

**CITY OF BUFORD BOARD OF EDUCATION**

**A COMPONENT UNIT OF THE CITY OF BUFORD, GEORGIA**

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED  
JUNE 30, 2014

**CITY OF BUFORD BOARD OF EDUCATION  
A COMPONENT UNIT OF THE CITY OF BUFORD, GEORGIA  
ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**TABLE OF CONTENTS**

**FINANCIAL SECTION**

Independent Auditor’s Report.....	1-3
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Position.....	4
Statement of Activities.....	5
Fund Financial Statements	
Balance Sheet – Governmental Funds.....	6
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds .....	7
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	8
Statement of Fiduciary Assets and Liabilities – Agency Fund.....	9
Notes to Financial Statements .....	10-23
Required Supplementary Information:	
General Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual.....	24
Supplementary Information:	
Schedule of Expenditures of Special Purpose Local Option Sales Tax Proceeds .....	25 and 26

**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 <i>Government Auditing Standards</i> .....	27 and 28
Independent Auditor’s Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133 .....	29-31
Schedule of Expenditures of Federal Awards .....	32
Notes to the Schedule of Expenditures of Federal Awards .....	33
Schedule of Findings and Questioned Costs .....	34-41
Schedule of Prior Audit Findings.....	42

## **FINANCIAL SECTION**

---



## INDEPENDENT AUDITOR'S REPORT

---

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **City of Buford Board of Education**, a component unit of the City of Buford, Georgia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Buford Board of Education's basic financial statements as listed in the table of contents.

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

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

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

---

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Buford Board of Education, as of June 30, 2014, 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.

***Other Matters***

***Required Supplementary 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 on page 24 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.

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

---

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Buford Board of Education's basic financial statements. The schedule of expenditures of special purpose local option sales tax proceeds, as required by the Official Code of Georgia 48-8-121, and the 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* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of special purpose local option sales tax proceeds and the schedule of expenditures of federal awards (collectively "the supplementary information") are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2015 on our consideration of the City of Buford Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Buford Board of Education's internal control over financial reporting and compliance.

*Mauldin & Jenkins, LLC*

Atlanta, Georgia  
October 21, 2015

# CITY OF BUFORD BOARD OF EDUCATION

## STATEMENT OF NET POSITION

JUNE 30, 2014

<b>ASSETS</b>	<b>Governmental Activities</b>
Cash and cash equivalents	\$ 12,085,872
Receivables:	
Taxes	1,493,947
Intergovernmental	13,022,189
Other	73,048
Inventory	11,157
Prepaid items	225,125
Capital assets (nondepreciable)	1,965,908
Capital assets (depreciable, net of accumulated depreciation)	49,001,316
Total assets	<u>77,878,562</u>
<b>LIABILITIES</b>	
Accounts payable	2,389,994
Salaries and benefits payable	4,482,372
Unearned revenues - advance tuition	5,820
Intergovernmental payable, due within one year	3,040,000
Intergovernmental payable, due in more than one year	8,278,038
Total liabilities	<u>18,196,224</u>
<b>NET POSITION</b>	
Net investment in capital assets	39,649,186
Restricted for:	
Federal programs	250,491
Capital projects	10,558,421
Unrestricted	9,224,240
Total net position	<u>\$ 59,682,338</u>

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

**CITY OF BUFORD BOARD OF EDUCATION**

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

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expense) Revenue and Changes in Net Position Governmental Activities</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	
Governmental activities:					
Instruction	\$ 28,997,689	\$ 2,037,774	\$ 22,016,910	\$ -	\$ (4,943,005)
Support services:					
Pupil services	1,718,755	-	106,723	-	(1,612,032)
Improvement of instructional services	305,487	-	204,150	-	(101,337)
Educational media services	388,319	-	625,443	-	237,124
General administration	1,946,660	-	686,180	-	(1,260,480)
School administration	2,527,213	-	916,558	-	(1,610,655)
Business administration	376,099	-	-	-	(376,099)
Maintenance and operation of plant	2,762,331	-	1,138,802	149,651	(1,473,878)
Student transportation services	1,073,866	-	138,365	-	(935,501)
Other support services	47,373	-	8,753	-	(38,620)
Enterprise operation	837,847	-	-	-	(837,847)
Food services operation	260,146	537,126	1,246,346	-	1,523,326
Community service operation	1,725,820	-	-	-	(1,725,820)
Total governmental activities	<u>\$ 42,967,605</u>	<u>\$ 2,574,900</u>	<u>\$ 27,088,230</u>	<u>\$ 149,651</u>	<u>(13,154,824)</u>
General revenues:					
Taxes:					
Property taxes, levied for general purposes					10,747,219
Sales taxes					3,660,473
Unrestricted investment earnings					6
Other					3,527,742
Total general revenues					<u>17,935,440</u>
Change in net position					4,780,616
Net position, beginning of year					54,901,722
Net position, end of year					<u>\$ 59,682,338</u>

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

**CITY OF BUFORD BOARD OF EDUCATION**

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

<b>ASSETS</b>	<b>General</b>	<b>District-wide Capital Projects</b>	<b>Total Governmental Funds</b>
Cash and cash equivalents	\$ 10,220,925	\$ 1,864,947	\$ 12,085,872
Receivables:			
Taxes	1,493,947	-	1,493,947
Intergovernmental	3,469,703	9,552,486	13,022,189
Other	73,048	-	73,048
Prepaid items	225,125	-	225,125
Inventory	11,157	-	11,157
<b>Total assets</b>	<b>\$ 15,493,905</b>	<b>\$ 11,417,433</b>	<b>\$ 26,911,338</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 1,530,982	\$ 859,012	\$ 2,389,994
Salaries and benefits payable	4,482,372	-	4,482,372
Unearned revenues - charges for services	5,820	-	5,820
<b>Total liabilities</b>	<b>6,019,174</b>	<b>859,012</b>	<b>6,878,186</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	1,373,748	-	1,373,748
Unavailable revenue - federal grants	1,115,006	-	1,115,006
<b>Total deferred inflows of resources</b>	<b>2,488,754</b>	<b>-</b>	<b>2,488,754</b>
<b>FUND BALANCES</b>			
Nonspendable:			
Inventory	11,157	-	11,157
Prepaid items	225,125	-	225,125
Restricted for:			
Capital projects	-	10,558,421	10,558,421
Committed for:			
Local school accounts	722,988	-	722,988
Assigned for:			
Appropriation for next year's budget	1,707,117	-	1,707,117
Unassigned	4,319,590	-	4,319,590
<b>Total fund balances</b>	<b>6,985,977</b>	<b>10,558,421</b>	<b>17,544,398</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 15,493,905</b>	<b>\$ 11,417,433</b>	
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
Cost			64,590,122
Less accumulated depreciation			(13,622,898)
Some receivables are not available to pay for current-period expenditures and, therefore, are deferred inflows of resources in the funds.			2,488,754
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.			
Intergovernmental payable			(11,318,038)
<b>Net position of governmental activities</b>			<b>\$ 59,682,338</b>

