



BAKER COUNTY BOARD OF EDUCATION NEWTON, GEORGIA

**ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2013**

(Including Independent Auditor's Reports)



BAKER COUNTY BOARD OF EDUCATION

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BAKER COUNTY BOARD OF EDUCATION

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SECTION I
FINANCIAL



DEPARTMENT OF AUDITS AND ACCOUNTS

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

October 1, 2014

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

Ladies and Gentlemen:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information (Exhibits A through H) of the Baker County Board of Education, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express

no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to 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, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the financial statements, in 2013, the Baker County Board of Education adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information. Accounting principles generally accepted in the United States of America require that the Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual, as presented on page 25, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Baker County Board of Education's basic financial statements. The accompanying supplementary information, consisting of Schedules 2 through 5, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2014, 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* in considering Baker County Board of Education's internal control over financial reporting and compliance.

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

Respectfully submitted,



Greg S. Griffin
State Auditor

GSG:as
2013ARL-11

BAKER COUNTY BOARD OF EDUCATION

BAKER COUNTY BOARD OF EDUCATION
STATEMENT OF NET POSITION
JUNE 30, 2013

EXHIBIT "A"

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 985,770
Taxes	96,653
State Government	135,151
Federal Government	138,157
Other	16,859
Inventories	5,872
Capital Assets, Non-Depreciable	82,372
Capital Assets, Depreciable (Net of Accumulated Depreciation)	<u>7,108,561</u>
Total Assets	\$ <u>8,569,395</u>
<u>LIABILITIES</u>	
Accounts Payable	\$ 33,031
Salaries and Benefits Payable	383,472
Long-Term Liabilities	
Due Within One Year	292,646
Due in More Than One Year	<u>12,740</u>
Total Liabilities	\$ <u>721,889</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	\$ 6,898,287
Restricted for	
Continuation of Federal Programs	5,872
Debt Service	66
Unrestricted	<u>943,281</u>
Total Net Position	\$ <u><u>7,847,506</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, 2013

EXHIBIT "B"

		PROGRAM REVENUES		NET (EXPENSES)
			OPERATING	REVENUES
		CHARGES FOR	GRANTS AND	AND CHANGES IN
	EXPENSES	SERVICES	CONTRIBUTIONS	NET POSITION
<u>GOVERNMENTAL ACTIVITIES</u>				
Instruction	\$ 2,371,977		\$ 1,266,013	\$ -1,105,964
Support Services				
Pupil Services	67,188		75,965	8,777
Improvement of Instructional Services	39,728		41,185	1,457
Educational Media Services	76,976		44,594	-32,382
General Administration	289,886		315,659	25,773
School Administration	267,507		141,134	-126,373
Business Administration	128,892		8,479	-120,413
Maintenance and Operation of Plant	223,082		93,034	-130,048
Student Transportation Services	365,895	\$ 5,161	132,352	-228,382
Other Support Services	1,673		1,673	0
Operations of Non-Instructional Services				
Enterprise Operations	27,643	6,155		-21,488
Food Services	229,525	12,939	192,375	-24,211
Interest on Short-Term and Long-Term Debt	15,961			-15,961
Total Governmental Activities	\$ 4,105,933	\$ 24,255	\$ 2,312,463	\$ -1,769,215
General Revenues				
Taxes				
Property Taxes				
For Maintenance and Operations				\$ 2,141,988
Sales Taxes				
Special Purpose Local Option Sales Tax				
For Debt Services				236,623
Other Sales Tax				16,204
Investment Earnings				147
Miscellaneous				66,432
Total General Revenues				\$ 2,461,394
Change in Net Position				\$ 692,179
Net Position - Beginning of Year				7,155,327
Net Position - End of Year				\$ 7,847,506

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

BAKER COUNTY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

EXHIBIT "C"

	GENERAL FUND	DISTRICT- WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 1,263,838		\$ 66	\$ 1,263,904
Accounts Receivable, Net				
Taxes	79,358	\$ 17,295		96,653
State Government	135,151			135,151
Federal Government	138,157			138,157
Other	16,859			16,859
Inventories	5,872			5,872
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
 Total Assets	 \$ <u>1,639,235</u>	 \$ <u>17,295</u>	 \$ <u>66</u>	 \$ <u>1,656,596</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Cash Overdraft		\$ 278,134	\$ 0	\$ 278,134
Accounts Payable	\$ 33,031			33,031
Salaries and Benefits Payable	383,472			383,472
Deposits and Deferred Revenue	27,246			27,246
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	\$ <u>443,749</u>	\$ <u>278,134</u>	\$ <u>0</u>	\$ <u>721,883</u>
 <u>FUND BALANCES</u>				
Nonspendable	\$ 5,872			\$ 5,872
Restricted			\$ 66	66
Unassigned	1,189,614	\$ -260,839		928,775
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	\$ <u>1,195,486</u>	\$ <u>-260,839</u>	\$ <u>66</u>	\$ <u>934,713</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	\$ <u>1,639,235</u>	\$ <u>17,295</u>	\$ <u>66</u>	\$ <u>1,656,596</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 POSITION
JUNE 30, 2013

EXHIBIT "D"

Total Fund Balances - Governmental Funds (Exhibit "C")	\$	934,713
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Amounts reported for Governmental Activities in the Statement of Net Position are different because:

