



# **BANKS COUNTY BOARD OF EDUCATION HOMER, GEORGIA**

**ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2012**  
(Including Independent Auditor's Reports)



BANKS COUNTY BOARD OF EDUCATION

- TABLE OF CONTENTS -

Page

SECTION I

FINANCIAL

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

REQUIRED SUPPLEMENTARY INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS	i
--------------------------------------	---

EXHIBITS

BASIC FINANCIAL STATEMENTS

	DISTRICT-WIDE FINANCIAL STATEMENTS	
A	STATEMENT OF NET ASSETS	1
B	STATEMENT OF ACTIVITIES	2
	FUND FINANCIAL STATEMENTS	
C	BALANCE SHEET	
	GOVERNMENTAL FUNDS	4
D	RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS	5
E	STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	
	GOVERNMENTAL FUNDS	6
F	RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES	7
G	STATEMENT OF FIDUCIARY NET ASSETS	
	FIDUCIARY FUNDS	8
H	NOTES TO THE BASIC FINANCIAL STATEMENTS	9

SCHEDULES

REQUIRED SUPPLEMENTARY INFORMATION

1	SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL GENERAL FUND	25
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BANKS COUNTY BOARD OF EDUCATION

- TABLE OF CONTENTS -

	<u>Page</u>
SECTION I	
FINANCIAL	
SCHEDULES	
SUPPLEMENTARY INFORMATION	
2 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	26
3 SCHEDULE OF STATE REVENUE	28
4 SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS	29
5 ALLOTMENTS AND EXPENDITURES	
GENERAL FUND - QUALITY BASIC EDUCATION PROGRAMS (QBE)	
BY PROGRAM	31
SECTION II	
COMPLIANCE AND INTERNAL CONTROL REPORTS	
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	
SECTION III	
AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS	
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS	
SECTION IV	
FINDINGS AND QUESTIONED COSTS	
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	



BANKS COUNTY BOARD OF EDUCATION

- TABLE OF CONTENTS -

SECTION V

MANAGEMENT'S RESPONSES

SCHEDULE OF MANAGEMENT'S RESPONSES



SECTION I  
FINANCIAL







## DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

May 14, 2013

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

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

Ladies and Gentlemen:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information (Exhibits A through H) of the Banks County Board of Education, as of and for the year ended June 30, 2012, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Banks County Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Banks County Board of Education, as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2013, on our consideration of the Banks County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations,



contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and the Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual, as presented on pages i through viii and page 25 respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

Respectfully submitted,



Greg S. Griffin  
State Auditor



**BANKS COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

## **INTRODUCTION**

Our discussion and analysis of the Banks County School District's financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

## **FINANCIAL HIGHLIGHTS**

Key financial highlights for 2012 are as follows:

- On the District-wide financial statements, the assets of the School District exceeded liabilities by \$47.5 million compared to \$47.4 million for the previous year. Of this amount, \$0.9 million is unrestricted and is available for spending at the School District's discretion.
- The School District had \$27.5 million in expenses relating to governmental activities compared to \$25.8 million for the previous year which is an increase of \$1.7 million. Only \$493,568.04 of these expenses is offset by program specific charges for services, and \$16.5 million were offset by grants and contributions. General revenues (primarily property and sales taxes) of \$10.7 million were adequate to provide for these programs.
- As stated above, general revenues accounted for \$10.7 million or 39.0% of all revenues totaling \$27.7 million compared to \$11.1 million or 38.3% of all revenues totaling \$29.0 million in the prior year.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

This report consists of several parts including management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two levels of statements that present different views of the School District. These include the *District-wide* and *fund financial statements*.

The District-wide financial statements include the *Statement of Net Assets* and *Statement of Activities*. These statements provide information about the activities of the School District presenting both *short-term* and *long-term* information about the School District's overall financial status.

The fund financial statements focus on individual parts of the School District, reporting the School District's operation in more detail. The *Governmental Funds* statements disclose how basic services are financed in the short-term as well as what remains for future spending. The *Fiduciary Funds* statement provides information about the financial relationships in which the School District acts solely as a trustee or agent for the benefit of others. The fund financial statements reflect the School District's most significant funds. In the case of the Banks County School District, the General Fund, Capital Projects Fund and Debt Service Funds are the most significant funds.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements. Additionally, other supplementary information (not required) is also presented that further supplements understanding of the financial statements.

**BANKS COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**District-wide Statements**

The District-wide financial statements are basically a consolidation of all of the School District's operating funds into one column called *governmental activities*. In reviewing the District-wide financial statements, a reader might ask the question, are we in a better financial position than last year? The Statement of Net Assets and the Statement of Activities provides the basis for answering this question. These financial statements include all district's *assets* and *liabilities* and uses the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's *net assets* and any changes in those assets. The change in net assets is important because it notes that for the School District as a whole, the *financial position* of the School District has improved or diminished. The causes of this change may be the results of many factors, including those not under the School District's control, such as the property tax base, facility conditions, required educational programs and other factors.

The Statement of Net Assets and the Statement of Activities reflects the School District's governmental activities.

**Fund Financial Statements**

The School District uses many funds to account for a multitude of financial transactions during the fiscal year. However, the fund financial statements presented in this report provide detail information about only the School District's significant or major funds.

*Governmental Funds* Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the *modified accrual method of accounting* which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds are reconciled within the financial statements.

*Fiduciary Funds* The School District is the trustee, or *fiduciary*, for assets that belong to others, such as school clubs and organizations within the principals' accounts. The School District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

**BANKS COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for this fiscal year and the prior year.

**Table 1  
Net Assets**

	Governmental Activities	
	Fiscal Year 2012	Fiscal Year 2011
<b>Assets</b>		
Current and Other Assets	\$ 16,249,141.83	\$ 19,219,505.85
Capital Assets, Net	<u>47,781,534.38</u>	<u>47,402,767.67</u>
<b>Total Assets</b>	<u>\$ 64,030,676.21</u>	<u>\$ 66,622,273.52</u>
<b>Liabilities</b>		
Accounts Payables and Other Current Payables	\$ 1,084,371.00	\$ 915,976.28
Salaries Payable	2,763,490.24	2,580,674.23
Long-Term Liabilities	<u>12,664,515.46</u>	<u>15,686,700.10</u>
<b>Total Liabilities</b>	<u>\$ 16,512,376.70</u>	<u>\$ 19,183,350.61</u>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	\$ 43,627,118.37	\$ 41,425,918.57
Restricted	2,955,848.28	3,054,328.52
Unrestricted	<u>935,332.86</u>	<u>2,958,675.82</u>
<b>Total Net Assets</b>	<u>\$ 47,518,299.51</u>	<u>\$ 47,438,922.91</u>

Table 2 shows the Changes in Net Assets for this fiscal year and the prior year.



