



BAKER COUNTY BOARD OF EDUCATION NEWTON, GEORGIA

**ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2012**
(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

June 25, 2013

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, 2012, 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, 2012, 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.

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial

statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2013, 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 25, 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 to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

BAKER COUNTY BOARD OF EDUCATION

BAKER COUNTY BOARD OF EDUCATION
STATEMENT OF NET ASSETS
JUNE 30, 2012

EXHIBIT "A"

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 445,705.16
Accounts Receivable, Net	
Taxes	117,423.80
State Government	144,772.11
Federal Government	92,573.93
Other	46,209.42
Inventories	7,532.09
Capital Assets, Non-Depreciable	82,372.00
Capital Assets, Depreciable (Net of Accumulated Depreciation)	<u>7,392,073.78</u>
 Total Assets	 \$ <u><u>8,328,662.29</u></u>
 <u>LIABILITIES</u>	
Accounts Payable	\$ 22,928.87
Salaries and Benefits Payable	364,719.50
Payroll Withholdings Payable	7,686.01
Short-Term Debt	200,000.00
Long-Term Liabilities	
Due Within One Year	275,461.25
Due in More Than One Year	<u>302,540.11</u>
 Total Liabilities	 \$ <u><u>1,173,335.74</u></u>
 <u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	\$ 6,906,338.56
Restricted for	
Continuation of Federal Programs	7,532.09
Debt Service	63.45
Unrestricted	<u>241,392.45</u>
 Total Net Assets	 \$ <u><u>7,155,326.55</u></u>
 Total Liabilities and Net Assets	 \$ <u><u>8,328,662.29</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, 2012

	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>
<u>GOVERNMENTAL ACTIVITIES</u>		
Instruction	\$ 2,429,165.10	
Support Services		
Pupil Services	64,966.85	
Improvement of Instructional Services	50,432.88	
Educational Media Services	75,788.42	
General Administration	358,218.91	
School Administration	214,924.79	
Business Administration	135,209.26	
Maintenance and Operation of Plant	309,570.07	
Student Transportation Services	349,252.93	
Other Support Services	4,642.74	
Operations of Non-Instructional Services		
Enterprise Operations	28,193.71	\$ 14,389.18
Food Services	219,392.38	12,201.45
Interest on Short-Term and Long-Term Debt	<u>23,498.88</u>	
Total Governmental Activities	<u>\$ 4,263,256.92</u>	<u>\$ 26,590.63</u>
General Revenues		
Taxes		
Property Taxes		
For Maintenance and Operations		
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Debt Services		
Other Sales Tax		
Investment Earnings		
Miscellaneous		
Total General Revenues		
Change in Net Assets		
Net Assets - Beginning of Year		
Net Assets - End of Year		

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

EXHIBIT "B"

PROGRAM REVENUES		NET (EXPENSES)
OPERATING	CAPITAL	REVENUES
GRANTS AND	GRANTS AND	AND CHANGES IN
CONTRIBUTIONS	CONTRIBUTIONS	NET ASSETS
\$ 1,154,877.41		\$ -1,274,287.69
57,064.36		-7,902.49
51,055.56		622.68
41,142.66		-34,645.76
268,656.90		-89,562.01
133,085.82		-81,838.97
15,360.07		-119,849.19
98,416.06		-211,154.01
152,984.75 \$	228,803.50	32,535.32
3,822.97		-819.77
		-13,804.53
191,336.11		-15,854.82
		-23,498.88
<u>\$ 2,167,802.67</u>	<u>\$ 228,803.50</u>	<u>\$ -1,840,060.12</u>
		\$ 2,098,117.41
		239,225.71
		11,849.07
		316.11
		<u>60,422.56</u>
		\$ 2,409,930.86
		\$ 569,870.74
		<u>6,585,455.81</u>
		\$ <u>7,155,326.55</u>

BAKER COUNTY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

EXHIBIT "C"

	GENERAL FUND	DISTRICT- WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 673,220.22		\$ 63.45	\$ 673,283.67
Accounts Receivable, Net				
Taxes	96,277.99	\$ 21,145.81		117,423.80
State Government	144,772.11			144,772.11
Federal Government	92,573.93			92,573.93
Other	46,209.42			46,209.42
Inventories	7,532.09			7,532.09
Total Assets	\$ <u>1,060,585.76</u>	\$ <u>21,145.81</u>	\$ <u>63.45</u>	\$ <u>1,081,795.02</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Cash Overdraft		\$ 227,578.51		\$ 227,578.51
Accounts Payable	\$ 22,928.87			22,928.87
Salaries and Benefits Payable	364,719.50			364,719.50
Payroll Withholdings Payable	7,686.01			7,686.01
Short-Term Debt	200,000.00			200,000.00
Deposits and Deferred Revenue	26,205.37			26,205.37
Total Liabilities	\$ <u>621,539.75</u>	\$ <u>227,578.51</u>		\$ <u>849,118.26</u>
<u>FUND BALANCES</u>				
Nonspendable	\$ 7,532.09			\$ 7,532.09
Restricted			\$ 63.45	63.45
Assigned	3,633.42			3,633.42
Unassigned	427,880.50	\$ -206,432.70		221,447.80
Total Fund Balances	\$ <u>439,046.01</u>	\$ <u>-206,432.70</u>	\$ <u>63.45</u>	\$ <u>232,676.76</u>
Total Liabilities and Fund Balances	\$ <u>1,060,585.76</u>	\$ <u>21,145.81</u>	\$ <u>63.45</u>	\$ <u>1,081,795.02</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, 2012

