



BAKER COUNTY BOARD OF EDUCATION NEWTON, GEORGIA

**ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2011
(Including Independent Auditor's Reports)**



BAKER COUNTY BOARD OF EDUCATION

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SECTION I
FINANCIAL



DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

August 24, 2012

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

INDEPENDENT AUDITOR'S COMBINED REPORT ON BASIC FINANCIAL
STATEMENTS AND SUPPLEMENTARY INFORMATION - SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS

Ladies and Gentlemen:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information (Exhibits A through H) of the Baker County Board of Education, as of and for the year ended June 30, 2011, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Baker County Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Baker County Board of Education, as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Baker County Board of Education has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2012, on our consideration of the Baker County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual, as presented on page 23, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. 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, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Baker County Board of Education's financial statements as a whole. The accompanying supplementary information consists of Schedules 2 through 5, which includes the Schedule of Expenditures of Federal Awards as required by 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

Respectfully submitted,



Greg S. Griffin
State Auditor

GSG:as
2011ARL-11

BAKER COUNTY BOARD OF EDUCATION

BAKER COUNTY BOARD OF EDUCATION
STATEMENT OF NET ASSETS
JUNE 30, 2011

EXHIBIT "A"

	GOVERNMENTAL ACTIVITIES
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 355,489.74
Accounts Receivable, Net	
Taxes	129,288.94
State Government	256,627.65
Federal Government	85,090.43
Other	38,130.63
Inventories	6,443.73
Capital Assets, Non-Depreciable	82,372.00
Capital Assets, Depreciable (Net of Accumulated Depreciation)	<u>7,385,525.67</u>
 Total Assets	 \$ <u><u>8,338,968.79</u></u>
<u>LIABILITIES</u>	
Accounts Payable	\$ 88,189.45
Salaries and Benefits Payable	325,776.91
Payroll Withholdings Payable	7,666.83
Short-Term Debt	500,150.00
Long-Term Liabilities	
Due Within One Year	254,773.42
Due in More Than One Year	<u>576,956.37</u>
 Total Liabilities	 \$ <u><u>1,753,512.98</u></u>
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	\$ 6,645,017.03
Restricted for	
Continuation of Federal Programs	63,476.54
Debt Service	62.34
Unrestricted (Deficit)	<u>-123,100.10</u>
 Total Net Assets	 \$ <u><u>6,585,455.81</u></u>
 Total Liabilities and Net Assets	 \$ <u><u>8,338,968.79</u></u>

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

BAKER COUNTY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

EXHIBIT "B"

		PROGRAM REVENUES		NET (EXPENSES)
			OPERATING	REVENUES
	EXPENSES	CHARGES FOR	GRANTS AND	AND CHANGES IN
		SERVICES	CONTRIBUTIONS	NET ASSETS
<u>GOVERNMENTAL ACTIVITIES</u>				
Instruction	\$ 2,400,310.18		\$ 1,691,299.68	\$ -709,010.50
Support Services				
Pupil Services	65,488.18		62,846.97	-2,641.21
Improvement of Instructional Services	49,538.44		85,756.24	36,217.80
Educational Media Services	74,116.15		45,510.87	-28,605.28
General Administration	394,746.77		328,857.17	-65,889.60
School Administration	121,548.37		159,307.75	37,759.38
Business Administration	156,822.04		530.27	-156,291.77
Maintenance and Operation of Plant	362,893.92		99,159.39	-263,734.53
Student Transportation Services	289,782.33		137,854.78	-151,927.55
Other Support Services	22,567.47		17,756.37	-4,811.10
Operations of Non-Instructional Services				
Enterprise Operations	21,415.28	\$ 21,415.28		0.00
Food Services	200,843.67	6,119.90	207,117.55	12,393.78
Interest on Short-Term and Long-Term Debt	30,784.80			-30,784.80
Total Governmental Activities	\$ 4,190,857.60	\$ 27,535.18	\$ 2,835,997.04	\$ -1,327,325.38
General Revenues				
Taxes				
Property Taxes				
For Maintenance and Operations				\$ 2,083,977.03
Other Taxes				1,697.72
Sales Taxes				
Special Purpose Local Option Sales Tax				
For Debt Services				211,150.83
For Capital Projects				49,722.20
Other Sales Tax				491.76
Investment Earnings				251.68
Miscellaneous				72,955.21
Total General Revenues				\$ 2,420,246.43
Change in Net Assets				\$ 1,092,921.05
Net Assets - Beginning of Year				5,492,534.76
Net Assets - End of Year				\$ 6,585,455.81

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

BAKER COUNTY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

EXHIBIT "C"

	GENERAL FUND	DISTRICT- WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 473,923.09		\$ 62.34	\$ 473,985.43
Accounts Receivable, Net				
Taxes	101,331.28	\$ 27,957.66		129,288.94
State Government	256,627.65			256,627.65
Federal Government	85,090.43			85,090.43
Other	38,130.63			38,130.63
Inventories	6,443.73			6,443.73
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
 Total Assets	 <u>\$ 961,546.81</u>	 <u>\$ 27,957.66</u>	 <u>\$ 62.34</u>	 <u>\$ 989,566.81</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Cash Overdraft		\$ 118,495.69		\$ 118,495.69
Accounts Payable	\$ 88,189.45			88,189.45
Salaries and Benefits Payable	325,776.91			325,776.91
Payroll Withholdings Payable	7,666.83			7,666.83
Short-Term Debt	500,150.00			500,150.00
Deposits and Deferred Revenue	19,670.25			19,670.25
	<u> </u>	<u> </u>		<u> </u>
 Total Liabilities	 <u>\$ 941,453.44</u>	 <u>\$ 118,495.69</u>	 <u>\$</u>	 <u>\$ 1,059,949.13</u>
 <u>FUND BALANCES</u>				
Nonspendable	\$ 6,443.73			\$ 6,443.73
Restricted	57,032.81		\$ 62.34	57,095.15
Unassigned	-43,383.17	\$ -90,538.03		-133,921.20
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
 Total Fund Balances	 <u>\$ 20,093.37</u>	 <u>\$ -90,538.03</u>	 <u>\$ 62.34</u>	 <u>\$ -70,382.32</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
 Total Liabilities and Fund Balances	 <u>\$ 961,546.81</u>	 <u>\$ 27,957.66</u>	 <u>\$ 62.34</u>	 <u>\$ 989,566.81</u>

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

BAKER COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011

EXHIBIT "D"

Total Fund Balances - Governmental Funds (Exhibit "C")	\$	-70,382.32
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Amounts reported for Governmental Activities in the Statement of Net Assets are different because:

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

Land	\$	82,372.00	
Buildings		8,902,125.65	
Equipment		1,271,531.00	
Accumulated Depreciation		-2,788,130.98	
Total Capital Assets		7,467,897.67	7,467,897.67

Taxes that are not available to pay for current period expenditures are deferred in the funds.		19,670.25
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Long-Term Liabilities, including Bonds Payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Long-Term Liabilities at year-end consist of:

Bonds Payable	\$	-790,000.00	
Capital Leases Payable		-32,880.64	
Compensated Absences Payable		-8,849.15	
Total Long-Term Liabilities		-831,729.79	-831,729.79

Net Assets of Governmental Activities (Exhibit "A")	\$	6,585,455.81
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The notes to the basic financial statements are an integral part of this statement.