**BANKS COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**Table 2  
Change in Net Assets**

	Governmental Activities	
	Fiscal Year 2012	Fiscal Year 2011
<b>Revenues</b>		
Program Revenues:		
Charges for Services and Sales	\$ 493,568.04	\$ 445,160.32
Operating Grants, Capital Grants and Contributions	16,462,476.20	17,526,746.08
Total Program Revenues	<u>\$ 16,956,044.24</u>	<u>\$ 17,971,906.40</u>
General Revenues:		
Taxes		
Property Taxes		
For Maintenance and Operations	\$ 6,733,359.02	\$ 7,428,956.64
Railroad Cars	5,153.73	4,570.21
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Debt Services	3,046,735.84	2,844,047.09
Real Estate and Intangible Tax	78,820.94	77,954.91
Grants and Contributions not		
Restricted to Specific Programs	539,083.00	250,145.00
Investment Earnings	18,801.06	43,838.11
Miscellaneous	332,133.25	409,061.82
Total General Revenues	<u>\$ 10,754,086.84</u>	<u>\$ 11,058,573.78</u>
Total Revenues	<u>\$ 27,710,131.08</u>	<u>\$ 29,030,480.18</u>
<b>Program Expenses:</b>		
Instruction	\$ 17,976,365.17	\$ 17,034,939.35
Support Services		
Pupil Services	561,748.09	669,773.28
Improvement of Instructional Services	985,709.57	449,826.86
Educational Media Services	310,132.87	317,950.63
General Administration	413,526.67	668,364.92
School Administration	1,394,188.56	1,361,317.64
Business Administration	191,317.32	139,090.83
Maintenance and Operation of Plant	1,687,713.46	1,571,039.99
Student Transportation Services	1,631,190.70	1,547,349.96
Central Support Services	30,649.50	30,502.50
Other Support Services	46,481.07	183,658.51
Operations of Non-Instructional Services		
Enterprise Operations	172,976.19	114,090.68
Community Services		13.84
Food Services	1,654,663.56	1,484,942.68
Interest on Short-Term and Long-Term Debt	442,482.36	263,098.00
Total Expenses	<u>\$ 27,499,145.09</u>	<u>\$ 25,835,959.67</u>
Increase in Net Assets	<u>\$ 210,985.99</u>	<u>\$ 3,194,520.51</u>

**BANKS COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**Governmental Activities**

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting these services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. It identifies the cost of these services supported by tax revenue and unrestricted state entitlements.

**Table 3  
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	Fiscal Year 2012	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2011
Instruction	\$ 17,976,365.17	\$ 17,034,939.35	\$ 6,746,879.87	\$ 4,466,905.83
Support Services:				
Pupil Services	561,748.09	669,773.28	341,272.50	352,232.98
Improvement of Instructional Services	985,709.57	449,826.86	217,042.93	221,822.38
Educational Media Services	310,132.87	317,950.63	19,272.56	18,125.82
General Administration	413,526.67	668,364.92	-63,979.87	-64,090.02
School Administration	1,394,188.56	1,361,317.64	754,262.83	777,170.84
Business Administration	191,317.32	139,090.83	174,162.12	119,907.99
Maintenance and Operation of Plant	1,687,713.46	1,571,039.99	895,293.08	853,941.73
Student Transportation Services	1,631,190.70	1,547,349.96	831,728.40	603,056.57
Central Support Services	30,649.50	30,502.50	30,646.16	30,498.83
Other Support Services	46,481.07	183,658.51	22,976.86	156,934.86
Operations of Non-Instructional Services:				
Enterprise Operations	172,976.19	114,090.68	12,244.40	2,523.42
Community Services		13.84		13.84
Food Services	1,654,663.56	1,484,942.68	118,816.65	61,910.20
Interest on Short-Term and Long-Term Debt	442,482.36	263,098.00	442,482.36	263,098.00
Total Expenses	\$ 27,499,145.09	\$ 25,835,959.67	\$ 10,543,100.85	\$ 7,864,053.27

**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS**

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The governmental funds had total revenues and other financing sources of \$27.9 million and total expenditures of \$30.8 million compared to \$38.7 million in revenue and \$28.1 million of expenses for the prior year. Of the \$30.8 million of expenditures, \$3.4 million pertained to principal and interest on debt services.

**General Fund Budgeting Highlights**

The School District's budget is prepared according to Georgia Law. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2012, the School District amended its general fund budget as needed. The School District uses site-based budgeting as a part of the budget process. The budgeting systems are designed to control total site budgets but provide flexibility for site management.

**BANKS COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

For the General Fund, the actual revenues of \$24.9 million were over the final budgeted amounts of \$24.7 million by \$0.2 million. This difference (actual vs. final budget) was due to an increase in the miscellaneous income of \$185,133.25, decrease in Federal funds of \$207,735.33, increase in property taxes of \$16,992.36, an increase in charges for services of \$141,528.04 and an increase in state funds of \$78,241.53. The miscellaneous revenue over final budget was due to the inclusion of the principals' accounts in our financial statements, but not in the budget.

The actual expenditures of \$25.4 million were under the final budgeted amount of \$25.7 million by \$237,877.09. The expenses from the school activity accounts are included in the actual expenses, but were not included in the budget amounts. General Fund revenues were less than expenditures by \$559,506.12.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At fiscal year ended June 30, 2012, the School District had \$47,781,534.38 invested in capital assets, all in governmental activities compared to \$47,402,767.67 for the prior year. Table 4 reflects a summary of these balances net of accumulated depreciation for the current year and the prior year.

**Table 4  
Capital Assets  
(Net of Depreciation)**

	Governmental Activities	
	Fiscal Year 2012	Fiscal Year 2011
Land	\$ 534,510.00	\$ 534,510.00
Land Improvements	3,681,282.57	3,878,194.28
Building and Improvements	40,179,911.05	40,678,523.72
Equipment	2,508,084.67	2,266,218.51
Construction In Progress	877,746.09	45,321.16
Total	<u>\$ 47,781,534.38</u>	<u>\$ 47,402,767.67</u>

Due to the implementation of H.B. 1187, the School District has completed numerous construction projects including new buildings, additions and renovations.

### **DEBT**

At fiscal year ended June 30, 2012, the School District had \$12,664,515.46 in long-term liabilities compared to \$15,686,700.10 in long-term liabilities at the end of June 30, 2011. This decrease of \$3,022,184.64 is due to bond payments of \$3,022,184.64. The \$12,664,515.46 in long-term debt at the end of 2012 was made up of \$3,152,184.64 due within one year.

**BANKS COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**Table 5  
Debt at June 30**

	Governmental Activities	
	Fiscal Year 2012	Fiscal Year 2011
Bonds Payable Series 2005	\$ 2,580,000.00	\$ 5,070,000.00
Bonds Payable Series 2007	465,000.00	890,000.00
Bonds Payable Series 2011 (including premium)	<u>9,619,515.46</u>	<u>9,726,700.10</u>
Total	<u>\$ 12,664,515.46</u>	<u>\$ 15,686,700.10</u>

**CURRENT ISSUES**

The following are the currently known facts, decisions or conditions that are expected to have a significant effect on financial positions or results of operations:

- Economic Slowdown – State funding for education has been declining and as a result more pressure is being placed on the local School Districts to prioritize its educational programs and provide additional local funding. Despite challenges, the Banks County School District is strong financially, and we remain optimistic about the ability of the School District to maximize all of the financial resources to provide a quality education to our students.
- Capital Improvements – The School District plans capital improvements as future capital needs arise due to increased student population and facility repair and maintenance needs. Specific capital expenditure plans are formalized in conjunction with individual general obligation bond issues and anticipated annual receipts of capital outlay funds from the State of Georgia Department of Education. In 2007 the School District completed construction of a new elementary school, a new transportation facility, and an addition to the high school cafeteria. The School District has also constructed nine new classrooms, an administrative suite, expanded the kitchen at the primary school and expanded the athletic complex at the high school. The School District is currently in the process of adding 20 classrooms to the high school. The School District regularly monitors anticipated capital outlay needs.
- On March 15, 2010, the voters of Banks County authorized the continuance of a one percent sales tax to raise no more than \$19,000,000 or to be collected for 20 consecutive quarters, whichever comes first. In conjunction with the continuing of this one percent sales tax, the voters authorized the School District to issue general obligation bonds in the amount of \$15,000,000. The School District issued \$9,030,000 of the approved \$15,000,000 general obligation bonds. The proceeds from these bonds will be used for (i) adding to, renovating, improving and equipping existing school buildings and facilities, including but not limited to Banks County High School, transportation facilities, physical education/athletic fields and facilities, classrooms, agricultural and other facilities, (ii) acquiring, constructing, equipping and furnishing new school buildings and facilities, including but not limited to a new elementary school, an administrative facility and other new school buildings and facilities, (iii) acquiring technology equipment, and security equipment and other school equipment, (iv) acquiring school buses and other school vehicles, (v) acquiring textbooks and band instruments and (vi) acquiring any capital property necessary or desirable for the foregoing purposes both real and personal, necessary or desirable for the foregoing purposes.