EXHIBIT "D"

Total Fund Balances - Governmental Funds (Exhibit "C") \$ 232,676.76

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 as assets in governmental funds. These assets consist of:

Land	\$	82,372.00	
Buildings		8,927,385.65	
Equipment		1,103,373.49	
Accumulated Depreciation		<u>-2,638,685.36</u>	
Total Capital Assets			7,474,445.78

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

Property Taxes			26,205.37
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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	\$	-550,000.00	
Capital Leases Payable		-18,107.22	
Compensated Absences Payable		<u>-9,894.14</u>	
Total Long-Term Liabilities			<u>-578,001.36</u>

Net Assets of Governmental Activities (Exhibit "A") \$ 7,155,326.55

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, 2012

EXHIBIT "E"

	GENERAL FUND	DISTRICT- WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
<u>REVENUES</u>				
Property Taxes	\$ 2,091,582.29			\$ 2,091,582.29
Sales Taxes	11,849.07		\$ 239,225.71	251,074.78
State Funds	1,758,510.39			1,758,510.39
Federal Funds	638,095.78			638,095.78
Charges for Services	26,590.63			26,590.63
Investment Earnings	205.78	\$ 109.22	1.11	316.11
Miscellaneous	60,422.56			60,422.56
Total Revenues	\$ 4,587,256.50	\$ 109.22	\$ 239,226.82	\$ 4,826,592.54
<u>EXPENDITURES</u>				
Current				
Instruction	\$ 2,156,877.94	\$ 39,993.05		\$ 2,196,870.99
Support Services				
Pupil Services	64,966.85			64,966.85
Improvement of Instructional Services	50,432.88			50,432.88
Educational Media Services	75,788.42			75,788.42
General Administration	356,741.80	1,477.11		358,218.91
School Administration	214,924.79			214,924.79
Business Administration	134,164.27			134,164.27
Maintenance and Operation of Plant	316,709.98			316,709.98
Student Transportation Services	531,226.45	26,193.50		557,419.95
Other Support Services	4,642.74			4,642.74
Enterprise Operations	28,193.71			28,193.71
Food Services Operation	217,667.67			217,667.67
Capital Outlay		25,260.00		25,260.00
Debt Services				
Principal	14,773.42		\$ 240,000.00	254,773.42
Interest	1,192.94		22,305.94	23,498.88
Total Expenditures	\$ 4,168,303.86	\$ 92,923.66	\$ 262,305.94	\$ 4,523,533.46
Excess of Revenues over (under) Expenditures	\$ 418,952.64	\$ -92,814.44	\$ -23,079.12	\$ 303,059.08
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In			\$ 23,080.23	\$ 23,080.23
Transfers Out		\$ -23,080.23		-23,080.23
Total Other Financing Sources (Uses)		\$ -23,080.23	\$ 23,080.23	\$ 0.00
Net Change in Fund Balances	\$ 418,952.64	\$ -115,894.67	\$ 1.11	\$ 303,059.08
Fund Balances - Beginning	20,093.37	-90,538.03	62.34	-70,382.32
Fund Balances - Ending	\$ 439,046.01	\$ -206,432.70	\$ 63.45	\$ 232,676.76

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, 2012

EXHIBIT "F"

Total Net Change in Fund Balances - Governmental Funds (Exhibit "E")	\$	303,059.08
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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:

Capital Outlay	\$ 280,257.00	
Depreciation Expense	<u>-273,708.89</u>	
Excess of Capital Outlay over Depreciation Expense		6,548.11

Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		6,535.12
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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	\$ 240,000.00	
Capital Lease Payments	<u>14,773.42</u>	
Total Long-Term Debt Repayments		254,773.42

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

Increase in Compensated Absences		<u>-1,044.99</u>
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Change in Net Assets of Governmental Activities (Exhibit "B")	\$	<u><u>569,870.74</u></u>
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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, 2012

EXHIBIT "G"

	AGENCY FUNDS
	<hr/>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ <u>11,521.93</u>
<u>LIABILITIES</u>	
Funds Held for Others	\$ <u>11,521.93</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 County 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 fund, each displayed in a separate column.

The School District reports the following major governmental funds:

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

BAKER COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

EXHIBIT "H"

- 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.

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.

BAKER COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

EXHIBIT "H"

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 2011 tax digest year (calendar year) on August 31, 2011 (levy date). Taxes were due on December 20, 2011 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2011 tax digest are reported as revenue in the governmental funds for fiscal year 2012. 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, 2012, for maintenance and operations amounted to \$2,091,582.29.

The tax millage rate levied for the 2011 tax year (calendar year) for the Baker County Board of Education was as follows (a mill equals \$1 per thousand dollars of assessed value):

School Operations	<u>14.88</u> mills
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SALES TAXES

Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to \$239,225.71 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

BAKER COUNTY BOARD OF EDUCATION
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EXHIBIT "H"

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.

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.

	<u>Beginning of Year Liability</u>	<u>Increases</u>	<u>Decreases</u>	<u>End of Year Liability</u>
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
2012	\$ 8,849.15	\$ 5,437.94	\$ 4,392.95	\$ 9,894.14

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.