BAKER COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

EXHIBIT "E"

	GENERAL FUND	DISTRICT- WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
<u>REVENUES</u>				
Property Taxes	\$ 2,072,778.54			\$ 2,072,778.54
Sales Taxes	491.76	\$ 49,722.20	\$ 211,150.83	261,364.79
State Funds	1,943,836.57			1,943,836.57
Federal Funds	892,160.47			892,160.47
Charges for Services	27,535.18			27,535.18
Investment Earnings	156.97	92.64	2.07	251.68
Miscellaneous	72,955.21			72,955.21
Total Revenues	\$ 5,009,914.70	\$ 49,814.84	\$ 211,152.90	\$ 5,270,882.44
<u>EXPENDITURES</u>				
Current				
Instruction	\$ 2,142,797.02	\$ 29,847.87		\$ 2,172,644.89
Support Services				
Pupil Services	65,488.18			65,488.18
Improvement of Instructional Services	49,538.44			49,538.44
Educational Media Services	74,116.15			74,116.15
General Administration	394,695.46	51.31		394,746.77
School Administration	121,548.37			121,548.37
Business Administration	167,397.51			167,397.51
Maintenance and Operation of Plant	351,988.31	10,905.61		362,893.92
Student Transportation Services	256,892.74			256,892.74
Other Support Services	22,567.47			22,567.47
Enterprise Operations	21,415.28			21,415.28
Food Services Operation	194,786.11			194,786.11
Debt Services				
Principal	53,376.98		\$ 220,000.00	273,376.98
Interest	2,333.10		28,451.70	30,784.80
Total Expenditures	\$ 3,918,941.12	\$ 40,804.79	\$ 248,451.70	\$ 4,208,197.61
Excess of Revenues over (under) Expenditures	\$ 1,090,973.58	\$ 9,010.05	\$ -37,298.80	\$ 1,062,684.83
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In			\$ 37,300.87	\$ 37,300.87
Transfers Out	\$ -37,300.87			-37,300.87
Total Other Financing Sources (Uses)	\$ -37,300.87		\$ 37,300.87	0.00
Net Change in Fund Balances	\$ 1,053,672.71	\$ 9,010.05	\$ 2.07	\$ 1,062,684.83
Fund Balances - Beginning	-1,033,579.34	-99,548.08	60.27	-1,133,067.15
Fund Balances - Ending	\$ 20,093.37	\$ -90,538.03	\$ 62.34	\$ -70,382.32

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

BAKER COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2011

EXHIBIT "F"

Total Net Change in Fund Balances - Governmental Funds (Exhibit "E")	\$	1,062,684.83
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Amounts reported for Governmental Activities in the Statement of Activities are different because:

Capital Outlays are reported as expenditures in Governmental Funds. However, in the Statement of Activities, the cost of Capital Assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Depreciation Expense		-267,544.44
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Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		12,896.21
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Repayment of Long-Term Debt is reported as an expenditure in Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Assets. In the current year, these amounts consist of:

Bond Principal Retirements	\$ 220,000.00	
Capital Lease Payments	53,376.98	
Total Long-Term Debt Repayments		273,376.98

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

Decrease in Compensated Absences		11,507.47
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Change in Net Assets of Governmental Activities (Exhibit "B")	\$	1,092,921.05
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The notes to the basic financial statements are an integral part of this statement.

BAKER COUNTY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011

EXHIBIT "G"

	AGENCY FUNDS
	<hr/>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ <u><u>9,007.26</u></u>
 <u>LIABILITIES</u>	
Funds Held for Others	\$ <u><u>9,007.26</u></u>

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

Note 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

REPORTING ENTITY

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

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

District-wide Statements:

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

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

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

Fund Financial Statements:

The fund financial statements provide information about the School District's funds, including fiduciary funds. Eliminations have been made to minimize the double counting of internal activities. Separate statements for each category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The School District reports the following major governmental funds:

- General Fund is the School District's primary operating fund. It accounts for and reports all financial resources not accounted for and reported in another fund.

BAKER COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

EXHIBIT "H"

- District-wide Capital Projects Fund accounts for and reports financial resources including Special Purpose Local Option Sales Tax (SPLOST) that are restricted, committed or assigned to the expenditure for capital outlays, including the acquisition or construction of capital facilities.
- Debt Service Fund accounts for and reports financial resources that are restricted, committed, or assigned including taxes (sales) legally restricted for the payment of general long-term principal and interest.

The School District reports the following fiduciary fund type:

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

BASIS OF ACCOUNTING

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

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

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

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

The State of Georgia reimburses the School System for teachers' salaries and operating costs through the Quality Basic Education Formula Earnings program (QBE). Generally teachers are contracted for the school year (July 1 – June 30) and paid over a twelve month contract period,

BAKER COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

EXHIBIT "H"

generally September 1 through August 31. In accordance with the respective rules and regulations of the QBE program, the State of Georgia reimburses the School System over the same twelve month period in which teachers are paid. At June 30, the amount of teachers' salaries incurred but not paid until July and August of the subsequent year are accrued. Since the State of Georgia recognizes its QBE liability for the July and August salaries at June 30, the School System recognizes the same QBE as a receivable and revenue, consistent with symmetrical recognition.

NEW ACCOUNTING PRONOUNCEMENTS

In fiscal year 2011, the School District adopted the Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The provisions of this Statement establish accounting and financial reporting standards for all governments that report governmental funds. It establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental funds.

CASH AND CASH EQUIVALENTS

Composition of Deposits

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

RECEIVABLES

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

PROPERTY TAXES

The Baker County Board of Commissioners fixed the property tax levy for the 2010 tax digest year (calendar year) on September 29, 2010 (levy date). Taxes were due on December 20, 2010 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2010 tax digest are reported as revenue in the governmental funds for fiscal year 2011. The Baker County Tax Commissioner bills and collects the property taxes for the School District, withholds 2.5% of taxes collected as a fee for tax collection and remits the balance of taxes collected to the School District. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2011, for maintenance and operations amounted to \$2,071,080.82.

The tax millage rate levied for the 2010 tax year (calendar year) for the Baker Board of Education were as follows (a mill equals \$1 per thousand dollars of assessed value):

School Operations

14.88 mills

BAKER COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

EXHIBIT "H"

SALES TAXES

Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to \$260,873.03 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

INVENTORIES

Food Inventories

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

CAPITAL ASSETS

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

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

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
Land	All	N/A
Buildings and Improvements	\$ 5,000.00	15 to 80 years
Equipment	\$ 5,000.00	3 to 50 years

Depreciation is used to allocate the actual or estimated historical cost of all capital assets over estimated useful lives, with the exception of intangible assets which are amortized.

COMPENSATED ABSENCES

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

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

Vacation leave of 15 days is awarded on a fiscal year basis to all full time personnel employed on a twelve month basis. No other employees are eligible to earn vacation leave. Vacation leave not utilized during the fiscal year may be carried over to the next fiscal year, providing such vacation leave does not exceed 60 days.

	Beginning of Year Liability		Increases		Decreases		End of Year Liability
2009	\$ 54,633.43	\$	2,889.31	\$	22,935.61	\$	34,587.13
2010	\$ 34,587.13	\$	754.37	\$	14,984.88	\$	20,356.62
2011	\$ 20,356.62	\$	3,028.44	\$	14,535.91	\$	8,849.15

GENERAL OBLIGATION BONDS

The School District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. In the District-wide and fund financial statements, the School District recognizes bond premiums and discounts, as well as bond issuance costs during the fiscal year bonds are issued. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. To conform to generally accepted accounting principles, bond premiums and discounts, as well as bond issuance costs should be amortized over the life of the bonds on the District-wide statements. The effect of this deviation is deemed to be immaterial to the fair presentation of the basic financial statements. General obligation bonds are direct obligations and pledge the full faith and credit of the government. The outstanding amount of these bonds is recorded in the Statement of Net Assets.

