>\$ 3,919,533</u>	<u>\$ 11,922,370</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 65,228	\$ -	\$ -	\$ 65,228
Salaries and benefits payable	4,245,753	-	-	4,245,753
Total liabilities	<u>4,310,981</u>	<u>-</u>	<u>-</u>	<u>4,310,981</u>
DEFERRED INFLOWS				
Unavailable revenue - property taxes	619,234	-	-	619,234
Total deferred inflows	<u>619,234</u>	<u>-</u>	<u>-</u>	<u>619,234</u>
FUND BALANCES				
Nonspendable:				
Inventory	55,208	-	-	55,208
Prepaid items	72,537	-	-	72,537
Restricted for:				
Debt service	-	-	3,919,533	3,919,533
Assigned for student activities				
Student activities	229,088	-	-	229,088
Subsequent year's budget	923,816	-	-	923,816
Unassigned	1,791,973	-	-	1,791,973
Total fund balances	<u>3,072,622</u>	<u>-</u>	<u>3,919,533</u>	<u>6,992,155</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 8,002,837</u>	<u>\$ -</u>	<u>\$ 3,919,533</u>	<u>\$ 11,922,370</u>

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

PEACH COUNTY BOARD OF EDUCATION

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015
(Restricted for Management Use Only)**

Total fund balances - governmental funds	\$	6,992,155
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 are not reported in the funds.		
Cost	64,938,438	
Less accumulated depreciation	<u>(29,181,831)</u>	35,756,607
Other long-term assets are not available to pay for current-period expenditures and are deferred in the funds.		
Property taxes		619,234
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds	(5,485,000)	
Bond premium	(74,609)	
Loss on bond refunding	92,246	
Accrued interest	(83,546)	
Pension contributions subsequent to measurement date	2,327,743	
Pension investment return	(7,445,057)	
Pension - change in proportionate share of contributions	(1,521,747)	
Net pension liability	(21,355,722)	
Compensated absences	<u>(151,177)</u>	<u>(33,696,869)</u>
Net position of governmental activities	\$	<u><u>9,671,127</u></u>

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

PEACH COUNTY BOARD OF EDUCATION

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	General	District - Wide Capital Projects	Debt Service	Total Governmental Funds
REVENUES				
Property taxes	\$ 11,092,826	\$ -	\$ -	\$ 11,092,826
Sales taxes	114,889	-	3,474,729	3,589,618
Other taxes	26,811	-	-	26,811
State funds	17,085,875	-	-	17,085,875
Federal funds	4,554,588	-	-	4,554,588
Charges for services	398,949	-	-	398,949
Investment earnings	3,828	2	5,632	9,462
Miscellaneous	455,555	-	-	455,555
Total revenues	<u>33,733,321</u>	<u>2</u>	<u>3,480,361</u>	<u>37,213,684</u>
EXPENDITURES				
Current:				
Instruction	18,796,015	-	-	18,796,015
Support services:				
Pupil services	1,088,971	-	-	1,088,971
Improvement of instructional services	1,176,113	-	-	1,176,113
Educational media services	549,191	-	-	549,191
General administration	908,817	-	-	908,817
School administration	2,129,345	-	-	2,129,345
Business administration	331,825	-	-	331,825
Maintenance and operation of plant	2,894,357	-	-	2,894,357
Student transportation services	2,007,314	-	-	2,007,314
Central support services	171,310	-	-	171,310
Other support services	755,127	-	-	755,127
Enterprise operations	295,294	-	-	295,294
Food services operation	2,189,570	-	-	2,189,570
Capital outlay	4,000	-	-	4,000
Debt service:				
Principal retirement	-	-	3,766,000	3,766,000
Interest and fees	-	-	317,425	317,425
Total expenditures	<u>33,297,249</u>	<u>-</u>	<u>4,083,425</u>	<u>37,380,674</u>
Excess (deficiency) of revenues over (under) expenditures	<u>436,072</u>	<u>2</u>	<u>(603,064)</u>	<u>(166,990)</u>
OTHER FINANCING SOURCES				
Proceeds from sale of capital assets	7,026	-	-	7,026
Transfers in	-	-	3,061	3,061
Transfers out	-	(3,061)	-	(3,061)
Total other financing sources	<u>7,026</u>	<u>(3,061)</u>	<u>3,061</u>	<u>7,026</u>
Net change in fund balances	443,098	(3,059)	(600,003)	(159,964)
FUND BALANCE, beginning of year	<u>2,629,524</u>	<u>3,059</u>	<u>4,519,536</u>	<u>7,152,119</u>
FUND BALANCE, end of year	<u>\$ 3,072,622</u>	<u>\$ -</u>	<u>\$ 3,919,533</u>	<u>\$ 6,992,155</u>

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

PEACH COUNTY 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, 2015**

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

Net change in fund balances - total governmental funds	\$	(159,964)
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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. The net effect of the amount by which depreciation exceeded capital outlay is to decrease net position.

Capital outlay	222,992	
Depreciation expense	(2,268,892)	(2,045,900)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes	(46,723)
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Issuance of long-term debt provides current financial resources to governmental funds, while 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	3,766,000	
Loss on refunding amortization expense	(30,750)	
Bond premium	127,904	
Adjustment to record pension expense and related revenue for pension special funding situation, net of fund level amounts	(96,179)	
Change in net pension liability and deferred inflows and outflows related to pension activity	1,305,949	5,072,924

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 compensated absences	(23,924)	
Change in accrued interest	48,256	24,332

	\$	<u>2,844,669</u>
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The accompanying notes are an integral part of these financial statements.

PEACH COUNTY BOARD OF EDUCATION

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
JUNE 30, 2015**

	ASSETS	<u>Agency Fund</u>
Cash		\$ 140,391
	LIABILITIES	
Accounts payable		132
Funds held for others		<u>140,259</u>
Total liabilities		<u>\$ 140,391</u>

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

**PEACH COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

Reporting Entity

The Peach County Board of Education (the "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 Peach 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.