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

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

	General	District-wide Capital Projects	Total Governmental Funds
<b>REVENUES</b>			
Property taxes	\$ 10,474,044	\$ -	\$ 10,474,044
Sales taxes	-	3,660,473	3,660,473
Local contribution	7,950,158	-	7,950,158
State funds	16,198,422	-	16,198,422
Federal funds	2,644,337	-	2,644,337
Charges for services	2,574,900	-	2,574,900
Investment earnings	6	149,651	149,657
Miscellaneous	3,424,418	103,324	3,527,742
Total revenues	43,266,285	3,913,448	47,179,733
<b>EXPENDITURES</b>			
Current:			
Instruction	28,002,566	-	28,002,566
Support services:			
Pupil services	1,716,439	-	1,716,439
Improvement of instructional services	305,487	-	305,487
Educational media services	388,319	-	388,319
General administration	2,175,685	-	2,175,685
School administration	2,525,602	-	2,525,602
Business administration	376,099	-	376,099
Maintenance and operation of plant	3,028,386	-	3,028,386
Student transportation services	945,776	-	945,776
Other support services	9,416	-	9,416
Enterprise operations	837,847	-	837,847
Food services operation	260,146	-	260,146
Community services operation	1,725,820	-	1,725,820
Capital outlay	-	1,944,828	1,944,828
Debt service:			
Principal retirement	-	2,900,463	2,900,463
Total expenditures	42,297,588	4,845,291	47,142,879
Excess (deficiency) of revenues (under) over expenditures	968,697	(931,843)	36,854
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	31,612	31,612
Transfers out	(31,612)	-	(31,612)
Total other financing sources (uses)	(31,612)	31,612	-
Net change in fund balances	937,085	(900,231)	36,854
<b>FUND BALANCE, beginning of fiscal year</b>	6,048,892	11,458,652	17,507,544
<b>FUND BALANCE, end of fiscal year</b>	\$ 6,985,977	\$ 10,558,421	\$ 17,544,398

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

**CITY OF BUFORD BOARD OF EDUCATION**

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

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

Net change in fund balances - total governmental funds	\$	36,854
--	----	--------

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 2,592,732	
Depreciation expense	<u>(1,317,921)</u>	1,274,811

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

Property taxes	\$ 273,175	
Intergovernmental revenues	<u>295,313</u>	568,488

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

Principal payments - intergovernmental note payable	\$ <u>2,900,463</u>	<u>2,900,463</u>
---	---------------------	------------------

Change in net position of governmental activities	\$	<u><u>4,780,616</u></u>
---	----	-------------------------

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

**CITY OF BUFORD BOARD OF EDUCATION**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**

**AGENCY FUND**

**JUNE 30, 2014**

---

	<b>ASSETS</b>	<b>Agency Fund</b>
Cash		\$ 30,953
	<b>LIABILITIES</b>	
Funds held for others		\$ 30,953

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

**CITY OF BUFORD BOARD OF EDUCATION  
A COMPONENT UNIT OF THE CITY OF BUFORD, GEORGIA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

---

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

**Reporting Entity**

The City of Buford Board of Education ("School District") was established under the laws of the State of Georgia and operates under the guidance of a five (5) member board elected by the voters of the City of Buford and a Superintendent appointed by the Board. The School District does not have the power to levy taxes or issue bonds. Its budget is subject to approval by the City of Buford, Georgia. Accordingly, the School District is determined to be a component unit of the City of Buford, Georgia.

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

**Basis of Presentation**

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

***District-wide Statements:***

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

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

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

***Fund Financial Statements:***

The fund financial statements provide information about the School District's funds, including fiduciary funds. Eliminations have been made to minimize the double counting of internal activities.

Separate statements for each category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The School District reports the following major governmental funds:

- *General Fund* is the School District's primary operating fund. It accounts for all financial resources of the School District, except those resources required to be accounted for in another fund.
- *District-Wide Capital Projects Fund* accounts for financial resources including Special Purpose Local Option Sales Tax (SPLOST III and SPLOST IV) to be used for the acquisition, construction or renovation of major capital facilities.

**CITY OF BUFORD BOARD OF EDUCATION  
A COMPONENT UNIT OF THE CITY OF BUFORD, GEORGIA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

---

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

The School District reports the following fiduciary fund type:

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

**Measurement Focus and Basis of Accounting**

The basis of accounting determines when transactions are reported on the financial statements. The District-wide governmental activities financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Agency funds are custodial in nature and do not present results of operations or have a measurement focus, but are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the School District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, sales taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from sales taxes is recognized in the fiscal year in which the underlying transaction (sale) takes place. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the governmental funds to be available if they are collected within sixty (60) days after year-end. Property taxes, sales taxes, intergovernmental revenue, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases and notes 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.