NET ASSETS

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

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

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

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

FUND BALANCES

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

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

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

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

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

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

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

Fund Balances of the Governmental Funds at June 30, 2011, are as follows:

Nonspendable		
Inventories	\$	6,443.73
Restricted		
Continuation of Federal Programs	\$	57,032.81
Debt Service	<u>62.34</u>	57,095.15
Unassigned		<u>-133,921.20</u>
Fund Balance, June 30, 2011	\$	<u><u>-70,382.32</u></u>

It is the goal of the School District to achieve and maintain a committed, assigned, and unassigned fund balance in the general fund at fiscal year end of not less than 11.5% of total annual revenues, not to exceed 15% of the total budget of the subsequent fiscal year, in compliance with Official Code of Georgia Annotated Section 20-2-167(a)5. If the unassigned fund balance at fiscal year end falls below the goal, the School District shall develop a restoration plan to achieve and maintain the minimum fund balance.

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

DEFICIT FUND BALANCES

Funds reporting a deficit fund balance at June 30, 2011, are as follows:

<u>Fund Type/Fund Name</u>	<u>Deficit Balances</u>
Governmental Fund Type	
General Fund	\$ 43,383.17
District-wide Capital Projects Fund	\$ 90,538.03

The School District has reduced expenditures in order to eliminate the fiscal year 2011 deficit.

USE OF ESTIMATES

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

Note 3: DEPOSITS

COLLATERALIZATION OF DEPOSITS

Official Code of Georgia Annotated (O.C.G.A.) Section 45-8-12 provides that there shall not be on deposit at any time in any depository for a time longer than ten days a sum of money which has not been secured by surety bond, by guarantee of insurance, or by collateral. The aggregate of the face value of such surety bond and the market value of securities pledged shall be equal to not less than 110 percent of the public funds being secured after the deduction of the amount of deposit insurance. If a depository elects the pooled method (O.C.G.A. Section 45-8-13.1) the aggregate of the market value of the securities pledged to secure a pool of public funds shall be not less than 110 percent of the daily pool balance.

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

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

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

CATEGORIZATION OF DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At June 30, 2011, the bank balances were \$629,505.52. The amounts exposed to custodial credit risk are classified into three categories as follows:

- Category 1 - Uncollateralized,
- Category 2 - Cash collateralized with securities held by the pledging financial institution,
or
- Category 3 - Cash collateralized with securities held by the pledging financial institution's
trust department or agent but not in the School District's name.

The School District's deposits by custodial credit risk category at June 30, 2011, are as follows:

<u>Custodial Credit Risk Category</u>	<u>Bank Balance</u>
1	\$ 0.00
2	0.00
3	<u>376,775.58</u>
Total	<u>\$ 376,775.58</u>

Note 4: NON-MONETARY TRANSACTIONS

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

Note 5: CAPITAL ASSETS

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

	Balances July 1, 2010	Increases	Decreases	Balances June 30, 2011
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 82,372.00	\$ 0.00	\$ 0.00	\$ 82,372.00
Capital Assets, Being Depreciated:				
Buildings and Improvements	\$ 8,902,125.65		\$ 0.00	\$ 8,902,125.65
Equipment	1,271,531.00			1,271,531.00
Less: Accumulated Depreciation:				
Buildings and Improvements	1,473,832.14	\$ 216,226.49		1,690,058.63
Equipment	1,046,754.40	51,317.95		1,098,072.35
Total Capital Assets, Being Depreciated, Net	\$ 7,653,070.11	\$ -267,544.44	\$ 0.00	\$ 7,385,525.67
Governmental Activity Capital Assets - Net	\$ 7,735,442.11	\$ -267,544.44	\$ 0.00	\$ 7,467,897.67

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

Capital assets being acquired under capital leases as of June 30, 2011, are as follows:

	Governmental Funds
Buildings and Improvements	\$ 899,432.00
Equipment	70,996.00
Less: Accumulated Depreciation	<u>231,366.75</u>
	<u>\$ 739,061.25</u>

Current year depreciation expense by function is as follows:

Instruction	\$ 227,665.29
Support Services	
Business Administration	\$ 932.00
Student Transportation Services	<u>32,889.59</u>
Food Services	<u>6,057.56</u>
	<u>\$ 267,544.44</u>

Note 6: INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2011, consisted of the following:

<u>Transfer to</u>	Transfers From General Fund
Debt Service Fund	\$ <u>37,300.87</u>

Transfers are used to move property tax revenues collected by the General Fund to the Debt Service Fund to meet debt service requirements.

Note 7: RISK MANAGEMENT

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

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

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

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

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

	Beginning of Year Liability	Claims and Changes in Estimates	Claims Paid	End of Year Liability
2010	\$ 0.00	\$ 13,128.55	\$ 13,128.55	\$ 0.00
2011	\$ 0.00	\$ 67,708.09	\$ 67,708.09	\$ 0.00

The School District participates in the Georgia Education Workers' Compensation Trust, a public entity risk pool organized on December 1, 1991, to develop, implement and administer a program of workers' compensation self-insurance for its member organizations. The School District pays an annual premium to the Trust for its general insurance coverage. Additional insurance coverage is provided through an agreement by the Trust with the Safety National Casualty Company to provide coverage for potential losses sustained by the Trust in excess of \$1,000,000.00 loss per occurrence, up to the statutory limit. Employers' Liability insurance coverage is also provided by Safety National Casualty Company with a loss fund percentage of 100%, based on the Fund's annual normal premium, up to a maximum limit of indemnity of aggregate limit of \$2,000,000.00.

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

<u>Position Covered</u>	<u>Amount</u>
Superintendent	\$ 25,000.00
Principal	\$ 10,000.00

Note 8: SHORT-TERM DEBT

The School District obtains temporary loans in advance of property tax collections, depositing the proceeds in its General Fund. This short-term debt is to provide cash for operations until property tax collections are received by the School District. Article IX, Section V, Paragraph V of the Constitution of the State of Georgia limits the aggregate amount of short-term debt to 75 percent of the total gross income from taxes collected in the preceding year and requires all short-term debt to be repaid no later than December 31 of the calendar year in which the debt was incurred.

Short-term debt activity for the fiscal year is as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance
Temporary Loans	\$ 1,294,103.50	\$ 611,236.75	\$ 1,405,190.25	\$ 500,150.00

Note 9: LONG-TERM DEBT

CAPITAL LEASES

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

BAKER COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

EXHIBIT "H"

COMPENSATED ABSENCES

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

GENERAL OBLIGATION DEBT OUTSTANDING

General Obligation Bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Amount</u>
General Government - Series 2008	2.817%	\$ <u>790,000.00</u>

The changes in Long-Term Debt during the fiscal year ended June 30, 2011, were as follows:

	Governmental Funds				
	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2011</u>	<u>Due Within One Year</u>
G. O. Bonds	\$ 1,010,000.00		\$ 220,000.00	\$ 790,000.00	\$ 240,000.00
Capital Leases	86,257.62		53,376.98	32,880.64	14,773.42
Compensated Absences (1)	<u>20,356.62</u>	<u>\$ 3,028.44</u>	<u>14,535.91</u>	<u>8,849.15</u>	
	<u>\$ 1,116,614.24</u>	<u>\$ 3,028.44</u>	<u>\$ 287,912.89</u>	<u>\$ 831,729.79</u>	<u>\$ 254,773.42</u>

- (1) The portion of Compensated Absences due within one year has been determined to be immaterial to the basic financial statements.