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.

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

Fund Balances of the Governmental Funds at June 30, 2012, are as follows:

Nonspendable		
Inventories	\$	7,532.09
Restricted		
Debt Service		63.45
Assigned		
School Activity Accounts		3,633.42
Unassigned		<u>221,447.80</u>
Fund Balance, June 30, 2012	\$	<u><u>232,676.76</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, 2012, are as follows:

<u>Fund Type/Fund Name</u>	<u>Deficit Balances</u>
Governmental Fund Type	
District-wide Capital Projects Fund	\$ 206,432.70
School Food Service Fund	\$ 2,177.45

The School District has a 5 year plan to reduce the deficit in the Capital Projects Fund. There will be \$40,000.00 in additional funds budgeted in the General Fund budget annually to reduce the outstanding deficit in the Capital Projects fund. The School District plans to eliminate the deficit in the School Food Service Fund through a reduction in spending.

USE OF ESTIMATES

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

Note 3: BUDGETARY DATA

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

BAKER COUNTY BOARD OF EDUCATION
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the various school activity (principal) accounts, is prepared and adopted by fund, function and object. The legal level of budgetary control was established by the Board at the aggregate fund level. The budget for the General Fund was prepared in accordance with accounting principles generally accepted in the United States of America.

The budgetary process begins with the School District's administration presenting an initial budget for the Board's review. The administration makes revisions as necessary based on the Board's guidelines and a tentative budget is approved. After approval of this tentative budget by the Board, such budget is advertised at least once in a newspaper of general circulation in the locality, as well as the School District's website. At the next regularly scheduled meeting of the Board after advertisement, the Board receives comments on the tentative budget, makes revisions as necessary and adopts a final budget. The approved budget is then submitted, in accordance with provisions of Official Code of Georgia Annotated section 20-2-167(c), to the Georgia Department of Education. The Board may increase or decrease the budget at any time during the year. All unexpended budget authority lapses at fiscal year-end.

The Superintendent is authorized by the Board to approve adjustments of no more than 25 percent of the amount budgeted for expenditures in any budget function for any fund. The Superintendent shall report any such adjustments to the Board. If expenditure of funds in any budget function for any fund is anticipated to be more than 25 percent of the budgeted amount, the Superintendent shall request Board approval for the budget amendment. Any position or expenditure not previously approved in the annual budget that exceeds \$50,000.00 shall require Board approval unless the Superintendent deems the position or purchase an emergency. In such case, the expenditure shall be reported to the Board at its regularly scheduled meeting. Under no circumstance is the Superintendent or other staff person authorized to spend funds that exceed the total budget without approval by the Board.

See Schedule 1 – General Fund Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual for a detail of any over/under expenditures during the fiscal year under review.

Note 4: DEPOSITS

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,

BAKER COUNTY BOARD OF EDUCATION
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- (4) Bonds, bills, notes, certificates of indebtedness or other obligations of the counties or municipalities of the State of Georgia,
- (5) Bonds of any public authority created by the laws of the State of Georgia, providing that the statute that created the authority authorized the use of the bonds for this purpose,
- (6) Industrial revenue bonds and bonds of development authorities created by the laws of the State of Georgia, and
- (7) Bonds, bills, notes, certificates of indebtedness, or other obligations of a subsidiary corporation of the United States government, which are fully guaranteed by the United States government both as to principal and interest or debt obligations issued by or securities guaranteed by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, the Central Bank for Cooperatives, the Farm Credit Banks, the Federal Home Loan Mortgage Association, and the Federal National Mortgage Association.

CATEGORIZATION OF DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At June 30, 2012, the bank balances were \$649,183.68. 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, 2012, are as follows:

Custodial Credit Risk Category	Bank Balance
1	\$ 0.00
2	0.00
3	396,440.96
Total	\$ 396,440.96

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**

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

Note 5: CAPITAL ASSETS

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

	Balances July 1, 2011	Increases	Decreases	Balances June 30, 2012
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	\$ 25,260.00		\$ 8,927,385.65
Equipment	1,271,531.00	254,997.00	\$ 423,154.51	1,103,373.49
Less: Accumulated Depreciation:				
Buildings and Improvements	1,690,058.63	214,949.79		1,905,008.42
Equipment	1,098,072.35	58,759.10	423,154.51	733,676.94
Total Capital Assets, Being Depreciated, Net	\$ 7,385,525.67	\$ 6,548.11	\$ 0.00	\$ 7,392,073.78
Governmental Activity Capital Assets - Net	\$ 7,467,897.67	\$ 6,548.11	\$ 0.00	\$ 7,474,445.78

Capital assets being acquired under capital leases as of June 30, 2012, are as follows:

	Governmental Funds
Buildings and Improvements	\$ 899,432.00
Equipment	70,996.00
Less: Accumulated Depreciation	260,952.35
	\$ 709,475.65

Current year depreciation expense by function is as follows:

Instruction	\$ 226,388.59
Support Services	
Student Transportation Services	45,639.44
Food Services	1,680.86
	\$ 273,708.89

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

Note 6: INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2012, consisted of the following:

<u>Transfer to</u>	<u>Transfers</u>	
	<u>From</u>	
	District-wide	
	Capital	
	Projects	
Debt Service Fund	\$	<u>23,080.23</u>

Transfers are used to move sales tax revenues collected by the District-wide Capital Projects Fund to Debt Service Fund to pay bond principal and interest payments.