**PEACH COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements (Continued)

The School District reports the following major governmental funds:

- The *General Fund* is the School District's primary operating fund. It accounts for and reports all financial resources of the School District, except those resources required to be accounted for in another fund.
- The *District-wide Capital Projects Fund* accounts for and reports financial resources including Special Purpose Local Option Sales Tax (SPLOST), 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.
- The *Debt Service Fund* accounts for and reports financial resources that are restricted, committed, or assigned including taxes (sales) legally restricted for the payment of general long-term principal, 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, governments or individuals.

Basis of Accounting

The basis of accounting determines when transactions are reported in the financial statements. The District-wide governmental activities and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, with the exception of the School District's proportionate share of the Net Pension Liability. These collective amounts have been allocated by the pension plan based on actual contributions made to the plan during the measurement period to actuarially determine the proportionate share of each participating employer. Agency funds have no measurement focus; however, they use 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.

PEACH COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

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.

Compensated absences and special termination benefit amounts earned during the year are not reported in the basic financial statements. To conform to generally accepted accounting principles, the amounts earned for compensated absences and special termination benefits should be reported in the basic financial statements.

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

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

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 12-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 System over the same 12-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.

PEACH COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements

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

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

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

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 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.

**PEACH COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued)

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 bankers' 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.

Property Taxes

The Peach County Board of Commissioners adopted the property tax levy for the 2014 tax digest year (calendar year) on July 31, 2014 (levy date), based on property values as of January 1, 2014. Taxes were due on December 20, 2014 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2014 tax digest are reported as revenue in the governmental funds for fiscal year 2015. The Peach 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, 2015, for maintenance and operations amounted to \$10,382,646.

**PEACH COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes (Continued)

Tax millage rates levied for the 2014 tax year (calendar year) for the Audit - Peach County Board of Education Audit - Peach County Board of Education were as follows (a mill equals \$1 per thousand dollars of assessed value):

School Operations	17.000 mills
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Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amount to \$710,180 during the fiscal year ended June 30, 2015.

Sales Taxes

Education Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to \$3,474,729 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

Inventories

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

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.

**PEACH COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

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
Construction in Progress	All	N/A
Land Improvements	\$ 10,000	20 to 80 Years
Buildings and Improvements	10,000	10 to 80 Years
Intangible Assets	100,000	Assigned individually
Equipment	10,000	3 to 14 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.

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 12- month basis. The Superintendent is awarded 15 days on a fiscal year basis. No other employees are eligible to earn vacation leave. Vacation leave not utilized during the (calendar/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, which is not materially different from the effective interest method. Bond issuance costs are recognized as an outflow of resources in the fiscal year in which the bonds are issued.

**PEACH COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

General Obligation Bonds (Continued)

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or governmental funds balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of resources that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense/expenditure) until then. The School District has two items that qualify for reporting in this category. Under the full accrual method of accounting, the School District has reported the contributions to the cost sharing benefit pension plan subsequent to the measurement date and prior to the fiscal year end as deferred outflows of resources. Additionally, a deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunding or refunded debt.

In addition to liabilities, the statement of net position and/or governmental funds 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 future period(s) and therefore will not be recognized as an inflow of resources (revenue) until that time. Under the full accrual method of accounting, the School District has reported the actuarial changes in the School District's proportionate share of the governmental nonemployer cost sharing benefit pension plan, as discussed in Note 14 – Retirement Plans. This item is reported only in the District-wide Statement of Net Position. The School District has one other 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.

**PEACH COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers' Retirement System of Georgia (TRS), and the Public School Employees Retirement System (PSERS) and additions to/deductions from TRS/PSERS fiduciary net position have been determined on the same basis as they are reported by TRS/PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See Note 15 - Retirement Plans.

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.

PEACH COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances

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

Nonspendable – Amounts that are not in spendable form (e.g., inventory and prepaid items) or are legally or contractually required to be maintained intact (e.g., permanent fund principal).

Restricted – Constraints 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 only be used for the specific purposes determined by a formal action of the Board. 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 intended to be used by the School District for specific purposes. Intent can be expressed by the Board of Education or by a designee to whom the Board of Education delegates authority. In governmental funds other than the General Fund, assigned fund balance represents the amount that is not restricted or committed. This indicates the resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

Unassigned – All amounts not contained in other classifications and the residual classification of the General Fund only. Unassigned amounts are available for any legal purpose.

The responsibility for designating funds to specific classification is as follows:

Committed Fund Balance – 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. Funds should be committed prior to the end of the fiscal year, although the exact amount may be determined in the subsequent fiscal year.

Assigned Fund Balance – The Board of Education has authorized the Superintendent as the official authorized to assign fund balance to a specific purpose in accordance with the School District's policy.

**PEACH COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances (Continued)

It is the goal of the School District to achieve and maintain a committed, assigned, and unassigned fund balance in the General Fund at fiscal year end not to exceed 15% of the total budget of the subsequent fiscal year, net of any committed fund balance for capital expenditures and assigned fund balances “to cover unanticipated deficiencies in revenue or unanticipated expenditures”, in compliance with Official Code of Georgia Annotated Section 20-2-167(a)5. If the unassigned fund balance at fiscal year end falls below the goal, the School District shall develop a restoration plan to achieve and maintain the minimum fund balance.

When multiple categories of fund balance are available for expenditure, the School District will start with the most restricted category and spend those funds first before moving down to the next category with available funds.