At June 30, 2011, payments due by fiscal year which includes principal and interest for these items are as follows:

	Capital Leases	
	<u>Principal</u>	<u>Interest</u>
<u>Fiscal Year Ended June 30:</u>		
2012	\$ 14,773.42	\$ 1,192.94
2013	15,461.25	505.11
2014	<u>2,645.97</u>	<u>15.09</u>
Total Principal and Interest	<u>\$ 32,880.64</u>	<u>\$ 1,713.14</u>
	General Obligation Debt	
	<u>Principal</u>	<u>Interest</u>
<u>Fiscal Year Ended June 30:</u>		
2012	\$ 240,000.00	\$ 22,254.30
2013	260,000.00	15,493.50
2014	<u>290,000.00</u>	<u>8,169.30</u>
Total Principal and Interest	<u>\$ 790,000.00</u>	<u>\$ 45,917.10</u>

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

Note 10: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of \$9,532.41 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-Certificated Personnel

In the amount of \$5,602.41

Office of the State Treasurer

Paid to the Public School Employees' Retirement System

For Public School Employees' Retirement (PSERS) Employer's Cost

In the amount of \$3,930.00

Note 11: SIGNIFICANT CONTINGENT LIABILITIES

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

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

Note 12: POST-EMPLOYMENT BENEFITS

Georgia School Personnel Post-employment Health Benefit Fund

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

Funding Policy. The contribution requirements of plan members and participating employers are established by the Board in accordance with the current Appropriations Act and may be amended by the Board. Contributions of plan members or beneficiaries receiving benefits vary based on plan election, dependent coverage, and Medicare eligibility and election. On average, plan members pay approximately 25 percent of the cost of the health insurance coverage.

Participating employers are statutorily required to contribute in accordance with the employer contribution rates established by the Board. The contribution rates are established to fund all benefits due under the health insurance plans for both active and retired employees based on

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

projected "pay-as-you-go" financing requirements. Contributions are not based on the actuarially calculated annual required contribution (ARC) which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The combined active and retiree contribution rates established by the Board for employers participating in the School OPEB Fund were as follows for the fiscal year ended June 30, 2011:

For certificated teachers, librarians and regional educational service agencies:

July 2010 - April 2011	21.955% of covered payroll for August - May Coverage
May 2011 - June 2011	1.429% of covered payroll for June - July Coverage

For non-certificated school personnel:

July 2010 - December 2010	\$162.72 per member per month
January 2011 - May 2011	\$218.20 per member per month
June 2011	\$246.20 per member per month

The Department of Education was appropriated an additional \$25,081,633 for non-certificated personnel health insurance payments. The amount attributable to the School District is reflected in the On-behalf note disclosure.

No additional contribution was required by the Board for fiscal year 2011 nor contributed to the School OPEB Fund to prefund retiree benefits. Such additional contribution amounts are determined annually by the Board in accordance with the School plan for other post-employment benefits and are subject to appropriation.

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

<u>Fiscal Year</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>
2011	100%	\$ 219,095.79
2010	100%	\$ 536,128.25
2009	100%	\$ 343,749.54

Note 13: 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.

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

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

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

Funding Policy. TRS is funded by member and employer contributions as adopted and amended by the Board of Trustees. Members become fully vested after 10 years of service. If a member terminates with less than 10 years of service, no vesting of employer contributions occurs, but the member's contributions may be refunded with interest. Member contributions are limited by State law to not less than 5% or more than 6% of a member's earnable compensation. Member contributions as adopted by the Board of Trustees for the fiscal year ended June 30, 2011, were 5.53% of annual salary. The member contribution rate will increase to 6.00% effective July 1, 2012. Employer contributions required for fiscal year 2011 were 10.28% of annual salary as required by the June 30, 2008, actuarial valuation. The employer contribution rate will increase to 11.41% effective July 1, 2012.

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

<u>Fiscal Year</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>
2011	100%	\$ 185,092.81
2010	100%	\$ 250,177.33
2009	100%	\$ 283,642.27

PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS)

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

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BAKER COUNTY BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2011

SCHEDULE "1"

	NONAPPROPRIATED BUDGETS		ACTUAL
	ORIGINAL (1)	FINAL (1)	AMOUNTS
<u>REVENUES</u>			
Property Taxes	\$ 2,031,336.00	\$ 2,031,336.00	\$ 2,072,778.54
Sales Tax			491.76
State Funds	1,973,801.00	2,057,077.00	1,943,836.57
Federal Funds	1,096,515.00	907,350.00	892,160.47
Charges for Services	8,000.00	8,000.00	27,535.18
Investment Earnings	1,000.00	1,000.00	156.97
Miscellaneous	108,000.00	108,000.00	72,955.21
Total Revenues	\$ 5,218,652.00	\$ 5,112,763.00	\$ 5,009,914.70
<u>EXPENDITURES</u>			
Current			
Instruction	\$ 2,311,079.32	\$ 2,402,951.32	\$ 2,142,797.02
Support Services			
Pupil Services	59,643.42	70,291.48	65,488.18
Improvement of Instructional Services	184,397.56	200,377.00	49,538.44
Educational Media Services	75,556.88	75,556.88	74,116.15
General Administration	377,156.00	374,897.00	394,695.46
School Administration	212,370.76	219,688.76	121,548.37
Business Administration	145,569.28	145,569.28	167,397.51
Maintenance and Operation of Plant	293,165.52	293,165.52	351,988.31
Student Transportation Services	300,816.08	301,416.08	256,892.74
Other Support Services	11,121.00	24,530.00	22,567.47
Enterprise Operations	26,000.00	26,000.00	21,415.28
Food Services Operation	241,000.00	241,000.00	194,786.11
Debt Service			55,710.08
Total Expenditures	\$ 4,237,875.82	\$ 4,375,443.32	\$ 3,918,941.12
Excess of Revenues over (under) Expenditures	\$ 980,776.18	\$ 737,319.68	\$ 1,090,973.58
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In			
Transfers Out			\$ -37,300.87
Total Other Financing Sources/(uses)			\$ -37,300.87
Net Change in Fund Balances	\$ 980,776.18	\$ 737,319.68	\$ 1,053,672.71
Fund Balances - Beginning	-1,086,046.17	-1,086,046.17	-1,033,579.34
Adjustments	4,743.77	-738.78	
Fund Balances - Ending	\$ -100,526.22	\$ -349,465.27	\$ 20,093.37

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

(1) Original and Final Budget amounts do not include budgeted revenues or expenditures of the various principal accounts.

The accompanying schedule of revenues, expenditures and changes in fund balances budget and actual is presented on the modified accrual basis of accounting which is the basis of accounting used in the presentation of the fund financial statements.

See notes to the basic financial statements.

BAKER COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

SCHEDULE "2"

FUNDING AGENCY PROGRAM/GRANT	CFDA NUMBER	PASS- THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD
Agriculture, U. S. Department of			
Child Nutrition Cluster			
Pass-Through From Georgia Department of Education			
Food Services			
School Breakfast Program	* 10.553	N/A	(2)
National School Lunch Program	* 10.555	N/A	\$ 184,530.87 (1)
Total U. S. Department of Agriculture			\$ 184,530.87
Education, U. S. Department of			
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Grants to States	84.027	N/A	\$ 120,230.31
Preschool Grants	84.173	N/A	11,234.88
Total Special Education Cluster			\$ 131,465.19
Title I, Part A Cluster			
Pass-Through From Georgia Department of Education			
ARRA - Title I Grants to Local Educational Agencies	* 84.389	N/A	\$ 32,389.04
Title I Grants to Local Educational Agencies	* 84.010	N/A	348,272.63
Total Title I, Part A Cluster			\$ 380,661.67
Other Programs			
Pass-Through From Georgia Department of Education			
Career and Technical Education - Basic Grants to States	84.048	N/A	\$ 6,544.16
Education Jobs Fund	84.410	N/A	88,804.00
Improving Teacher Quality State Grants	84.367	N/A	68,266.68
Migrant Education - State Grant Program	84.011	N/A	6,033.98
Total Other Programs			\$ 169,648.82
Total U. S. Department of Education			\$ 681,775.68
Health and Human Services, U. S. Department of			
Other Programs			
Pass-Through From Georgia Department of Human Resources			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	\$ 16,856.00
Total Expenditures of Federal Awards			\$ 883,162.55

N/A = Not Available

Notes to the Schedule of Expenditures of Federal Awards

- (1) Includes the Federally assigned value of donated commodities for the Food Donation Program in the amount of \$851.52.
- (2) Expenditures for the funds earned on the School Breakfast Program (\$67,276.60) were not maintained separately and are included in the 2011 National School Lunch Program.