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

Land	\$	82,372	
Buildings and Improvements		8,927,386	
Equipment		978,611	
Accumulated Depreciation		<u>-2,797,436</u>	
Total Capital Assets			7,190,933

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

Property Taxes		27,246
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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	\$	-290,000	
Capital Leases Payable		-2,646	
Compensated Absences Payable		<u>-12,740</u>	
Total Long-Term Liabilities			<u>-305,386</u>

Net Position of Governmental Activities (Exhibit "A")	\$	<u>7,847,506</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 REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

EXHIBIT "E"

	GENERAL FUND	DISTRICT- WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
<u>REVENUES</u>				
Property Taxes	\$ 2,140,947			\$ 2,140,947
Sales Taxes	16,204		\$ 236,623	252,827
State Funds	1,592,905			1,592,905
Federal Funds	719,558			719,558
Charges for Services	24,255			24,255
Investment Earnings	73	\$ 72	3	148
Miscellaneous	76,674			76,674
Total Revenues	\$ 4,570,616	\$ 72	\$ 236,626	\$ 4,807,314
<u>EXPENDITURES</u>				
Current				
Instruction	\$ 2,124,144	\$ 21,128		\$ 2,145,272
Support Services				
Pupil Services	67,188			67,188
Improvement of Instructional Services	39,728			39,728
Educational Media Services	76,976			76,976
General Administration	289,869	17		289,886
School Administration	264,661			264,661
Business Administration	128,892			128,892
Maintenance and Operation of Plant	229,151			229,151
Student Transportation Services	314,940			314,940
Other Support Services	1,673			1,673
Enterprise Operations	27,643			27,643
Food Services Operation	227,845			227,845
Debt Services				
Principal	15,461		\$ 260,000	275,461
Interest	505		15,456	15,961
Total Expenditures	\$ 3,808,676	\$ 21,145	\$ 275,456	\$ 4,105,277
Excess of Revenues over (under) Expenditures	\$ 761,940	\$ -21,073	\$ -38,830	\$ 702,037
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In		\$ 5,500	\$ 38,833	\$ 44,333
Transfers Out	\$ -5,500	-38,833		-44,333
Total Other Financing Sources (Uses)	\$ -5,500	\$ -33,333	\$ 38,833	\$ 0
Net Change in Fund Balances	\$ 756,440	\$ -54,406	\$ 3	\$ 702,037
Fund Balances - Beginning	439,046	-206,433	63	232,676
Fund Balances - Ending	\$ 1,195,486	\$ -260,839	\$ 66	\$ 934,713

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, 2013

EXHIBIT "F"

Total Net Change in Fund Balances - Governmental Funds (Exhibit "E")	\$	702,037
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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	\$	7,140	
Depreciation Expense		-280,411	
Excess of Capital Outlay over Depreciation Expense			-273,271

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, and disposals) is to decrease net position.		-10,242
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Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		1,041
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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 Position. In the current year, these amounts consist of:

Bond Principal Retirements	\$	260,000	
Capital Lease Payments		15,461	
Total Long-Term Debt Repayments			275,461

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		-2,847
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Change in Net Position of Governmental Activities (Exhibit "B")	\$	692,179
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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 POSITION
FIDUCIARY FUNDS
JUNE 30, 2013

EXHIBIT "G"

	AGENCY FUNDS
	<hr/>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ <u>15,971</u>
<u>LIABILITIES</u>	
Funds Held for Others	\$ <u>15,971</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 Position and the Statement of Activities display information about the financial activities of the overall School District, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

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

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

Fund Financial Statements:

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

The School District reports the following major governmental funds:

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

BAKER COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

EXHIBIT "H"

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

The School District reports the following fiduciary fund type:

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

BASIS OF ACCOUNTING

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

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. The School District considers all intergovernmental revenues to be available if they are collected within 120 days after year-end. Property taxes, sales taxes, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt 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.

NEW ACCOUNTING PRONOUNCEMENTS

In fiscal year 2013, the School District adopted the Governmental Accounting Standards Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The provisions of this Statement establish accounting and financial reporting standards for governments who enter into Service Concession Arrangements (SCA) with other governmental or nongovernmental entities. As of June 30, 2013, the School District has not entered into any arrangements that meet the qualifications to be reported as a SCA in accordance with this standard.

In fiscal year 2013, the School District adopted the Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The provisions of this Statement incorporate certain accounting and financial reporting guidance into authoritative GASB literature.

In fiscal year 2013, the School District adopted the Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. The provisions of this Statement establish financial reporting standards for the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. The School District changed its presentation of net assets to net position for fiscal year 2013. There were no other applicable reporting changes for the School District.

CASH AND CASH EQUIVALENTS

Composition of Deposits

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

RECEIVABLES

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

PROPERTY TAXES

The Baker County Board of Commissioners fixed the property tax levy for the 2012 tax digest year (calendar year) on September 5, 2012 (levy date). Taxes were due on December 20, 2012 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2012 tax digest are reported as revenue in the governmental funds for fiscal year 2013. 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, 2013, for maintenance and operations amounted to \$2,115,800.

BAKER COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

EXHIBIT "H"

The tax millage rate levied for the 2012 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>14.875</u> mills
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Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to \$25,147 during fiscal year ended June 30, 2013.

SALES TAXES

Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to \$236,623 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

INVENTORIES

Food Inventories

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

CAPITAL ASSETS

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

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

Land		All	N/A
Buildings and Improvements	\$	5,000	15 to 80 years
Equipment	\$	5,000	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.