Deficit Fund Balances

The fund reporting a deficit at June 30, 2015, is as follows:

<u>Fund Type/Fund Name</u>	<u>Deficit Balance</u>
General Fund	
School Food Services	\$ 483,978

The School District’s plan to eliminate this deficit is as follows:

- Reduce the number of school nutrition workers,
- Provide more training on relevant topics for all school food service employees,
- Continue Community Eligibility Program to increase reimbursements,
- Continue Seamless Summer feeding and add after-school snacks to increase reimbursements, and
- Continue to review and evaluate operations to determine other cost saving measures.

**PEACH COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 3: BUDGETARY DATA

The budget is a complete financial plan for the School District's fiscal year, and is based upon careful estimates of expenditures together with probable funding sources. The budget is legally adopted each year for the general, debt service, and capital projects funds. There is no statutory prohibition regarding over expenditure of the budget at any level. The budget for all governmental funds, 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 function 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 five 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 five 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 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.

PEACH COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

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 10 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.

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 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 bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At June 30, 2015, the School District had deposits with a carrying value of \$990,832, which includes \$28,494 in a certificate of deposit which is reported in investments and bank balances of \$1,331,595. The bank balances insured by Federal Depository insurance were \$250,000. 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.

**PEACH COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 4: DEPOSITS (CONTINUED)

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

Custodial Credit Risk Category	Bank Balance
1	\$ -
2	-
3	1,081,595
	\$ 1,081,595

Categorization of Investments

At June 30, 2015, the School District had the following investments:

Investment	Maturities	Fair Value
Certificate of deposit	July 12, 2015	\$ 28,494
Georgia Fund One	56 day weighted average	7,266,113
		\$ 7,294,607

The Georgia Fund 1 (local government investment pool) administered by the State of Georgia, Office of the State Treasurer 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. The investment is valued at the pool's share price, \$1.00 per share. The pool is an AA Af rated investment pool by Standard & Poor's. The weighted average maturity for Georgia Fund 1 on June 30, 2015, was 56 days.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investment will adversely affect the fair value of an investment. The School District does not have a formal policy for managing interest rate risk.

**PEACH COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 4: DEPOSITS (CONTINUED)

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the School District will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The School District does not have a formal policy for managing custodial credit risk.

Note 5: NON-MONETARY TRANSACTIONS

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

Note 6: CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<u>Governmental activities:</u>					
Capital assets, not being depreciated:					
Land	\$ 1,111,366	\$ -	\$ -	\$ -	\$ 1,111,366
Construction in progress	-	86,033	-	-	86,033
Total	<u>1,111,366</u>	<u>86,033</u>	<u>-</u>	<u>-</u>	<u>1,197,399</u>
Capital assets, being depreciated:					
Buildings and improvements	56,042,741	-	-	-	56,042,741
Equipment	7,382,003	101,779	(281,570)	-	7,202,212
Land improvements	460,906	35,180	-	-	496,086
Total	<u>63,885,650</u>	<u>136,959</u>	<u>(281,570)</u>	<u>-</u>	<u>63,741,039</u>
Less accumulated depreciation for:					
Buildings and improvements	(20,928,062)	(1,866,666)	-	-	(22,794,728)
Equipment	(5,898,014)	(393,621)	281,570	-	(6,010,065)
Land improvements	(368,433)	(8,605)	-	-	(377,038)
Total	<u>(27,194,509)</u>	<u>(2,268,892)</u>	<u>281,570</u>	<u>-</u>	<u>(29,181,831)</u>
Total capital assets, being depreciated, net	<u>36,691,141</u>	<u>(2,131,933)</u>	<u>-</u>	<u>-</u>	<u>34,559,208</u>
Governmental activities capital assets, net	<u>\$ 37,802,507</u>	<u>\$ (2,045,900)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,756,607</u>

**PEACH COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 6: CAPITAL ASSETS (CONTINUED)

Current year depreciation expense by function is as follows:

Instruction		\$	131,363
Support Services			
Maintenance and Operations	\$		1,887,665
Student Transportation			223,138
Food Services			26,726
			2,110,803
			26,726
			2,268,892
Total Depreciation Expense		\$	2,268,892

Note 7: INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2015, consisted of the following:

		<u>Transfers From</u>	
		District-wide	
		Capital Projects	
		Fund	
<u>Transfers To</u>			
Debt Service Fund		\$	3,061

Transfers were used to move residual SPLOST funds from the District-wide Capital Projects Fund to the Debt Service Fund after completion of the capital projects.

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 has obtained commercial insurance for risk of loss associated with torts, assets, errors or omissions. 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 has elected to self-insure for all potential losses related to acts of God. The School District has not experienced any losses related to this risk in 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.

**PEACH COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 8: RISK MANAGEMENT (CONTINUED)

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>
2014	\$ -	\$ 31,792	\$ (31,792)	\$ -
2015	\$ -	\$ -	\$ -	\$ -

The School District participates in the Georgia Education Workers' Compensation Trust (the "Trust"), a public entity risk pool organized on December 1, 1991, to develop, implement and administer a program of workers' compensation self-insurance for its member organizations. The School District pays an annual premium to the Trust for its general workers' compensation insurance coverage. Specific excess of loss insurance coverage is provided through an agreement by the Trust with the Safety National Casualty Company to provide coverage for potential losses sustained by the Trust in excess of \$1,000,000 loss per occurrence, up to the statutory limit. Employers' Liability insurance coverage is also provided with limits of \$2 million. The Trust covers the first \$1 million of each Employers Liability claim with Safety National Casualty Company providing additional Employers Liability limits up to a \$2 million per occurrence maximum. Safety National Casualty Company also provides \$2 million in aggregate coverage to the Trust, attaching at 110% of the loss fund and based on the Fund's annual normal premium.