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

**CITY OF BUFORD BOARD OF EDUCATION  
A COMPONENT UNIT OF THE CITY OF BUFORD, GEORGIA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

---

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

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

**Cash and Cash Equivalents**

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

**Receivables**

Receivables consist of amounts due from property and sales taxes, grant reimbursements due on Federal, State or other grants for expenditures made but not reimbursed, and other receivables disclosed from information available. Receivables are recorded when either the asset or revenue recognition criteria has been met. Receivables recorded on the basic financial statements include any amounts which would necessitate the need for an allowance for uncollectible receivables. Additionally, the School District reports an intergovernmental receivable of \$9,239,311 for the investments held by the City of Buford on-behalf of the School District. The investments are held in certificates of deposit as of June 30, 2014.

**Property Taxes**

The City of Buford Board of Education fixed the 2013 tax digest, for fiscal year 2014, on August 5, 2013. Taxes were due on November 20, 2013. Taxes collected within the current fiscal year or within 60 days after year-end are reported as revenue in the governmental funds for fiscal year 2014. The City of Buford City Clerk bills and collects the property taxes for the School District and remits the balance of taxes collected to the School District. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2014, for maintenance and operations amounted to \$10,474,044.

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

School Maintenance & Operations	13.00 mills
---------------------------------	-------------

**CITY OF BUFORD BOARD OF EDUCATION  
A COMPONENT UNIT OF THE CITY OF BUFORD, GEORGIA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

---

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

**Sales Taxes**

Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to \$3,660,473 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. The current sales tax rate is effective through fiscal year 2018.

**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.

**Interfund Receivables and Payables**

During the course of its operations, the School District makes transfers between funds to finance operations, provide services, acquire assets and service debt. To the extent that certain transfers between funds had not been received as of year end, balances of interfund amounts receivable or payable have been recorded.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "Interfund loan receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

**Prepaid Items**

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

**Capital Assets**

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

**CITY OF BUFORD BOARD OF EDUCATION  
A COMPONENT UNIT OF THE CITY OF BUFORD, GEORGIA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

---

**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	not applicable
Land improvements	\$ 5,000	15 years
Buildings and improvements	\$ 5,000	15-60 years
Equipment	\$ 5,000	5-12 years
Intangible assets	\$ 5,000	individually determined

**Compensated Absences**

Annual employees earn vacation leave at the rate of 10 days per year for the first four years up to a maximum of 15 days after fifteen years being employed at the City of Buford Board of Education. The maximum possible accumulation is 30 days. The School District does not permit employees to carry forward unused vacation days. As such, the School District does not report a liability for unused vacation days or compensated absences.

**Long-Term Debt**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position.

In the fund financial statements, the face amount of debt issued is reported as other financing sources. Payments of principal and interest and issuance costs, whether or not withheld from actual proceeds, are reported as debt service expenditures.

**Use of Estimates**

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

**CITY OF BUFORD BOARD OF EDUCATION  
A COMPONENT UNIT OF THE CITY OF BUFORD, GEORGIA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

---

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

**Fund Equity**

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

**Fund Balance** – Generally, fund balance represents the difference between the assets, liabilities, and deferred inflows of resources under the current financial resources measurement focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the School District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

- **Nonspendable** – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.
- **Restricted** – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- **Committed** – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Education through the adoption of a resolution. Only the Board of Education may modify or rescind the commitment through the adoption of a resolution.
- **Assigned** – Fund balances are reported as assigned when amounts are constrained by the School District’s intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the Board of Education has authorized the (1) Board of Education, (2) the budget or finance committee, (3) the Superintendent, or (4) a designee made by the Superintendent to assign fund balances.
- **Unassigned** – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criteria. The School District reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all funds.

It is the goal of the School District to achieve and maintain a committed, assigned, and unassigned fund balance in the General Fund at the end of the fiscal year of not less than 8.3% and not to exceed 15% of expenditures of the total subsequent fiscal year’s budget. If the unassigned fund balance at the fiscal year-end falls below the goal, the School District shall develop a restoration plan to achieve and maintain the minimum fund balance. As of June 30, 2014, the School District’s General Fund was reporting a committed, assigned, and unassigned fund balance of \$6,749,695 or 17.3% of the School District’s General Fund budgeted expenditures for the year ended June 30, 2015.

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

- Committed
- Assigned
- Unassigned

**CITY OF BUFORD BOARD OF EDUCATION  
A COMPONENT UNIT OF THE CITY OF BUFORD, GEORGIA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

---

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

**Net Position** - Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources for activities and funds which use the accrual basis of accounting. Amounts shown as net investment in capital assets are made up of capital asset costs, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the School District has spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net position is reported as unrestricted.

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

**Deferred Inflows of Resources**

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District has one type of deferred inflows, 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 intergovernmental revenues as these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available.

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

The School District adopts an annual budget for its General Fund. The budget is prepared in accordance with provisions of the Quality Basic Education Act, OCGA Section 20-2-167. After the City of Buford Board of Education has tentatively adopted the budgets, such budgets are advertised at least one time in a local newspaper of general circulation. At the next regular meeting of the Board after advertisement, the budgets are revised as necessary and adopted as the final budgets.

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

General Fund:		
Instruction	\$	5,967,823
Support services:		
Improvement of instructional services		161,126
Business administration		48,482
Maintenance and operation of plant		226,439
Other support services		9,416
Enterprise operations		817,847
Transfers out		31,612

**CITY OF BUFORD BOARD OF EDUCATION  
A COMPONENT UNIT OF THE CITY OF BUFORD, GEORGIA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

---

**Note 4: DEPOSITS AND INVESTMENTS**

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% 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% of the daily pool balance.

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

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.