**BANKS COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact, Mr. Michael E. Beasley, Finance Director for the Banks County School System, 102 Highway 51 South, Homer, Georgia 30547. You may also email your questions to Mr. Beasley at [mbeasley@banks.k12.ga.us](mailto:mbeasley@banks.k12.ga.us).

BANKS COUNTY BOARD OF EDUCATION



BANKS COUNTY BOARD OF EDUCATION  
STATEMENT OF NET ASSETS  
YEAR ENDED JUNE 30, 2012

EXHIBIT "A"

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 12,316,210.13
Accounts Receivable, Net	
Interest	821.57
Taxes	1,479,660.90
State Government	1,734,795.42
Federal Government	597,877.39
Other	5,834.39
Inventories	19,298.95
Capitalized Bond and Other Debt Issuance Costs	94,643.08
Capital Assets, Non-Depreciable	1,412,256.09
Capital Assets, Depreciable (Net of Accumulated Depreciation)	<u>46,369,278.29</u>
 Total Assets	 \$ <u><u>64,030,676.21</u></u>
<u>LIABILITIES</u>	
Accounts Payable	\$ 511,989.25
Salaries and Benefits Payable	2,763,490.24
Payroll Withholdings Payable	461,831.75
Interest Payable	110,550.00
Long-Term Liabilities	
Due Within One Year	3,152,184.64
Due in More Than One Year	<u>9,512,330.82</u>
 Total Liabilities	 \$ <u><u>16,512,376.70</u></u>
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	\$ 43,627,118.37
Restricted for	
Continuation of Federal Programs	308,169.57
Debt Service	2,487,875.75
Capital Projects	6,811.66
Bus Replacement	152,991.30
Unrestricted	<u>935,332.86</u>
 Total Net Assets	 \$ <u><u>47,518,299.51</u></u>
 Total Liabilities and Net Assets	 \$ <u><u>64,030,676.21</u></u>

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



BANKS COUNTY BOARD OF EDUCATION  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2012

	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>
<u>GOVERNMENTAL ACTIVITIES</u>		
Instruction	\$ 17,976,365.17	
Support Services		
Pupil Services	561,748.09	
Improvement of Instructional Services	985,709.57	
Educational Media Services	310,132.87	
General Administration	413,526.67	
School Administration	1,394,188.56	
Business Administration	191,317.32	
Maintenance and Operation of Plant	1,687,713.46	
Student Transportation Services	1,631,190.70	
Central Support Services	30,649.50	
Other Support Services	46,481.07	
Operations of Non-Instructional Services		
Enterprise Operations	172,976.19	\$ 160,731.79
Food Services	1,654,663.56	332,836.25
Interest on Short-Term and Long-Term Debt	442,482.36	
	<u>\$ 27,499,145.09</u>	<u>\$ 493,568.04</u>
Total Governmental Activities		
General Revenues		
Taxes		
Property Taxes		
For Maintenance and Operations		
Railroad Cars		
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Debt Services		
Other Sales Tax		
Grants and Contributions not Restricted to Specific Programs		
Investment Earnings		
Miscellaneous		
Total General Revenues		
Change in Net Assets		
Net Assets - Beginning of Year, Restated		
Net Assets - End of Year		

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

EXHIBIT "B"

PROGRAM REVENUES		NET (EXPENSES)
OPERATING	CAPITAL	REVENUES
GRANTS AND	GRANTS AND	AND CHANGES IN
CONTRIBUTIONS	CONTRIBUTIONS	NET ASSETS
\$ 11,229,485.30		\$ -6,746,879.87
220,475.59		-341,272.50
768,666.64		-217,042.93
290,860.31		-19,272.56
477,506.54		63,979.87
639,925.73		-754,262.83
17,155.20		-174,162.12
792,420.38		-895,293.08
647,023.30	\$ 152,439.00	-831,728.40
3.34		-30,646.16
23,504.21		-22,976.86
		-12,244.40
1,203,010.66		-118,816.65
		-442,482.36
<u>\$ 16,310,037.20</u>	<u>\$ 152,439.00</u>	<u>\$ -10,543,100.85</u>

\$ 6,733,359.02  
5,153.73

3,046,735.84  
78,820.94  
539,083.00  
18,801.06  
332,133.25

\$ 10,754,086.84

\$ 210,985.99

47,307,313.52

\$ 47,518,299.51

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

EXHIBIT "C"

	GENERAL FUND	DISTRICT- WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 2,960,133.74	\$ 7,226,674.91	\$ 2,129,401.48	\$ 12,316,210.13
Accounts Receivable, Net				
Interest		238.86	582.71	821.57
Taxes	1,011,219.34		468,441.56	1,479,660.90
State Government	1,734,795.42			1,734,795.42
Federal Government	597,877.39			597,877.39
Other	5,834.39			5,834.39
Inventories	19,298.95			19,298.95
Total Assets	\$ 6,329,159.23	\$ 7,226,913.77	\$ 2,598,425.75	\$ 16,154,498.75
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 402,243.75	\$ 109,745.50		\$ 511,989.25
Salaries and Benefits Payable	2,763,490.24			2,763,490.24
Payroll Withholdings Payable	461,831.75			461,831.75
Deposits and Deferred Revenue	701,442.34			701,442.34
Total Liabilities	\$ 4,329,008.08	\$ 109,745.50		\$ 4,438,753.58
<u>FUND BALANCES</u>				
Nonspendable	\$ 19,298.95			\$ 19,298.95
Restricted	441,861.92	\$ 7,117,168.27	\$ 2,598,425.75	10,157,455.94
Assigned	1,534,308.39			1,534,308.39
Unassigned	4,681.89			4,681.89
Total Fund Balances	\$ 2,000,151.15	\$ 7,117,168.27	\$ 2,598,425.75	\$ 11,715,745.17
Total Liabilities and Fund Balances	\$ 6,329,159.23	\$ 7,226,913.77	\$ 2,598,425.75	\$ 16,154,498.75

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

BANKS COUNTY BOARD OF EDUCATION  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2012

EXHIBIT "D"

Total Fund Balances - Governmental Funds (Exhibit "C") \$ 11,715,745.17

Amounts reported for Governmental Activities in the Statement of Net Assets are different because:

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

Land	\$	534,510.00	
Construction in Progress		877,746.09	
Land Improvements		4,922,792.57	
Buildings		46,561,909.66	
Equipment		4,593,077.55	
Accumulated Depreciation		-9,708,501.49	
Total Capital Assets		47,781,534.38	

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

Property Taxes		701,442.34	
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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	\$	-12,664,515.46	
Accrued Interest Payable		-110,550.00	
Deferred Charge for Bond Issuance Costs		94,643.08	
Total Long-Term Liabilities		-12,680,422.38	

Net Assets of Governmental Activities (Exhibit "A") \$ 47,518,299.51

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

BANKS COUNTY BOARD OF EDUCATION  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2012

EXHIBIT "E"