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

<u>Position Covered</u>	<u>Amount</u>
Superintendent	\$ 50,000
Finance Director	50,000

**PEACH COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 9: OPERATING LEASES

Peach County Board of Education has entered into various leases as lessee for copiers. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the year ended June 30, 2015, for governmental funds amounted to \$118,765. Future minimum lease payments for these leases are as follows:

Fiscal Year Ended June 30	Principal
2016	\$ 32,667
2017	32,667
2018	32,667
2019	27,223
Total	\$ 125,224

Note 10: LONG-TERM LIABILITIES

Capital Leases

The School District has entered into various lease agreements as lessee for buses. 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. All leases were paid in full as of June 30, 2015.

Compensated Absences

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

General Obligation Bonds Outstanding

General obligation bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
General Government - Refunding - Series 2008A	3.279%	\$ 2,620,000
General Government - Series 2011	2.000% - 4.000%	2,865,000
		\$ 5,485,000

**PEACH COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 10: LONG-TERM LIABILITIES (CONTINUED)

Changes in Long-Term Liabilities

The changes in long-term liabilities during the fiscal year ended June 30, 2015, were as follows:

	<u>Balance</u>	<u>Beginning Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General Obligation Bonds	\$ 9,251,000	\$ -	\$ (3,766,000)	\$ 5,485,000	\$ 3,904,000
Less: Deferred Amounts					
Premium	202,513	-	(127,904)	74,609	74,609
General Obligation Bonds, Net	<u>9,453,513</u>	<u>-</u>	<u>(3,893,904)</u>	<u>5,559,609</u>	<u>3,978,609</u>
Net Pension Liability	31,322,267	1,117,973	(11,084,518)	21,355,722	-
Compensated Absences	<u>127,253</u>	<u>291,873</u>	<u>(267,949)</u>	<u>151,177</u>	<u>136,059</u>
Total	<u>\$ 40,903,033</u>	<u>\$ 1,409,846</u>	<u>\$ (15,246,371)</u>	<u>\$ 27,066,508</u>	<u>\$ 4,114,668</u>

Scheduled Maturities of Long-Term Liabilities

At June 30, 2015, 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 Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Premium</u>
2016	\$ 3,904,000	\$ 200,510	\$ 74,609
2017	1,062,000	51,841	-
2018	<u>519,000</u>	<u>17,018</u>	<u>-</u>
Total Principal and Interest	<u>\$ 5,485,000</u>	<u>\$ 269,369</u>	<u>\$ 74,609</u>

Note 11: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of \$121,499 for retirement contributions paid on the School District's behalf by the following State Agencies:

Georgia Department of Education
Paid to the Teachers Retirement System of Georgia
For Teachers Retirement System (TRS) Employer's Cost
In the amount of \$20,626

Office of the State Treasurer
Paid to the Public School Employees Retirement System
For Public School Employees Retirement (PSERS) Employer's Cost
In the amount of \$100,873

**PEACH COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 12: SIGNIFICANT COMMITMENTS

On December 1, 2012, the School District entered into an agreement with Duram School Services, L.P. for the transportation of pupils. The term of this agreement shall be December 1, 2012 through June 30, 2018.

The following is an analysis of the significant outstanding service contract executed by the School District as of June 30, 2015.

Service	Unearned Executed Contracts
Transportation of Pupils	\$ 4,302,765

Note 13: SIGNIFICANT CONTINGENT LIABILITIES

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

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

Note 14: OTHER POST EMPLOYMENT BENEFITS

Georgia School Personnel Employees Post-employment Health Benefit Fund

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

**PEACH COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 14: OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Georgia School Personnel Employees Post-employment 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, 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 30 years.

The combined active and retiree contribution rates established by the Board for employers participating in the School OPEB Fund were as follows for the fiscal year ended June 30, 2015:

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

Period	Contribution Rate
July 2014 - June 2015	\$945 per member per month

For non-certificated school personnel:

Period	Contribution Rate
July 2014 - June 2015	\$596.20 per member per month

**PEACH COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 14: OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Georgia School Personnel Employees Post-employment Health Benefit Fund (Continued)

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

Currently the state is requiring that local Boards of Education pay only on active employees. The School District's contribution to the health insurance plans for the fiscal years ended June 30, 2015, 2014, 2013 was \$3,444,892, \$3,415,912, and \$3,465,059, respectively, which equaled the required contribution.

Note 15: RETIREMENT PLANS

Peach County Board of Education participates in various retirement plans administered by the State of Georgia. There are two major retirement systems in which the School District participates. These systems issue separate publicly available financial reports that include the applicable financial statements and required supplementary information. The reports may be obtained from the respective administrative offices.

Teachers Retirement System of Georgia (TRS)

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

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

**PEACH COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 15: RETIREMENT PLANS (CONTINUED)

Teachers Retirement System of Georgia (TRS) (Continued)

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

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

<u>Fiscal Year</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>
2015	100%	\$ 2,327,743
2014	100%	2,140,097
2013	100%	2,085,978

Public School Employees' Retirement System (PSERS)

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

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

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

PEACH COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

Note 15: RETIREMENT PLANS (CONTINUED)

Public School Employees' Retirement System (PSERS) (Continued)

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

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

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources related to Pensions

At June 30, 2015, the School District reported a liability of \$21,355,722 for its proportionate share of the net pension liability for TRS.

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

At June 30, 2014, the School District's TRS proportion was 0.169038%, which was an increase (decrease) of (0.010718%) from its proportion measured as of June 30, 2013.

At June 30, 2015, the School District did not have a PSERS liability for a proportionate share of the Net Pension Liability because of a Special Funding Situation with the State of Georgia, which is responsible for the Net Pension Liability of the plan. The amount of the State's proportionate share of the Net Pension Liability associated with the School District is \$200,687.

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

**PEACH COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 15: RETIREMENT PLANS (CONTINUED)

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources related to Pensions (Continued)

For the year ended June 30, 2015, the School District recognized pension expense of \$1,117,973 for TRS and \$17,428 for PSERS and revenue of \$17,428 for PSERS. The revenue is support provided by the State of Georgia.