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

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

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the Baker County Board of Education and is presented on the modified accrual basis of accounting which is the basis of accounting used in the presentation of the fund financial statements.

See notes to the basic financial statements.

BAKER COUNTY BOARD OF EDUCATION
SCHEDULE OF STATE REVENUE
YEAR ENDED JUNE 30, 2011

SCHEDULE "3"

AGENCY/FUNDING	GOVERNMENTAL	
	FUND TYPE	
	GENERAL	
	FUND	
GRANTS		
Bright From the Start:		
Georgia Department of Early Care and Learning		
Pre-Kindergarten Program	\$	89,836.85
Education, Georgia Department of		
Quality Basic Education		
Direct Instructional Cost		
Kindergarten Program		73,050.00
Kindergarten Program - Early Intervention Program		42,421.00
Primary Grades (1-3) Program		209,327.00
Primary Grades - Early Intervention (1-3) Program		81,261.00
Upper Elementary Grades (4-5) Program		76,404.00
Upper Elementary Grades - Early Intervention (4-5) Program		116,900.00
Middle Grades (6-8) Program		174,669.00
High School General Education (9-12) Program		143,612.00
Vocational Laboratory (9-12) Program		64,024.00
Students with Disabilities		
Category I - V		261,015.00
Alternative Education Program		16,256.00
Media Center Program		33,264.00
20 Days Additional Instruction		10,470.00
Staff and Professional Development		6,259.00
Indirect Cost		
Central Administration		240,631.00
School Administration		98,956.00
Facility Maintenance and Operations		73,441.00
Charter System Adjustment		-54,681.00
Categorical Grants		
Pupil Transportation		
Regular		137,257.00
Sparsity		104,403.00
Nursing Services		24,558.00
Food Services		8,762.00
Vocational Education		104,814.96
Mid-term Adjustment Hold-Harmless		58,064.00
Amended Formula Adjustment		-284,272.00
Other State Programs		
Health Insurance		5,602.41
Math and Science Supplements		2,970.67
Preschool Handicapped Program		20,630.68
Office of the State Treasurer		
Public School Employees Retirement		3,930.00
	\$	1,943,836.57

See notes to the basic financial statements.

BAKER COUNTY BOARD OF EDUCATION
SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS
YEAR ENDED JUNE 30, 2011

SCHEDULE "4"

<u>PROJECT</u>	<u>ORIGINAL ESTIMATED COST (1)</u>	<u>CURRENT ESTIMATED COST (2)</u>	<u>AMOUNT EXPENDED IN CURRENT YEAR (3)</u>	<u>AMOUNT EXPENDED IN PRIOR YEARS (3)</u>	<u>PROJECT STATUS</u>
Adding to, renovating, improving, and equipping existing school facilities, including a new gymnasium and classrooms, upgrading instructional and administrative technology, purchasing school buses and transportation equipment, purchasing textbooks and vocational, fine arts, instructional and athletic equipment, purchasing safety and security equipment and acquiring any property necessary or desirable therefore, both real and personal.	\$ <u>1,400,000.00</u>	\$ <u>2,860,225.31</u>	\$ <u>63,756.49</u>	\$ <u>2,777,560.96</u>	Ongoing

(1) The School District's original cost estimate as specified in the resolution calling for the imposition of the Local Option Sales Tax.

(2) The School District's current estimate of total cost for the project. Includes all cost from project inception to completion.

(3) The voters of Baker County approved the imposition of a 1% sales tax to fund the above project and retire associated debt. Amounts expended for this project may include sales tax proceeds, state, local property taxes and/or other funds over the life of the project.

See notes to the basic financial statements.

BAKER COUNTY BOARD OF EDUCATION
GENERAL FUND - QUALITY BASIC EDUCATION PROGRAMS (QBE)
ALLOTMENTS AND EXPENDITURES - BY PROGRAM
YEAR ENDED JUNE 30, 2011

SCHEDULE "5"

DESCRIPTION	ALLOTMENTS FROM GEORGIA DEPARTMENT OF EDUCATION (1) (2)	ELIGIBLE QBE PROGRAM COSTS		
		SALARIES	OPERATIONS	TOTAL
Direct Instructional Programs				
Kindergarten Program	\$ 104,547.00	\$ 49,249.40	\$ 6,300.31	\$ 55,549.71
Kindergarten Program-Early Intervention Program	52,670.00			
Primary Grades (1-3) Program	288,721.00	208,980.22	5,522.64	214,502.86
Primary Grades-Early Intervention (1-3) Program	110,851.00	6,372.08		6,372.08
Upper Elementary Grades (4-5) Program	106,650.00	1,959.68	5,393.21	7,352.89
Upper Elementary Grades-Early Intervention (4-5) Program	145,167.00			
Middle Grades (6-8) Program	246,073.00	124,839.61	5,783.49	130,623.10
High School General Education (9-12) Program	198,165.00	231,681.44	28,582.96	260,264.40
Vocational Laboratory (9-12) Program	85,951.00	113,119.78		113,119.78
Students with Disabilities	372,252.00			
Category III		380,763.39	6,592.00	387,355.39
Category IV		30,655.64		30,655.64
Alternative Education Program	22,176.00	22,854.15		22,854.15
TOTAL DIRECT INSTRUCTIONAL PROGRAMS	\$ 1,733,223.00	\$ 1,170,475.39	\$ 58,174.61	\$ 1,228,650.00
Media Center Program	45,758.00	71,235.08	2,573.20	73,808.28
Staff and Professional Development	8,432.00	682.21	5,034.90	5,717.11
TOTAL QBE FORMULA FUNDS	\$ 1,787,413.00	\$ 1,242,392.68	\$ 65,782.71	\$ 1,308,175.39

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

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

See notes to the basic financial statements.

SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS



DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

August 24, 2012

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

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

Ladies and Gentlemen:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Baker County Board of Education as of and for the year ended June 30, 2011, which collectively comprise Baker County Board of Education's basic financial statements and have issued our report thereon dated August 24, 2012. 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.

Internal Control Over Financial Reporting

Management of Baker County Board of Education is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Baker County Board of Education's internal control over financial reporting as a basis for designing our auditing procedures 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 Baker County Board of Education's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Baker County Board of Education's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses and therefore, there can be no assurances that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness and other deficiencies that we consider to be 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 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 item FS-6041-11-04, in the accompanying Schedule of Findings and Questioned Costs to be a material weakness.

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 items FS-6041-11-01, FS-6041-11-02, FS-6041-11-03, and FS-6041-11-06 in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Baker County Board of Education's financial statements are free of 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item FS-6041-11-05.

We also noted certain matters that we have reported to management of Baker County Board of Education in a separate letter dated August 24, 2012.

Baker County Board of Education's response to the findings identified in our audit is described in the accompanying Schedule of Management's Responses. We did not audit Baker County Board of Education's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, members of the Baker County Board of Education, others within the entity, Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Greg S. Griffin
State Auditor

GSG:as
2011YB-60



DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

August 24, 2012

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE
A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Ladies and Gentlemen:

Compliance

We have audited Baker County Board of Education's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2011. Baker County Board of Education's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of Baker County Board of Education's management. Our responsibility is to express an opinion on Baker County Board of Education's compliance based on our audit.

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 Baker County Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Baker County Board of Education's compliance with those requirements.

As described in item FA-6041-11-01 in the accompanying Schedule of Findings and Questioned Costs, Baker County Board of Education did not comply with requirements regarding Allowable Costs/Cost Principles, and Procurement and Suspension and Debarment that are applicable to its Child Nutrition Cluster. Compliance with such requirements is necessary, in our opinion, for Baker County Board of Education to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Baker County Board of Education complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2011. The results of our auditing procedures also disclosed another instance of noncompliance with those requirements which is described in the accompanying Schedule of Findings and Questioned Costs as item FA-6041-11-02.

