



# **CLARKE COUNTY BOARD OF EDUCATION ATHENS, GEORGIA**

**ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2013**  
(Including Independent Auditor's Reports)



CLARKE COUNTY BOARD OF EDUCATION

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SECTION I  
FINANCIAL





## DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

October 27, 2014

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

### INDEPENDENT AUDITOR'S REPORT

Ladies and Gentlemen:

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

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

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

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

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

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

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





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

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

### ***Opinions***

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Clarke County Board of Education, as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

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

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the 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 ix and page 27 respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Clarke County Board of Education's basic financial statements. The accompanying supplementary information, consisting of Schedules 2 through 5, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare



the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2014, on our consideration of the Clarke County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Clarke County Board of Education's internal control over financial reporting and compliance.

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

Respectfully submitted,



Greg S. Griffin  
State Auditor

GSG:as  
2013ARL-11



**CLARKE COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

## **INTRODUCTION**

The District's financial statements for the fiscal year ended June 30, 2013 includes a series of basic financial statements that report financial information for the District as a whole, its funds, and its fiduciary responsibilities. The Statement of Net Position and the Statement of Activities provide financial information about all of the District's activities and present both a short-term and long-term view of the District's finances on a global basis. The fund financial statements provide information about all of the District's funds. Information about these funds, such as the District's General Fund, is important in its own right, but will also give insight into the District's overall soundness as reported in the Statement of Net Position and the Statement of Activities.

## **FINANCIAL HIGHLIGHTS**

Key financial highlights for fiscal year 2013 are as follows:

On the District-wide financial statements:

- District-wide net position at June 30, 2013 was \$275.4 million. Net position reflects the difference between all assets of the District (including capital assets, net of depreciation) and all liabilities, both short-term and long-term. The net position at June 30, 2013 of \$275.4 million represented an increase of \$5.7 million in net position when compared to the prior year.
- The School District had \$161.4 million in expenses relating to governmental activities; only \$76.8 million of these expenses were offset by program specific charges for services, grants and contributions. However, general revenues (primarily property and sales taxes) of \$90.3 million were adequate to provide for these programs.
- As stated above, general revenues accounted for \$90.3 million or about 54.1% of all revenues totaling almost \$167.1 million. Program specific revenues in the form of charges for services, grants, and contributions accounted for the balance of these revenues.

On the fund financial statements:

- Among major funds, the General Fund had over \$146.2 million in revenues and \$143.8 million in expenditures. The General Fund balance of \$27.9 million at June 30, 2013 increased by almost \$2.4 million from the prior year.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

These financial Statements consists of three parts; management's discussion and analysis (this section), the basic financial statements including notes to the 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 Position' 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.

**CLARKE COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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' statements provide information about the financial relationships in which the School District acts solely as a trustee or agent for the benefit of others. In the case of the Clarke County School District, the General Fund, Capital Projects Funds, and Debt Service Funds are all considered to be major funds. The District has no nonmajor funds as defined by GASB Statement 34 for the purposes of this report.

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.

### **District-wide Statements**

Since Clarke County School District has no operations that have been classified as "Business Activities", the District-wide financial statements are basically a consolidation of all of the 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 now than last year? The 'Statement of Net Position' 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 position and any changes in net position. The change in net position is important because it tells the reader 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, student-teacher ratios, and other factors.

When analyzing District-wide financial statements, it is important to remember these statements are prepared using an economic resources measurement focus (accrual accounting) and involve the following steps to format the Statement of Net Position:

- Capitalize current outlays for capital assets
- Depreciate capital assets
- Report long-term debt as a liability
- Calculate revenue and expense using the economic resources measurement focus and the accrual basis of accounting
- Allocate net position as follows:
  - *Net investment in capital assets*
  - *Restricted net position* is those resources with constraints placed on the use by external sources such as creditors, grantors, contributors or laws and regulations.
  - *Unrestricted net position* is resources that do not meet any of the above restrictions.

**CLARKE COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Fund Financial Statements**

The School District uses many funds or sub-funds to account for a multitude of financial transactions during the fiscal year. The fund financial statements presented in this report provide detail information about the School District's significant or major funds. As discussed previously, the District has no nonmajor Funds as defined by generally accepted accounting principles.

The District has two kinds of funds as discussed below:

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 be 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 government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are reconciled in the financial statements.

Fiduciary Funds – The School District is the trustee, or fiduciary, for assets that belong to clubs, organizations and others 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.

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

Net position, which is the difference between total assets and total liabilities, is one indicator of the financial condition of the School District. When revenues exceed expenses, the result is an increase in net position. When expenses exceed revenues, the result is a decrease in net position. The relationship between revenues and expenses can be thought of as the School District's operating results. The School District's net position, as measured in the Statement of Net Position, can be one way to measure the School District's financial health, or financial position. Over time, increases or decreases in the School District's net position- as measured in the Statement of Activities- are one indicator of whether its financial health is improving or deteriorating. However, the School District's goal and mission is to provide success for each child's education, not to generate profits as private corporations do. For this reason, many other nonfinancial factors should be considered in assessing the overall health of the District.

In the case of the Clarke County School District, assets exceeded liabilities by \$275.4 million at June 30, 2013. To better understand the School District's actual financial position and ability to deliver services in future periods, it is necessary to review the various components of the net position category. For example, of the \$275.4 million of net position, about \$23.8 million was restricted for continuation of Federal programs, Debt service and ongoing capital projects. Accordingly, these funds were not available to meet the School District's ongoing obligations to citizens and creditors.

In addition, the School District had \$226.9 million (net of related debt) invested in capital assets (e.g., land, buildings, and equipment). The School District uses these capital assets to provide educational services to students within geographic boundaries served by the School District.



**CLARKE COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Because of the very nature and on-going use of the assets being reported in this component of net position, it must be recognized that this portion of the net position is *not* available for future spending.

The remaining balance of *unrestricted net position* of almost \$24.7 million may be used to meet the District's ongoing obligations to citizens and creditors.

Table 1 provides a summary of the School District's net position for this fiscal year as compared to the prior fiscal year.

**Table 1  
Net Position**

	Governmental Activities	
	Fiscal Year 2013	Fiscal Year 2012
<b>Assets</b>		
Current and Other Assets	\$ 116,897,737	\$ 89,287,369
Capital Assets, Net	<u>226,885,697</u>	<u>214,107,582</u>
<b>Total Assets</b>	<u>\$ 343,783,434</u>	<u>\$ 303,394,951</u>
<b>Liabilities</b>		
Current and Other Liabilities	\$ 23,390,581	\$ 21,487,157
Long-Term Liabilities	<u>44,992,334</u>	<u>12,159,027</u>
<b>Total Liabilities</b>	<u>\$ 68,382,915</u>	<u>\$ 33,646,184</u>
<b>Net Position</b>		
Net Investment in Capital Assets	\$ 226,857,429	\$ 213,878,662
Restricted	23,830,043	44,643,656
Unrestricted	<u>24,713,047</u>	<u>11,226,449</u>
<b>Total Net Position</b>	<u>\$ 275,400,519</u>	<u>\$ 269,748,767</u>

Total net position increased \$5.7 million in fiscal year 2013 from the prior year net position as shown above. The change in net position of \$5.7 million is further summarized in Table 2 as presented below.

**CLARKE COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Table 2  
Change in Net Position**

	Governmental Activities	
	Fiscal Year 2013	Fiscal Year 2012
<b>Revenues</b>		
Program Revenues:		
Charges for Services and Sales	\$ 2,291,819	\$ 2,826,717
Operating Grants and Contributions	74,081,835	73,130,622
Capital Grants and Contributions	381,097	1,283,469
Total Program Revenues	\$ 76,754,751	\$ 77,240,808
General Revenues:		
Taxes		
Property Taxes	\$ 65,289,318	\$ 66,185,902
Sales Taxes	21,692,703	21,112,365
Investment Earnings	63,715	716,851
Miscellaneous	3,274,186	3,673,361
Special Item		
Loss on Disposal of Capital Assets	-629	
Total General Revenues and Special Item	\$ 90,319,293	\$ 91,688,479
Total Revenues	\$ 167,074,044	\$ 168,929,287
<b>Program Expenses:</b>		
Instruction	\$ 99,468,732	\$ 99,229,547
Support Services		
Pupil Services	5,058,954	5,531,818
Improvement of Instructional Services	6,743,910	6,611,555
Educational Media Services	1,843,386	2,186,008
General Administration	3,042,092	3,064,220
School Administration	7,062,595	7,317,206
Business Administration	2,196,713	1,981,018
Maintenance and Operation of Plant	11,873,419	11,850,259
Student Transportation Services	9,949,175	10,278,220
Central Support Services	3,490,019	2,695,197
Other Support Services	800,755	1,046,940
Operations of Non-Instructional Services		
Enterprise Operations	309,368	491,076
Community Services	573,673	571,431
Food Services	8,508,305	8,277,213
Interest on Short-Term and Long-Term Debt	501,196	572,350
Total Expenses	\$ 161,422,292	\$ 161,704,058
Increase in Net Position	\$ 5,651,752	\$ 7,225,229

**CLARKE COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

The total increase in net position for fiscal year 2013 of \$5.66 million was less than the increase in net position that occurred in fiscal year 2012. The District believes this decrease is due to less capital grants and contributions, a decrease in local property tax receipts and increase in benefit expense mandated by the state and not funded for fiscal year 2013.