**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 of \$64,336.

**CITY OF BUFORD BOARD OF EDUCATION  
A COMPONENT UNIT OF THE CITY OF BUFORD, GEORGIA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**Note 6: CAPITAL ASSETS**

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

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases and transfers</b>	<b>Ending Balance</b>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 145,000	\$ 905,210	\$ -	\$ 1,050,210
Construction in process	289,210	1,039,649	(413,161)	915,698
Total non-depreciable assets	434,210	1,944,859	(413,161)	1,965,908
Capital assets, being depreciated:				
Buildings and improvements	57,310,734	159,318	-	57,470,052
Equipment	3,266,047	285,074	-	3,551,121
Land improvements	986,399	203,481	413,161	1,603,041
Total depreciable assets	61,563,180	647,873	413,161	62,624,214
Less accumulated depreciation for:				
Buildings and improvements	9,419,610	985,858	-	10,405,468
Equipment	2,301,124	242,566	-	2,543,690
Land improvements	584,243	89,497	-	673,740
Total accumulated depreciation	12,304,977	1,317,921	-	13,622,898
Total capital assets, being depreciated, net	49,258,203	(670,048)	413,161	49,001,316
Governmental activities capital assets, net	\$ 49,692,413	\$ 1,274,811	\$ -	\$ 50,967,224
Depreciation expense was charged to the functions as follows:				
Instruction	\$	1,022,816		
Support services:				
Pupil services		2,316		
General administration		17,948		
School administration		1,611		
Maintenance and operation		107,183		
Student transportation		128,090		
School food services		37,957		
Total		\$ 1,317,921		

**Note 7: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that the statute or budget requires to expend them, and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers for the year ended June 30, 2014 are as follows:

<b>Transfers In</b>	<b>Transfer out</b>	<b>Amount</b>
District-Wide Capital Projects Fund	General Fund	\$ 31,612

A transfer was made to the District-Wide Capital Projects Fund as a supplemental funding source for additional capital outlay activities.

**CITY OF BUFORD BOARD OF EDUCATION  
A COMPONENT UNIT OF THE CITY OF BUFORD, GEORGIA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**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; and natural disasters.

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

The School District is self-insured with regard to unemployment compensation claims. The School District accounts for claims within the General Fund with expenses/expenditures and liabilities being reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated.

Fiscal Year	Beginning of Year Liability	Claims and Changes in Estimates	Claims Paid	End of Year Liability
2014	\$ -	\$ 9,498	\$ 9,498	\$ -
2013	-	36,349	36,349	-

**Note 9: LONG – TERM OBLIGATIONS**

The changes in long-term debt during the fiscal year ended June 30, 2014, were as follows:

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014	Due Within One Year
Intergovernmental contract	\$ 14,218,501	\$ -	\$ (2,900,463)	\$ 11,318,038	\$ 3,040,000

**Intergovernmental contracts**

In fiscal year 2013, the County issued Series 2012A General Obligation Sales Tax Bonds, of which \$17,100,000 was advanced to the City of Buford Board of Education. The School District used \$6,997,924 of the proceeds to pay off their portion of the remaining advanced funds from the Series 2008 bonds through the intergovernmental contract. There was no debt service savings as a result of this transaction as no interest is charged. This agreement also requires the City of Buford Board of Education to remit the monthly sales tax proceeds received from the Georgia Department of Revenue to Gwinnett County until the advanced SPLOST funds are repaid. At the conclusion of the sales tax collection, if there is a remaining balance, the School District is ultimately responsible for any shortage in sales tax collections. The amount estimated to be due within one year is based on the current year's sales tax collections for the Gwinnett County sales tax.

**CITY OF BUFORD BOARD OF EDUCATION  
A COMPONENT UNIT OF THE CITY OF BUFORD, GEORGIA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

---

**Note 10: ON-BEHALF PAYMENTS**

The School District has recognized revenues and expenditures in the amount of \$1,821,668 for health insurance and retirement contributions paid on the School District's behalf by the following State Agencies:

Georgia Department of Education  
Paid to the Georgia Department of Community Health  
For Health Insurance of Non-Certified Personnel  
In the amount of \$1,781,532

Office of the State Treasurer of the State of Georgia  
Paid to Public School Employee Retirement System  
For Public School Employees Retirement (PSERS)  
In the amount of \$40,136

**Note 11: OPERATING LEASE**

The City of Buford 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 fiscal year ended June 30, 2014 amounted to \$17,748. Future minimum lease payments for the copiers are as follows:

Fiscal Year Ending June 30	General Fund
2015	\$ 11,676
	\$ 11,676

**Note 12: RETIREMENT PLANS**

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

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

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

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

**CITY OF BUFORD BOARD OF EDUCATION  
A COMPONENT UNIT OF THE CITY OF BUFORD, GEORGIA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

---

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

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

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

*Funding Policy.* TRS is funded by member and employer contributions as adopted and amended by the Board of Trustees. Member contributions are limited by State law to not less than 5% or more than 6% of a member's earnable compensation. Member contributions as adopted by the Board of Trustees for the fiscal year ended June 30, 2014, were 6.00% of annual covered salary. The member contribution rate will remain at 6.00% for the fiscal year beginning July 1, 2014. Employer contributions required for fiscal year 2014 were 12.28% of annual covered salary. Employer contributions for the current and prior two years are as follows:

<u>Fiscal Year</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>
2014	100%	\$ 2,600,958
2013	100%	2,326,534
2012	100%	2,005,680

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

*Plan Description.* Full time employees not eligible to participate in the Teachers Retirement System may participate in the Public School Employees Retirement System (PSERS). The PSERS is a cost sharing, multiple-employer, defined benefit pension plan established by the Georgia Assembly in 1969. Upon retirement, the participating member will receive a monthly benefit of \$14.75 multiplied by the number of years of creditable service. Death, disability, and spousal benefits are also available through PSERS. Additionally, PSERS makes periodic cost-of-living adjustments to the monthly benefits. The School District makes no contributions to this Plan, all costs are paid by Plan participants.

**Note 13: COMMITMENTS AND CONTINGENCIES**

*Litigation.* 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.

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

**CITY OF BUFORD BOARD OF EDUCATION  
A COMPONENT UNIT OF THE CITY OF BUFORD, GEORGIA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

---

**Note 13: COMMITMENTS AND CONTINGENCIES (CONTINUED)**

*Contractual Commitments.* The School District has executed contracts with third parties for various construction projects. As of June 30, 2014, the balance of those contracts representing commitments made by the School District for work not yet completed is \$534,035.