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.

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

	<u>Beginning of Year</u>	<u>Claims and</u>	<u>Claims</u>	<u>End of Year</u>
	<u>Liability</u>	<u>Changes in</u>	<u>Paid</u>	<u>Liability</u>
		<u>Estimates</u>		
2011	\$ 0.00	\$ 67,708.09	\$ 67,708.09	\$ 0.00
2012	\$ 0.00	\$ 22,757.25	\$ 22,757.25	\$ 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 workers' compensation insurance coverage. Specific excess of loss insurance coverage is provided through an agreement by the Trust with the Safety National Casualty Company to provide coverage for potential losses sustained by the Trust in excess of \$1 million loss per occurrence, up to the statutory limit. Employers' Liability insurance coverage is also provided with limits of \$2 million. The Trust covers the first \$1 million of each Employers Liability claim with Safety National providing additional Employers Liability limits up to a \$2 million per occurrence maximum. Safety National Casualty Company also provides aggregate cover to the Trust 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 million.

BAKER COUNTY BOARD OF EDUCATION
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EXHIBIT "H"

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:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
Temporary Loans	\$ 500,150.00	\$ 500,000.00	\$ 800,150.00	\$ 200,000.00

Note 9: LONG-TERM DEBT

CAPITAL LEASES

The Baker County Board of Education entered into various lease agreements for 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.

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%	\$ 550,000.00

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

The changes in Long-Term Debt during the fiscal year ended June 30, 2012, were as follows:

	Governmental Funds				
	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012	Due Within One Year
G. O. Bonds	\$ 790,000.00		\$ 240,000.00	\$ 550,000.00	\$ 260,000.00
Capital Leases	32,880.64		14,773.42	18,107.22	15,461.25
Compensated Absences (1)	8,849.15	\$ 5,437.94	4,392.95	9,894.14	
	<u>\$ 831,729.79</u>	<u>\$ 5,437.94</u>	<u>\$ 259,166.37</u>	<u>\$ 578,001.36</u>	<u>\$ 275,461.25</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, 2012, payments due by fiscal year which includes principal and interest for these items are as follows:

	Capital Leases	
	Principal	Interest
<u>Fiscal Year Ended June 30:</u>		
2013	\$ 15,461.25	\$ 505.11
2014	2,645.97	15.09
Total Principal and Interest	<u>\$ 18,107.22</u>	<u>\$ 520.20</u>
	General Obligation Debt	
	Principal	Interest
<u>Fiscal Year Ended June 30:</u>		
2013	\$ 260,000.00	\$ 15,493.50
2014	290,000.00	8,169.30
Total Principal and Interest	<u>\$ 550,000.00</u>	<u>\$ 23,662.80</u>

Note 10: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of \$247,254.00 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 Certified Personnel
In the amount of \$242,166.00

Office of State Treasurer

Paid to the Public School Employees' Retirement System
For Public School Employees' Retirement (PSERS) Employer's Cost
In the amount of \$5,088.00

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

Participating employers are statutorily required to contribute in accordance with the employer contribution rates established by the Board. The contribution rates are established to fund all benefits due under the health insurance plans for both active and retired employees based on projected "pay-as-you-go" financing requirements. Contributions are not based on the actuarially calculated annual required contribution (ARC) which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

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

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, 2012:

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

June 2011	1.429% of covered payroll for July coverage
July 2011	18.534% of covered payroll for August coverage
August 2011 - March 2012	24.000% of covered payroll for September - April coverage
April 2012 - June 2012	3.958% of covered payroll for May - July coverage

For non-certificated school personnel:

July 2011 - August 2011	\$246.20 per member per month
September 2011 - June 2012	\$296.20 per member per month

No additional contribution was required by the Board for fiscal year 2012 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>
2012	100%	\$ 342,675.91
2011	100%	\$ 219,095.79
2010	100%	\$ 536,128.25

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.

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.

BAKER COUNTY BOARD OF EDUCATION
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EXHIBIT "H"

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

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

Funding Policy. TRS is funded by member and employer contributions as adopted and amended by the Board of Trustees. Members become fully vested after 10 years of service. If a member terminates with less than 10 years of service, no vesting of employer contributions occurs, but the member's contributions may be refunded with interest. Member contributions are limited by State law to not less than 5% or more than 6% of a member's earnable compensation. Member contributions as adopted by the Board of Trustees for the fiscal year ended June 30, 2012, 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 2012 were 10.28% of annual salary as required by the June 30, 2009, 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>
2012	100%	\$	207,375.35
2011	100%	\$	185,092.81
2010	100%	\$	250,177.33

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, 2012

SCHEDULE "1"