### Cost of Providing Services

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. Net cost of services can be defined as the total cost less fees generated by the activities and intergovernmental revenue provided for specific programs. The net cost reflects the financial burden on the School District's taxpayers by each activity as compared to the prior fiscal year.

**Table 3  
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	Fiscal Year 2013	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2012
Instruction	\$ 99,468,732	\$ 99,229,547	\$ 56,121,700	\$ 55,246,278
Support Services:				
Pupil Services	5,058,954	5,531,818	1,879,060	2,539,324
Improvement of Instructional Services	6,743,910	6,611,555	2,291,582	1,389,746
Educational Media Services	1,843,386	2,186,008	61,887	654,552
General Administration	3,042,092	3,064,220	-24,241	279,831
School Administration	7,062,595	7,317,206	2,931,348	3,703,800
Business Administration	2,196,713	1,981,018	2,079,004	1,834,781
Maintenance and Operation of Plant	11,873,419	11,850,259	7,651,326	7,666,502
Student Transportation Services	9,949,175	10,278,220	6,921,775	7,122,667
Central Support Services	3,490,019	2,695,197	3,385,809	2,433,875
Other Support Services	800,755	1,046,940	176,547	292,449
Operations of Non-Instructional Services:				
Enterprise Operations	309,368	491,076	119,985	220,057
Community Services	573,673	571,431	-31,141	-61,837
Food Services	8,508,305	8,277,213	601,703	568,875
Interest on Short-Term and Long-Term Debt	501,196	572,350	501,196	572,350
Total Expenses	\$ 161,422,292	\$ 161,704,058	\$ 84,667,540	\$ 84,463,250

Expenses for fiscal year 2013 decreased about 0.18% from prior year expenses, while the net cost of services increased 0.245%. Even though total expenses decreased in fiscal year 2013, the School District net costs of services increased because program revenues decreased from the prior fiscal year by \$0.49 million or about 0.63%.

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

Information about the School District's governmental funds is presented starting on Exhibit "C" of this report. Governmental funds are accounted for using the modified accrual basis of accounting. The governmental funds had total revenues of \$167.2 million and total expenditures of \$184.5 million in fiscal year 2013. Total governmental fund balances of \$92.7 million at June 30, 2013, increased \$26.1 million from the prior year. This increase in fund balance resulted primarily from net change in fund balance for the capital projects fund due to issue of bonds during fiscal year 2013.

**CLARKE COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**General Fund Budget 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 2013, the School District amended its general fund budget as needed.

The School District budget is adopted at the aggregate level and maintained at the program, function, object, and site levels to facilitate budgetary control. The budgeting systems are designed to control the total budget, but provide flexibility to meet the ongoing programmatic needs. The budgeting systems are also designed to control total site budgets but provide flexibility for site management as well.

For the General Fund, the final actual revenues of over \$146.2 million were greater than the final budgeted almost of \$143.8 million by over \$2.4 million. This difference (final actual vs. final budget) was primarily attributable to a combination of revenues for Federal funds less than the final budget of over \$5.2 million, and revenues for property taxes revenue over final budget of almost \$3.1 million and miscellaneous revenues over final budget of almost \$2.5 million. The District did not include revenues for school activity accounts (included in miscellaneous revenues) in the final budget.

The General Fund's final actual expenditures of almost \$143.8 million were less than the final budget amount of \$152.1 million by \$8.3 million. This difference (final vs. budget) was a combination of expenditures less than and greater than for all expenditures category.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2013, the School District had \$226.9 million invested in capital assets, net of accumulated depreciation, all in governmental activities. These assets are made up of a broad range of items including buildings; land; land improvements; and food service, transportation and maintenance equipment. Table 4 reflects a summary of these balances, net of accumulated depreciation, as compared to the prior fiscal year.

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

	Governmental Activities	
	Fiscal Year 2013	Fiscal Year 2012
Land	\$ 3,123,575	\$ 3,123,575
Construction In Progress	27,184,695	7,210,303
Land Improvements	829,359	921,665
Building and Improvements	190,916,427	196,469,060
Equipment	4,831,641	6,382,978
Total	<u>\$ 226,885,697</u>	<u>\$ 214,107,581</u>

Additional information about the School District's Capital Assets can be found in the Notes to the Basic Financial Statements.

**CLARKE COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Long-Term Debt**

At June 30, 2013, the School District had \$45.0 million in total debt outstanding which consisted of \$40.0 million in bond debt, \$3.8 million unamortized premiums on bonds sold, and \$1.2 million in compensated absences debt. Table 5 summarizes the School District's debt as compared to the prior fiscal year.

**Table 5  
Debt at June 30**

	Governmental Activities	
	Fiscal Year 2013	Fiscal Year 2012
Bonds Payable	\$ 40,000,000	\$ 10,850,000
Capital Leases		220,989
Compensated Absences	1,223,668	1,088,039
Unamortized Premiums on Bonds Sold	3,768,666	
Total	<u>\$ 44,992,334</u>	<u>\$ 12,159,028</u>

Additional information about the School District's debt can be found in the Notes to the Basic Financial Statements.

**FACTORS BEARING ON THE DISTRICT'S FUTURE**

Currently known circumstances that are expected to have a significant effect on financial position or results of operations in future years are as follows:

- The School District is financially stable. The School District's operating millage rate for fiscal year 2013 was 20 mills, which produced approximately \$3.26 million per mill. The School District continues to construct new facilities and renovate existing buildings to accommodate moderate growth, implement a neighborhood school model, improve instructional spaces and reduce the number of portable classrooms District-wide. The District plans to fund additional capital projects with the one percent local sales tax revenue approved in 2011 and with state capital outlay grants.
- The School District is financially challenged by a combination of locally declining property values, which affect local revenues, and the State's flat revenues and subsequent stagnation of state revenue appropriations to local school districts. Further stagnation of State Funding is budgeted for fiscal year 2014. Additionally, sales taxes have also slowed over the years which have negatively affected both operating and construction revenues provided through those sources. Increases in health care cost, teacher steps increase and in the District share of teachers' retirement with no increase in revenues have resulted in the reduction of services to students. In spite of these challenges, the School District continues to be a good steward of tax dollars and provides a quality dynamic educational program to meet the needs of all children.