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

	TRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 7,445,057
Changes in proportion and differences between School District contributions and proportionate share of contributions	-	1,521,747
School District contributions subsequent to the measurement date	2,327,743	-
Total	\$ 2,327,743	\$ 8,966,804

School District contributions subsequent to the measurement date of June 30, 2014, for TRS are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended June 30	TRS
2016	\$ (2,207,115)
2017	(2,207,115)
2018	(2,207,115)
2019	(2,207,117)
2020	(138,342)

**PEACH COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 15: RETIREMENT PLANS (CONTINUED)

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources related to Pensions (Continued)

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

Teachers Retirement System:

Inflation	3.00%
Salary Increases	3.75 - 7.00% average, including inflation
Investment Rate of Return	7.5%, net of pension plan investment expense, including inflation

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

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

Public School Employees' Retirement System

Inflation	3.00%
Salary Increases	N/A
Investment Rate of Return	7.5%, net of pension plan investment expense, including inflation

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

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

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

**PEACH COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 15: RETIREMENT PLANS (CONTINUED)

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

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

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

Sensitivity of the School District's proportionate share of the net pension liability to changes in the discount rate. The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	<u>1% Decrease (6.50%)</u>	<u>Current discount rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
School District's proportionate share of the net pension liability	\$ 39,355,730	\$ 21,355,722	\$ 6,533,089

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued TRS financial report which is publically available at www.trsga.com/publications.

PEACH COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

Note 16: CHANGE IN ACCOUNTING PRINCIPLE - PRIOR PERIOD ADJUSTMENT

In fiscal year 2015, the School District adopted Governmental Account Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as well as Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The provisions of these Statements 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 required the School District to record a liability for its proportionate share of the Net Pension Liability of the Teachers Retirement System (TRS). The following adjustment was required to net position of governmental activities to record the net pension liability as of July 1, 2014:

Net position June 30, 2014, as previously reported	\$ 36,031,011
Deferred outflows, contributions subsequent to measurement date	2,117,714
Proportionate share of Net TRS pension liability	<u>(31,322,267)</u>
Net position June 30, 2014, as restated	<u><u>\$ 6,826,458</u></u>

This change is in accordance with generally accepted accounting principles.

Note 17: SUBSEQUENT EVENT

On March 2, 2016, the General Government Series 2008A Refunding Bonds were paid in full. As shown in Note 10, these bonds were not due to be paid off until fiscal year 2018. The School District incurred a prepayment penalty in the amount of \$84,076 in connection with the payoff.

REQUIRED SUPPLEMENTARY INFORMATION

PEACH COUNTY BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Restricted for Management Use Only)

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Property taxes	\$ 11,124,445	\$ 11,124,445	\$ 11,092,826	\$ (31,619)
Sales taxes	130,000	130,000	114,889	(15,111)
Other taxes	-	-	26,811	26,811
State funds	16,607,738	16,607,738	17,085,875	478,137
Federal funds	4,446,389	4,912,683	4,554,588	(358,095)
Charges for services	828,400	828,400	398,949	(429,451)
Investment earnings	1,560	1,560	3,828	2,268
Miscellaneous	214,540	214,540	455,555	241,015
Total revenues	<u>33,353,072</u>	<u>33,819,366</u>	<u>33,733,321</u>	<u>(86,045)</u>
EXPENDITURES				
Current:				
Instruction	19,084,703	19,521,630	18,796,015	725,615
Support services:				
Pupil services	961,666	1,291,167	1,088,971	202,196
Improvement of instructional services	874,607	962,954	1,176,113	(213,159)
Educational media services	501,903	501,963	549,191	(47,228)
General administration	989,093	996,717	908,817	87,900
School administration	2,001,737	1,993,622	2,129,345	(135,723)
Business administration	296,987	315,594	331,825	(16,231)
Maintenance and operation of plant	2,753,867	2,754,029	2,894,357	(140,328)
Student transportation services	2,080,278	2,094,733	2,007,314	87,419
Central support services	196,954	196,954	171,310	25,644
Other support services	684,630	648,490	755,127	(106,637)
Enterprise operations	-	-	295,294	(295,294)
Food services operations	2,909,453	2,909,846	2,189,570	720,276
Total expenditures	<u>33,335,878</u>	<u>34,187,699</u>	<u>33,297,249</u>	<u>890,450</u>
Excess (deficiency) of revenues over (under) expenditures	<u>17,194</u>	<u>(368,333)</u>	<u>436,072</u>	<u>804,405</u>
OTHER FINANCING SOURCES				
Proceeds from sale of capital assets	-	-	7,026	7,026
Total other financing sources	<u>-</u>	<u>-</u>	<u>7,026</u>	<u>7,026</u>
Net change in fund balance	17,194	(368,333)	443,098	811,431
FUND BALANCE, beginning of year	<u>2,629,524</u>	<u>2,629,524</u>	<u>2,629,524</u>	<u>-</u>
FUND BALANCE, end of year	<u>\$ 2,646,718</u>	<u>\$ 2,261,191</u>	<u>\$ 3,072,622</u>	<u>\$ 811,431</u>

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

- (1) Original and Final Budget amounts do not include budgeted revenues (\$474,171) or expenditures (\$519,326) of the various school activity accounts.
- (2) 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.

PEACH COUNTY BOARD OF EDUCATION

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS RETIREMENT SYSTEM OF GEORGIA
FOR THE FISCAL YEAR ENDED JUNE 30**

	<u>2015</u>
School District's proportion of the net pension liability	0.169038%
School District's proportionate share of the net pension liability	\$ 21,355,722
State of Georgia's proportionate share of the net pension liability associated with the School District	<u>225,764</u> 21,581,486
School District's covered-employee payroll	\$ 17,245,228
School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	123.84%
Plan fiduciary net position as a percentage of the total pension liability	84.03%

Note: The measurement date for the year ended June 30, 2015, is June 30, 2014. The schedule above is intended to show information for the last ten fiscal years. Additional years will be displayed as they become available.