BAKER COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

EXHIBIT "H"

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.

	Beginning of Year Liability	Increases	Decreases	End of Year Liability
2011	\$ 20,356	\$ 3,028	\$ 14,536	\$ 8,848
2012	\$ 8,848	\$ 5,439	\$ 4,393	\$ 9,894
2013	\$ 9,894	\$ 16,430	\$ 13,584	\$ 12,740

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 Position.

NET POSITION

The School District's net position in the District-wide Statements is classified as follows:

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

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

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

BAKER COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

EXHIBIT "H"

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.

Fund Balances of the Governmental Funds at June 30, 2013, are as follows:

Nonspendable		
Inventories	\$	5,872
Restricted		
Debt Service		66
Unassigned		<u>928,775</u>
 Fund Balance, June 30, 2013	 \$	 <u><u>934,713</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.

BAKER COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

EXHIBIT "H"

DEFICIT FUND BALANCES

The fund reporting a deficit fund balance at June 30, 2013, is as follows:

<u>Fund Type/Fund Name</u>	<u>Deficit Balance</u>
Governmental Fund Type	
District-wide Capital Projects Fund	\$ 260,839

The School District has a 5 year plan to reduce the deficit in the Capital Projects Fund. There will be \$40,000 in additional funds budgeted in the General Fund budget annually to reduce the outstanding deficit in the Capital Projects Fund.

USE OF ESTIMATES

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

Note 3: BUDGETARY DATA

The budget is a complete financial plan for the School District's fiscal year, and is based upon careful estimates of expenditures together with probable funding sources. The budget is legally adopted each year for the general, debt service, and capital projects funds. There is no statutory prohibition regarding over expenditure of the budget at any level. The budget for all governmental funds, except the various school activity (principal) accounts, is prepared and adopted by fund, function and object. The legal level of budgetary control was established by the Board at the aggregate 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 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.

BAKER COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

EXHIBIT "H"

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,
- (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, 2013, the bank balances were \$1,224,399. The amounts exposed to custodial credit risk are classified into three categories as follows:

BAKER COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

EXHIBIT "H"

- 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, 2013, are as follows:

<u>Custodial Credit Risk Category</u>	<u>Bank Balance</u>
1	\$ 0
2	0
3	<u>971,646</u>
Total	<u>\$ 971,646</u>

Note 4: NON-MONETARY TRANSACTIONS

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

Note 5: CAPITAL ASSETS

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

	<u>Balances July 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances June 30, 2013</u>
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 82,372	\$ 0	\$ 0	\$ 82,372
Capital Assets, Being Depreciated:				
Buildings and Improvements	\$ 8,927,386			\$ 8,927,386
Equipment	1,103,373	\$ 7,140	\$ 131,902	978,611
Less: Accumulated Depreciation:				
Buildings and Improvements	1,905,008	215,266		2,120,274
Equipment	<u>733,677</u>	<u>65,145</u>	<u>121,660</u>	<u>677,162</u>
Total Capital Assets, Being Depreciated, Net	\$ 7,392,074	\$ -273,271	\$ 10,242	\$ 7,108,561
Governmental Activity Capital Assets - Net	<u>\$ 7,474,446</u>	<u>\$ -273,271</u>	<u>\$ 10,242</u>	<u>\$ 7,190,933</u>

BAKER COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

EXHIBIT "H"

Capital assets being acquired under capital leases as of June 30, 2013, are as follows:

	Governmental Activities
Buildings and Improvements	\$ 899,432
Equipment	70,996
Less: Accumulated Depreciation	<u>290,537</u>
	<u>\$ 679,891</u>

Current year depreciation expense by function is as follows:

Instruction	\$ 226,704
Support Services	
Maintenance and Operation of Plant	\$ 1,071
Student Transportation Services	<u>50,955</u>
Food Services	<u>1,681</u>
	<u>\$ 280,411</u>

Note 6: INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2013, consisted of the following:

<u>Transfer to</u>	Transfers From	
	General Fund	District-wide Capital Projects
Debt Service Fund		\$ 38,833
District-wide Capital Projects	\$ <u>5,500</u>	
Total	<u>\$ 5,500</u>	<u>\$ 38,833</u>

Transfers between the District-wide Capital Projects Fund and the Debt Service Fund 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.

The transfer between the General Fund and the District-wide Capital Project Fund was to repay the District-wide Capital Projects Fund for unqualified Special Purpose Local Option Sales Tax expenditures spent in the year ending June 30, 2011.

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.

BAKER COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

EXHIBIT "H"

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:

	Beginning of Year Liability	Claims and Changes in Estimates	Claims Paid	End of Year Liability
2012	\$ 0	\$ 22,757	\$ 22,757	\$ 0
2013	\$ 0	\$ 0	\$ 0	\$ 0

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.

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

<u>Position Covered</u>	<u>Amount</u>
Superintendent	\$ 25,000
Principal	\$ 10,000

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.