**CLARKE COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

- Given the current and predicted fiscal landscape, the District will continue to be fiscally challenged in funding an innovative and comprehensive instructional program with needed supports for a student population where over 82% qualify for free and reduce hot lunch. However, through creative programming and reductions in employee salaries, the District has maintained its laser focus on student performance and provides multiple pathways for students to earn a high school diploma and continue with the education required to enter into a career

**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. Larry Hammel, Chief Finance Officers, Clarke County Board of Education, 240 Mitchell Bridge Road, Athens, Georgia 30606. You may also email your questions to Mr. Hammel at [hammell@Clarke.k12.ga.us](mailto:hammell@Clarke.k12.ga.us)



CLARKE COUNTY BOARD OF EDUCATION





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

EXHIBIT "A"

	<u>GOVERNMENTAL ACTIVITIES</u>
 <u>ASSETS</u>	
Cash and Cash Equivalents	\$ 98,891,132.62
Accounts Receivable, Net	
Taxes	5,860,763.37
State Government	7,390,245.07
Federal Government	3,838,221.49
Local	406,908.25
Inventories	332,875.16
Prepaid Items	177,590.64
Capital Assets, Non-Depreciable	30,308,270.23
Capital Assets, Depreciable (Net of Accumulated Depreciation)	<u>196,577,427.16</u>
 Total Assets	 \$ <u>343,783,433.99</u>
 <u>LIABILITIES</u>	
Accounts Payable	\$ 2,670,252.30
Salaries and Benefits Payable	15,695,056.70
Payroll Withholdings Payable	2,375,550.90
Interest Payable	365,300.25
Contracts Payable	636,384.56
Retainages Payable	1,458,444.73
Deposits and Deferred Revenues	189,591.45
Long-Term Liabilities	
Due Within One Year	863,733.26
Due in More Than One Year	<u>44,128,600.68</u>
 Total Liabilities	 \$ <u>68,382,914.83</u>
 <u>NET POSITION</u>	
Net Investment in Capital Assets	\$ 226,857,428.77
Restricted for	
Continuation of Federal Programs	3,132,270.15
Debt Service	243,533.50
Capital Projects	20,454,239.89
Unrestricted	<u>24,713,046.85</u>
 Total Net Position	 \$ <u><u>275,400,519.16</u></u>

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

CLARKE COUNTY BOARD OF EDUCATION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013

	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>
<u>GOVERNMENTAL ACTIVITIES</u>		
Instruction	\$ 99,468,731.72	\$ 165,049.08
Support Services		
Pupil Services	5,058,954.03	
Improvement of Instructional Services	6,743,910.37	
Educational Media Services	1,843,386.01	
General Administration	3,042,091.74	
School Administration	7,062,595.21	
Business Administration	2,196,712.81	
Maintenance and Operation of Plant	11,873,418.51	68,238.87
Student Transportation Services	9,949,174.58	547,309.86
Central Support Services	3,490,019.00	
Other Support Services	800,754.72	
Operations of Non-Instructional Services		
Enterprise Operations	309,367.73	189,382.34
Community Services	573,673.40	604,814.48
Food Services	8,508,305.23	717,024.51
Interest on Long-Term Debt	501,196.32	
	<u>\$ 161,422,291.38</u>	<u>\$ 2,291,819.14</u>
Total Governmental Activities		
General Revenues		
Taxes		
Property Taxes		
For Maintenance and Operations		
For Debt Services		
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Capital Projects		
Other Sales Tax		
Investment Earnings		
Miscellaneous		
Total General Revenues		
Change in Net Position		
Net Position - Beginning of Year		
Net Position - 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 POSITION	
\$ 43,181,982.56		\$ -56,121,700.08	
3,179,893.94		-1,879,060.09	
4,452,328.68		-2,291,581.69	
1,781,498.69		-61,887.32	
3,066,332.29		24,240.55	
4,131,247.63		-2,931,347.58	
117,709.21		-2,079,003.60	
4,153,853.76		-7,651,325.88	
2,098,992.47	\$ 381,097.50	-6,921,774.75	
104,210.21		-3,385,808.79	
624,207.48		-176,547.24	
		-119,985.39	
		31,141.08	
7,189,577.89		-601,702.83	
		-501,196.32	
<u>\$ 74,081,834.81</u>	<u>\$ 381,097.50</u>	<u>\$ -84,667,539.93</u>	
		\$ 65,289,244.21	
		74.17	
		20,882,275.76	
		810,426.87	
		63,714.59	
		<u>3,273,556.60</u>	
		<u>\$ 90,319,292.20</u>	
		\$ 5,651,752.27	
		<u>269,748,766.89</u>	
		<u>\$ 275,400,519.16</u>	

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

EXHIBIT "C"

	GENERAL FUND	DISTRICT- WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 34,518,115.42	\$ 64,372,874.22	\$ 142.98	\$ 98,891,132.62
Accounts Receivable, Net				
Taxes	2,629,185.32	3,231,576.59	1.46	5,860,763.37
State Government	7,390,245.07			7,390,245.07
Federal Government	3,838,221.49			3,838,221.49
Local	387,460.25	19,448.00		406,908.25
Interfund	75,307.30			75,307.30
Inventories	332,875.16			332,875.16
Prepaid Items	177,590.64			177,590.64
Total Assets	<u>\$ 49,349,000.65</u>	<u>\$ 67,623,898.81</u>	<u>\$ 144.44</u>	<u>\$ 116,973,043.90</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Interfund Accounts Payable		\$ 75,307.30		\$ 75,307.30
Accounts Payable	\$ 2,048,087.04	622,165.26		2,670,252.30
Salaries and Benefits Payable	15,695,056.70			15,695,056.70
Payroll Withholdings Payable	2,375,550.90			2,375,550.90
Contracts Payable		636,384.56		636,384.56
Retainages Payable		1,458,444.73		1,458,444.73
Deposits and Deferred Revenue	1,350,525.49		\$ 1.46	1,350,526.95
Total Liabilities	<u>\$ 21,469,220.13</u>	<u>\$ 2,792,301.85</u>	<u>\$ 1.46</u>	<u>\$ 24,261,523.44</u>
<u>FUND BALANCES</u>				
Nonspendable	\$ 510,465.80			\$ 510,465.80
Restricted	2,876,540.02	\$ 64,831,596.96	\$ 142.98	67,708,279.96
Assigned	1,677,937.46			1,677,937.46
Unassigned	22,814,837.24			22,814,837.24
Total Fund Balances	<u>\$ 27,879,780.52</u>	<u>\$ 64,831,596.96</u>	<u>\$ 142.98</u>	<u>\$ 92,711,520.46</u>
Total Liabilities and Fund Balances	<u>\$ 49,349,000.65</u>	<u>\$ 67,623,898.81</u>	<u>\$ 144.44</u>	<u>\$ 116,973,043.90</u>

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

CLARKE COUNTY BOARD OF EDUCATION  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2013

EXHIBIT "D"

Total Fund Balances - Governmental Funds (Exhibit "C") \$ 92,711,520.46

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

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

Land	\$	3,123,575.44	
Construction in Progress		27,184,694.79	
Land Improvements		1,701,196.35	
Buildings		245,213,747.45	
Equipment		23,110,100.63	
Accumulated Depreciation		<u>-73,447,617.27</u>	
Total Capital Assets			226,885,697.39

Property taxes that are not available to pay for current period expenditures are deferred in the governmental funds. 1,160,935.50

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	\$	-40,000,000.00	
Accrued Interest Payable		-365,300.25	
Compensated Absences Payable		-1,223,667.64	
Bond Premiums, Net of Amortization		<u>-3,768,666.30</u>	
Total Long-Term Liabilities			<u>-45,357,634.19</u>

Net Position of Governmental Activities (Exhibit "A") \$ 275,400,519.16

CLARKE COUNTY BOARD OF EDUCATION  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2013

EXHIBIT "E"

	GENERAL FUND	DISTRICT- WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
<u>REVENUES</u>				
Property Taxes	\$ 65,365,374.61		\$ 72.71	\$ 65,365,447.32
Sales Taxes	810,426.87	\$ 20,882,275.76		21,692,702.63
State Funds	52,508,408.95			52,508,408.95
Federal Funds	21,954,523.36			21,954,523.36
Charges for Services	2,291,819.14			2,291,819.14
Investment Earnings	16,309.62	47,404.97		63,714.59
Miscellaneous	3,259,333.69	14,851.97		3,274,185.66
Total Revenues	\$ 146,206,196.24	\$ 20,944,532.70	\$ 72.71	\$ 167,150,801.65
<u>EXPENDITURES</u>				
Current				
Instruction	\$ 87,066,380.39			\$ 87,066,380.39
Support Services				
Pupil Services	5,044,859.19			5,044,859.19
Improvement of Instructional Services	6,696,517.90			6,696,517.90
Educational Media Services	1,846,493.92			1,846,493.92
General Administration	2,753,083.50			2,753,083.50
School Administration	7,032,003.20			7,032,003.20
Business Administration	1,835,583.14	\$ 338,237.75		2,173,820.89
Maintenance and Operation of Plant	11,594,083.15			11,594,083.15
Student Transportation Services	8,258,988.96			8,258,988.96
Central Support Services	1,564,069.03			1,564,069.03
Other Support Services	803,245.70			803,245.70
Enterprise Operations	309,367.73			309,367.73
Community Services	573,673.40			573,673.40
Food Services Operation	8,232,781.85			8,232,781.85
Capital Outlay		29,575,198.92		29,575,198.92
Debt Services				
Principal	220,989.03		\$ 10,850,000.00	11,070,989.03
Interest	7,552.32		256,687.50	264,239.82
Total Expenditures	\$ 143,839,672.41	\$ 29,913,436.67	\$ 11,106,687.50	\$ 184,859,796.58
Excess of Revenues over (under) Expenditures	\$ 2,366,523.83	\$ -8,968,903.97	\$ -11,106,614.79	\$ -17,708,994.93
<u>OTHER FINANCING SOURCES (USES)</u>				
Proceeds of Bonds	\$ 0.00	\$ 40,000,000.00		\$ 40,000,000.00
Premiums on Bonds Sold		3,768,666.30		3,768,666.30
Transfers In			\$ 11,106,687.50	11,106,687.50
Transfers Out		-11,106,687.50		-11,106,687.50
Total Other Financing Sources (Uses)	\$ 0.00	\$ 32,661,978.80	\$ 11,106,687.50	\$ 43,768,666.30
Net Change in Fund Balances	\$ 2,366,523.83	\$ 23,693,074.83	\$ 72.71	\$ 26,059,671.37
Fund Balances - Beginning	25,513,256.69	41,138,522.13	70.27	66,651,849.09
Fund Balances - Ending	\$ 27,879,780.52	\$ 64,831,596.96	\$ 142.98	\$ 92,711,520.46