Internal Control Over Compliance

Management of Baker County Board of Education is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Baker County Board of Education's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 Baker County Board of Education's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item FA-6041-11-01 to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item FA-6041-11-02 to be a significant deficiency.

Baker County Board of Education's responses to the findings identified in our audit are described in the accompanying Schedule of Management's Responses. We did not audit Baker County Board of Education's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, members of the Baker County Board of Education, others within the entity, Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in blue ink that reads "Greg S. Griffin". The signature is written in a cursive, flowing style.

Greg S. Griffin
State Auditor

GSG:as
2011SA-55

SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

BAKER COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FINDING CONTROL NUMBER AND STATUS

FS-6041-09-01	Further Action Not Warranted
FS-6041-09-02	Further Action Not Warranted
FS-6041-09-03	Further Action Not Warranted
FS-6041-09-06	Further Action Not Warranted
FS-6041-10-01	Unresolved - See Corrective Action/Responses
FS-6041-10-02	Unresolved - See Corrective Action/Responses
FS-6041-10-03	Unresolved - See Corrective Action/Responses
FS-6041-10-04	Unresolved - See Corrective Action/Responses

CORRECTIVE ACTION/RESPONSES

INVENTORIES
REVENUES/RECEIVABLES/RECEIPTS
EXPENDITURES/LIABILITIES/DISBURSEMENTS
Inadequate Separation of Duties
Finding Control Number: FS-6041-10-01

We concur with this finding. The School District in conjunction with the Lunchroom Manager has devised strategic procedures to ensure that School Food Service Fund will have adequate separation of duties. The Lunchroom Manager will designate an existing lunchroom staff member to assist in the receiving, inventorying, and reviewing of inventory records to ensure separation of duties. The Lunchroom Manager will also issue Purchase Orders for prior approval by the Superintendent before inventory is ordered to ensure expenditures are appropriate, accurate, and properly documented. These procedures will ensure that internal controls for both access to physical assets and the related accounting records are adequately separated. These procedures will be fully implemented in the 2012 fiscal year.

CASH AND CASH EQUIVALENTS
REVENUES/RECEIVABLES/RECEIPTS
EXPENDITURES/LIABILITIES/DISBURSEMENTS
Inadequate Accounting Procedures over School Activity Accounts
Finding Control Number: FS-6041-10-02

We concur with this finding. The School District in conjunction with the school administration has devised strategic procedures to ensure that the school activity account will have adequate separation of duties. The principal will designate a school level administrator to review and approve all bank reconciliations, review deposit preparations and ensure all documentation for written checks are present. The School District has also implemented the use of computerized accounting records for the School Activity Accounts to ensure receipts and checks contain adequate descriptions and account/object information so that the accounting records could be easily traced. These procedures will ensure that internal controls for both access to physical assets and the related accounting records are adequately separated. These procedures will be fully implemented in the 2012 fiscal year.

BAKER COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

CORRECTIVE ACTION/RESPONSES

EXPENDITURES/LIABILITIES/DISBURSEMENTS
EMPLOYEE COMPENSATION
GENERAL LEDGER

Inadequate Accounting Procedures

Finding Control Number: FS-6041-10-03

We concur with this finding. The School District has implemented procedures to ensure that expenditure transactions, employee compensation, leave records, authorization for payroll deductions and journal entries are properly documented, calculated, maintained and approved before changes and/or disbursements are made. These procedures will be fully implemented in the 2012 fiscal year.

BUDGET PREPARATION/EXECUTION

Deficit Fund Balance

Finding Control Number: FS-6041-10-04

We concur with this finding. The School District has implemented policies and procedures to ensure that expenditures do not exceed availability of resources. The School District monitors the DE Form 0396 monthly to ensure that the expenditures are not exceeding the amounts budgeted. The School District will also implement procedures to ensure that the adopted budget for each budgeted fund is balanced as required. This will be fully implemented in the 2012 fiscal year.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV

FINDINGS AND QUESTIONED COSTS

BAKER COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issue:
Governmental Activities; General Fund; Capital Projects Fund; Debt
Service Fund; Aggregate Remaining Fund Information Unqualified

Internal control over financial reporting:

- Material weakness identified? Yes
- Significant deficiencies identified? Yes

Noncompliance material to financial statements noted: Yes

Federal Awards

Internal Control over major programs:

- Material weakness identified? Yes
- Significant deficiency identified? Yes

Type of auditor's report issued on compliance for major programs:
Unqualified for Title I, Part A Cluster
Qualified for Child Nutrition Cluster

Any audit findings disclosed that are required to be reported in
accordance with OMB Circular A-133, Section 510(a)? Yes

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	Child Nutrition Cluster
84.010, 84.389	Title I, Part A Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000.00

Auditee qualified as low-risk auditee? No

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

INVENTORIES

REVENUES/RECEIVABLES/RECEIPTS

EXPENDITURES/LIABILITIES/DISBURSEMENTS

Inadequate Separation of Duties

Significant Deficiency

Finding Control Number: FS-6041-11-01

Condition:

This is a repeat finding (FS-6041-10-01, FS-6041-09-01 and FS-6041-08-01) from the years ended June 30, 2010, June 30, 2009, and June 30, 2008, respectively. The accounting procedures of the School District were insufficient to provide for adequate separation of duties over the School Food Service Fund.

BAKER COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Criteria:

The School District's management is responsible for designing and maintaining internal controls that provide reasonable assurance that transactions are processed according to established procedures. Such internal controls would limit any one individual's access to both physical assets and the related accounting records.

Questioned Cost:

N/A

Information:

Inventories

- Ordering of goods was not separated from the maintenance of inventory records.
- Custodianship of inventory was not separated from the receiving function.
- Review of inventory records was not performed by someone independent of the receiving function.

Revenues/Receivables/Receipts

- Deposit preparation was not separated from the record keeping and cash custody functions.

Expenditures/Liabilities/Disbursements

- The duty of approving vouchers for payment was not adequately separated from the duty of writing checks.
- There was no independent review to determine that the expenditures were appropriate, accurate and properly documented prior to payment.
- Numerous voucher packages revealed no approval.
- Numerous voucher packages could not be provided for auditor review.

Cause:

The School District has not assigned responsibilities to achieve appropriate separation of duties nor utilized management oversight of the incompatible activities to properly safeguard assets. These deficiencies were also a result of management's decision to limit the number of administrative staff made responsible for accounting functions applicable to the School Food Service Fund.

Effect:

Errors and/or irregularities may not be detected in a timely manner.

Recommendation:

The School District should implement procedures to ensure that the key accounting functions of custody, record keeping and authorization are separated and/or utilize management oversight of these incompatible activities. Management should also revise and monitor controls to provide reasonable assurance that transactions are processed according to established procedures.

BAKER COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

CASH AND CASH EQUIVALENTS

REVENUES/RECEIVABLES/RECEIPTS

EXPENDITURES/LIABILITIES/DISBURSEMENTS

Inadequate Accounting Procedures over School Activity Accounts

Significant Deficiency

Finding Control Number: FS-6041-11-02

Condition:

This is a repeat finding (FS-6041-10-02, FS-6041-09-02, and FS-6041-08-02) from the years ended June 30, 2010, June 30, 2009, and June 30, 2008, respectively. The accounting procedures of the School District were insufficient to provide for adequate separation of duties over the school activities accounts.

Criteria:

The School District's management is responsible for designing and maintaining internal controls that provide reasonable assurance that transactions are processed according to established procedures. Such internal controls would limit any one individual's access to both physical assets and the related accounting records.