BAKER COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

EXHIBIT "H"

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

	Beginning Balance	Issued	Redeemed	Ending Balance
Temporary Loans	\$ 200,000	\$ 400,000	\$ 600,000	\$ 0

Note 9: LONG-TERM DEBT

CAPITAL LEASES

The Baker County Board of Education entered into a lease agreement for buses. This lease agreement qualifies as a capital lease for accounting purposes, and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of its 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:

Purpose	Interest Rate	Amount
General Government - Series 2008	2.817%	\$ 290,000

The changes in Long-Term Debt during the fiscal year ended June 30, 2013, were as follows:

	Governmental Activities				
	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013	Due Within One Year
G. O. Bonds	\$ 550,000		\$ 260,000	\$ 290,000	\$ 290,000
Capital Leases	18,107		15,461	2,646	2,646
Compensated Absences (1)	9,894	\$ 16,430	13,584	12,740	
	<u>\$ 578,001</u>	<u>\$ 16,430</u>	<u>\$ 289,045</u>	<u>\$ 305,386</u>	<u>\$ 292,646</u>

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

BAKER COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

EXHIBIT "H"

At June 30, 2013, 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>			
2014	\$	2,646	\$ 15
		General Obligation Debt	
		Principal	Interest
<u>Fiscal Year Ended June 30:</u>			
2014	\$	290,000	\$ 8,169

Note 10: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of \$156,500 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 \$147,180

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 \$9,320

Funds paid to the Georgia Department of Community Health by the Georgia Department of Education on behalf of the School District are reported as part of the Quality Basic Education revenue allotments on Schedule 3 – Schedule of State Revenue.

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

BAKER COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

EXHIBIT "H"

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, 2013, contributions also vary based on years of service. On average, members with five years or more of service as of January 1, 2013, pay approximately 25 percent of the cost of the health insurance coverage. In accordance with the Board resolution dated December 8, 2011, for members with fewer than five years of service as of January 1, 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.

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, 2013:

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

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

July 2012 - February 2013	\$912.34 per member per month
March 2013 - June 2013	\$937.34 per member per month

For non-certificated school personnel:

July 2012 - June 2013	\$446.20 per member per month
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BAKER COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

EXHIBIT "H"

No additional contribution was required by the Board for fiscal year 2013 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>
2013	100%	\$ 360,199
2012	100%	\$ 342,676
2011	100%	\$ 219,096

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.

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.

BAKER COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

EXHIBIT "H"

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, 2013, were 6% of annual salary. Employer contributions required for fiscal year 2013 were 11.41% of annual salary as required by the June 30, 2010, actuarial valuation. The employer contribution rate will increase to 12.28% effective July 1, 2013.

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>
2013	100%	\$ 206,183
2012	100%	\$ 207,375
2011	100%	\$ 185,093

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, 2013

SCHEDULE "1"

	NONAPPROPRIATED BUDGETS		ACTUAL	VARIANCE
	ORIGINAL (1)	FINAL (1)	AMOUNTS	OVER/UNDER
<u>REVENUES</u>				
Property Taxes	\$ 2,223,646	\$ 2,223,646	\$ 2,140,947	\$ -82,699
Sales Taxes			16,204	16,204
State Funds	1,461,909	1,433,512	1,592,905	159,393
Federal Funds	701,082	834,632	719,558	-115,074
Charges for Services	11,600	11,600	24,255	12,655
Investment Earnings	15	15	73	58
Miscellaneous	300	300	76,674	76,374
Total Revenues	\$ 4,398,552	\$ 4,503,705	\$ 4,570,616	\$ 66,911
<u>EXPENDITURES</u>				
Current				
Instruction	\$ 2,263,008	\$ 2,384,109	\$ 2,124,144	\$ 259,965
Support Services				
Pupil Services	82,743	67,247	67,188	59
Improvement of Instructional Services	64,225	61,160	39,728	21,432
Educational Media Services	79,912	79,912	76,976	2,936
General Administration	542,859	555,321	289,869	265,452
School Administration	229,377	229,973	264,661	-34,688
Business Administration	141,427	141,427	128,892	12,535
Maintenance and Operation of Plant	300,057	300,057	229,151	70,906
Student Transportation Services	299,862	295,223	314,940	-19,717
Other Support Services	5,767	2,713	1,673	1,040
Enterprise Operations			27,643	-27,643
Food Services Operation	242,857	242,857	227,845	15,012
Debt Service			15,966	-15,966
Total Expenditures	\$ 4,252,094	\$ 4,359,999	\$ 3,808,676	\$ 551,323
Excess of Revenues over (under) Expenditures	\$ 146,458	\$ 143,706	\$ 761,940	\$ 618,234
<u>OTHER FINANCING USES</u>				
Other Uses	-20,000	-20,000	-5,500	14,500
Net Change in Fund Balances	\$ 126,458	\$ 123,706	\$ 756,440	\$ 632,734
Fund Balances - Beginning	445,686	445,685	439,046	-6,639
Adjustments	3,365	-7,160		7,160
Fund Balances - Ending	\$ 575,509	\$ 562,231	\$ 1,195,486	\$ 633,255

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

- (1) Original and Final Budget amounts do not include the budgeted revenues or expenditures of the various principal accounts. The actual revenues and expenditures of the various principal accounts are \$29,513 and \$29,940, 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, 2013