	NONAPPROPRIATED BUDGETS		ACTUAL	VARIANCE
	ORIGINAL (1)	FINAL (1)	AMOUNTS	OVER/UNDER
<u>REVENUES</u>				
Property Taxes	\$ 2,134,949.00	\$ 2,134,949.00	\$ 2,091,582.29	\$ -43,366.71
Sales Taxes			11,849.07	11,849.07
State Funds	1,312,194.00	1,325,945.00	1,758,510.39	432,565.39
Federal Funds	704,157.00	829,532.00	638,095.78	-191,436.22
Charges for Services	8,300.00	8,300.00	26,590.63	18,290.63
Investment Earnings	15.00	15.00	205.78	190.78
Miscellaneous	400.00	400.00	60,422.56	60,022.56
Total Revenues	\$ 4,160,015.00	\$ 4,299,141.00	\$ 4,587,256.50	\$ 288,115.50
<u>EXPENDITURES</u>				
Current				
Instruction	\$ 2,381,003.32	\$ 2,435,784.32	\$ 2,156,877.94	\$ 278,906.38
Support Services				
Pupil Services	40,307.09	112,599.54	64,966.85	47,632.69
Improvement of Instructional Services	83,371.00	117,467.00	50,432.88	67,034.12
Educational Media Services	81,548.57	81,548.57	75,788.42	5,760.15
General Administration	566,422.00	566,397.00	356,741.80	209,655.20
School Administration	201,030.47	207,429.93	214,924.79	-7,494.86
Business Administration	117,714.45	117,714.45	134,164.27	-16,449.82
Maintenance and Operation of Plant	295,415.51	295,415.51	316,709.98	-21,294.47
Student Transportation Services	278,999.27	278,999.27	531,226.45	-252,227.18
Other Support Services	6,376.00	6,796.00	4,642.74	2,153.26
Enterprise Operations			28,193.71	-28,193.71
Food Services Operation	233,800.00	233,800.00	217,667.67	16,132.33
Debt Service			15,966.36	-15,966.36
Total Expenditures	\$ 4,285,987.68	\$ 4,453,951.59	\$ 4,168,303.86	\$ 285,647.73
Excess of Revenues over (under) Expenditures	\$ -125,972.68	\$ -154,810.59	\$ 418,952.64	\$ 573,763.23
<u>OTHER FINANCING USES</u>				
Other Uses	-40,000.00	-40,000.00		40,000.00
Net Change in Fund Balances	\$ -165,972.68	\$ -194,810.59	\$ 418,952.64	\$ 613,763.23
Fund Balances - Beginning	104,155.53	104,155.53	20,093.37	-84,062.16
Adjustments	4,935.03	288.36		-288.36
Fund Balances - Ending	\$ -56,882.12	\$ -90,366.70	\$ 439,046.01	\$ 529,412.71

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 actual revenues and expenditures of the various principal accounts are \$31,226.50 and \$31,477.80, respectively.

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, 2012

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	\$ 212,001.96 (1)
Total U. S. Department of Agriculture			\$ 212,001.96
Education, U. S. Department of			
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Grants to States	84.027	N/A	\$ 95,440.23
Preschool Grants	84.173	N/A	5,489.97
Total Special Education Cluster			\$ 100,930.20
Title I, Part A Cluster			
Pass-Through From Georgia Department of Education			
Title I Grants to Local Educational Agencies	* 84.010	N/A	\$ 275,306.37
Other Programs			
Pass-Through From Georgia Department of Education			
Career and Technical Education - Basic Grants to States	84.048	N/A	\$ 19,579.00
Education Jobs Fund	84.410	N/A	914.00
Improving Teacher Quality State Grants	84.367	N/A	52,592.04
Migrant Education - State Grant Program	84.011	N/A	8,315.56
Total Other Programs			\$ 81,400.60
Total U. S. Department of Education			\$ 457,637.17
Health and Human Services, U. S. Department of			
Child Care and Development Fund Cluster			
Pass-Through From Bright From the Start			
Georgia Department of Early Care and Learning			
ARRA - Child Care and Development Block Grant	93.575	N/A	\$ 100.00
Total Expenditures of Federal Awards			\$ 669,739.13

N/A = Not Available

Notes to the Schedule of Expenditures of Federal Awards

- (1) Commodities valued in the amount of \$1,627.76 were received during the current fiscal year and were not recorded in the School District's financial statements.
- (2) Expenditures for the funds earned on the School Breakfast Program (\$55,956.54) were not maintained separately and are included in the 2012 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, 2012

SCHEDULE "3"

<u>AGENCY/FUNDING</u>	<u>GOVERNMENTAL</u>	
	<u>FUND TYPE</u>	
	<u>GENERAL</u>	
	<u>FUND</u>	
GRANTS		
Bright From the Start:		
Georgia Department of Early Care and Learning		
Pre-Kindergarten Program	\$	68,362.99
Education, Georgia Department of		
Quality Basic Education		
Direct Instructional Cost		
Kindergarten Program		76,040.00
Kindergarten Program - Early Intervention Program		22,267.00
Primary Grades (1-3) Program		110,761.00
Primary Grades - Early Intervention (1-3) Program		64,304.00
Upper Elementary Grades (4-5) Program		69,140.00
Upper Elementary Grades - Early Intervention (4-5) Program		38,653.00
Middle Grades (6-8) Program		104,334.00
High School General Education (9-12) Program		85,462.00
Vocational Laboratory (9-12) Program		57,064.00
Students with Disabilities		192,231.00
Remedial Education Program		8,968.00
Alternative Education Program		7,713.00
Media Center Program		22,659.00
20 Days Additional Instruction		6,789.00
Staff and Professional Development		5,592.00
Indirect Cost		
Central Administration		175,983.00
School Administration		69,672.00
Facility Maintenance and Operations		65,715.00
Mid-term Adjustment Hold-Harmless		27,515.00
Amended Formula Adjustment		-297,251.00
Categorical Grants		
Pupil Transportation		
Regular		134,240.00
Sparsity		95,920.00
Food Services		6,752.00
Nursing Services		24,466.00
State Health Reimbursement		242,166.00
Other State Programs		
Dual Enrollment Funding		908.00
Math and Science Supplements		-2,970.67
Preschool Handicapped Program		32,010.39
Pupil Transportation - State Bonds		228,803.50
Vocational Education		7,045.18
Office of the State Treasurer		
Public School Employees' Retirement		5,088.00
Other State Agency		2,108.00
	\$	<u><u>1,758,510.39</u></u>

See notes to the basic financial statements.