	GENERAL FUND	DISTRICT- WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
<u>REVENUES</u>				
Property Taxes	\$ 6,961,721.36			\$ 6,961,721.36
Sales Taxes	78,820.94		\$ 3,046,735.84	3,125,556.78
State Funds	13,482,633.53			13,482,633.53
Federal Funds	3,518,925.67			3,518,925.67
Charges for Services	493,568.04			493,568.04
Investment Earnings		\$ 3,714.47	15,086.59	18,801.06
Miscellaneous	332,133.25			332,133.25
Total Revenues	\$ 24,867,802.79	\$ 3,714.47	\$ 3,061,822.43	\$ 27,933,339.69
<u>EXPENDITURES</u>				
Current				
Instruction	\$ 16,671,286.79			\$ 16,671,286.79
Support Services				
Pupil Services	561,748.09			561,748.09
Improvement of Instructional Services	985,709.57			985,709.57
Educational Media Services	310,132.87			310,132.87
General Administration	405,630.86			405,630.86
School Administration	1,354,861.41			1,354,861.41
Business Administration	172,999.32			172,999.32
Maintenance and Operation of Plant	1,675,006.23			1,675,006.23
Student Transportation Services	1,517,230.32	\$ 266,273.89		1,783,504.21
Central Support Services	30,649.50			30,649.50
Other Support Services	46,481.07			46,481.07
Enterprise Operations	172,976.19			172,976.19
Food Services Operation	1,522,596.69			1,522,596.69
Capital Outlay		1,723,528.64		1,723,528.64
Debt Services				
Principal			\$ 2,915,000.00	2,915,000.00
Interest			439,117.00	439,117.00
Total Expenditures	\$ 25,427,308.91	\$ 1,989,802.53	\$ 3,354,117.00	\$ 30,771,228.44
Excess of Revenues over (under) Expenditures	\$ -559,506.12	\$ -1,986,088.06	\$ -292,294.57	\$ -2,837,888.75
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In		\$ 1,599.00	\$ 276,375.00	\$ 277,974.00
Transfers Out	\$ -1,599.00	-276,375.00		-277,974.00
Total Other Financing Sources	\$ -1,599.00	\$ -274,776.00	\$ 276,375.00	\$ 0.00
Net Change in Fund Balances	\$ -561,105.12	\$ -2,260,864.06	\$ -15,919.57	\$ -2,837,888.75
Fund Balances - Beginning, Restated	2,561,256.27	9,378,032.33	2,614,345.32	14,553,633.92
Fund Balances - Ending	\$ 2,000,151.15	\$ 7,117,168.27	\$ 2,598,425.75	\$ 11,715,745.17

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

BANKS COUNTY BOARD OF EDUCATION  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
JUNE 30, 2012

EXHIBIT "F"

Total Net Change in Fund Balances - Governmental Funds (Exhibit "E") \$ -2,837,888.75

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	\$ 1,358,190.54	
Depreciation Expense	-974,671.19	
Excess of Capital Outlay over Depreciation Expense		383,519.35

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, and disposals) is to decrease net assets. -4,752.64

Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. -223,208.61

Bond issuance costs, deferred gains on refundings and similar items when debt is first issued are reported as an expenditure in Governmental Funds, but are reported as deferred charges on the Statement of Net Assets and amortized over the term of the debt, using the straight-line method. The details of this difference in the current period are as follows:

Amortization of Bond Issuance Costs	\$ -18,318.00	
Amortization of Bond Premium	107,184.64	
Total Bond Issuance Costs		88,866.64

Repayment of Long-Term Debt is reported as an expenditure in Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Assets. In the current year, these amounts consist of:

Bond Principal Retirements	2,915,000.00
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Interest expense reported in the Statement of Activities is recorded as incurred, whereas interest expense in the governmental fund statements is reported when paid. -110,550.00

Change in Net Assets of Governmental Activities (Exhibit "B") \$ 210,985.99

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

BANKS COUNTY BOARD OF EDUCATION  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2012

EXHIBIT "G"

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 321,228.63
Accounts Receivable, Net	
Other	<u>10,572.00</u>
 Total Assets	 \$ <u><u>331,800.63</u></u>
 <u>LIABILITIES</u>	
Funds Held for Others	\$ <u><u>331,800.63</u></u>

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

## **NOTE 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY**

### **REPORTING ENTITY**

The Banks 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 Banks County Board of Education.

#### **District-wide Statements:**

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

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

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

#### **Fund Financial Statements:**

The fund financial statements provide information about the School District's funds, including fiduciary funds. Eliminations have been made to minimize the double counting of internal activities. Separate statements for each category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds.

The School District reports the following major governmental funds:

- General Fund is the School District's primary operating fund. It accounts for and reports all financial resources not accounted for and reported in another fund.
- District-wide Capital Projects Fund accounts for and reports financial resources including Special Purpose Local Option Sales Tax (SPLOST) and Bond Proceeds that are restricted, committed or assigned to the expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.
- 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.



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

EXHIBIT "H"

The School District reports the following fiduciary fund type:

- Agency funds account for assets held by the School District as an agent for various individuals, the local public library and the individual school accounts for clubs, student organizations, awards, gifts, etc.

### **BASIS OF ACCOUNTING**

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

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

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

### **RESTATEMENT OF PRIOR YEAR NET ASSETS/FUND BALANCE**

For fiscal year 2012, the School District made a prior period adjustment due to an error or omission, which requires the restatement of the June 30, 2011, net assets in Governmental Activities and fund balance in the General Fund. The result is a decrease in Net Assets and Fund Balance at July 1, 2011, of \$131,609.39. This change is in accordance with generally accepted accounting principles.

Net Assets, July 1, 2011 as previously reported	\$ 47,438,922.91
Reclassification of Agency Account	<u>-131,609.39</u>
Net Assets, July 1, 2011, as restated	<u>\$ 47,307,313.52</u>
General Fund Balance, July 1, 2011, as previously reported	\$ 2,692,865.66
Reclassification of Agency Account	<u>-131,609.39</u>
Fund Balance, July 1, 2011, as restated	<u>\$ 2,561,256.27</u>

## **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.

## **INVESTMENTS**

### **Composition of Investments**

Investments made by the School District in nonparticipating interest-earning contracts (such as certificates of deposit) and repurchase agreements are reported at cost. Participating interest-earning contracts and money market investments with a maturity at purchase of one year or less are reported at amortized cost. Both participating interest-earning contracts and money market investments with a maturity at purchase greater than one year and equity investments are reported at fair value. The Official Code of Georgia Annotated Section 36-83-4 authorizes the School District to invest its funds. In selecting among options for investment or among institutional bids for deposits, the highest rate of return shall be the objective, given equivalent conditions of safety and liquidity. Funds may be invested in the following:

1. Obligations issued by the State of Georgia or by other states,
2. Obligations issued by the United States government,
3. Obligations fully insured or guaranteed by the United States government or a United States government agency,
4. Obligations of any corporation of the United States government,
5. Prime banker's acceptances,
6. The Georgia Fund 1 administered by the State of Georgia, Office of the State Treasurer,
7. Repurchase agreements, and
8. Obligations of other political subdivisions of the State of Georgia.

The School District does not have a formal policy regarding investment policies that address credit risks, concentration of credit risks, interest rate risks or foreign currency risks.

## **RECEIVABLES**

Receivables consist of amounts due from property and sales taxes, grant reimbursements due on Federal, State or other grants for expenditures made but not reimbursed and other receivables disclosed from information available. Receivables are recorded when either the asset or revenue recognition criteria has been met. 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 Banks County Board of Commissioners fixed the property tax levy for the 2011 tax digest year (calendar year) on September 22, 2011 (levy date). Taxes were due on December 20, 2011 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2011 tax digest are reported as revenue in the governmental funds for fiscal year 2012. The Banks County Tax Commissioner bills and collects the property taxes for the School District, withholds 2.5% of taxes collected as a fee for tax collection and remits the balance of taxes collected to the School District. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2012, for maintenance and operations amounted to \$6,956,567.63.

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

EXHIBIT "H"

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

School Operations	<u>13.336</u> mills
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## SALES TAXES

Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to \$3,046,735.84 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:

	Capitalization Policy	Estimated Useful Life
Land	All	N/A
Land Improvements	\$ 10,000.00	25 years
Buildings and Improvements	\$ 20,000.00	30 to 80 years
Equipment	\$ 5,000.00	5 to 25 years
Intangible Assets	\$ 100,000.00	5 to 100 years
Works of Art/Historical Treasures	All	N/A
Software Developed or Obtained for Internal Use	\$ 20,000.00	10 years
Portable Classrooms	\$ 8,000.00	25 years

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

Amortization of intangible assets such as water, timber, and mineral rights, easements, patents, trademarks, copyrights and internally generated software is computed using the straight-line method over the estimated useful lives of the assets, generally 10 to 20 years.