**Note 14: POSTEMPLOYMENT BENEFITS**

**GEORGIA SCHOOL PERSONNEL POST-EMPLOYMENT HEALTH BENEFIT FUND**

*Plan Description.* The School District contributes to the Georgia School Personnel Post-employment Health Benefit Fund ("Benefit Fund"), a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the Department of Community Health. The Benefit Fund provides health insurance benefits to eligible retirees and their qualified beneficiaries. Pursuant to Title 45, Chapter 18 of the Official Code of Georgia Annotated, the authority to establish and amend the benefit provisions of the plan is assigned to the Board of Community Health. The Department of Community Health issues a publicly available financial report that includes financial statements and required supplementary information for the Benefit Fund. That report may be obtained from the Department of Community Health at 2 Peachtree Street, Atlanta, Georgia 30303.

*Funding Policy.* The contribution requirements of the plan members and participating employers are established and may be amended by the Board of Community Health. Contributions of plan members or beneficiaries receiving benefits vary based on plan election, dependent coverage, and Medicare eligibility and election. On average, plan members pay approximately twenty-five percent (25%) of the cost of health insurance coverage. Participating employers are statutorily required to contribute in accordance with the employer contribution rate established to fund both the active and retired employee health insurance plans 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 costs each fiscal year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The employer contribution rates for the combined active and retiree plans for the fiscal year ended June 30, 2014, were as follows:

*Certified Employees*

July 2013 – June 2014                      \$945.00 per member per month

*Non-Certificated Employees*

July 2013 – June 2014                      \$596.20 per member per month

No additional contribution was required by the Board of Community Health for fiscal year 2014 nor contributed to the Benefit Fund to prefund retirement benefits. Such additional contribution amounts are determined annually by the Board of Community Health in accordance with the State plan for other post-employment benefits and are subject to appropriation. The School District's contributions to the health insurance plans for the fiscal years ended June 30, 2014, 2013, and 2012 were \$4,199,073, \$3,538,865, and \$2,980,645, respectively, which equaled the required contribution.

**CITY OF BUFORD BOARD OF EDUCATION  
A COMPONENT UNIT OF THE CITY OF BUFORD, GEORGIA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

---

**Note 15: SUBSEQUENT EVENTS**

In May 2015, the City of Buford (the City) issued General Obligation Bonds, Series 2015 (the bonds) in the face amount of \$33,050,000, which is payable through an intergovernmental agreement with the City of Buford Board of Education. The proceeds of the Series 2015 Bonds will be used to finance costs of (i) constructing a new Buford High School with associated support facilities, (ii) acquiring, constructing, and equipping additional School District facilities, (iii) the addition of classrooms to existing schools, and (iv) renovation of existing facilities, and technology and preventive maintenance thereto in furtherance of K-12 education for the School District. Interest on the Bonds is payable semiannually on January 1 and July 1 of each year, commencing on January 1, 2016. Principal payments commence in 2016 with final maturity coming in 2029.

## **REQUIRED SUPPLEMENTARY INFORMATION**

---

**CITY OF BUFORD BOARD OF EDUCATION**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ 10,474,044	\$ 10,474,044
Local contribution	18,400,000	18,400,000	7,950,158	(10,449,842)
State funds	13,425,116	13,425,116	16,198,422	2,773,306
Federal funds	1,216,000	1,216,000	2,644,337	1,428,337
Charges for services	2,048,800	2,048,800	2,574,900	526,100
Investment earnings	-	-	6	6
Miscellaneous	35,300	35,300	3,424,418	3,389,118
Total revenues	<u>35,125,216</u>	<u>35,125,216</u>	<u>43,266,285</u>	<u>8,141,069</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	21,989,119	22,034,743	28,002,566	(5,967,823)
Support services:				
Pupil services	1,882,098	1,882,098	1,716,439	165,659
Improvement of instructional services	144,361	144,361	305,487	(161,126)
Educational media services	407,982	407,982	388,319	19,663
General administration	2,926,121	2,908,621	2,175,685	732,936
School administration	2,637,658	2,637,330	2,525,602	111,728
Business administration	327,617	327,617	376,099	(48,482)
Maintenance and operation of plant	2,857,436	2,801,947	3,028,386	(226,439)
Student transportation services	1,001,613	1,001,613	945,776	55,837
Other support services	-	-	9,416	(9,416)
Enterprise operations	20,000	20,000	837,847	(817,847)
Community service	288,047	288,047	260,146	27,901
Food service operation	1,854,050	1,854,050	1,725,820	128,230
Total expenditures	<u>36,336,102</u>	<u>36,308,409</u>	<u>42,297,588</u>	<u>(5,989,179)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,210,886)</u>	<u>(1,183,193)</u>	<u>968,697</u>	<u>2,151,890</u>
<b>OTHER FINANCING USES</b>				
Transfers out	-	-	(31,612)	(31,612)
Total other financing uses	<u>-</u>	<u>-</u>	<u>(31,612)</u>	<u>(31,612)</u>
Net change in fund balances	<u>(1,210,886)</u>	<u>(1,183,193)</u>	<u>937,085</u>	<u>2,120,278</u>
<b>FUND BALANCE, beginning of fiscal year</b>	<u>6,048,892</u>	<u>6,048,892</u>	<u>6,048,892</u>	<u>-</u>
<b>FUND BALANCE, end of fiscal year</b>	<u>\$ 4,838,006</u>	<u>\$ 4,865,699</u>	<u>\$ 6,985,977</u>	<u>\$ 2,120,278</u>