BAKER COUNTY BOARD OF EDUCATION
SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS
YEAR ENDED JUNE 30, 2012

SCHEDULE "4"

PROJECT	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3)	AMOUNT EXPENDED IN PRIOR YEARS (3)	TOTAL COMPLETION COST	EXCESS PROCEEDS NOT EXPENDED	ESTIMATED COMPLETION DATE
Adding to, renovating, improving and equipping existing facilities	\$ 1,176,000.00	\$ 2,646,538.67	\$ 31,720.00	\$ 2,614,818.67	\$ 2,646,538.67	\$ 0.00	Completed
Upgrading Instructional and Administrative Technology	42,000.00	1,444.00	1,444.00		1,444.00		Completed
Purchasing school buses and transportation equipment	70,000.00	26,193.50	26,193.50		26,193.50		Completed
Purchasing textbooks and vocational, fine arts, instructional and athletic equipment		184,713.49	33,533.05	127,703.98			June 30, 2013
Purchasing safety and security equipment							Completed
Acquiring any property necessary or desirable therefor, both real and personal							Completed
Bond interest payments and bank fees	112,000.00	144,787.77	22,339.05	98,794.80			April 1, 2014
	<u>\$ 1,400,000.00</u>	<u>\$ 3,003,677.43</u>	<u>\$ 115,229.60</u>	<u>\$ 2,841,317.45</u>	<u>\$ 2,674,176.17</u>	<u>\$ 0.00</u>	

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

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, 2012

SCHEDULE "5"

DESCRIPTION	ALLOTMENTS FROM GEORGIA DEPARTMENT OF EDUCATION (1) (2)	ELIGIBLE QBE PROGRAM COSTS		
		SALARIES	OPERATIONS	TOTAL
Direct Instructional Programs				
Kindergarten Program	\$ 107,429.00	\$ 65,972.06	\$ 5,222.29	\$ 71,194.35
Kindergarten Program-Early Intervention Program	34,597.00		1,998.12	1,998.12
Primary Grades (1-3) Program	175,871.00	255,112.90	5,579.15	260,692.05
Primary Grades-Early Intervention (1-3) Program	94,042.00		1,998.12	1,998.12
Upper Elementary Grades (4-5) Program	99,362.00	168,764.78	6,922.09	175,686.87
Upper Elementary Grades-Early Intervention (4-5) Program	67,718.00		1,998.12	1,998.12
Middle Grades (6-8) Program	161,997.00	172,907.92	7,682.89	180,590.81
High School General Education (9-12) Program	132,203.00	208,796.52	84,066.34	292,862.86
Vocational Laboratory (9-12) Program	81,999.00	80,757.85	5,270.62	86,028.47
Students with Disabilities	287,121.00			
Category III		288,872.75	13,652.50	302,525.25
Category IV		54,202.61		54,202.61
Remedial Education Program	10,912.00	66,127.18		66,127.18
Alternative Education Program	12,541.00			
TOTAL DIRECT INSTRUCTIONAL PROGRAMS	\$ 1,265,792.00	\$ 1,361,514.57	\$ 134,390.24	\$ 1,495,904.81
Media Center Program	34,114.00	72,829.84	2,789.95	75,619.79
Staff and Professional Development	8,090.00	1,096.89	5,671.75	6,768.64
TOTAL QBE FORMULA FUNDS	\$ 1,307,996.00	\$ 1,435,441.30	\$ 142,851.94	\$ 1,578,293.24

(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

June 25, 2013

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, 2012, which collectively comprise Baker County Board of Education's basic financial statements and have issued our report thereon dated June 25, 2013. 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 first paragraph of this section 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-6041-12-04 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-6041-12-01, FS-6041-12-02, and FS-6041-12-03 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management of Baker County Board of Education in a separate letter dated June 25, 2013.

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 the response.

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
2012YB-40



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

June 25, 2013

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, 2012. 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.

In our opinion, 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, 2012.

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.

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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying Schedule of Findings and Questioned Costs as item FA-6041-12-01. *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.

Baker County Board of Education's response to the finding 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 the response.