## GENERAL OBLIGATION BONDS

The School District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. In the District-wide financial statements, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are reported as deferred charges and amortized over the term of the debt.

In the 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, the 2007 Series G. O. bond issuance costs should be amortized over the life of the bonds on the District-wide statements. The effect of this deviation is deemed to be immaterial to the fair presentation of the basic financial statements. General obligation bonds are direct obligations and pledge the full faith and credit of the government. The outstanding amount of these bonds is recorded in the Statement of Net Assets.

## NET ASSETS

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

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

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

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

## FUND BALANCES

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

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

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

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

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

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

EXHIBIT "H"

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

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

Nonspendable		
Inventories	\$	19,298.95
Restricted		
Bus Replacement	\$	152,991.30
Continuation of Federal Programs		288,870.62
Capital Projects		7,117,168.27
Debt Service		2,598,425.75
		<hr/>
Assigned		10,157,455.94
School Activity Accounts	\$	134,308.39
Subsequent Period Expenditures		1,400,000.00
		<hr/>
Unassigned		4,681.89
		<hr/>
Fund Balance, June 30, 2012	\$	<hr/> <hr/> 11,715,745.17

The Board of Education recognizes that the maintenance of a fund balance is essential to the preservation of the financial integrity of the District and is fiscally advantageous for both the District and its taxpayers. The School District seeks to maintain the highest possible credit ratings which are dependent, in part, on the School District's maintenance of an adequate fund balance. Fund balance is a measurement of available financial resources and is the difference between total assets and total liabilities in each fund.

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.

#### **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 and function. The legal level of budgetary control was established by the Board at the aggregate function level. The budget for the General Fund was prepared in accordance with accounting principles generally accepted in the United States of America.

The budgetary process begins with the School District's administration presenting an initial budget for the Board's review. The administration makes revisions as necessary based on the Board's guidelines and a tentative budget is approved. After approval of this tentative budget by the Board, such budget is advertised at least once in a newspaper of general circulation in the locality, as well as the School District's website. At the next regularly scheduled meeting of the Board after advertisement, the Board receives comments on the tentative budget, makes revisions as necessary and adopts a final budget. The approved budget is then submitted, in accordance with provisions of

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

EXHIBIT "H"

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.

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.

At June 30, 2012, \$7,029,329.24 of deposits were not secured by surety bond, insurance or collateral as specified above. The School District is working with the affected financial institutions to ensure appropriate levels of collateral are maintained for all of the School District's deposits.

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, 2012, the bank balances were \$12,880,189.68. The amounts exposed to custodial credit risk are classified into three categories as follows:

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



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

EXHIBIT "H"

The School District's deposits by custodial risk category at June 30, 2012, are as follows:

Custodial Credit Risk Category	Bank Balance
1	\$ 7,029,329.24
2	0.00
3	0.00
Total	<u>\$ 7,029,329.24</u>

**NOTE 5: NON-MONETARY TRANSACTIONS**

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

**NOTE 6: CAPITAL ASSETS**

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

	Balances July 1, 2011	Increases	Decreases	Balances June 30, 2012
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 534,510.00		\$ 0.00	\$ 534,510.00
Construction in Progress	45,321.16	\$ 832,424.93		877,746.09
Total Capital Assets Not Being Depreciated	<u>\$ 579,831.16</u>	<u>\$ 832,424.93</u>	<u>\$ 0.00</u>	<u>\$ 1,412,256.09</u>
Capital Assets Being Depreciated				
Buildings and Improvements	\$ 46,494,109.66	\$ 67,800.00		\$ 46,561,909.66
Equipment	4,229,857.71	457,965.61	\$ 94,745.77	4,593,077.55
Land Improvements	4,922,792.57			4,922,792.57
Less Accumulated Depreciation for:				
Buildings and Improvements	5,815,585.94	566,412.67		6,381,998.61
Equipment	1,963,639.20	211,346.81	89,993.13	2,084,992.88
Land Improvements	1,044,598.29	196,911.71		1,241,510.00
Total Capital Assets, Being Depreciated, Net	<u>\$ 46,822,936.51</u>	<u>\$ -448,905.58</u>	<u>\$ 4,752.64</u>	<u>\$ 46,369,278.29</u>
Governmental Activity Capital Assets - Net	<u>\$ 47,402,767.67</u>	<u>\$ 383,519.35</u>	<u>\$ 4,752.64</u>	<u>\$ 47,781,534.38</u>

Current year depreciation expense by function is as follows:

Instruction	\$ 722,174.92
Support Services	
General Administration	\$ 4,349.21
School Administration	21,662.38
Maintenance and Operation of Plant	6,999.46
Student Transportation Services	146,739.47
Food Services	72,745.75
	<u>\$ 974,671.19</u>

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

EXHIBIT "H"

**NOTE 7: INTERFUND TRANSFERS**

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

<u>Transfer to</u>	<u>Transfers From</u>	
	<u>General Fund</u>	<u>District-wide Capital Projects</u>
District-wide Capital Projects	\$ 1,599.00	
Debt Service Fund		\$ 276,375.00
Total	\$ 1,599.00	\$ 276,375.00

Transfers were used to (1) move local revenue collected by the General Fund to the District-wide Capital Projects Fund for the purpose of reimbursing a local capital construction related expenditures and (2) move Special Purpose Local Option Sales Tax (SPLOST) revenues collected by the District-wide Capital Projects Fund to the Debt Service Fund for current year bond principal and interest payments.

**NOTE 8: RISK MANAGEMENT**

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

The School District has obtained commercial insurance for risk of loss associated with vehicles. 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 participates in the Georgia School Boards Association Risk and Insurance Management System, a public entity risk pool organized on July 1, 1994, to develop and administer a plan to reduce risk of loss on account of general liability or property damage, including safety engineering and other loss prevention and control techniques, and to administer one or more groups of self-insurance funds, including the processing and defense of claims brought against members of the system. The School District pays an annual premium to the system for its general insurance coverage. Additional coverage is provided through agreements by the system with other companies according to their specialty for property, boiler and machinery (including coverage for flood and earthquake), general liability (including coverage for sexual harassment, molestation and abuse), errors and omissions, crime and automobile risks. Payment of excess insurance for the system varies by line of coverage.

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

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

	<u>Beginning of Year Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Paid</u>	<u>End of Year Liability</u>
2011	\$ 0.00	\$ 38,093.00	\$ 38,093.00	\$ 0.00
2012	\$ 0.00	\$ 6,599.96	\$ 6,599.96	\$ 0.00



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

EXHIBIT "H"

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 worker's 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 a surety bond to provide additional insurance coverage as follows:

<u>Position Covered</u>	<u>Amount</u>
Superintendent	\$ 100,000.00

**NOTE 9: LONG-TERM DEBT**

**GENERAL OBLIGATION DEBT OUTSTANDING**

General Obligation Bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
General Government - Series 2005	3.25% - 5.00%	\$ 2,580,000.00
General Government - Series 2007	3.88%	465,000.00
General Government - Series 2011	2.00% - 5.00%	9,030,000.00
		<u>\$ 12,075,000.00</u>

Voters have authorized \$5,970,000.00 in general obligation debt for which was not issued as of June 30, 2012.