Questioned Cost:

N/A

Information:

Cash and Cash Equivalents

- The bank reconciliation function was not separated from the record keeping and voucher payment function.
- The bank reconciliation did not include evidence of approval by someone other than the person performing the bank reconciliation.

Revenues/Receivables/Receipts

- Deposit preparation was not separated from the record keeping and cash custody functions.
- Adequate receipt documentation was not maintained for deposits recorded on the general ledger.
- Auditor could not determine if receipts were deposited in a timely manner.
- Reconciliation of gate receipts was not being performed.

Expenditures/Liabilities/Disbursements

- The check writing function was not separated from the record keeping or processing of signed checks.
- Several vouchers had inadequate supporting documentation.
- Several voucher packages were not charged to the correct account code on the general ledger.
- Several vouchers were for salary and travel payments made to employees.

BAKER COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Cause:

The School District has not assigned responsibilities to achieve appropriate separation of duties nor utilized management oversight of the incompatible activities to properly safeguard assets. These deficiencies were also a result of management's failure to ensure that internal controls were established, implemented and functioning at the school level.

Effect:

Errors and/or irregularities may not be detected in a timely manner.

Recommendation:

The School District should implement procedures to ensure that the key accounting functions of custody, record keeping and authorization are separated and/or utilize management oversight of these incompatible activities. Management should also revise and monitor controls to provide reasonable assurance that transactions are processed according to established procedures.

EXPENDITURES/LIABILITIES/DISBURSEMENTS

EMPLOYEE COMPENSATION

GENERAL LEDGER

Inadequate Accounting Procedures

Significant Deficiency

Finding Control Number: FS-6041-11-03

Condition:

This is a repeat finding (FS-6041-10-03, FS-6041-09-03, and FS-6041-08-03) from the years ended June 30, 2010, June 30, 2009, and June 30, 2008, respectively. The accounting procedures of the School District were insufficient to provide adequate controls over Expenditures/Liabilities/Disbursements, Employee Compensation and General Ledger.

Criteria:

The School District's management is responsible for designing and maintaining controls that provide reasonable assurance that transactions are processed according to established procedures.

Questioned Cost:

N/A

Information:

Expenditures/Liabilities/Disbursements

The School District did not have procedures in place to ensure all expenditure documentation was checked for accuracy, properly approved, charged to the correct period or contained evidence of receipt of goods or services prior to disbursement of funds.

Employee Compensation

The School District did not have adequate procedures in place to ensure that employee compensation expenditures were properly documented and calculated before disbursement of funds.

BAKER COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

General Ledger

Journal entry documentation and descriptions were not adequate to support all journal entries. Also, evidence that journal entries were reviewed and approved by someone independent of the general ledger process was not maintained.

Cause:

These deficiencies were a result of management's failure to ensure that internal controls were established, implemented and functioning.

Effect:

Errors and/or irregularities may not be detected in a timely manner.

Recommendation:

The School District should implement procedures to ensure that (1) expenditures are charged to the correct accounting period; (2) expenditure transactions reflect proper approval, documentation, and receipt of goods or services prior to authorization for payment; (3) employee compensation expenditures are properly documented, calculated and approved before disbursement of funds; and (4) journal entries are properly approved, documented and posted in the accounting records. Management should also revise and monitor controls to provide reasonable assurance that transactions are processed according to established procedures.

BUDGET PREPARATION/EXECUTION

Deficit Fund Balance

Material Weakness

Finding Control Number: FS-6041-11-04

Condition:

This is a repeat finding (FS-6041-10-04 and FS-6041-09-06) from the years ended June 30, 2010, and June 30, 2009. At June 30, 2011, the General Fund and Capital Projects Fund of the Baker County Board of Education reported deficit fund balances. In addition, the School District failed to adopt a balanced budget for the General Fund.

Criteria:

Chapter 25, *Governmental Fund Deficits* of the Financial Management for Georgia Local Units of Administration states in part: "The seriousness of fund balance deficits cannot be overstated. The Georgia Department of Education requires those LUAs with deficit governmental fund balances to meet certain reporting requirements."

Chapter 32, *Preparing Operating Budgets*, of the Financial Management for Georgia Local Units of Administration states (FMGLUA) states in part: "The budget must be balanced for all budgeted funds. Total anticipated revenues should equal total estimated expenditures. In the event anticipated revenues are insufficient to fund anticipated essential expenditures, a portion of unreserved fund balance from the previous years must be used to fund the shortfall. In the event there is insufficient unreserved fund balance from previous years to fund anticipated expenditures, then such expenditures must be reduced to equal anticipated revenues plus available unreserved fund balance".

BAKER COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Questioned Cost:

N/A

Information:

The School District's General Fund and Capital Projects Fund reported deficit fund balances in the amounts of \$43,383.17 and \$90,538.03, respectively.

Cause:

The School District's original and final budgets for the General Fund budgeted deficit fund balances in the amounts of \$100,526.22 and \$349,465.27, respectively.

Effect:

A financial statement irregularity in accordance with the Official Code of Georgia Annotated §20-2-67.

Recommendation:

The School District should establish policies and procedures designed to ensure that expenditures do not exceed availability of resources, so that in future periods the School District does not report deficit fund balances. In addition, appropriate procedures should be implemented to ensure that the adopted budget for each budgeted fund is balanced as required.

CASH AND CASH EQUIVALENTS

Noncompliance with SPLOST Law

Material Noncompliance

Finding Control Number: FS-6041-11-05

Condition:

The School District did not comply with provisions of Official Code of Georgia Annotated (O.C.G.A.) §48-8-121.

Criteria:

O.C.G.A. §48-8-121 indicates that Special Purpose Local Option Sales Tax (SPLOST) funds may only be used for capital outlay projects approved by the voters in a SPLOST referendum. In addition, SPLOST funds must be held in a separate account from other funds of the county or municipality and cannot in any manner be commingled with any other funds until spent on approved projects. Furthermore, in the Official Opinion of the Attorney General No. 2007-05, a county may not borrow from county SPLOST proceeds to fund expenditures other than voter-approved capital projects authorized in the SPLOST statutes.

Questioned Cost:

N/A

Information:

During fiscal year 2011, the School District transferred SPLOST proceeds in the amount of \$98,000.00 from the District-wide Capital Projects Fund to the General Fund as an inter-fund loan to be used for general operations. The General Fund repaid this inter-fund loan before the end of the fiscal year.

BAKER COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Cause:

Management of the School District created this inter-fund loan in an effort to reduce the overall financing related costs incurred by the School District during a period of reduced operating cash flow.

Effect:

Noncompliance with provisions of Official Code of Georgia Annotated (O.C.G.A.) §48-8-121. A financial statement irregularity in accordance with the O.C.G.A. §20-2-67.

Recommendation:

Management of the School District should implement policies that require compliance with SPLOST laws. Any interest earned on the borrowed SPLOST proceeds should be transferred to the District-wide Capital Projects Fund.

EXPENDITURES/LIABILITIES/DISBURSEMENTS

Improper Use of Special Purpose Local Option Sales Tax (SPLOST) Proceeds

Significant Deficiency

Finding Control Number: FS-6041-11-06

Condition:

The School District expended Special Purpose Local Option Sales Tax (SPLOST) proceeds on items which were not specifically identified in the SPLOST project referendum and do not appear to meet the definition of "capital outlay projects for educational purposes" in State laws regarding imposition and use of sales taxes for educational purposes.

Criteria:

According to Paragraph IV, Section VI, Article VIII of the Constitution of the State of Georgia, "the purpose or purposes for which the proceeds of the tax are to be used and may be expended include: (1) Capital outlay projects for educational purposes; (2) the retirement of previously incurred general obligation debt with respect only to capital projects of the school system..." Official Code of Georgia Annotated §48-8-121 states, "The proceeds received from the tax authorized by this part shall be used ... exclusively for the purpose or purposes specified in the resolution or ordinance calling for imposition of the tax".