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	\$ 202,342 (1)
Total U. S. Department of Agriculture			\$ 202,342
Education, U. S. Department of			
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Grants to States	84.027	N/A	\$ 102,890
Preschool Grants	84.173	N/A	7,264
Total Special Education Cluster			\$ 110,154
Title I, Part A Cluster			
Pass-Through From Georgia Department of Education			
Title I Grants to Local Educational Agencies	* 84.010	N/A	\$ 341,969
Other Programs			
Pass-Through From Georgia Department of Education			
Career and Technical Education - Basic Grants to States	84.048	N/A	\$ 15,688
Education Jobs Fund	84.410	N/A	148
Improving Teacher Quality State Grants	84.367	N/A	51,920
Migrant Education - State Grant Program	84.011	N/A	13,984
Total Other Programs			\$ 81,740
Total U. S. Department of Education			\$ 533,863
Total Expenditures of Federal Awards			\$ 736,205

N/A = Not Available

Notes to the Schedule of Expenditures of Federal Awards

- (1) Includes the Federally assigned value of donated commodities for the Food Donation Program in the amount of \$19.
- (2) Expenditures for the funds earned on the School Breakfast Program (\$53,896) were not maintained separately and are included in the 2013 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, 2013

SCHEDULE "3"

<u>AGENCY/FUNDING</u>	GOVERNMENTAL	
	FUND TYPE	
	GENERAL	FUND
GRANTS		
Bright From the Start:		
Georgia Department of Early Care and Learning		
Pre-Kindergarten Program	\$	76,646
Classroom Technology Enhancement		500
 Education, Georgia Department of		
Quality Basic Education (1)		
Direct Instructional Cost		
Kindergarten Program		90,531
Kindergarten Program - Early Intervention Program		13,091
Primary Grades (1-3) Program		185,692
Primary Grades - Early Intervention (1-3) Program		25,188
Upper Elementary Grades (4-5) Program		105,125
Upper Elementary Grades - Early Intervention (4-5) Program		33,849
Middle Grades (6-8) Program		128,267
High School General Education (9-12) Program		99,144
Vocational Laboratory (9-12) Program		46,910
Students with Disabilities		260,394
Remedial Education Program		50,733
Alternative Education Program		11,208
Media Center Program		28,879
20 Days Additional Instruction		8,646
Staff and Professional Development		5,567
Indirect Cost		
Central Administration		221,120
School Administration		87,502
Facility Maintenance and Operations		66,426
Mid-term Adjustment Hold-Harmless		51,223
Amended Formula Adjustment		-284,313
Categorical Grants		
Pupil Transportation		
Regular		108,306
Nursing Services		45,000
Sparsity		95,920
Other State Programs		
Food Services		6,680
Preschool Handicapped Program		8,323
Vocational Education		7,028
 Office of the State Treasurer		
Public School Employees' Retirement		9,320
		<hr/>
	\$	<u>1,592,905</u>

- (1) Payments to the Georgia Department of Community Health by the Georgia Department of Education on behalf of the School District in the amount of \$147,180 are included as part of the Quality Basic Education revenue allotments above.

See notes to the basic financial statements.

BAKER COUNTY BOARD OF EDUCATION
SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS
YEAR ENDED JUNE 30, 2013

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	\$ 2,646,539		\$ 2,646,539	\$ 2,646,539	\$ 0	Completed
Upgrading Instructional and Administrative Technology	42,000	1,444		1,444	1,444		Completed
Purchasing school buses and transportation equipment	70,000	26,193		26,193	26,193		Completed
Purchasing textbooks and vocational, fine arts, instructional and athletic equipment		184,713	\$ 21,128	161,237			June 30, 2014
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	144,788	15,456	121,134			April 1, 2014
Total	\$ 1,400,000	\$ 3,003,677	\$ 36,584	\$ 2,956,547	\$ 2,674,176	\$ 0	

(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.

BAKER COUNTY BOARD OF EDUCATION
GENERAL FUND - QUALITY BASIC EDUCATION PROGRAMS (QBE)
ALLOTMENTS AND EXPENDITURES - BY PROGRAM
YEAR ENDED JUNE 30, 2013

SCHEDULE "5"

DESCRIPTION	ALLOTMENTS FROM GEORGIA DEPARTMENT OF EDUCATION (1) (2) (3)			ELIGIBLE QBE PROGRAM COSTS		
				SALARIES	OPERATIONS	TOTAL
Direct Instructional Programs						
Kindergarten Program	\$	124,589	\$	48,381	\$ 3,360	\$ 51,741
Kindergarten Program-Early Intervention Program		20,984		22,132	1,129	23,261
Primary Grades (1-3) Program		248,636		235,755	2,834	238,589
Primary Grades-Early Intervention (1-3) Program		44,626			2,399	2,399
Upper Elementary Grades (4-5) Program		140,724		155,890	2,834	158,724
Upper Elementary Grades-Early Intervention (4-5) Program		50,876			2,399	2,399
Middle Grades (6-8) Program		177,992		144,375	6,002	150,377
High School General Education (9-12) Program		138,553		277,122	5,800	282,922
Vocational Laboratory (9-12) Program		68,184		84,445	8,031	92,476
Students with Disabilities		354,769				
Category III				279,913	9,578	289,491
Category IV				57,974		57,974
Remedial Education Program		62,157		55,802	230	56,032
Alternative Education Program		15,304				
TOTAL DIRECT INSTRUCTIONAL PROGRAMS	\$	1,447,394	\$	1,361,789	\$ 44,596	\$ 1,406,385
Media Center Program		39,526		74,424	2,260	76,684
Staff and Professional Development		7,642		6,582		6,582
TOTAL QBE FORMULA FUNDS	\$	1,494,562	\$	1,442,795	\$ 46,856	\$ 1,489,651

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

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

(3) Allotments do not include the State Health payments made by GDOE to the Department of Community Health for the certified employees.