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

	<u>Governmental Funds</u>				
	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2012</u>	<u>Due Within One Year</u>
G.O. Bonds	\$ 14,990,000.00	\$ 0.00	\$ 2,915,000.00	\$ 12,075,000.00	\$ 3,045,000.00
Bond Premiums Amortized	696,700.10		107,184.64	589,515.46	107,184.64
	<u>\$ 15,686,700.10</u>	<u>\$ 0.00</u>	<u>\$ 3,022,184.64</u>	<u>\$ 12,664,515.46</u>	<u>\$ 3,152,184.64</u>

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

EXHIBIT "H"

At June 30, 2012, payments due by fiscal year which includes principal and interest for these items are as follows:

Fiscal Year Ended June 30:	General Obligation Debt		Unamortized Bond Premium
	Principal	Interest	
2013	\$ 3,045,000.00	\$ 387,111.00	\$ 107,184.64
2014	400,000.00	327,650.00	107,184.64
2015	2,020,000.00	278,150.00	107,184.64
2016	2,110,000.00	179,900.00	107,184.64
2017	2,215,000.00	93,925.00	107,184.64
2018	2,285,000.00	30,350.00	53,592.26
Total Principal and Interest	\$ 12,075,000.00	1,297,086.00	\$ 589,515.46

**NOTE 10: PRIOR YEAR DEFEASEMENT OF DEBT**

In fiscal year 2004, the School District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the School District's basic financial statements. At June 30, 2012, \$2,690,000.00 of bonds are outstanding and are considered defeased.

**NOTE 11: ON-BEHALF PAYMENTS**

The School District has recognized revenues and costs in the amount of \$1,984,797.19 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 Certificated Personnel

In the amount of \$1,939,267.00

Paid to the Teachers' Retirement System of Georgia

For Teachers' Retirement System (TRS) Employer's Cost

In the amount of \$9,911.19

Office of the State Treasurer

Paid to the Public School Employees' Retirement System

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

In the amount of \$35,619.00

**NOTE 12: SIGNIFICANT COMMITMENTS**

The following is an analysis of significant outstanding construction or renovation contracts executed by the School District as of June 30, 2012:

Project	Unearned Executed Contracts
High School Addition	\$ 4,590,068.66
Camera System	25,617.61
Playground Equipment	13,798.50
	<u>\$ 4,629,484.77</u>

The amounts described in this note are not reflected in the basic financial statements.

**NOTE 12: 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 13: POST-EMPLOYMENT BENEFITS**

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

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

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

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

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

EXHIBIT "H"

The combined active and retiree contribution rates established by the Board for employers participating in the School OPEB Fund were as follows for the fiscal year ended June 30, 2012:

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

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

**For non-certificated school personnel:**

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

No additional contribution was required by the Board for fiscal year 2012 nor contributed to the School OPEB Fund to prefund retiree benefits. Such additional contribution amounts are determined annually by the Board in accordance with the School plan for other post-employment benefits and are subject to appropriation.

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

<u>Fiscal Year</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>
2012	100%	\$ 2,550,952.08
2011	100%	\$ 2,326,845.80
2010	100%	\$ 2,332,321.75

#### **NOTE 14: 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.

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

EXHIBIT "H"

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

**Funding Policy.** TRS is funded by member and employer contributions as adopted and amended by the Board of Trustees. Members become fully vested after 10 years of service. If a member terminates with less than 10 years of service, no vesting of employer contributions occurs, but the member's contributions may be refunded with interest. Member contributions are limited by State law to not less than 5% or more than 6% of a member's earnable compensation. Member contributions as adopted by the Board of Trustees for the fiscal year ended June 30, 2012, were 5.53% of annual salary. The member contribution rate will increase to 6.00% effective July 1, 2012. Employer contributions required for fiscal year 2012 were 10.28% of annual salary as required by the June 30, 2009, actuarial valuation. The employer contribution rate will increase to 11.41% effective July 1, 2012.

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

<u>Fiscal Year</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>
2012	100%	\$ 1,416,141.98
2011	100%	\$ 1,372,957.45
2010	100%	\$ 1,393,253.65

#### **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.

#### **DEFINED CONTRIBUTION PLAN**

In 1996, the Banks County Board of Education began an employer paid 403(b) annuity plan for the group of employees covered under the Public School Employees' Retirement System (PSERS). Recognizing that PSERS was a limited defined contribution and defined benefit plan which did not provide for an adequate retirement for this group of employees, it was the Board's desire to supplement the retirement of this group.

The Board selected Lincoln Life as the provider of this plan. For each employee covered under PSERS, the Board began matching contributions up to \$25.00 per month.

The employee becomes vested in the plan with five years of experience. Employees who had already achieved five years of experience at the time the plan was implemented were vested upon enrollment.

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

EXHIBIT "H"

Funds accumulated in the employer paid accounts are only available to the employee upon termination of employment and five years of service to Banks County Board of Education. If an employee terminates employment prior to achieving five years of service, funds paid on behalf of the non-vested employee are credited back to the Board.

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

Fiscal Year	Percentage Contributed	Required Contribution
2012	100%	\$ 12,640.00
2011	100%	\$ 12,540.00
2010	100%	\$ 12,175.00

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BANKS COUNTY BOARD OF EDUCATION  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2012

SCHEDULE "1"

	NONAPPROPRIATED BUDGETS		ACTUAL	VARIANCE
	ORIGINAL (1)	FINAL (1)	AMOUNTS	OVER/UNDER
<u>REVENUES</u>				
Property Taxes	\$ 6,944,729.00	\$ 6,944,729.00	\$ 6,961,721.36	\$ 16,992.36
Sales Taxes	80,000.00	80,000.00	78,820.94	-1,179.06
State Funds	13,257,464.00	13,404,392.00	13,482,633.53	78,241.53
Federal Funds	3,265,231.00	3,726,661.00	3,518,925.67	-207,735.33
Charges for Services	352,040.00	352,040.00	493,568.04	141,528.04
Investment Earnings	5,576.00	5,576.00		-5,576.00
Miscellaneous	147,000.00	147,000.00	332,133.25	185,133.25
Total Revenues	\$ 24,052,040.00	\$ 24,660,398.00	\$ 24,867,802.79	\$ 207,404.79
<u>EXPENDITURES</u>				
Current				
Instruction	\$ 16,460,247.00	\$ 16,839,344.00	\$ 16,671,286.79	\$ 168,057.21
Support Services				
Pupil Services	539,273.00	560,885.00	561,748.09	-863.09
Improvement of Instructional Services	978,386.00	1,021,821.00	985,709.57	36,111.43
Educational Media Services	347,461.00	347,461.00	310,132.87	37,328.13
General Administration	459,635.00	460,317.00	405,630.86	54,686.14
School Administration	1,289,687.00	1,289,687.00	1,354,861.41	-65,174.41
Business Administration	217,786.00	217,786.00	172,999.32	44,786.68
Maintenance and Operation of Plant	1,603,530.00	1,603,690.00	1,675,006.23	-71,316.23
Student Transportation Services	1,454,586.00	1,617,778.00	1,517,230.32	100,547.68
Central Support Services	30,650.00	30,650.00	30,649.50	0.50
Other Support Services	193,986.00	193,986.00	46,481.07	147,504.93
Enterprise Operations			172,976.19	-172,976.19
Food Services Operation	1,481,781.00	1,481,781.00	1,522,596.69	-40,815.69
Total Expenditures	\$ 25,057,008.00	\$ 25,665,186.00	\$ 25,427,308.91	\$ 237,877.09
Excess of Revenues over (under) Expenditures	\$ -1,004,968.00	\$ -1,004,788.00	\$ -559,506.12	\$ 445,281.88
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers Out			\$ -1,599.00	\$ -1,599.00
Other Uses	\$ -7,000.00	\$ -7,000.00		7,000.00
Total Other Financing Sources (Uses)	\$ -7,000.00	\$ -7,000.00	\$ -1,599.00	\$ 5,401.00
Net Change in Fund Balances	\$ -1,011,968.00	\$ -1,011,788.00	\$ -561,105.12	\$ 450,682.88
Fund Balances - Beginning, Restated	3,611,066.61	3,611,066.61	2,561,256.27	-1,049,810.34
Adjustments		-6,420.01		6,420.01
Fund Balances - Ending	\$ 2,599,098.61	\$ 2,592,858.60	\$ 2,000,151.15	\$ -592,707.45

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

- (1) Original and Final Budget amounts do not include budgeted revenues or expenditures of the various principal accounts. The principal accounts had actual revenues of \$211,251.10 and actual expenditures of \$369,150.08.