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

CLARKE COUNTY BOARD OF EDUCATION  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
JUNE 30, 2013

EXHIBIT "F"

Total Net Change in Fund Balances - Governmental Funds (Exhibit "E") \$ 26,059,671.37

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	\$ 20,507,978.66	
Depreciation Expense	<u>-7,729,234.01</u>	
Excess of Capital Outlay over Depreciation Expense		12,778,744.65

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, and disposals) is to decrease net position. -629.06

Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. -76,128.94

Bond proceeds provide current financial resources to Governmental Funds; however, issuing debt increases Long-Term Liabilities in the Statement of Net Position. In the current period, proceeds were received from:

General Obligation Bonds Issued, Including a Premium of \$3,768,666.30	-43,768,666.30
--	----------------

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 Position 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	-39,642.85
-------------------------------------	------------

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

Bond Principal Retirements	\$ 10,850,000.00	
Capital Lease Payments	<u>220,989.03</u>	
Total Long-Term Debt Repayments		11,070,989.03

Interest expense reported in the Statement of Activities is recorded as incurred, whereas interest expense in the governmental fund statements is reported when paid. -236,956.50

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

Increase in Compensated Absences	<u>-135,629.13</u>
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Change in Net Position of Governmental Activities (Exhibit "B") \$ 5,651,752.27

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



CLARKE COUNTY BOARD OF EDUCATION  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2013

EXHIBIT "G"

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ <u>102,690.87</u>
<u>LIABILITIES</u>	
Funds Held for Others	\$ <u>102,690.87</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 Clarke 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 Clarke County Board of Education.

**District-wide Statements:**

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

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

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

**Fund Financial Statements:**

The fund financial statements provide information about the School District's funds. 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. 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 Education Special Purpose Local Option Sales Tax (ESPLOST) 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 (property) legally restricted for the payment of general long-term principal and interest.

The School District reports the following fiduciary fund type:

- Agency funds account for assets held by the School District as an agent for various funds, clubs, government or individual.

### **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, and grants. 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 is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. The School District considers all intergovernmental revenues to be available if they are collected within 120 days after year-end. Property taxes, sales taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities 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, both restricted and unrestricted resources are available to finance the program. It is the School District's policy to first apply grant resources to such programs, followed by cost-reimbursement grants, then general revenues.

### **NEW ACCOUNTING PRONOUNCEMENTS**

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

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

In fiscal year 2013, the School District adopted the Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. The provisions of this Statement establish financial reporting standards

for the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. The School District changed its presentation of net assets to net position for fiscal year 2013. There were no other applicable reporting changes for the School District.

## **CASH AND CASH EQUIVALENTS**

### **Composition of Deposits**

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

## **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 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, custodial 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.

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

EXHIBIT "H"

## PROPERTY TAXES

The Clarke County Board of Commissioners adopted the property tax levy for the 2012 tax digest year (calendar year) on June 5, 2012 (levy date) based on property values as of January 1, 2012. Taxes were due on October 20, 2012 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2012 tax digest are reported as revenue in the governmental funds for fiscal year 2013. The Clarke County Tax Commissioner bills and collects the property taxes for the School District, withholds 2.5% of taxes collected as a fee for tax collection and remits the balance of taxes collected to the School District. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2013, for maintenance and operations amounted to \$64,964,084.60 and for school bonds amounted to \$72.71.

The tax millage rate levied for the 2012 tax year (calendar year) for the Clarke County Board of Education was as follows (a mill equals \$1 per thousand dollars of assessed value):

School Operations	<u>20.00</u> mills
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Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to \$401,290.01 during fiscal year ended June 30, 2013.

## SALES TAXES

Education Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to \$20,882,275.76 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

### Consumable Supplies Inventories

Inventories of consumable supplies are reported at cost using the weighted average method. The School District uses the consumption method to account for inventories whereby consumable supplies are recorded as an asset when purchased and expenses are recorded as inventory items are used.

### 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.

## PREPAID ITEMS

Payments made to vendors for services that will benefit periods subsequent to June 30, 2013, are recorded as prepaid items.

## CAPITAL ASSETS

Capital assets purchased, including capital outlay costs, are recorded as expenditures in the fund financial statements at the time of purchase (including ancillary charges). On the District-wide financial statements, all purchased capital assets are valued at cost where historical records are available and at estimated historical cost based on appraisals or deflated current replacement cost where no historical records exist. Donated capital assets are recorded at estimated fair market value on the date donated. Disposals are deleted at depreciated recorded cost. The cost of normal

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

EXHIBIT "H"

maintenance and repairs that do not add to the value of assets or materially extend the useful lives of the assets is not capitalized. Depreciation is computed using the straight-line method. The School District does not capitalize book collections or works of art. During the fiscal year under review, no events or changes in circumstances affecting a capital asset that may indicate impairment were known to the School District.

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

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
Land	All	N/A
Land Improvements	\$ 5,000.00	15 to 99 years
Buildings and Improvements	\$ 5,000.00	up to 99 years
Equipment	\$ 5,000.00	3 to 10 years
Intangible Assets	\$ 100,000.00	individually determined

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.

#### COMPENSATED ABSENCES

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

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

	<u>Beginning of Year Liability</u>	<u>Increases</u>	<u>Decreases</u>	<u>End of Year Liability</u>
2011	\$ 910,273.95	\$ 655,867.67	\$ 474,227.59	\$ 1,091,914.03
2012	\$ 1,091,914.03	\$ 610,542.15	\$ 614,417.67	\$ 1,088,038.51
2013	\$ 1,088,038.51	\$ 570,392.03	\$ 434,762.90	\$ 1,223,667.64

#### 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 are deferred and amortized over the life of the bonds using the straight-line method. The School District recognizes bond issuance costs during the fiscal year bonds are issued. To conform to generally accepted accounting principles, 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.

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. General obligation bonds are direct obligations and pledge the full faith and credit of the government. The outstanding amount of these bonds is recorded in the Statement of Net Position.

#### NET POSITION

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

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

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

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

#### FUND BALANCES

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

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

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

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

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

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



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

Nonspendable			
Inventories	\$	332,875.16	
Prepaid Assets		<u>177,590.64</u>	\$ 510,465.80
Restricted			
Continuation of Federal and State Programs	\$	2,876,540.02	
Capital Projects		64,222,906.19	
Debt Service		<u>608,833.75</u>	67,708,279.96
Assigned			
After School Program	\$	343,781.66	
School Activity Accounts		673,977.12	
Self-Insurance		286,319.46	
Other		<u>373,859.22</u>	1,677,937.46
Unassigned			<u>22,814,837.24</u>
Fund Balance, June 30, 2013			<u>\$ 92,711,520.46</u>

It is the goal of the School District to achieve and maintain a committed, assigned, and unassigned fund balance in the general fund at fiscal year end of not less than 0.02% of revenues, not to exceed 15% of the total budget of the subsequent fiscal year, in compliance with Official Code of Georgia Annotated Section 20-2-167(a)5. If the unassigned fund balance at fiscal year end falls below the goal, the School District shall develop a restoration plan to achieve and maintain the minimum fund balance.