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

October 1, 2014

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, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Baker County Board of Education as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Baker County Board of Education's basic financial statements and have issued our report thereon dated October 1, 2014.

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control that we consider to be a material weakness and others identified as 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 the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item FS-6041-13-04 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 the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items FS-6041-13-01, FS-6041-13-02, and FS-6041-13-03 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Baker County Board of Education's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management of Baker County Board of Education in a separate letter dated October 1, 2014.

Baker County Board of Education's Response to Findings

Baker County Board of Education's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Baker County Board of Education's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Respectfully submitted,



Greg S. Griffin
State Auditor

GSG:as
2013YB-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

October 1, 2014

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 FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Ladies and Gentlemen:

Report on Compliance for Each Major Federal Program

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, 2013. 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.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Baker County Board of Education's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the 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 on compliance for each major Federal program. However, our audit does not provide a legal determination of Baker County Board of Education's compliance.

Opinion on Each Major Federal Program

In our opinion, the Baker County Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2013.

Report on Internal Control over Compliance

Management of Baker County Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Baker County Board of Education's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item FA-6041-13-01 that we consider to be a significant deficiency.

Baker County Board of Education's response to the internal control over the compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Baker County Board of Education's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

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, 2013

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FINDING CONTROL NUMBER AND STATUS

FS-6041-11-01	Further Action Not Warranted	(1)
FS-6041-11-02	Further Action Not Warranted	(1)
FS-6041-11-03	Further Action Not Warranted	(1)
FS-6041-11-04	Further Action Not Warranted	(1)
FS-6041-12-01	Partially Resolved - See Corrective Action/Responses	
FS-6041-12-02	Unresolved - See Corrective Action/Responses	
FS-6041-12-03	Unresolved - See Corrective Action/Responses	
FS-6041-12-04	Unresolved - See Corrective Action/Responses	

(1) Findings have been repeated in fiscal year 2012 and fiscal year 2013.

CORRECTIVE ACTION/RESPONSES

INVENTORIES
REVENUES/RECEIVABLES/RECEIPTS
EXPENDITURES/LIABILITIES/DISBURSEMENTS
Inadequate Separation of Duties
Finding Control Number: FS-6041-12-01

The School Administration and Board of Education are working to improve separation of duties by hiring additional personnel to the extent that it is financially feasible. The School Nutrition Supervisor is a relatively new employee and has implemented and will be implementing more controls on separation of duties. In an effort to separate some of the duties, the Board office as of February 2014 is balancing the bank reconciliations for the school nutrition/lunchroom. The Superintendent and Board of Education are reviewing the School's financial controls in an effort to determine where improvements can be made.

CASH AND CASH EQUIVALENTS
REVENUES/RECEIVABLES/RECEIPTS
EXPENDITURES/LIABILITIES/DISBURSEMENTS
Inadequate Accounting Procedures over School Activity Accounts
Finding Control Number: FS-6041-12-02

We have changed staffing and provided additional training and guidance to the new personnel. The School Board is also working on implementing a system to monitor this area on a more timely basis and to take corrective action during the year as is deemed necessary. This process is already underway and better overall financial procedures for this area should be in place during the fiscal year ended June 30, 2015.

BAKER COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

CORRECTIVE ACTION/RESPONSES

EXPENDITURES/LIABILITIES/DISBURSEMENTS

Inadequate Accounting Procedures

Finding Control Number: FS-6041-12-03

During the 2014 fiscal year, the School District replaced many financial staff and began a process to review, improve and/or replace all existing financial policies and procedures. Significant improvements have already been implemented subsequent to the 2013 fiscal year and improvements will continue to be implemented during the 2015 fiscal year. We anticipate this process to be completed during the 2015 fiscal year and this finding to be completely resolved at that time.

BUDGET PREPARATION/EXECUTION

Deficit Fund Balance

Finding Control Number: FS-6041-12-04

This is a timing difference that should be resolved over a period of time. It is anticipated that these deficits will be alleviated by additional revenues and/or transfers from the General Fund. The Board is unsure when this process can be completed.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING CONTROL NUMBER AND STATUS

FA-6041-11-01	Further Action Not Warranted	(1)
FA-6041-12-01	Unresolved - See Corrective Action/Responses	

(1) Similar findings have been repeated in fiscal year 2012 and fiscal year 2013.

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

Finding Control Number: FA-6041-12-01

The School District is currently working to implement written internal control procedures to ensure expenditures are properly documented, authorized, allowable, and charged according to bid documents. These internal control procedures will ensure that all expenditures are allowable under OMB Circular A-87, approved by appropriate management and have proper documentation.

SECTION IV

FINDINGS AND QUESTIONED COSTS

BAKER COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

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	Unmodified
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	Unmodified
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
Auditee qualified as low-risk auditee?	No

BAKER COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Finding Control Number: FS-6041-13-01
Inadequate Separation of Duties - School Food Services
Control Category: INVENTORIES
REVENUES/RECEIVABLES/RECEIPTS
EXPENDITURES/LIABILITIES/DISBURSEMENTS
Internal Control Impact: Significant Deficiency

Description:

This is a repeat finding (FS-6041-12-01, FS-6041-11-01 and FS-6041-10-01) from the years ended June 30, 2012, June 30, 2011, and June 30, 2010, respectively. The accounting procedures of the School District were insufficient to provide for adequate separation of duties over the School Food Services.