PEACH COUNTY BOARD OF EDUCATION

**SCHEDULE OF CONTRIBUTIONS
TEACHERS RETIREMENT SYSTEM OF GEORGIA
FOR THE FISCAL YEAR ENDED JUNE 30**

	<u>2015</u>
Contractually required contribution	\$ 2,327,743
Contributions in relation to the contractually required contribution	<u>2,327,743</u>
Contribution deficiency (excess)	<u>\$ -</u>
School District's covered-employee payroll	\$ 17,701,468
Contributions as a percentage of covered-employee payroll	13.15%

Note: The schedule above is intended to shown information for the last ten fiscal years. Additional years will be displayed as they become available.

PEACH COUNTY BOARD OF EDUCATION

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
TEACHERS RETIREMENT SYSTEM OF GEORGIA
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

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

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

SUPPLEMENTARY INFORMATION

PEACH COUNTY BOARD OF EDUCATION

**SCHEDULE OF STATE REVENUE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

<u>Agency/Funding</u>	<u>Governmental Fund Types General Fund</u>
Grants	
Bright from the Start:	
Georgia Department of Early Care and Learning	
Pre-Kindergarten Program	\$ 171,570
Education, Georgia Department of	
Quality Basic Education	
Direct Instructional Cost	
Kindergarten Program	1,346,331
Kindergarten Program - Early Intervention Program	26,467
Primary Grades (1-3) Program	2,866,338
Primary Grades - Early Intervention (1-3) Program	204,876
Upper Elementary Grades (4-5) Program	1,357,398
Upper Elementary Grades - Early Intervention (4-5) Program	137,523
Middle School (6-8) Program	2,185,390
High School General Education (9-12) Program	1,652,167
Vocational Laboratory (9-12) Program	618,805
Students with Disabilities	2,007,819
Program for Intellectually Gifted Students - Category VI	410,312
Remedial Education Program	449,435
Alternative Education Program	151,812
English Speakers of Other Languages (ESOL)	228,417
Media Center Program	390,758
20 Days Additional Instruction	120,717
Staff and Professional Development	64,515
Principal Staff and Professional Development	1,683
Indirect Cost	
Central Administration	468,873
School Administration	826,029
Facility Maintenance and Operations	906,009
Categorical Grants	
Pupil Transportation	
Pupil Transportation	491,183
State Bonds	77,220
Nursing Services	72,703
Mid-term Adjustment Hold-Harmless	441,639
Vocational Supervisors	13,068
Education Equalization Funding Grant	530,334
Food Services	56,384
Vocational Education	59,606
Amended Formula Adjustment	(1,527,629)
Other State Programs	
Math and Science Supplements	11,237
Preschool Handicapped Program	67,120
Teachers' Retirement	20,626
Teacher of the Year	1,014
Governor's Office of Student Achievement	
Connections for Classrooms	77,253
Office of the State Treasurer	
Public School Employees Retirement	100,873
	<u>\$ 17,085,875</u>

See Notes to the Basic Financial Statements.

PEACH COUNTY BOARD OF EDUCATION

**SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

<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>
(1-2) Retire prior debt service of Series 2008A and 2008B bonds - principal and interest	\$ 11,086,399	\$ 13,200,000	\$ 1,135,775	\$ 7,462,965	\$ 8,598,740
(3-2) Install white boards in all classrooms at BES, BMS, FVMS, and PCHS	66,000	66,000	-	-	-
(4-2) Continue technology upgrades e.g. cabling, Smart Boards, video distribution equipment, etc.	2,500,000	2,500,000	-	-	-
(5-2) Install fireproof ceiling tiles and equipment upgrades in kitchens at PCHS, FVMS, BMS, and BES	700,000	700,000	-	-	-
(6-2) Install camera system at FVMS, BMS, BES, and two new schools	400,000	400,000	-	-	-
(7-2) Build impaired ramp at PCHS auditorium entrance	500,000	500,000	-	-	-
(8-2) Repair roofs at FVMS, PCHS, BES and HES	750,000	750,000	-	-	-
(9-2) Provide playground equipment at all elementary schools	200,000	200,000	-	-	-
(10-2) Renovate PCHS track	200,000	200,000	-	-	-
(11-2) Repair gym floor at BES	80,000	80,000	-	-	-
(12-2) Build tennis courts at PCHS	350,000	350,000	-	-	-
(13-2) Resurface asphalt at all schools and visitors parking access at PCHS	400,000	400,000	-	-	-
(14-2) Build restrooms, dressing rooms, and concession between track and tennis courts at PCHS	85,000	85,000	-	-	-
(15-2) Build restrooms, dressing rooms, and concession at soccer field at PCHS	40,000	40,000	-	-	-
(16-2) Renovate old HES to house 9th Grade Academy	85,000	85,000	-	-	-
(17-2) Replace roof awnings between old HES and old gym	150,000	150,000	-	-	-
(18-2) paying expenses incident to accomplishing the foregoing; including the costs of issuance of up to \$10,000,000 in Bonds	965,116	965,116	197,650	654,416	852,066
	<u>\$ 18,557,515</u>	<u>\$ 20,671,116</u>	<u>\$ 1,333,425</u>	<u>\$ 8,117,381</u>	<u>\$ 9,450,806</u>

N/A - Not applicable

- (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 Peach 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 project.
- (4) As of June 30, 2015, there were no excess proceeds which were not yet expended.

Total current year expenditures from above	\$ 1,333,425
Principal paid during FY 2015, Series 2011 Bonds	<u>2,750,000</u>
Total expenditures of the Debt Service Fund	<u>\$ 4,083,425</u>

See notes to the basic financial statements.