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

### 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) and After School Program, is prepared and adopted by fund, function and object. The legal level of budgetary control was established by the Board at the aggregate function level. The budget for the General Fund was not 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



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and adopts a final budget. The approved budget is then submitted, in accordance with provisions of Official Code of Georgia Annotated section 20-2-167(c), to the Georgia Department of Education. The Board may increase or decrease the budget at any time during the year. All unexpended budget authority lapses at fiscal year-end.

The Superintendent is authorized by the Board to approve adjustments to the amount budgeted for expenditures in any budget function for any fund. In such case, the expenditure shall be reported to the Board at its regularly scheduled meeting. Under no circumstance is the Superintendent or other staff person authorized to spend funds that exceed the total budget without approval by the Board.

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

#### **BUDGETARY/GAAP BASIS RECONCILIATION**

In the General Fund, accounting principles used in developing budgets on a budgetary basis differ from those used in preparing financial statements in conformity with generally accepted accounting principles (GAAP).

The primary differences between the budget basis and GAAP basis are:

State QBE revenue is recorded when received (budget) rather than when susceptible to accrual (GAAP).

Salaries and employee benefits paid to teachers under contract are recorded when paid (budget) rather than when the liability is incurred (GAAP).

Payments made by the State of Georgia for school district employee benefits are recognized as revenues and expenditures under GAAP and are not recognized on the budget basis.

Revenues and expenditures associated with Principal accounts and After School Programs are not included in the School District's Operating Budget.

Thus, there is an accounting basis difference between the budget and actual Statement of Revenues, Expenditures and Changes in Fund Balances in the General Fund that is reconciled as follows:

Actual Revenues, GAAP Basis	\$ 146,206,196.24	
QBE Revenues Decrease	-780,792.00	
On-Behalf Benefit Contribution	-447,570.80	
Omission of Revenue from After School Program	-644,546.94	
Omission of Revenue from Principal Accounts	<u>-1,860,786.64</u>	
Actual Revenues, Budgetary Basis		\$ 142,472,499.86
Actual Expenditures, GAAP Basis	\$ 143,839,672.41	
Accrued Salary Decrease	-615,602.27	
On-Behalf Benefits Expenditure	-447,570.80	
Omission of Expenditures from After School Program	-573,673.40	
Omission of Expenditures from Principal Accounts	<u>-1,866,853.65</u>	
Actual Expenditures, Budgetary Basis		<u>140,335,972.29</u>
Revenues Over Expenditures and Other Financing Sources (Uses), Budgetary Basis		\$ <u>2,136,527.57</u>
Revenues Over Expenditures and Other Financing Sources (Uses), GAAP Basis		\$ <u>2,366,523.83</u>

#### **NOTE 4: DEPOSITS**

##### **COLLATERALIZATION OF DEPOSITS**

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

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

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

##### **CATEGORIZATION OF DEPOSITS**

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At June 30, 2013, the bank balances were \$99,774,927.23. 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. |

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The School District's deposits by custodial risk category at June 30, 2013, are as follows:

Custodial Credit Risk Category	Bank Balance
1	\$ 0.00
2	0.00
3	99,269,927.23
Total	\$ 99,269,927.23

**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, 2012	Increases	Decreases	Balances June 30, 2013
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 3,123,575.44		\$ 0.00	\$ 3,123,575.44
Construction Work In Progress	7,210,302.60	19,974,392.19		27,184,694.79
Total Capital Assets, Not Being Depreciated	\$ 10,333,878.04	\$ 19,974,392.19	\$ 0.00	\$ 30,308,270.23
Capital Assets, Being Depreciated:				
Buildings and Improvements	\$ 245,217,957.45	19,850.00	24,060.00	\$ 245,213,747.45
Equipment	22,670,695.16	513,736.47	74,331.00	23,110,100.63
Land Improvements	1,701,196.35			1,701,196.35
Less: Accumulated Depreciation:				
Buildings and Improvements	48,748,897.31	5,572,482.92	24,060.00	54,297,320.23
Equipment	16,287,716.95	2,064,444.48	73,701.94	18,278,459.49
Land Improvements	779,530.94	92,306.61		871,837.55
Total Capital Assets, Being Depreciated, Net	\$ 203,773,703.76	\$ -7,195,647.54	\$ 629.06	\$ 196,577,427.16
Governmental Activity Capital Assets - Net	\$ 214,107,581.80	\$ 12,778,744.65	\$ 629.06	\$ 226,885,697.39

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

	Governmental Activities
Equipment	\$ 1,059,240.00
Less: Accumulated Depreciation	476,658.00
	\$ 582,582.00

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Current year depreciation expense by function is as follows:

Instruction		\$ 5,697,297.56
Support Services		
Improvement of Instructional Services	\$ 13,830.16	
General Administration	128,329.53	
Maintenance and Operation of Plant	111,732.50	
Student Transportation Services	767,447.36	
Central Support Services	<u>886,525.16</u>	1,907,864.71
Food Services		<u>124,070.74</u>
		<u>\$ 7,729,233.01</u>

**NOTE 7: INTERFUND ASSETS AND LIABILITIES**

Due to and due from other funds are recorded for interfund receivables and payables which arise from interfund transactions. Interfund balances at June 30, 2013, consisted of the following:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 75,307.30	
District-wide Capital Projects	<u>                    </u>	\$ <u>75,307.30</u>
	<u>\$ 75,307.30</u>	<u>\$ 75,307.30</u>

Transfers are used to move sales tax and property tax revenues as required matching funds or to provide supplemental funding for capital construction projects.

**NOTE 8: INTERFUND TRANSFERS**

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

<u>Transfer to</u>	<u>Transfers From District-wide Capital Projects</u>
Debt Service Fund	\$ <u>11,106,687.50</u>

Transfers are used to move sales tax revenue collected by the District-wide Capital Projects Fund to the Debt Service Fund for payment of General Obligation Bonds.

**NOTE 9: 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; unemployment compensation and dental, optical, hearing care of employees.

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, motor vehicle 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

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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 has established a limited risk management program for dental, optical, and hearing claims for its employees. A premium is charged when needed by the General Fund to each user program on the basis of the percentage of employee participation in order to cover estimated claims budgeted by management based on known claims and prior experience. The School District accounts for claims with expenses/expenditures and associated liability reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated.

Changes in dental, optical, and hearing claims liability during the last two fiscal years are as follows:

	Beginning of Year Liability		Claims and Changes in Estimates		Claims Paid		End of Year Liability
2012	\$ 0.00	\$	1,149,104.05	\$	1,149,104.05	\$	0.00
2013	\$ 0.00	\$	997,664.77	\$	997,664.77	\$	0.00

The School District is self-insured with regard to unemployment compensation claims. The School District is self-insured with regard to unemployment compensation claims. A premium is charged when needed by the General Fund to each user program on the basis of the percentage of that fund's payroll to total payroll in order to cover estimated claims budgeted by management based on known claims and prior experience. The School District accounts for claims with expenses/expenditures and liability being reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated.

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

	Beginning of Year Liability		Claims and Changes in Estimates		Claims Paid		End of Year Liability
2012	\$ 0.00	\$	227,902.91	\$	227,902.91	\$	0.00
2013	\$ 0.00	\$	185,468.39	\$	185,468.39	\$	0.00

The School District participates in the Georgia School Boards Association Workers' Compensation Fund, a public entity risk pool organized on July 1, 1992, 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 Fund for its Workers' Compensation insurance coverage. Excess insurance coverage is provided through an agreement by the Fund with the Safety National Casualty Corporation to provide coverage for potential losses sustained by the Fund in excess of \$550 thousand loss per occurrence, up to the statutory limit. Employers' Liability insurance coverage is also provided by Safety National Casualty Corporation to provide coverage for potential losses sustained by the Fund in excess of \$550 thousand loss per occurrence, up to \$2 million.