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.



BANKS COUNTY BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2012

SCHEDULE "2"

FUNDING AGENCY PROGRAM/GRANT	CFDA NUMBER	PASS- THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD
Agriculture, U. S. Department of			
Child Nutrition Cluster			
Pass-Through From Georgia Department of Education			
Food Services			
School Breakfast Program	* 10.553	N/A	(2)
National School Lunch Program	* 10.555	N/A	\$ 1,482,479.87 (1)
Total Child Nutrition Cluster			\$ 1,482,479.87
Schools and Roads Cluster			
Pass-Through From Office of the State Treasurer			
Schools and Roads - Grants to Counties	10.666	N/A	(3)
Total U. S. Department of Agriculture			\$ 1,482,479.87
Education, U. S. Department of			
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Grants to States	* 84.027	N/A	\$ 545,074.59
Preschool Grants	* 84.173	N/A	18,097.60
Total Special Education Cluster			\$ 563,172.19
Title I, Part A Cluster			
Pass-Through From Georgia Department of Education			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 689,863.52
Other Programs			
Pass-Through From Georgia Department of Education			
Career and Technical Education - Basic Grants to States	84.048	N/A	\$ 66,172.46
Education Jobs Fund	84.410	N/A	7,267.00
English Language Acquisition Grants	84.365	N/A	5,185.54
Improving Teacher Quality State Grants	84.367	N/A	117,925.89
Rural Education	84.358	N/A	32,908.02
Twenty-First Century Community Learning Centers	84.287	N/A	803,183.46
Total Other Programs			\$ 1,032,642.37
Total U. S. Department of Education			\$ 2,285,678.08
Defense, U. S. Department of			
Direct			
Department of the Army			
R.O.T.C. Program			\$ 135,276.39
Total Expenditures of Federal Awards			\$ 3,903,434.34

N/A = Not Available

BANKS COUNTY BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2012

SCHEDULE "2"

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 \$53,584.52.
- (2) Expenditures for the funds earned on the School Breakfast Program (\$285,710.67) were not maintained separately and are included in the 2012 National School Lunch Program.
- (3) Funds earned on this program, in the amount of \$456.35, do not require reporting of expenditures.

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 Banks 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.

BANKS COUNTY BOARD OF EDUCATION  
SCHEDULE OF STATE REVENUE  
YEAR ENDED JUNE 30, 2012

SCHEDULE "3"

<u>AGENCY/FUNDING</u>	<u>GOVERNMENTAL FUND TYPE GENERAL FUND</u>
<b>GRANTS</b>	
Education, Georgia Department of	
Quality Basic Education	
Direct Instructional Cost	
Kindergarten Program	\$ 653,618.00
Kindergarten Program - Early Intervention Program	95,749.00
Primary Grades (1-3) Program	1,598,337.00
Primary Grades - Early Intervention (1-3) Program	106,532.00
Upper Elementary Grades (4-5) Program	832,935.00
Upper Elementary Grades - Early Intervention (4-5) Program	55,000.00
Middle School (6-8) Program	1,456,464.00
High School General Education (9-12) Program	1,121,604.00
Vocational Laboratory (9-12) Program	426,636.00
Students with Disabilities	2,839,264.00
Gifted Student - Category VI	288,929.00
Remedial Education Program	102,443.00
Alternative Education Program	109,423.00
English Speakers of Other Languages (ESOL)	82,459.00
Media Center Program	254,233.00
20 Days Additional Instruction	72,829.00
Staff and Professional Development	60,664.00
Indirect Cost	
Central Administration	429,544.00
School Administration	509,717.00
Facility Maintenance and Operations	702,591.00
Mid-term Adjustment Hold-Harmless	28,629.00
Amended Formula Adjustment	-2,137,229.00
Categorical Grants	
Pupil Transportation	
Regular	396,974.00
Education Equalization Funding Grant	558,220.00
Food Services	41,744.00
Nursing Services	59,270.00
State Health Reimbursement	1,939,267.00
State Special Charter Supplement	
Other State Programs	
Dual Enrollment Funding	4,422.00
Math and Science Supplements	5,941.34
Preschool Handicapped Program	38,569.00
Pupil Transportation-State Bonds	152,439.00
Teachers' Retirement	9,911.19
Virtual Schools Grant	1,150.00
Vocational Education	548,736.00
Office of the State Treasurer	
Public School Employees' Retirement	35,619.00
	<u><u>\$ 13,482,633.53</u></u>

See notes to the basic financial statements.

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

SCHEDULE "4"

	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3) (4)	AMOUNT EXPENDED IN PRIOR YEAR (3) (4)	TOTAL COMPLETION COST	EXCESS PROCEEDS NOT EXPENDED	PROJECT STATUS
<b>PROJECT</b>							
(i) acquiring, constructing, equipping and furnishing a new elementary school and other new school buildings and facilities	\$ 500,000.00	\$ 0.00					Completed
(iii) acquiring technology equipment and other school equipment	1,000,000.00	45,047.82		\$ 45,047.82			Completed
(v) acquiring textbooks	500,000.00	0.00					Completed
(vi) acquiring any capital property necessary or desirable for the foregoing purposes, both real and personal	500,000.00	0.00					Completed
Adding to, renovating, improving, equipping and furnishing existing school buildings and facilities, including but not limited to Banks County High School, transportation facilities, physical education/athletic fields and facilities, classrooms, agricultural facilities and other facilities	7,000,000.00	7,000,000.00	\$ 754,385.09	28,935.32			7/1/2013
Acquiring, constructing, equipping and furnishing new school buildings and facilities, including but not limited to a new elementary school, an administrative facility and other new school buildings and facilities	500,000.00	0.00					8/31/2017
Acquiring technology equipment, safety and security equipment and other school equipment	1,900,000.00	1,900,000.00	903,638.55	243,349.56			8/31/2017
Acquiring school buses and other school vehicles	350,000.00	350,000.00	330,179.89				8/31/2017
Acquiring textbooks and band instruments	100,000.00	100,000.00					8/31/2017
Acquiring any capital property necessary or desirable for the foregoing purposes, both real and personal	8,650,000.00	5,650,000.00					8/31/2017
Payment of a portion of the principal of and inherent on the Banks County School District (Georgia) General Obligation Sales Tax Bonds, Series 2005	500,000.00	221,292.00					1/31/2013
	<u>\$ 21,500,000.00</u>	<u>\$ 15,266,339.82</u>	<u>\$ 1,988,203.53</u>	<u>\$ 317,332.70</u>			

- (1) The School District's original cost estimate as specified in the resolution calling for the imposition of the Local Option Sales Tax.
- (2) The School District's current estimate of total cost for the projects. Includes all cost from project inception to completion.
- (3) The voters of Banks 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.
- (4) In addition to the expenditures shown above, the School District has incurred interest to provide advance funding for the above projects as follows:

Prior Years	\$ 2,357,510.99
Current Year	<u>439,117.00</u>
Total	<u>\$ 2,796,627.99</u>

See notes to the basic financial statements.