PEACH COUNTY BOARD OF EDUCATION
SCHEDULE OF QUALITY BASIC EDUCATION PROGRAM (QBE)
ALLOTMENTS AND EXPENDITURES BY PROGRAM
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

<u>Description</u>	Allotments From Georgia Department of Education (1) & (2)	Eligible QBE Program Costs		
		Salaries	Operations	Total
Direct Instructional Funds:				
Kindergarten Program	\$ 1,609,567	\$ 1,304,834	\$ 10,314	\$ 1,315,148
Kindergarten Program - Early Intervention Program	35,015	-	-	-
Primary Grades (1-3) Program	3,452,431	3,087,080	21,781	3,108,861
Primary Grades - Early Intervention (1-3) Program	233,646	-	-	-
Upper Elementary Grades (4-5) Program	1,623,620	1,715,359	50,016	1,765,375
Upper Elementary Grades-Early Intervention (4-5) Program	161,867	188,548	-	188,548
Middle School (6-8) Program	2,632,648	2,790,540	50,736	2,841,276
High School General Education (9-12) Program	1,982,508	2,848,912	64,125	2,913,037
Vocational Laboratory (9-12) Program	748,403	727,623	67,336	794,959
Students with Disabilities	2,413,355	-	-	-
Category I	-	57,199	-	57,199
Category II	-	338,759	-	338,759
Category III	-	1,578,271	-	1,578,271
Category IV	-	69,032	-	69,032
Category V	-	14,103	-	14,103
Gifted Student - Category VI	493,015	773,916	2,568	776,484
Remedial Education Program	542,659	-	-	-
Alternative Education Program	182,574	250,896	4,697	255,593
English Speakers of Other Languages (ESOL)	277,134	191,690	-	191,690
TOTAL DIRECT INSTRUCTIONAL PROGRAMS	16,388,442	15,936,762	271,573	16,208,335
Media Center Program	469,020	502,290	-	502,290
Staff and Professional Development	76,837	17,996	64,012	82,008
TOTAL QBE FORMULA FUNDS	\$ 16,934,299	\$ 16,457,048	\$ 335,585	\$ 16,792,633

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

(2) Allotments do not include the impact of the state amended budget adjustment.

COMPLIANCE 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

**To the Superintendent and Members of the
Peach County Board of Education
Fort Valley, Georgia**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Peach County Board of Education as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Peach County Board of Education’s basic financial statements and have issued our report thereon dated September 28, 2016. Our report includes a reference to the changes in accounting principles resulting from the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financing Reporting for Pensions – an amendment of GASB Statement No. 27*, as well as Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, as of July 1, 2014.

Internal Control Over Financial Reporting

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

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2015-001, that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Peach 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*.

Peach County Board of Education's Response to Finding

Peach County Board of Education's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Peach County Board of Education's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Mauldin & Jenkins, LLC

Macon, Georgia
September 28, 2016



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

**To the Superintendent and Members of the
Peach County Board of Education
Fort Valley, Georgia**

Report on Compliance for Each Major Federal Program

We have audited the Peach 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 the Peach County Board of Education's major federal programs for the year ended June 30, 2015. The Peach 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 the Peach 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 Peach 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 the Peach County Board of Education's compliance.

Opinion on Each Major Federal Program

In our opinion, the Peach County Board of Education complied, in all material respects, with the 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, 2015.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133, and which is described in the accompanying schedule of findings and questioned costs as items 2015-002. Our opinion on each major federal program is not modified with respect to this matter.

Peach County Board of Education's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Peach County Board of Education's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Peach 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 the Peach 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 Peach 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2015-002 and 2015-003, that we consider to be significant deficiencies.

The Peach County Board of Education's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Peach County Board of Education's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

Macon, Georgia
September 28, 2016

PEACH COUNTY BOARD OF EDUCATION

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Funding Agency <u>Program/Grant</u>	CFDA Number	Pass-Through Entity ID Number	Expenditures In Period
Agriculture, U. S. Department of			
Child Nutrition Cluster			
Pass-Through From Georgia Department of Education			
Food Services			
School Breakfast Program	10.553	N/A	\$ 479,916
National School Lunch Program	10.555	N/A	1,493,702
Total Child Nutrition Cluster			<u>1,973,618</u>
State Administrative Expenses	10.560	N/A	3,588
Total U.S. Department of Agriculture			<u>1,977,206</u>
Education, U. S. Department of			
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Grants to States	84.027	N/A	634,206
Preschool Grants	84.173	N/A	23,720
Total Special Education Cluster			<u>657,926</u>
Other Programs			
Pass-Through From Georgia Department of Education			
Title I Grants to Local Education Agencies	84.010	N/A	1,457,716
ARRA - Race to the Top	84.395	N/A	63,197
English Language Acquisition Grants	84.365	N/A	26,688
Improving Teacher Quality State Grants	84.367	N/A	258,389
Mathematics and Science Partnerships	84.366	N/A	4,851
Migrant Education	84.011	N/A	8,764
Career & Technical Education - Basic Grants to States	84.048	N/A	45,052
Total U. S. Department of Education			<u>2,522,583</u>
Commerce, U. S. Department of			
Direct			
National Institute of Standards and Technology			
ARRA - Measurement and Engineering Research and Standards	11.609	70NANB14H200	2,000
Defense, U. S. Department of			
Direct			
Department of the Air Force			
R.O.T.C. Program	12.unknown	N/A	52,039
Total Expenditures of Federal Awards			<u>\$ 4,553,828</u>

N/A = Not Available

PEACH COUNTY BOARD OF EDUCATION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1. BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Peach County Board of Education and is presented on the accrual basis of accounting.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, 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.

NOTE 2. DONATED COMMODITIES

The Child Nutrition Cluster includes \$79,510 of non-cash expenditures in the form of donated food commodities.