## **SUPPLEMENTARY INFORMATION**

---

**CITY OF BUFORD BOARD OF EDUCATION**

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

<u>Project</u>	<u>Original Estimated Cost(1)</u>	<u>Current Estimated Cost</u>	<u>Expended In Current Year (2)</u>	<u>Expended In Prior Years</u>	<u>Project Status</u>
<b>SPLOST III - HALL COUNTY</b>					
(i) Acquiring, constructing, and equipping additional classrooms, instructional and support space and remodeling, renovating, and equipping existing classrooms, instructional and support space; acquiring, constructing, and equipping new middle schools; acquiring and installing technology improvements system-wide; and renovating existing school buildings and facilities.	\$ 3,000,000	\$ 3,000,000	\$ 818,201	\$ 1,797,668	Ongoing
<b>SPLOST III - GWINNETT COUNTY</b>					
(i) Acquiring new sites for the construction of new schools, support facilities and athletic facilities and the expansion of existing schools and support facilities; (ii) developing sites for constructing and equipping new schools, support facilities and athletic facilities; (iii) making additions to, acquiring or renovating, equipping and modernizing existing schools, support facilities and athletic facilities; (iv) making existing or new lease/purchase payments or payments with respect to the acquisition of new and existing schools and support facilities along with buses and other transportation vehicles, textbooks, library books and other media; and (v) modernizing technology and making system-wide technology improvements in the Buford School District.	\$ 18,700,000	\$ 18,911,562	\$ -	\$ 18,911,562	Complete
Total SPLOST III Expenditures			\$ 818,201		

*Continued*

**CITY OF BUFORD BOARD OF EDUCATION**

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

Project	Original and Current Estimated Cost(1)	Original and Current Estimated Cost	Expended In Current Year (2)	Expended In Prior Years	Project Status
<b>SPLOST IV - HALL COUNTY</b>					
(i) Acquiring, constructing and equipping new schools, fine arts facilities, physical education facilities, student activity facilities and other school system facilities, acquiring and conducting site preparation of real estate for school district purposes, constructing and equipping additional classrooms, instructional and support space, and other school district facilities at existing school system facilities, and acquiring furnishings, equipment and fixtures for new and existing facilities system-wide, including technology equipment, textbooks, library books and school buses; and (ii) paying expenses incident thereto.	\$ 3,900,000	\$ 3,900,000	\$ 87,759	\$ -	Ongoing
<b>SPLOST IV - GWINNETT COUNTY</b>					
(i) Acquiring new sites for the construction of new schools, support facilities and athletic facilities and the expansion of existing schools and support facilities; (ii) developing sites for constructing and equipping new schools, support facilities and athletic facilities; (iii) making additions to, acquiring or renovating, equipping and modernizing existing schools, support facilities and athletic facilities; (iv) making existing or new lease/purchase payments or payments with respect to the acquisition of new and existing schools and support facilities along with buses and other transportation vehicles, textbooks, library books and other media; and (v) modernizing technology and making system-wide technology improvements in the Buford School District.	\$ 17,100,000	\$ 17,100,000	\$ 3,810,086	\$ 2,881,499	Ongoing
Total SPLOST IV Expenditures			\$ 3,897,845		
Total SPLOST Expenditures			4,716,046		
Non-SPLOST Capital Projects expenditures			129,245		
Total District Wide Capital Project Fund Expenditures			\$ 4,845,291		

- (1) The School District's original cost estimate as specified in the resolution calling for the imposition of the Special Purpose Local Option Sales Tax.
- (2) The voters of Hall County and Gwinnett County approved the imposition of a 1% sales tax to fund the above projects and retire associated debt. Amounts expended for these projects may include sales tax proceeds, state, local property taxes and/or other funds over the life of the projects.

## **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 City of Buford Board of Education  
Buford, Georgia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Buford Board of Education, a component unit of the City of Buford, Georgia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Buford Board of Education's basic financial statements, and have issued our report thereon dated October 21, 2015.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs, as items 2014-001, 2014-003, 2014-004, 2014-005, and 2014-006 to be material weaknesses.

---

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs, as item 2014-002, to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Buford 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*.

### **The City of Buford Board of Education's Responses to Findings**

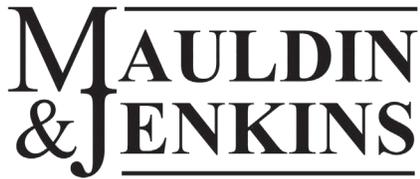
The City of Buford Board of Education's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City of Buford Board of Education's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **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*

Atlanta, Georgia  
October 21, 2015



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

---

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

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

We have audited the City of Buford Board of Education's, a component unit of the City of Buford, Georgia, compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Buford Board of Education's major federal programs for the year ended June 30, 2014. The City of Buford Board of Education's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

---

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

In our opinion, the City of Buford Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

### **Report on Internal Control Over Compliance**

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

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

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

---

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

*Mauldin & Jenkins, LLC*

Atlanta, Georgia  
October 21, 2015

# CITY OF BUFORD BOARD OF EDUCATION

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

Funding Agency <u>Program/Grant</u>	<u>CFDA Number</u>	Pass- Through Entity <u>ID Number</u>	<u>Expenditures In Period</u>
U. S. Department of Agriculture			
Pass-Through From Georgia Department of Education			
Child Nutrition Cluster			
National School Breakfast Program - Cash Assistance	10.553	N/A	\$ 247,562
National School Lunch Program:			
Non-Cash Assistance - Commodities (1)	10.555	N/A	64,336
Cash Assistance (2)	10.555	N/A	875,946
Total Child Nutrition Cluster			<u>1,187,844</u>
Total U. S. Department of Agriculture			<u>1,187,844</u>
U. S. Department of Education			
Pass-Through From Georgia Department of Education			
Special Education Cluster			
Title VI-B Flow Through	84.027	N/A	701,898
High Fund Cost Pool	84.027	N/A	48,348
Total Special Education Cluster			<u>750,246</u>
Title I, Part A Cluster			
Improving the Academic Achievement of the Disadvantaged	84.010	N/A	841,404
Vocational Education - Basic Grants to States			
Title III-A, Limited English Proficient	84.365	N/A	43,437
Title II-A, Improving Teacher Quality	84.367	N/A	79,745
Race to the Top Incentive Grants - ARRA	84.395	N/A	5,469
Total U. S. Department of Education			<u>1,741,108</u>
Total Expenditures of Federal Awards			<u>\$ 2,928,952</u>

N/A = Not Available

# CITY OF BUFORD BOARD OF EDUCATION

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

---

### Notes to the Schedule of Expenditures of Federal Awards

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

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

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the City of Buford Board of Education and is presented on the modified accrual basis of accounting which is the basis of accounting used in the presentation of the fund financial statements.