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BANKS COUNTY BOARD OF EDUCATION  
GENERAL FUND - QUALITY BASIC EDUCATION PROGRAMS (QBE)  
ALLOTMENTS AND EXPENDITURES - BY PROGRAM  
YEAR ENDED JUNE 30, 2012

SCHEDULE "5"

DESCRIPTION	ALLOTMENTS FROM GEORGIA DEPARTMENT OF EDUCATION (1) (2)	ELIGIBLE QBE PROGRAM COSTS		
		SALARIES	OPERATIONS	TOTAL
Direct Instructional Programs				
Kindergarten Program	\$ 804,308.00	\$ 993,663.24	\$ 7,821.34	\$ 1,001,484.58
Kindergarten Program-Early Intervention Program	118,551.00	157,444.03		157,444.03
Primary Grades (1-3) Program	1,952,258.00	2,363,683.26	27,746.49	2,391,429.75
Primary Grades-Early Intervention (1-3) Program	129,384.00	161,399.67		161,399.67
Upper Elementary Grades (4-5) Program	1,019,511.00	1,362,932.49	12,055.16	1,374,987.65
Upper Elementary Grades-Early Intervention (4-5) Program	69,882.00	121,049.72		121,049.72
Middle School (6-8) Program	1,781,281.00	2,140,016.70	11,155.80	2,151,172.50
High School General Education (9-12) Program	1,352,413.00	2,068,999.37	55,276.08	2,124,275.45
Vocational Laboratory (9-12) Program	538,762.00	506,180.95	28,301.98	534,482.93
Students with Disabilities				
Category I	529,019.00	659,917.53	4,102.73	664,020.26
Category II	301,549.00	705,045.81	2,816.22	707,862.03
Category III	1,927,076.00	713,300.62	363,199.27	1,076,499.89
Category IV	262,710.00	821,051.23	7,185.57	828,236.80
Category V	388,085.00		11,005.37	11,005.37
Gifted Student - Category VI	339,287.00	491,827.95	2,624.86	494,452.81
Remedial Education Program	120,111.00	1,343.47		1,343.47
Alternative Education Program	133,719.00	150,057.66		150,057.66
English Speakers of Other Languages (ESOL)	103,197.00	165,758.57	1,656.06	167,414.63
TOTAL DIRECT INSTRUCTIONAL PROGRAMS	\$ 11,871,103.00	\$ 13,583,672.27	\$ 534,946.93	\$ 14,118,619.20
Media Center Program	309,877.00	292,575.72	8,040.38	300,616.10
Staff and Professional Development	74,026.00			45,729.19
TOTAL QBE FORMULA FUNDS	\$ 12,255,006.00	\$ 13,876,247.99	\$ 542,987.31	\$ 14,464,964.49

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

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

See notes to the basic financial statements.



## SECTION II

### COMPLIANCE AND INTERNAL CONTROL REPORTS







## DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

May 14, 2013

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

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

Ladies and Gentlemen:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Banks County Board of Education as of and for the year ended June 30, 2012, which collectively comprise Banks County Board of Education's basic financial statements and have issued our report thereon dated May 14, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses and therefore, there can be no assurances that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.



A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider item FS-6061-12-02 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 item FS-6061-12-01 in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in internal control over financial reporting.

#### Compliance and Other Matters

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

We noted certain matters that we have reported to management of Banks County Board of Education in a separate letter dated May 14, 2013.

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

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

Respectfully submitted,



Greg S. Griffin  
State Auditor

GSG:as  
2012YB-40





## DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

May 14, 2013

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

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

Ladies and Gentlemen:

Compliance

We have audited Banks County Board of Education's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2012. Banks County Board of Education's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of Banks County Board of Education's management. Our responsibility is to express an opinion on Banks County Board of Education's compliance based on our audit.

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

In our opinion, the Banks County Board of Education complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2012.



## Internal Control Over Compliance

Management of Banks County Board of Education is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Banks County Board of Education's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Banks County Board of Education's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

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

Respectfully submitted,



Greg S. Griffin  
State Auditor

GSG:as  
2012SA-10





### SECTION III

#### AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS



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

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

**FINDING CONTROL NUMBER AND STATUS**

FS-6061-11-01                      Unresolved - See Corrective Action/Responses

**CORRECTIVE ACTION/RESPONSES**

Since our bank accounts had been properly collateralized in the past, we made the assumption that our new bank account would be properly collateralized. Upon notification that our bank account was not properly collateralized, we immediately called the bank and changed the account to a non-interest bearing account, which then made the account properly collateralized. In the future when opening new bank accounts, we will verify that the account is properly collateralized.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.



## SECTION IV

### FINDINGS AND QUESTIONED COSTS



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

**I SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

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

Internal control over financial reporting:

- Material weaknesses identified? Yes
- Significant deficiencies identified? Yes

Noncompliance material to financial statements noted: No

**Federal Awards**

Internal Control over major programs:

- Material weaknesses identified? No
- Significant deficiencies identified? None Reported

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

Any audit findings disclosed that are required to be reported in  
accordance with OMB Circular A-133, Section 510(a)? No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	Child Nutrition Cluster
84.027, 84.173	Special Education Cluster

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

Auditee qualified as low-risk auditee? No

**II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS**

**CASH AND CASH EQUIVALENTS**

Uncollateralized Deposits

Significant Deficiency

Finding Control Number: FS-6061-12-01

**Condition:**

This is a repeat finding (FS-6061-11-01) from fiscal year ended June 30, 2011. The School District failed to have its bank balances fully collateralized.



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

## II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

### Criteria:

The Official Code of Georgia Annotated (O.C.G.A.) §45-8-12 states in part: "The collecting officer or officers holding public funds may not have on deposit at any one time in any depository for a time longer than ten days a sum of money belonging to the public body when such depository has not given bond to the public body as set forth in this code section. 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.

### Questioned Cost:

N/A

### Information:

As of June 30, 2012, the School District had \$7,029,329.24 of bank balances that were not properly collateralized as required by O.C.G.A. §45-8-12.

### Cause:

The School District opened a new bank account and failed to ensure that the bank balance was properly collateralized.

### Effect:

A financial loss could be incurred by the School District for the uncollateralized bank balances.

### Recommendation:

Although the School District took immediate action to address this issue on July 12, 2012, once the lack of collateralization was brought to their attention, they should implement monitoring procedures to ensure all deposits are appropriately collateralized.

## FINANCIAL REPORTING

### Inadequate Controls over Financial Reporting

#### Material Weakness

Finding Control Number: FS-6061-12-02

### Condition:

The School District did not have adequate controls in place to ensure that all required activity was included in the financial statement information presented for audit.

### Criteria:

Chapter 22A *Annual Financial Reporting* of the Financial Management for Georgia Local Units of Administration provides that School Districts must prepare their financial statements in accordance with generally accepted accounting principles.

### Questioned Cost:

N/A

### Information:

During the audit, the following issues were discovered and corrected in order to properly present the entity's financial statements:

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

**II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS**

- Several adjustments and reclassification entries were required to be made to the financial statements.
- Numerous changes to the Notes to the Basic Financial Statements were required. Information was incorrect or did not pertain to the fiscal year under review.
- Several other audit and reclassification entries were posted to adequately reflect the financial statements in accordance with generally accepted accounting principles.

**Cause:**

The School District did not implement an adequate system of internal control over the financial reporting process.

**Effect:**

The School District did not comply with the requirements of the Georgia Department of Education regarding financial reporting. Several adjustments were necessary in order for the School District's financial statements to be in conformity with generally accepted accounting principles.

**Recommendation:**

The School District should implement controls over the financial reporting process to ensure that all required activity is included in the financial statements.

**III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.



## SECTION V

### MANAGEMENT'S RESPONSES



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

Finding Control Number: FS-6061-12-01

We concur with this finding. Since our bank accounts had been properly collateralized in the past, we made the assumption that our new bank account would be properly collateralized. Upon notification that our bank account was not properly collateralized, we immediately called the bank and changed to a collateralized account. In the future, when opening new bank accounts we will verify that the account is properly collateralized.

Finding Control Number: FS-6061-12-02

We concur with this finding. In the future we will implement a review of the financial statements during the preparation of the statements. Upon completion of the financial statements we will perform an additional comprehensive review of the statements and supporting schedules.

Contact Person:	Christopher B. Erwin
Title:	Superintendent
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