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

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, 2012

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FINDING CONTROL NUMBER AND STATUS

FS-6041-10-01	Further Action Not Warranted
FS-6041-10-02	Further Action Not Warranted
FS-6041-10-03	Further Action Not Warranted
FS-6041-10-04	Further Action Not Warranted
FS-6041-11-01	Unresolved - See Corrective Action/Responses
FS-6041-11-02	Unresolved - See Corrective Action/Responses
FS-6041-11-03	Partially Resolved - See Corrective Action/Responses
FS-6041-11-04	Unresolved - See Corrective Action/Responses
FS-6041-11-05	Previously Reported Corrective Action Implemented
FS-6041-11-06	Previously Reported Corrective Action Implemented

CORRECTIVE ACTION/RESPONSES

INVENTORIES
REVENUES/RECEIVABLES/RECEIPTS
EXPENDITURES/LIABILITIES/DISBURSEMENTS
Inadequate Separation of Duties
Finding Control Number: FS-6041-11-01

The School District in conjunction with the Lunchroom Manager devised strategic procedures to ensure adequate separation of duties. The Lunchroom Manager designated lunchroom staff members to assist in receiving, inventorying and reviewing of inventory records. All non-bid items purchased by School Nutrition are now being issued purchase orders with prior approval to ensure that expenditures are appropriate, accurate and properly documented. We are currently awaiting the conclusion of the fiscal year 2012 annual audit to determine whether the corrective action taken meet the Generally Accepted Accounting and Financial Reporting Procedures. This strategy will be continued in fiscal year 2013.

CASH AND CASH EQUIVALENTS
REVENUES/RECEIVABLES/RECEIPTS
EXPENDITURES/LIABILITIES/DISBURSEMENTS
Inadequate Accounting Procedures over School Activity Accounts
Finding Control Number: FS-6041-11-02

The School District in conjunction with the school administration devised strategic procedures to ensure that the school activity account has adequate separation of duties. The principal reviews and approves all bank reconciliations, reviews all deposit preparation, and ensures all supporting check documentation is present. The School District purchased computerized accounting software for use with the school activity accounts to ensure all receipts, checks and other pertinent accounting records could be easily traced. We are currently awaiting the conclusion of the fiscal year 2012 annual audit to determine whether the corrective action taken meet the Generally Accepted Accounting and Financial Reporting Procedures. This strategy will be continued in fiscal year 2013.

BAKER COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

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-6041-11-03

The School District has implemented procedures to ensure 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. Forms have been created and supporting documentation is attached to ensure that calculations are accurate and the required approval is gained prior to changes being made in the accounting system. We are currently awaiting the conclusion of the fiscal year 2012 annual audit to determine whether the corrective action taken meet the Generally Accepted Accounting and Financial Reporting Procedures. This strategy will be continued in fiscal year 2013.

BUDGET PREPARATION/EXECUTION
Deficit Fund Balance
Finding Control Number: FS-6041-11-04

The School District implemented procedures to ensure that expenditures do not exceed availability of resources. The School District currently monitors the DE0396 report on a monthly basis to ensure that the expenditures are not exceeding the amounts budgeted. The School District also has placed more safeguards in the budgeting process to ensure that the adopted budgeted fund is balanced as required. We are currently awaiting the conclusion of the fiscal year 2012 annual audit to determine whether the corrective action taken meet the Generally Accepted Accounting and Financial Reporting Procedures. This strategy will be continued in fiscal year 2013.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING CONTROL NUMBER AND STATUS

FA-6041-11-01	Unresolved - See Corrective Action/Responses
FA-6041-11-02	Previously Reported Corrective Action Implemented

BAKER COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

CORRECTIVE ACTION/RESPONSES

ALLOWABLE COSTS/COST PRINCIPLES
PROCUREMENT AND SUSPENSION AND DEBARMENT
Inadequate Accounting Procedures over Expenditures
U. S. Department of Agriculture
Through Georgia Department of Education
Questioned Cost: \$11,765.60
Finding Control Number: FA-6041-11-01

The School District in conjunction with the Lunchroom Manager has devised and implemented strategic procedures to ensure that all expenditures are allowable under OMB Circular A-87. All expenditures are reviewed and billed according to approved bid documentation and that all expenditures have adequate documentation and all expenditures contain approval prior to disbursement. We are currently awaiting the conclusion of the fiscal year 2012 annual audit to determine whether the corrective actions taken meet the Generally Accepted Accounting and Financial Reporting Procedures. This strategy will be continued in fiscal year 2013.

SECTION IV

FINDINGS AND QUESTIONED COSTS

BAKER COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

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: No

Federal Awards

Internal Control over major programs:

- Material weakness identified? No
- Significant deficiency identified? Yes

Type of auditor's report issued on compliance for major programs:
All major programs Unqualified

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	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-6041-12-01

Condition:

This is a repeat finding (FS-6041-11-01, FS-6041-10-01 and FS-6041-09-01) from the years ended June 30, 2011, June 30, 2010, and June 30, 2009, 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, 2012

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.
- None of the twenty-five voucher packages tested had evidence of approval.
- Six vouchers had no evidence of receipt of goods.

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 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 transactions are processed according to established procedures.

BAKER COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

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-6041-12-02

Condition:

This is a repeat finding (FS-6041-11-02, FS-6041-10-02, and FS-6041-09-02) from the years ended June 30, 2011, June 30, 2010, and June 30, 2009, 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.

Revenues/Receivables/Receipts

- Deposit preparation was not separated from the record keeping and cash custody functions.
- The following deficiencies were noted during a test of twenty receipt transactions:
 - 1) Two receipts did not have sufficient documentation for the auditor to determine if deposited timely or to determine if recorded to the correct revenue code.
 - 2) Two gate receipts were not properly reconciled.