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

**CITY OF BUFORD BOARD OF EDUCATION  
A COMPONENT UNIT OF THE CITY OF BUFORD, GEORGIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

---

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

**Financial Statements**

Type of auditor's report issued: Unmodified

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

Significant deficiencies identified?  yes  no

Noncompliance material to financial statements noted?  yes  no

**Federal Awards**

Internal control over major programs:  
Material weaknesses identified?  yes  no

Significant deficiencies identified not considered  
to be material weaknesses?  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)?  yes  no

Identification of major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.027	Special Education Cluster
84.010	Title I, Part A Cluster

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

Auditee qualified as low-risk auditee?  yes  no

**CITY OF BUFORD BOARD OF EDUCATION  
A COMPONENT UNIT OF THE CITY OF BUFORD, GEORGIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

---

**SECTION II  
FINANCIAL STATEMENT FINDINGS AND RESPONSES**

**2014-001 SPLOST Fund Accounting**

**Criteria:** Internal controls should be in place to ensure that general ledgers are properly maintained using modified-accrual accounting methods based on generally accepted accounting principles (GAAP) to properly track and account for the activity of each of the School District's Special Purpose Local Option Sales Tax (SPLOST) accounts.

**Condition:** Misstatements were detected in the reporting of the School District's revenues and expenditures within the various SPLOST funds.

**Context/Cause:** During our process to import the School District's trial balances into our audit software and testing to ensure beginning fund balance for the fiscal year ended June 30, 2014 agreed to the ending fund balance reported in the prior year financial report, we noted that the original trial balance provided for the district-wide capital projects fund (which includes the SPLOST III and SPLOST IV funds) was not balanced internally. The initial trial balance for the capital projects fund (fund 302) was out of balance by \$9,095,779; the Gwinnett County SPLOST fund (fund 306) was out of balance by \$8,164,719; and the Hall County SPLOST fund (fund 307) was out of balance by \$931,060.

**Effects:** The Official Code of Georgia (OCGA) 48-8-121(a) requires the activity of each SPLOST not be commingled with the activity of other SPLOST proceeds. During the fiscal year ended June 30, 2014, the City of Buford Board of Education was collecting revenues from two SPLOST from two different jurisdictions, Hall and Gwinnett County. As the School District does not currently use the general ledger software to account for this activity, but uses Microsoft Excel to track the activity, there were numerous misclassifications made which required audit adjustments to correct the recognition of the revenues and expenditures of the School District's SPLOST activity.

**Recommendations:** We recommend the School District carefully review all revenues and expenditures to ensure the activity is properly reported in the appropriate SPLOST Fund. Additionally, we recommend the School District utilize the general ledger system to track the activity, rather than a spreadsheet from Microsoft Excel, which lends itself to less control and overview of the accounting entries.

**Auditee's Response:** We concur with the finding and will take the necessary steps in the future to ensure all of the School District's SPLOST activity is properly reported in the appropriate fund.

**CITY OF BUFORD BOARD OF EDUCATION  
A COMPONENT UNIT OF THE CITY OF BUFORD, GEORGIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

---

**SECTION II  
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)**

**2014-002 Segregation of Duties**

**Criteria:** Internal controls should be in place which provide reasonable assurance that an individual cannot misappropriate funds without such actions being detected during the normal course of business and the financial information is accurately reported.

**Condition:** The School District does not have adequate controls to properly segregate all responsibilities related to the following:

- Manual journal entries are not reviewed and approved by a knowledgeable person, independent of the preparation and posting of the entry;
- The local schools do not have adequate segregation of duties at the bookkeeper function. The bookkeeper is responsible for the receipt preparation, the check preparation, reconciliation of the bank statements, and maintenance of the general ledger;
- The vendor master file can be edited by the Finance Director and the Accountant, who also have access to the check disbursements and general ledger maintenance; and
- The Finance Director has the authority to initiate wire transfers as well as performs the monthly reconciliations. Additionally, the Finance Director has full access to the School District's general ledger.

**Context/Cause:** During our review of internal controls, we noted the School District lacked a proper segregation of duties related to the posting of manual journal entries, the local school accounting function, the vendor maintenance access, wire payments, and account reconciliations. There are not sufficient compensating controls to mitigate the lack of segregation in these areas and therefore the risk for errors is increased.

**Effects:** Failure to properly segregate duties may allow for errors or irregularities to occur and not be detected in a timely manner by employees in the normal course of performing their assigned functions.

**Recommendation:** We recommend the School District properly segregate duties relative to the recording of manual journal entries process, the local school bookkeeping process, limit the access to the vendor master, the controls regarding the initiation of wire payments, and the separation of the bank reconciliation procedures from the general ledger maintenance or implement adequate compensating controls.

**Auditee's Response:** We concur with the finding. The School District will take the necessary steps to address the segregation of duties deficiency noted above.

**CITY OF BUFORD BOARD OF EDUCATION  
A COMPONENT UNIT OF THE CITY OF BUFORD, GEORGIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

---

**SECTION II  
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)**

**2014-003 Cash Accounts and Banking Activities**

**Criteria:** Internal controls should be in place to ensure that all of the School District's cash accounts and banking activities are properly reflected in the general ledger and furthermore, that complete reconciliations of all of the School District's accounts are performed on a monthly basis.

**Condition:** The School District's internal controls were not sufficient to ensure that all of the School District's cash accounts were recorded in the general ledger and properly reconciled on a monthly basis in accordance with a sound internal control environment.

**Context/Cause:** During our audit procedures to test the School District's cash balances, we requested a confirmation of all accounts from the financial institution holding the School District's deposits. The confirmation we received included three (3) accounts that were not recorded in the School District's general ledger. Furthermore, when testing the School District's bank reconciliations, we noted the June 30, 2014 reconciliation for the Nutrition Program account reconciled to a difference of \$35,336.

**Effects:** Audit adjustments totaling approximately \$110,000 were required to record the three (3) cash accounts in the School District's general ledger. The difference noted in the Nutrition Program account is not material and did not require an audit adjustment. Nonetheless, the School District did not perform a complete monthly reconciliation of this account and we noted the reconciliation was reviewed and approved by the Director of Finance.