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.

Condition:

Our audit revealed the following deficiencies related to internal controls over the School Food Services:

Inventories

- Custodianship of inventory was not separated from 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; and
- There was no independent review to determine that the expenditures were appropriate, accurate and properly documented prior to payment.

Cause:

In discussing this condition with management, it was determined that these deficiencies were the result of management's decision to limit the number of administrative staff made responsible for accounting functions applicable to the School Food Services.

Effect or Potential Effect:

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

Recommendation:

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

BAKER COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Views of Responsible Officials and Corrective Action Plans:

We concur with this finding. In an effort to separate some of the duties, the new Food Service Manager has put new controls in by appointing different staff members to: 1. Check in deliveries and keep a log. 2. Count and verify all cash received, he then re-verifies and makes deposits. 3. Due to short staff, he has to check his vouchers and enter his invoices. The Board office writes all checks including those of the Food Services. Personnel of the Board office are now balancing and reconciling the Food Service bank statements, as well as the DE106 report.

Contact Person: Dianne Sheffield, Finance Manager
Telephone: (229) 734-5274 ext. 3401
Fax: (229) 734-6123
Email: dsheffield@baker.k12.ga.us

Finding Control Number: FS-6041-13-02
Inadequate Internal Control Procedures over School Activity Accounts
Control Category: CASH AND CASH EQUIVALENTS
REVENUES/RECEIVABLES/RECEIPTS
EXPENDITURES/LIABILITIES/DISBURSEMENTS
Internal Control Impact: Significant Deficiency

Description:

This is a repeat finding (FS-6041-12-02, FS-6041-11-02 and FS-6041-10-02) from the years ended June 30, 2012, June 30, 2011 and June 30, 2010, respectively. The accounting procedures of the School District were insufficient to provide for adequate internal controls over the school activity accounts.

Criteria:

The School District's management is responsible for designing and maintaining internal controls that provide proper separation of duties and 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.

Condition:

Our audit revealed the following deficiencies related to School Activity Accounts:

Cash and Cash Equivalents

- The bank reconciliation function was not separate from the record keeping and voucher payment functions; and
- The school activity bank account was not properly reconciled to the general ledger.

Revenues/Receipts/Receivables

- 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:
 - One receipt lacked any type of supporting documentation;
 - Two receipt's documentation did not agree to amount recorded in the accounting system; and
 - Three cash receipt count sheets did not contain the signature of two employees as required by board policy.

BAKER COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

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 our test of forty disbursement transactions:
 - One voucher lacked any type of supporting documentation;
 - Four vouchers did not have sufficient documentation to determine whether expenditure was charged to the correct account code;
 - Three vouchers lacked evidence of supervisory approval prior to payment; and
 - Six disbursements were made directly to the Principal with no other approval or indication of review.

Cause:

In discussing this condition with management, it was determined that the school did not have adequate personnel in order to be able to separate the duties adequately nor was the staff properly trained.

Effect or Potential Effect:

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

Recommendation:

The School District should implement necessary procedures to ensure that the key accounting functions of custody and record keeping are separated. In addition, the School District should implement procedures to ensure that disbursements and receipts of funds within the school activity accounts are adequately documented and recorded in the financial records. The School District should also enhance training of personnel and establish a monitoring process to provide reasonable assurance that transactions are processed according to established procedures.

Views of Responsible Officials and Corrective Action Plans:

We concur with this finding. Due to the short staff, day to day transactions are being recorded by the Front Desk Secretary. The Board of Education administrative office personnel are now reconciling the school activity bank account to the general ledger and a new Front Desk Secretary was hired and provided special training as to how to keep better records and make sure all transactions have all the necessary signatures and supporting documents. This corrective action was implemented over a period of time but was completed by fiscal year ended 2014.

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BAKER COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Finding Control Number: FS-6041-13-03
Inadequate Internal Control Procedures
Control Category: CASH AND CASH EQUIVALENTS
REVENUES/RECEIVABLES/RECEIPTS
EXPENDITURES/LIABILITIES/DISBURSEMENTS
EMPLOYEE COMPENSATION
Internal Control Impact: Significant Deficiency

Description:

This is a repeat finding (FS-6041-12-03, FS-6041-11-03, and FS-6041-10-03) from the years ended June 30, 2012, June 30, 2011, and June 30, 2010, 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. Such internal controls would limit any one individual's access to both physical assets and the related accounting records.

Condition:

Cash and Cash Equivalents

- The bank reconciliation function was not separate from the record keeping and voucher payment functions; and
- Bank reconciliations were not always approved by supervisory personnel.

Revenues/Receivables/Receipt

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

Expenditures/Liabilities/Disbursements

- The following deficiencies were noted during our test of sixty-six disbursement transactions:
 - Two vouchers lacked any type of supporting documentation;
 - Seven vouchers did not contain evidence of approval prior to the commitment of funds;
 - Three checks did not contain dual signatures as required by Board policy; and
 - Three disbursements were determined to be expensed outside of the current fiscal year.

Employee Compensation

- The salary of a financial consultant paid through the payroll system was not adequately documented to support the amount paid.

Cause:

In discussing this condition with management, it was determined that these deficiencies were a result of management's decision to limit the number of administrative staff made responsible for accounting functions.