Expenditures/Liabilities/Disbursements

- The check writing function was not separated from the record keeping or processing of signed checks.
- The following deficiencies were noted during a test of twenty disbursement transactions:
 - 1) One voucher was paid from a statement.
 - 2) One voucher did not have sufficient documentation for the auditor to determine whether expenditure was charged to the correct account code.
 - 3) One voucher lacked evidence of supervisory approval prior to payment.

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 internal controls were established, implemented and functioning at the school level.

BAKER COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Effect:

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

Recommendation:

The School District should implement procedures to ensure 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 transactions are processed according to established procedures.

CASH AND CASH EQUIVALENTS

REVENUES/RECEIVABLES/RECEIPTS

EXPENDITURES/LIABILITIES/DISBURSEMENTS

Inadequate Accounting Procedures

Significant Deficiency

Finding Control Number: FS-6041-12-03

Condition:

This is a repeat finding (FS-6041-11-03, FS-6041-10-03, and FS-6041-09-03) from the years ended June 30, 2011, June 30, 2010, and June 30, 2009, respectively. The accounting procedures of the School District were insufficient to provide adequate controls over Cash and Cash Equivalents, Revenues/Receivables/Receipts, Expenditures/Liabilities/Disbursements, and Employee Compensation.

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:

Cash and Cash Equivalents

- The bank reconciliation function was not separated from the record keeping and voucher payment functions.

Revenues/Receivables/Receipts

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

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. Of the seventy-one expenditures tested, sixty-nine of the voucher packages lacked evidence of prior approval and seven lacked evidence of receipt of goods.

Cause:

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

BAKER COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Effect:

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

Recommendation:

The School District should implement procedures to ensure that key accounting functions of custody and record keeping are separated and/or utilize management oversight of these incompatible activities. In addition, procedures should be implemented to ensure (1) expenditures are charged to the correct accounting period; and (2) expenditure transactions reflect proper approval, documentation, and receipt of goods or services prior to authorization for payment. Management should also revise and monitor controls to provide reasonable assurance transactions are processed according to established procedures.

BUDGET PREPARATION/EXECUTION

Deficit Fund Balance

Material Weakness

Finding Control Number: FS-6041-12-04

Condition:

This is a repeat finding (FS-6041-11-04, FS-6041-10-04 and FS-6041-09-06) from the years ended June 30, 2011, June 30, 2010 and June 30, 2009, respectively. At June 30, 2012, the Capital Projects Fund and the School Food Service 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 (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".

Questioned Cost:

N/A

Information:

The School District's Capital Projects Fund and School Food Service Fund, included in the General Fund on the School District's financial statements, reported deficit fund balances in the amounts of \$206,432.70 and \$2,177.45, respectively.

BAKER COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Cause:

The School District failed to monitor expenditures to ensure the School District did not exceed available resources. Additionally, the School District adopted an unbalanced budget for the General Fund.

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 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 the adopted budget for each budgeted fund is balanced as required.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

ALLOWABLE COSTS/COSTS PRINCIPLES

PROCUREMENT AND SUSPENSION AND DEBARMENT

Inadequate Accounting Procedures over Expenditures

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-6041-12-01

Condition:

A review of expenditures charged to the Child Nutrition Cluster (CFDA 10.553 and 10.555) program revealed the School District failed to implement internal control procedures to ensure 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:

N/A

Information:

A review of twenty-five expenditure vouchers for the Child Nutrition Cluster revealed the following deficiencies:

- 1) Twenty-five vouchers had no evidence of approval.
- 2) Six vouchers had no evidence of receipt of goods.
- 3) Two vouchers had charges higher than the amounts quoted in the procurement agreements.

BAKER COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Cause:

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

Effect:

Failure to ensure 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 all expenditures are allowable under OMB Circular A-87, approved by appropriate management, and properly documented.

SECTION V

MANAGEMENT'S RESPONSES

BAKER COUNTY BOARD OF EDUCATION
SCHEDULE OF MANAGEMENT'S RESPONSES
YEAR ENDED JUNE 30, 2012

Finding Control Number: FS-6041-12-01

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 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 2013 fiscal year.

Finding Control Number: FS-6041-12-02

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 2013 fiscal year.

Finding Control Number: FS-6041-12-03

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 2013 fiscal year.

Finding Control Number: FS-6041-12-04

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 for the General Fund monthly and implemented a 5 year debt reduction plan for the Capital Projects Fund to ensure that the expenditures are not exceeding the amounts budgeted. The expenditures for the School Nutrition Program will also be monitored to ensure expenditures do not exceed availability of resources. 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 2013 fiscal year.

BAKER COUNTY BOARD OF EDUCATION
SCHEDULE OF MANAGEMENT'S RESPONSES
YEAR ENDED JUNE 30, 2012

Finding Control Number: FA-6041-12-01

We concur with this finding. The School District will implement policies and procedures to ensure all expenditures are allowable under OMB Circular A-87, approved by appropriate management, and properly documented. The School Nutrition Manager will be responsible for attaining the proper approval prior and ensuring invoice, purchase orders and receiving documents are attached prior to funds are disbursed. The School Nutrition Manager will maintain the approved procurement agreement and all invoiced items will be compared to ensure charges are not higher than amounts quoted. This will be implemented in the 2013 fiscal year.

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