The Attorney General's Official Opinion 1997-7 for O.C.G.A. §20-2-260(b)(5), states, "capital outlay projects as used in the educational sales tax purposes amendment should be read as well to refer to major, permanent, or long-lived improvements or betterments, such as would be properly chargeable to a capital asset account and as distinguished from current expenditures and ordinary maintenance expenses".

Questioned Cost:

\$5,500.00

Information:

During the year under review, the School District expended \$5,500.00 to settle a lawsuit with a company whose tools were stolen while performing work for the School District.

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YEAR ENDED JUNE 30, 2011

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Cause:

The School District believed these expenditures were covered by the SPLOST referendum; however, there is no reference concerning the settlement of lawsuits.

Effect:

Expenditures of SPLOST funds for the settlement of lawsuits appear to be in conflict with State laws regarding imposition and use of SPLOST funds.

Recommendation:

The School District should research this issue, consult with legal counsel and verify if expenditures of this nature are an appropriate use of SPLOST funds in accordance with State law and the SPLOST referendum as approved by the voters of Baker County.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

ALLOWABLE COSTS/COST PRINCIPLES

PROCUREMENT AND SUSPENSION AND DEBARMENT

Inadequate Accounting Procedures over Expenditures

Material Weakness

Material Noncompliance

U. S. Department of Agriculture

Through Georgia Department of Education

Child Nutrition Cluster (CFDA 10.553 and 10.555)

Finding Control Number: FA-6041-11-01

Condition:

A review of expenditures charged to the Child Nutrition Cluster (CFDA 10.553 and 10.555) program revealed that the School District failed to implement internal control procedures to ensure that expenditures were properly documented, authorized, allowable, and charged according to bid documents.

Criteria:

Provisions of OMB Circular A-87 *Cost Principles for State, Local and Indian Tribal Governments*, require that "to be allowable under Federal awards, costs must be...authorized or not prohibited under state or local laws or regulations" and "be adequately documented" .

Questioned Cost:

\$11,765.60

Information:

A review of expenditure vouchers for the Child Nutrition Cluster (CFDA 10.553 and 10.555) revealed the following deficiencies:

BAKER COUNTY BOARD OF EDUCATION
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YEAR ENDED JUNE 30, 2011

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

- 1) Several vouchers could not be located.
- 2) Several vouchers had no evidence of approval.
- 3) Several vouchers had charges higher than the amounts quoted in the procurement agreements.

Cause:

Management failed to monitor compliance with Federal guidelines to ensure that expenditures charged to the Federal program were allowable, approved, properly documented, and charged the correct amount.

Effect:

Failure to ensure that expenditures are allowable, approved and properly documented can result in noncompliance with the requirements of the Federal grant.

Recommendation:

The School District should implement procedures to ensure that all expenditures are allowable under OMB Circular A-87, approved by appropriate management, and properly documented. The Georgia Department of Education should review this matter to determine if a reclaim of funds is appropriate.

EQUIPMENT AND REAL PROPERTY MANAGEMENT

Inadequate Internal Control Procedures

Significant Deficiency

U. S. Department of Agriculture

Through Georgia Department of Education

Child Nutrition Cluster (CFDA 10.553 and 10.555)

Finding Control Number: FA-6041-11-02

Condition:

The policies and procedures of the School District were insufficient to provide adequate internal controls over equipment and real property management as it relates to the Child Nutrition Cluster.

Criteria:

7 CFR §3016.32 states, "Property records must be maintained that include a description of the property, a serial number or other identification number, the source of the property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property."

Questioned Cost:

N/A

Information:

The School District failed to maintain an adequate equipment listing for the Child Nutrition Cluster including information about the equipment's acquisition date, percentage of Federal participation in regards to cost, who holds title, use and condition of the property, and ultimate disposition data.

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YEAR ENDED JUNE 30, 2011

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Cause:

Management failed to effectively implement Federal guidelines as they pertain to equipment and real property management.

Effect:

Failure to maintain a proper equipment listing could lead to noncompliance of the Federal grant.

Recommendation:

The School District should develop and maintain an equipment listing including information on each piece of equipment's cost, acquisition date, location date, serial number, percentage of Federal participation, who holds title, use and condition of the property, and ultimate disposal date. In addition, an inventory of equipment items on this listing should be conducted at least once every two fiscal years in order to ensure that information on the listing remains valid.

SECTION V

MANAGEMENT'S RESPONSES

BAKER COUNTY BOARD OF EDUCATION
SCHEDULE OF MANAGEMENT'S RESPONSES
YEAR ENDED JUNE 30, 2011

Finding Control Number: FS-6041-11-01

We concur with this finding. The School District in conjunction with the Lunchroom Manager will devise strategic procedures to ensure that School Food Service Fund will have adequate separation of duties. The Lunchroom Manager will designate an existing lunchroom staff member to assist in the receiving, inventorying and reviewing of inventory records to ensure separation of duties. The Lunchroom Manager will also issue Purchase Orders for prior approval by the Principal and also the Superintendent before inventory is ordered to ensure expenditures are appropriate, accurate and properly documented. These procedures will ensure that internal controls for both access to physical assets and the related accounting records are adequately separated. These procedures will be implemented in the 2012 fiscal year.

Finding Control Number: FS-6041-11-02

We concur with this finding. The School District in conjunction with school administration will devise strategic procedures to ensure that the school activity account will have adequate separation of duties. The Principal will designate a school level administrator to review and approve all bank reconciliations; review deposit preparations and ensure all documentation for written checks are present. The School District has also implemented the use of computerized accounting records for the School Activity Accounts to ensure receipts and checks contain adequate descriptions and account/object information so that the accounting records could be easily traced. These procedures will ensure that internal controls for both access to physical assets and the related accounting records are adequately separated. These procedures will be implemented in the 2012 fiscal year.

Finding Control Number: FS-6041-11-03

We concur with this finding. The School District will implement procedures to ensure that expenditure transactions, employee compensation, leave records, authorization for payroll deductions and journal entries are properly documented, calculated, maintained and approved before changes and/or disbursements are made. These procedures will be implemented in the 2012 fiscal year.

Finding Control Number: FS-6041-11-04

We concur with this finding. The School District will implement policies and procedures to ensure that expenditures do not exceed availability of resources. The School District monitors the DE Form 0396 monthly to ensure that the expenditures are not exceeding the amounts budgeted. The School District will also implement procedures to ensure that the adopted budget for each budgeted fund is balanced as required. This will be implemented in the 2012 fiscal year.

Finding Control Number: FS-6041-11-05

We concur with this finding. The School District will implement policies to ensure compliance with all SPLOST laws.

Finding Control Number: FS-6041-11-06

We concur with this finding. The School District will implement procedures that will ensure compliance with State law and the SPLOST referendum. Prior to SPLOST funds being expended the SPLOST referendum will be reviewed to ensure that all expenditures are appropriate and listed in the referendum as allowable expenditures.

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SCHEDULE OF MANAGEMENT'S RESPONSES
YEAR ENDED JUNE 30, 2011

Finding Control Number: FA-6041-11-01

We concur with this finding. The School District will implement procedures to ensure that all expenditures are allowable under OMB Circular A-87. The Lunchroom Manager will devise a procedure that ensures that all expenditures are reviewed and billed according to the approved bid documentation and also that all expenditures have adequate documentation and approval prior to disbursement. This will be implemented in the 2012 fiscal year.

Finding Control Number: FA-6041-11-02

We concur with this finding. The School District will implement procedures to ensure that an equipment listing is developed and maintained as outlined in the Federal guidelines. This equipment listing will be reviewed and revised as needed every two years to ensure accuracy. This will be implemented in the 2012 fiscal year.

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