Effect or Potential Effect:

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

BAKER COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

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 that (1) expenditures are charged to the correct accounting period; (2) expenditure transactions reflect proper approval, and documentation, prior to authorization for payment; and (3) employee compensation expenditures are properly documented and approved before disbursement of funds. Management should also revise and monitor controls to provide reasonable assurance that transactions are processed according to established procedures.

Views of Responsible Officials and Corrective Action Plans:

We concur with this finding. Due to various events, the entire staff (Finance manager, Finance assistant, Federal Funds personnel, Accountant and Superintendent) of the Baker County Board of Education finance office was replaced. This all took place in many instances rather suddenly with little or no notice. The new staff is aware of the importance of being very pro-active in keeping better supporting documents, evidence of approvals and making sure checks contain dual signatures which has been repeatedly stressed. The learning curve was challenging but, the new staff has attended as much training as possible and obtained expert input from other professionals as needed. They have shown diligence, dedication and excellent leadership in the positions they have assumed. Overall record keeping has significantly improved and is in accordance with school policies. In addition, the new Board of Education discovered the previous financial consultant was being paid as an employee through payroll, as well as submitting bills under his company name. After discovery of this fact, all business relations were terminated. Implemented September 2013.

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Finding Control Number: FS-6041-13-04
Deficit Fund Balance
Control Category: BUDGET PREPARATION/EXECUTION
Internal Control Impact: Material Weakness

Description:

This is a repeat finding (FS-0641-12-04, FS-6041-11-04 and FS-6041-10-04) from the years ended June 30, 2012, June 30, 2011 and June 30, 2010, respectively. At June 30, 2012, the Capital Projects Fund of the Baker County Board of Education reported a deficit fund balance.

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."

BAKER COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Condition:

The School District's Capital Projects Fund reported a deficit fund balance in the amount of \$260,839.

Cause:

The School District did not monitor expenditures to ensure that the School District did not exceed available resources.

Effect or Potential Effect:

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

Recommendation:

The School District should establish policies and procedures designed to ensure that expenditures do not exceed availability of resources, so that in future periods the School District does not report deficit fund balances.

Views of Responsible Officials and Corrective Action Plans:

We concur with this finding. The new School Board and new staff were rather surprised because the Capital Projects Fund has a positive reconciled cash balance. The deficit balance was apparently the result of Capital Projects Fund expenditures being paid with General Fund resources and being recorded in the Capital Projects Fund by use of pooled cash. This negative Capital Projects Fund portion of the pooled cash balance netted with the positive Capital Projects Fund reconciled cash balance created an overall net negative cash balance as is reflected in the audited statements. All financial resources of this fund have now been used and no additional sales taxes will be received. This deficit balance can only be eliminated by an adjusting entry to record a transfer from the General Fund to the Capital Projects Fund.

The new staff will strive to ensure that all financial budgets, policies, procedures, revenues, expenditures and fund balances are closely monitored. If the Capital Projects Fund is without adequate financial resources to fund a project, a budget resolution will be required before using general fund resources. If the general fund is to be repaid for such an expenditure, due to/from line items will be utilized to clearly reflect these as temporary loans between funds. Proper note disclosures will also be presented in the annual statements to explain the purpose and balance of such loans as required by the Governmental Accounting Standards Board (GASB). Any use of general fund proceeds to fund a project beyond the amount the Capital Projects Fund can reasonably be expected to repay will be considered a transfer with proper disclosure in the annual financial report as required by GASB.

These changes are expected to be implemented 2014.

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BAKER COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding Control Number: FA-6041-13-01
Inadequate Internal Control Procedures
Compliance Requirements: ALLOWABLE COSTS/COST PRINCIPLES
PROCUREMENT AND SUSPENSION AND DEBARMENT
Internal Control Impact: Significant Deficiency
Compliance Impact: Nonmaterial Noncompliance
Federal Awarding Agency: U. S. Department of Agriculture
Pass-Through Entity: Georgia Department of Education
CFDA Number and Title: CFDA 10.553 and 10.555 Child Nutrition Cluster

Description:

This is a repeat finding (FA-0641-12-01) from the year ended June 30, 2012. A review of expenditures charged to the Child Nutrition Cluster (CFDA 10.553 and 10.555) program revealed that the School District did not implement internal control procedures to ensure that expenditures were properly documented, authorized, allowable, and charged according to bid documents.

Criteria:

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

Condition:

A review of eighteen expenditure vouchers for the Child Nutrition Cluster revealed the following deficiencies:

- One voucher had no evidence of approval;
 - Two vouchers lacked any type of supporting documentation;
 - Eight vouchers had no evidence of receipt of goods; and
 - One voucher had charges higher than the amounts quoted in the procurement agreements.
- In addition, food items were noted on invoices that were not included in the bid package.

Questioned Cost:

\$993.66

Cause:

In discussing this condition with management, it was determined that management did not monitor compliance with Federal guidelines to ensure that expenditures charged to the Federal program were approved, properly documented, and charged for the correct amount.

Effect or Potential Effect:

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

Recommendation:

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

BAKER COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Views of Responsible Officials and Corrective Action Plans:

We concur with this finding. Compliance with all federal and state requirements has been stressed as a priority for the new Food Service Manager. He is taking special care to make sure all supporting documentation, approvals, and receipts are being maintained in compliance with federal and state guidelines. Implemented 2014.

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