NOTE 3. SUBRECIPIENTS

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

PEACH COUNTY BOARD OF EDUCATION

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

A. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:
Material weaknesses identified? X Yes No

Significant deficiencies identified not considered
to be material weaknesses? 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 not considered
to be material weaknesses? X Yes 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)? X Yes No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
	U.S. Department of Agriculture:
	<u>Child Nutrition Cluster:</u>
10.553	School Breakfast Program
10.555	National School Lunch Program
	U.S. Department of Education:
	<u>Special Education Cluster:</u>
84.027	IDEA Flowthrough Grants to States
84.173	IDEA Preschool Grant

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

Auditee qualified as low-risk auditee? Yes X No

PEACH COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

B. FINDINGS: FINANCIAL STATEMENT AUDIT

2015-001. Deficit Fund Balance – School Nutrition Fund

Criteria: Chapter 25 Governmental Fund Deficits of the Financial Management for the Georgia Local Units of Administration states in part: "The seriousness of the fund balances deficits cannot be overstated. The Georgia Department of Education requires those LUAs with deficit governmental fund balances to meet certain reporting requirements". Additionally, O.C.G.A. 20-2-67, requires reporting of such deficits to the State of Georgia Board of Education and the local board of education.

Condition: During the year ended June 30, 2015, the School District reported deficit fund balance in the School Nutrition Fund of \$483,978. The amount represents a decrease from the prior year amount of \$550,448.

Questioned Costs: Not applicable

Context: The School District's expenditures in the School Nutrition Fund exceeded its available resources.

Effect: Resources from the General Fund were needed to meet the obligations of the School Nutrition Fund.

Recommendation: We recommend the School District strengthen internal controls to ensure expenditures do not exceed available resources. We also recommend the School District continue to take appropriate measures to eliminate the accumulated deficit.

Views of Responsible Officials and Planned Corrective Action: We concur with this finding. Management has implemented a plan to eliminate future deficit spending as well as to repay the General Fund for amounts paid on behalf of the School Nutrition Fund.

C. FINDINGS: FEDERAL PROGRAMS AUDIT

2015-002. Verification Check for Covered Transactions (Suspension and Debarment) – Child Nutrition Cluster, CFDA 10.553 and 10.555.

Criteria: As a recipient of federal awards, the School District is charged with the responsibility of verifying that covered transactions (procurement contracts for goods and services that are expected to equal or exceed \$25,000, or meet certain other specified criteria) are not awarded to suspended or debarred parties. Internal controls should be in place to ensure verification checks are performed and documented.

Condition: Based on the above criteria, the School District did not have effective procedures in place to ensure that procurement and suspension and debarment procedures were followed for the fiscal year ended June 30, 2015.

Questioned Costs: Not applicable

PEACH COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

C. FINDINGS: FEDERAL PROGRAMS AUDIT (CONTINUED)

2015-002. Verification Check for Covered Transactions (Suspension and Debarment) – Child Nutrition Cluster, CFDA 10.553 and 10.555. (Continued)

Context: The School District’s procurement procedures establish that bids shall be obtained for any single purchase or multiple purchases of a single item or service during the fiscal year which is equal to or exceeds \$25,000. The School District paid a vendor over \$25,000 during the fiscal year ended June 30, 2015, and did not follow the procurement and suspension debarment requirements. The School District lacked proper bid documents and the suspension and debarment certification.

Effect: The School District did not have controls in place to ensure verification procedures were performed and documented. Without proper documentation, suspended/debarred parties could be improperly awarded contracts involving federal grant monies.

Recommendation: We recommend the School District strengthen internal controls over suspension and debarment to ensure verification procedures are completed timely and adequately documented.

Views of Responsible Officials and Planned Corrective Action: We concur with this finding. Management will strengthen internal controls over suspension and debarment to ensure verification procedures are performed and documented.

2015-003. Internal Controls over Reporting – Child Nutrition Cluster, CFDA 10.553 and 10.555.

Criteria: Internal controls should be in place to ensure meal claims are accurate and supported by detailed meal counts.

Condition: During the year ended June 30, 2015, the School District submitted claims for meals which were not in agreement with the underlying meal count reports.

Questioned Costs: Not applicable

Context: In two of the four months selected for testing, the number of meals claimed for reimbursement did not agree with the underlying meal count reports. We addressed this matter with School District officials, who agreed the meal claims were inaccurate.

Effect: The School District did not have controls in place to ensure accurate meal claims.

Recommendation: We recommend the School District strengthen internal controls over meal claims to ensure meal claims are substantiated by underlying meal count reports.

Views of Responsible Officials and Planned Corrective Action: We concur with this finding. Management will strengthen internal controls to ensure meals claimed agree to meal count reports.

PEACH COUNTY BOARD OF EDUCATION

SCHEDULE OF PRIOR YEAR FINDINGS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

2014-001. Deficit Fund Balance – School Nutrition Fund

Criteria: Chapter 25 Governmental Fund Deficits of the Financial Management for the Georgia Local Units of Administration states in part: "The seriousness of the fund balances deficits cannot be overstated. The Georgia Department of Education requires those LUAs with deficit governmental fund balances to meet certain reporting requirements". Additionally, O.C.G.A. 20-2-67 requires reporting of such deficits to the State of Georgia Board of Education and the local board of education.

Condition: During the year ended June 30, 2014, the School District reported deficit fund balance in the School Nutrition Fund of \$550,448. The amount represents an increase from the prior year amount of \$365,349.

Auditee Reponse/Status: Unresolved. See current year finding 2015-001.

2014-002. Internal Controls over Reporting – Child Nutrition Cluster, CFDA 10.553 and 10.555.

Criteria: Internal controls should be in place to ensure meal claims are accurate and supported by detailed meal counts.

Condition: During the year ended June 30, 2014, the School District submitted claims for meals which were not in agreement with the underlying meal count reports.

Auditee Reponse/Status: Unresolved. See current year finding 2015-003.