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

<u>Position Covered</u>	<u>Amount</u>
Superintendent	\$ 250,000.00

#### **NOTE 10: LONG-TERM DEBT**

##### **COMPENSATED ABSENCES**

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

##### **GENERAL OBLIGATION DEBT OUTSTANDING**

General Obligation Bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
General Government - Series 2013	1.50% - 5.00%	\$ <u>40,000,000.00</u>

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

	<u>Governmental Activities</u>				
	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2013</u>	<u>Due Within One Year</u>
G. O. Bonds	\$ 10,850,000.00	\$ 40,000,000.00	\$ 10,850,000.00	\$ 40,000,000.00	
Capital Leases	220,989.03		220,989.03	0.00	
Compensated Absences	1,088,038.51	570,392.03	434,762.90	1,223,667.64	\$ 110,000.00
Bond Premiums Amortized	0.00	3,768,666.30		3,768,666.30	753,733.26
	<u>\$ 12,159,027.54</u>	<u>\$ 44,339,058.33</u>	<u>\$ 11,505,751.93</u>	<u>\$ 44,992,333.94</u>	<u>\$ 863,733.26</u>

At June 30, 2013, payments due by fiscal year which includes principal and interest for these items are as follows:

<u>Fiscal Year Ended June 30:</u>	<u>General Obligation Debt</u>		<u>Unamortized Bond Premium</u>
	<u>Principal</u>	<u>Interest</u>	
2014		\$ 1,325,108.75	\$ 753,733.26
2015	\$ 9,700,000.00	1,323,050.00	753,733.26
2016	10,000,000.00	1,029,800.00	753,733.26
2017	10,300,000.00	638,425.00	753,733.26
2018	10,000,000.00	215,400.00	753,733.26
Total Principal and Interest	<u>\$ 40,000,000.00</u>	<u>\$ 4,531,783.75</u>	<u>\$ 3,768,666.30</u>

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**NOTE 11: ON-BEHALF PAYMENTS**

The School District has recognized revenues and costs in the amount of \$9,508,206.80 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 \$9,060,636.00

Paid to the Teachers' Retirement System of Georgia

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

In the amount of \$173,570.80

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 \$274,000.00

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

**NOTE 12: SIGNIFICANT COMMITMENTS**

The following is an analysis of significant outstanding construction or renovation contracts executed by the School District as of June 30, 2013:

Project	Unearned Executed Contracts
Howard B. Stroud Elementary School	\$ 46,746.52
Whit Davis Elementary School	32,642.25
Barrow Elementary School	562,255.56
Whitehead Elementary School	423,400.00
WestSide Elementary School	71,197.32
	<u>\$ 1,136,241.65</u>

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

**NOTE 13: 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 14: RELATED PARTY TRANSACTIONS**

One of the School District's Board members is an agent with Coldwell Banker Upchurch Realty. The School District has an ongoing contract for real estate services with this Firm, which commenced in 2007, and continues with annual extensions. The contract went into effect prior to the election of this Board member. The Board member has abstained on related votes that come before the Board.

**NOTE 15: 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, 2013, contributions also vary based on years of service. On average, members with five years or more of service as of January 1, 2013, pay approximately 25 percent of the cost of the health insurance coverage. In accordance with the Board resolution dated December 8, 2011, for members with fewer than five years of service as of January 1, 2013, 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.



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The combined active and retiree contribution rates established by the Board for employers participating in the School OPEB Fund were as follows for the fiscal year ended June 30, 2013:

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

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

**For non-certificated school personnel:**

July 2012 - June 2013	\$446.20 per member per month
-----------------------	-------------------------------

No additional contribution was required by the Board for fiscal year 2013 nor contributed to the School OPEB Fund to prefund retiree benefits. Such additional contribution amounts are determined annually by the Board in accordance with the School plan for other post-employment benefits and are subject to appropriation.

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

<u>Fiscal Year</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>
2013	100%	\$ 15,276,890.18
2012	100%	\$ 14,475,985.77
2011	100%	\$ 13,153,173.67

**NOTE 16: RETIREMENT PLANS**

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

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

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

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

Normal retirement (pension) benefits paid to members are equal to 2% of the average of the member's two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. Early retirement benefits are reduced by the lesser of one-twelfth

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

EXHIBIT "H"

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, 2013, were 6.00% of annual salary. Employer contributions required for fiscal year 2013 were 11.41% of annual salary as required by the June 30, 2010, actuarial valuation. The employer contribution rate will increase to 12.28% effective July 1, 2013.

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

<u>Fiscal Year</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>
2013	100%	\$ 8,609,968.12
2012	100%	\$ 8,112,065.13
2011	100%	\$ 8,272,853.67

**PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS)**

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

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CLARKE COUNTY BOARD OF EDUCATION  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2013

SCHEDULE "1"

	NONAPPROPRIATED BUDGETS		ACTUAL	VARIANCE
	ORIGINAL (1)	FINAL (1)	AMOUNTS	OVER/UNDER
<b>REVENUES</b>				
Property Taxes	\$ 62,256,438.00	\$ 62,256,438.00	\$ 65,365,374.61	\$ 3,108,936.61
Sales Taxes	500,000.00	500,000.00	810,426.87	310,426.87
State Funds	51,638,045.00	51,918,253.00	52,508,408.95	590,155.95
Federal Funds	19,798,179.00	27,187,879.00	21,954,523.36	-5,233,355.64
Charges for Services	774,425.00	774,425.00	2,291,819.14	1,517,394.14
Investment Earnings	383,000.00	383,000.00	16,309.62	-366,690.38
Miscellaneous	775,325.00	778,125.00	3,259,333.69	2,481,208.69
Total Revenues	\$ 136,125,412.00	\$ 143,798,120.00	\$ 146,206,196.24	\$ 2,408,076.24
<b>EXPENDITURES</b>				
Current				
Instruction	\$ 89,216,830.00	\$ 91,348,018.00	\$ 87,066,380.39	\$ 4,281,637.61
Support Services				
Pupil Services	4,521,168.00	6,143,353.00	5,044,859.19	1,098,493.81
Improvement of Instructional Services	6,405,150.00	8,978,309.00	6,696,517.90	2,281,791.10
Educational Media Services	1,934,698.00	1,875,412.00	1,846,493.92	28,918.08
General Administration	2,922,817.00	3,199,814.00	2,753,083.50	446,730.50
School Administration	7,398,518.00	7,491,873.00	7,032,003.20	459,869.80
Business Administration	892,034.00	940,247.00	1,835,583.14	-895,336.14
Maintenance and Operation of Plant	11,391,150.00	11,559,961.00	11,594,083.15	-34,122.15
Student Transportation Services	8,563,079.00	8,932,105.00	8,258,988.96	673,116.04
Central Support Services	1,738,057.00	1,875,101.00	1,564,069.03	311,031.97
Other Support Services	515,895.00	1,019,966.00	803,245.70	216,720.30
Enterprise Operations			309,367.73	-309,367.73
Food Services Operation	8,147,045.00	8,776,480.00	8,232,781.85	543,698.15
Community Services Operations			573,673.40	-573,673.40
Debt Service			228,541.35	-228,541.35
Total Expenditures	\$ 143,646,441.00	\$ 152,140,639.00	\$ 143,839,672.41	\$ 8,300,966.59
Excess of Revenues over (under) Expenditures	\$ -7,521,029.00	\$ -8,342,519.00	\$ 2,366,523.83	\$ 10,709,042.83
<b>OTHER FINANCING SOURCES (USES)</b>				
Other Sources	\$ 312,111.00	\$ 312,111.00	\$ 0.00	\$ -312,111.00
Other Uses	-312,111.00	-312,111.00		312,111.00
Total Other Financing Sources (Uses)	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Net Change in Fund Balances	\$ -7,521,029.00	\$ -8,342,519.00	\$ 2,366,523.83	\$ 10,709,042.83
Fund Balances - Beginning	24,590,035.00	24,006,927.63	25,513,256.69	1,506,329.06
Fund Balances - Ending	\$ 17,069,006.00	\$ 15,664,408.63	\$ 27,879,780.52	\$ 12,215,371.89

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

- (1) Original and Final Budget amounts do not include the budgeted revenues or expenditures of the various principal accounts and the After School Program. The actual revenues and expenditures of the various principal accounts and After School Program are \$2,505,333.58 and \$2,440,527.05, respectively.

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

See notes to the basic financial statements.