**Recommendations:** We recommend the School District implement internal controls to ensure that all cash accounts and banking activities of the School District are properly recorded in the general ledger and that complete monthly reconciliations are performed in accordance with a sound internal control environment and to protect the School District from financial loss.

**Auditee's Response:** We concur with the finding and are currently implementing controls to ensure the general ledger properly reflects all transactions in accordance with generally accepted accounting principles and that complete reconciliations of all accounts are performed.

**CITY OF BUFORD BOARD OF EDUCATION  
A COMPONENT UNIT OF THE CITY OF BUFORD, GEORGIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

---

**SECTION II  
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)**

**2014-004 Revenues and Related Balance Sheet Accounts**

**Criteria:** Internal controls should be in place to ensure that amounts reported as revenue and the related balance sheet accounts are appropriate and properly valued in accordance with generally accepted accounting principles (GAAP).

**Condition:** Misstatements were detected in the reporting of the School District's revenues and related balance sheet accounts.

**Context/Cause:** During our testing, audit adjustments were required to properly report the School District's revenues and related balance sheet accounts. The nature of these adjustments is as follows:

- In the General Fund, adjustments of approximately \$569,000 were required to properly report current year deferred inflows of resources (unavailable revenues) and revenues related to the School District's grants. These adjustments were required because amounts were not collected within 60 days of year-end and thus did not meet the revenue recognition criteria to be reported as revenues in the School District's General Fund for the fiscal year ended June 30, 2014.
- In the General Fund, adjustments of approximately \$1,888,000 were required to properly report accounts receivable, revenues and deferred inflows of resources (unavailable revenues) related to the School District's property taxes. These amounts had not been adjusted since the prior year audit aside from the cash collected during the fiscal year.
- In the Capital Projects Fund, adjustments of approximately \$313,000 were required to properly report accounts receivable and revenues related to the School District's June 2014 sales tax revenues which are received in July 2014. These revenues were not accrued by the School District as of June 30, 2014.
- In the Capital Projects Fund, adjustments of approximately \$1,011,000 were required to properly show the liquidation of a certificate of deposit and the subsequent collection of cash as a reduction of the asset balance and not as a transfer in.

**Effects:** Audit adjustments totaling \$3,781,000 were required to properly report the School District's revenues and related balance sheet accounts in accordance with GAAP.

**Recommendations:** We recommend the School District carefully review all transactions to ensure that transactions are recorded in accordance with GAAP.

**Auditee's Response:** We concur with the finding and are currently implementing controls to ensure the general ledger properly reflects all transactions in accordance with GAAP.

**CITY OF BUFORD BOARD OF EDUCATION  
A COMPONENT UNIT OF THE CITY OF BUFORD, GEORGIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

---

**SECTION II  
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)**

**2014-005 Expenditures and Related Balance Sheet Accounts**

**Criteria:** Internal controls should be in place to ensure that amounts reported as expenditures and the related balance sheet accounts are appropriate and complete in accordance with generally accepted accounting principles (GAAP).

**Condition:** Misstatements were detected in the reporting of the School District's expenditures and related balance sheet accounts.

**Context/Cause:** During our testing audit adjustments were required to properly report the School District's expenditures and related balance sheet accounts. The nature of these adjustments is as follows:

- In the Capital Projects Fund, adjustments of approximately \$502,000 were required to properly report accounts payable and debt service expenditures related to the intergovernmental contract between the School District and the Gwinnett County Board of Education. The School District is required to remit all SPLOST revenues to Gwinnett County and did not accrue a payable for revenues reported through June 30, 2014.
- In the Capital Projects Fund, adjustments of approximately \$357,000 were required to properly report accounts payable and capital outlays related to work performed by contractors through June 30, 2014. The School District improperly reported these expenditures in the period in which they were paid rather than accruing them as accounts payable in the period in which the work was performed.
- In the Capital Projects Fund, adjustments of approximately \$906,000 were required to properly report capital outlay expenditures for the purchase of land rather than as transfers out to the City of Buford as the land was purchased from the City.

**Effects:** Audit adjustments totaling \$1,765,000 were required to properly report the School District's expenditures and related balance sheet accounts in accordance with GAAP.

**Recommendations:** We recommend the School District carefully review all transactions to ensure that transactions are recorded in accordance with GAAP.

**Auditee's Response:** We concur with the finding and are currently implementing controls to ensure the general ledger properly reflects all transactions in accordance with GAAP.

**CITY OF BUFORD BOARD OF EDUCATION  
A COMPONENT UNIT OF THE CITY OF BUFORD, GEORGIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

---

**SECTION II  
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)**

**2014-006 Timely Reporting of Accurate Financial Information**

**Criteria:** Timely and accurate financial reporting of all funds included in the financial statements of the School District to facilitate informed financial decisions by the School District's management and those with oversight of management is imperative.

**Condition:** Internal controls were not sufficient to facilitate the accurate, timely reporting of the School District's overall financial position and results of operation as of and for the year ended June 30, 2014.

**Context/Cause:** The School District did not properly and timely complete its year-end closing process to provide final trial balances and the necessary subsidiary ledgers for the majority of its funds for the year ended June 30, 2014 for auditing until the end of July 2015.

**Effects:** The School District was unable to report accurate financial information to management and the Board of Education in a timely manner.

**Recommendation:** We recommend management implement procedures to ensure timely and accurate financial reporting to facilitate informed financial decisions.

**Auditee's Response:** We concur with the finding. We will take necessary steps in the future to ensure that all funds pertaining to the School District are included in the monthly closeout procedures, which in turn will simplify the fiscal year end close out procedures.

**CITY OF BUFORD BOARD OF EDUCATION  
A COMPONENT UNIT OF THE CITY OF BUFORD, GEORGIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

---

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

None noted

**CITY OF BUFORD BOARD OF EDUCATION  
A COMPONENT UNIT OF THE CITY OF BUFORD, GEORGIA**

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

---

None of the prior year's audit findings pertained to Federal Awards.