CLARKE COUNTY BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2013

SCHEDULE "2"

FUNDING AGENCY PROGRAM/GRANT	CFDA NUMBER	PASS- THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD
Agriculture, U. S. Department of			
Child Nutrition Cluster			
Pass-Through From Georgia Department of Education			
Food Services			
School Breakfast Program	* 10.553	N/A	(2)
National School Lunch Program	* 10.555	N/A	\$ 7,976,777.73 (1)
Total Child Nutrition Cluster			\$ 7,976,777.73
Other Programs			
Pass-Through From Georgia Department of Education			
Food Services			
Fresh Fruit and Vegetable Program	10.582	N/A	63,846.73
Total U. S. Department of Agriculture			\$ 8,040,624.46
Education, U. S. Department of			
Impact Aid Cluster			
Direct			
Impact Aid	84.041		(3)
Educational Technology State Grants Cluster			
Pass-Through From Georgia Department of Education			
Education Technology State Grants	84.318	N/A	\$ 21,618.85
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Grants to States	84.027	N/A	\$ 2,665,980.37
Preschool Grants	84.173	N/A	67,806.54
Total Special Education Cluster			\$ 2,733,786.91
Title I, Part A Cluster			
Pass-Through From Georgia Department of Education			
Title I Grants to Local Educational Agencies	* 84.010	N/A	\$ 4,578,194.60 (4)
Other Programs			
Direct			
Early Reading First	84.359		\$ 1,232,862.50
High School Graduation Initiative	84.360		64,007.94
Pass-Through From Georgia Department of Education			
ARRA - Race-to-the-Top Incentive Grants	* 84.395	N/A	315,695.48 (4)
Career and Technical Education - Basic Grants to States	84.048	N/A	157,096.39
Education for Homeless Children and Youth	84.196	N/A	31,948.99
Education Jobs Fund	84.410	N/A	5,083.00
English Language Acquisition Grants	84.365	N/A	206,013.55
Improving Teacher Quality State Grants	84.367	N/A	646,850.95
Mathematics and Science Partnerships	84.366	N/A	54,479.46
Migrant Education - State Grant Program	84.011	N/A	126,957.19
Striving Readers	* 84.371	N/A	776,393.61
Twenty-First Century Community Learning Centers	84.287	N/A	557,095.35
Total Other Programs			\$ 4,174,484.41
Total U. S. Department of Education			\$ 11,508,084.77

CLARKE COUNTY BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2013

SCHEDULE "2"

FUNDING AGENCY PROGRAM/GRANT	CFDA NUMBER	PASS- THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD
Health and Human Services, U. S. Department of			
Direct			
Head Start	93.600	N/A	\$ 3,029,739.66
Other Programs			
Pass-Through From Department of Behavioral Health and Development Disabilities			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	<u>121,681.78</u>
Total U. S. Department of Health and Human Services			\$ <u>3,151,421.44</u>
Defense, U. S. Department of			
Direct			
Department of the Air Force			
R.O.T.C. Program			\$ <u>190,057.08</u>
Total Expenditures of Federal Awards			\$ <u><u>22,890,187.75</u></u>

N/A = Not Available

Notes to the Schedule of Expenditures of Federal Awards

- (1) Includes the Federally assigned value of donated commodities for the Food Donation Program in the amount of \$380,773.00.
- (2) Expenditures for the funds earned on the School Breakfast Program (\$1,886,955.51) were not maintained separately and are included in the 2013 National School Lunch Program.
- (3) Funds earned on the Impact Aid Program, in the amount of \$43,980.01, do not require reporting of expenditures.
- (4) Includes Federal Assistance of \$91,952.08, provided to subrecipients from Title I Grants to Local Educational Agencies, and \$266,194.10 from ARRA - Race-to-the-Top Incentive Grants.

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 Clarke 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.

CLARKE COUNTY BOARD OF EDUCATION  
SCHEDULE OF STATE REVENUE  
YEAR ENDED JUNE 30, 2013

SCHEDULE "3"

AGENCY/FUNDING	GOVERNMENTAL FUND TYPE GENERAL FUND
GRANTS	
Bright From the Start:	
Georgia Department of Early Care and Learning	
Pre-Kindergarten Program	\$ 2,914,636.00
Education, Georgia Department of	
Quality Basic Education (1)	
Direct Instructional Cost	
Kindergarten Program	4,258,393.00
Kindergarten Program - Early Intervention Program	592,450.00
Primary Grades (1-3) Program	7,534,242.00
Primary Grades - Early Intervention (1-3) Program	1,990,452.00
Upper Elementary Grades (4-5) Program	3,214,776.00
Upper Elementary Grades - Early Intervention (4-5) Program	1,381,058.00
Middle School (6-8) Program	5,286,016.00
High School General Education (9-12) Program	4,755,480.00
Vocational Laboratory (9-12) Program	1,357,221.00
Students with Disabilities	8,934,637.00
Gifted Student - Category VI	3,818,118.00
Remedial Education Program	615,329.00
Alternative Education Program	422,908.00
English Speakers of Other Languages (ESOL)	1,813,676.00
Media Center Program	1,191,174.00
20 Days Additional Instruction	331,443.00
Staff and Professional Development	235,867.00
Indirect Cost	
Central Administration	1,540,096.00
School Administration	2,549,593.00
Facility Maintenance and Operations	2,681,205.00
Mid-term Adjustment Hold-Harmless	753,912.00
Amended Formula Adjustment	-8,557,085.00
Categorical Grants	
Pupil Transportation	
Regular	1,011,154.00
Nursing Services	201,778.00
DCH Direct Payment	-9,060,636.00
Other State Programs	
Food Services	177,121.50
Math and Science Supplements	176,575.80
Move on When Ready	1,800.00
Preschool Handicapped Program	185,031.00
Pupil Transportation - State Bonds	381,097.50
State Health Reimbursement	9,060,636.00
Teachers' Retirement	173,570.80
Vocational Education	131,207.17
Vocational Supervisor	28,123.00
Human Resources, Georgia Department of	
After School Program	106,353.18
Family Connection	45,000.00
Office of the State Treasurer	
Public School Employees Retirement	274,000.00
	<u>\$ 52,508,408.95</u>

- (1) The Quality Basic Education Formula Grants shown above include on-behalf payments from the Department of Education to the Department of Community Health for health insurance for School District employees.

See notes to the basic financial statements.

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

SCHEDULE "4"

PROJECT	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3) (4)	AMOUNT EXPENDED IN PRIOR YEARS (3) (4)	TOTAL COMPLETION COST	EXCESS PROCEEDS NOT EXPENDED (5)	ESTIMATED COMPLETION DATE
SPLOST II							
Providing funds for the purpose of replacing approximately 80 portable classrooms with permanent classrooms, which may involve additions to existing schools or may involve the construction of new school facilities, renovations and/or additions to Clarke Central High School, Clark Middle School, Alps Road Elementary School, Gaines Elementary School, Cedar Shoals High School, Barnett Shoals Elementary School, Barrow Elementary School, Burney Harris Lyons Middle School, Chase Street Elementary School, Cleveland Road Elementary School, Coile Middle School, Fourth Street Elementary School (now Howard B. Stroud Elementary School), Fowler Drive Elementary School, H.T. Edwards Building, Hillsman Middle School, Oglethorpe Elementary School, Timothy Road Elementary School, West Broad School Building, Whit Davis Elementary School, Whitehead Road Elementary School, Winterville Elementary School, the acquisition construction and equipping of an alternative learning center, acquiring any necessary real or personal property and equipment (including acquiring improved or unimproved land and existing buildings to renovate for future school sites) and adding to, renovating, repairing, improving and equipping other existing education buildings, properties and facilities of the School District, including, without limitation, Old Winterville High School, athletic, transportation, maintenance and plant services facilities and technology upgrades to all School District facilities, and paying expenses incident thereto, at a cost of approximately \$87,849,000.00.	\$ 87,849,000.00	\$ 109,080,827.54	\$ 465,957.53	\$ 105,752,365.07	\$ 106,218,322.60	\$ 2,862,504.94	7/1/2015
SPLOST III							
Providing funds to pay the cost of acquiring additions real property (improved or unimproved) for future school sites; construction of new school facilities; construction of facilities for vocational instruction; construction of, renovations of, additions to, repairs and improvements to and equipping of existing educational buildings, properties and facilities of the School District, which may include, without limitation, existing schools including, Alps Road Elementary School, Barnett Shoals Elementary School, David C. Barrow Elementary School, Chase Street Elementary School, Cleveland Road Elementary School, Fourth Street Elementary School (now Howard B. Stroud Elementary School), Fowler Drive Elementary School, Gaines Elementary School, Oglethorpe Avenue Elementary School, Timothy Road Elementary School, Whit Davis Elementary School, Whitehead Road Elementary School, Winterville Elementary School, Burney-Harris-Lyons Middle School, Clarke Middle School, W.R. Coile Middle School, Hillsman Middle School, Cedar Shoals High School, Clarke Central High School, Clarke County Alternative Education Program, H.T. Edwards Sr. Teaching and Learning Center and Classic City High School - A Performance Learning Center, athletic facilities, transportation facilities (including bus driver training facilities), maintenance facilities and district services facilities; technology upgrades and additions to School District Facilities; security upgrades to School District Facilities, purchase and/or lease payoff of school buses; conversion of School District facilities currently on septic systems to public sewer; the acquisition and installation of software for administrative and educational purposes; reimbursement of the School District's expenditures for the 10-year strategic plan for facilities; and paying expenses incident thereto (including the payment of any capitalized interest), at a cost of approximately \$104,000,000.00.	104,000,000.00	99,919,134.06	24,894,305.72	75,024,828.34	99,919,134.06	0.00	7/1/2015



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

SCHEDULE "4"

PROJECT	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3) (4)	AMOUNT EXPENDED IN PRIOR YEARS (3) (4)	TOTAL COMPLETION COST	EXCESS PROCEEDS NOT EXPENDED (5)	ESTIMATED COMPLETION DATE
<b>SPLOST IV</b>							
Providing funds to pay the costs of construction and equipping (including, but not limited to, furniture, fixtures, equipment, technology infrastructure, computers and related equipment) of new school facilities, including a new elementary school on the eastside of Athens-Clarke County (to be known as Maxine P. Easom Elementary School) and a new elementary school on the westside of Athens-Clarke County to be located on West Vincent Drive; construction of, additions to, renovations of, repairs and improvements to and equipping (including, but not limited to, furniture, fixtures, equipment, technology infrastructure, computers and related equipment) of existing educational buildings, properties and facilities of the School District, which may include, without limitation, existing schools/facilities including, Alps Road Elementary School, Barnett Shoals Elementary School, David C. Barrow Elementary School, Chase Street Elementary School, Cleveland Road Elementary School, Fowler Drive Elementary School, the facility known as the West Broad campus, Howard B. Stroud Elementary School, Judia J. Harris Elementary Charter School, the current Gaines Elementary School, the facility formerly operated as Gaines Elementary School, Oglethorpe Avenue Elementary School, Timothy Road Elementary School, Whit Davis Elementary School, Whitehead Road Elementary School, Winterville Elementary School, Burney-Harris-Lyons Middle School, Clarke Middle School, W. R. Coile Middle School, Hilsman Middle School, Cedar Shoals High School, Clarke Central High School and Classic City High School - A Performance Learning Center, Athens Community Career Academy, Office of Early Learning, athletic facilities, transportation facilities (including bus driver training facilities), administrative facilities, maintenance facilities and district services facilities; energy conservation systems for School District facilities; technology upgrades and additions to School District facilities; security upgrades to School District facilities; purchase and/or lease payoff of school buses; conversion of School District facilities currently on septic systems to public sewer; acquisition and installation of computer hardware and software for administrative and educational purposes; reimbursement of the School District's expenditures for the strategic plan for facilities acquisition of additional real and personal property, including improved and unimproved land and existing buildings for future school sites; and paying expenses incident thereto (including the payment of any capitalized interest), at a cost of approximately \$120,000,000.							
Alps Road Elementary School	\$ 212,900.00	\$ 212,900.00					7/1/2018
Barnett Shoals Elementary School	9,709,996.00	9,709,996.00	\$ 2,545.00				7/1/2015
Burney-Harris-Lyons Middle School	3,274,181.00	3,274,181.00					7/1/2018
Cedar Shoals High School	598,255.00	598,255.00					7/1/2018
Chase Street Elementary School	264,000.00	264,000.00					7/1/2018
Clarke Central High School	18,453,877.00	18,453,877.00					7/1/2016
Clarke Middle School	5,863,354.00	5,863,354.00					7/1/2017
Cleveland Road Elementary School	250,000.00	250,000.00					7/1/2018
Construction of, additions to, renovations of, repairs and improvements to and equipping (including, without limitation, furniture, fixtures, <b>equipment</b> technology infrastructure, computers and related equipment); (Custodial, Kitchen and Playground equipment)	775,000.00	775,000.00	191,873.00				7/1/2016
Construction of, <b>additions to</b> , renovations of, repairs and improvements to and equipping (including, without limitation, furniture, fixtures, equipment, technology infrastructure, computers and related equipment); (Meet enrollment changes)	1,038,000.00	1,038,000.00					7/1/2016
David C. Barrow Elementary School	1,579,961.00	1,579,961.00	1,455,826.91				1/1/2014
District service facilities	2,375,000.00	2,375,000.00					7/1/2017
Fowler Drive Elementary School	250,000.00	250,000.00					7/1/2018
Gaines Elementary School	212,900.00	212,900.00					7/1/2018
Hilsman Middle School	5,318,404.00	5,318,404.00					7/1/2015
Howard B. Stroud Elementary School	582,380.00	582,380.00					1/1/2014
Judia J. Harris Elementary Charter School	143,294.00	143,294.00					7/1/2018

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

SCHEDULE "4"

PROJECT	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3) (4)	AMOUNT EXPENDED IN PRIOR YEARS (3) (4)	TOTAL COMPLETION COST	EXCESS PROCEEDS NOT EXPENDED (5)	ESTIMATED COMPLETION DATE
New school facilities, including a new elementary school on the eastside of Athens-Clarke County (to be known as Maxine P. Easom Elementary School) and a new elementary school on the Westside of Athens-Clarke County to be located on West Vincent Drive	\$ 21,278,835.00	\$ 21,278,835.00	\$ 178,449.64	\$ 323,377.55			7/1/2019
Oglethorpe Avenue Elementary School	7,001,000.00	7,001,000.00					7/1/2016
Purchase and/or lease payoff of school buses	2,640,000.00	2,640,000.00					7/1/2017
Reimbursement of the School District's expenditures for the strategic plan for facilities	1,928,290.00	1,928,290.00	452,265.71				7/1/2018
Technology upgrades and additions to School District facilities	16,200,000.00	16,200,000.00	1,922,156.06				7/1/2017
Timothy Road Elementary School	250,000.00	250,000.00					7/1/2018
W.R. Coile Middle School	3,274,181.00	3,274,181.00					7/1/2018
Whit Davis Elementary School	571,768.00	571,768.00					1/1/2014
Whitehead Road Elementary School	15,835,410.00	15,835,410.00	11,819.35				8/1/2015
Winterville Elementary School	119,014.00	119,014.00					7/1/2018
	<u>\$ 120,000,000.00</u>	<u>\$ 120,000,000.00</u>	<u>\$ 4,214,935.67</u>	<u>\$ 323,377.55</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	
	<u>\$ 311,849,000.00</u>	<u>\$ 328,999,961.60</u>	<u>\$ 29,575,198.92</u>	<u>\$ 181,100,570.96</u>	<u>\$ 206,137,456.66</u>	<u>\$ 2,862,504.94</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 Clarke 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	\$ 19,266,436.21
Current Year	<u>256,687.50</u>
Total	<u>\$ 19,523,123.71</u>

(5) SPLOST II projects were completed during fiscal year 2013 with total actual expenditures of \$106,218,322.60. The previous estimated cost was \$109,080,827.54. The surplus of SPLOST proceeds will be used to complete ongoing projects.

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

SCHEDULE "5"

DESCRIPTION	ALLOTMENTS FROM GEORGIA DEPARTMENT OF EDUCATION (1) (2) (3)	ELIGIBLE QBE PROGRAM COSTS		
		SALARIES	OPERATIONS	TOTAL
Direct Instructional Programs				
Kindergarten Program	\$ 5,432,746.00	\$ 5,464,955.65	\$ 50,662.85	\$ 5,515,618.50
Kindergarten Program-Early Intervention Program	1,301,331.00	324,566.83	2,581.77	327,148.60
Primary Grades (1-3) Program	9,890,949.00	14,744,278.72	65,095.86	14,809,374.58
Primary Grades-Early Intervention (1-3) Program	2,829,785.00	1,663,459.75	10,036.80	1,673,496.55
Upper Elementary Grades (4-5) Program	4,256,810.00	6,760,696.14	36,041.94	6,796,738.08
Upper Elementary Grades-Early Intervention (4-5) Program	1,786,431.00	1,315,907.70	6,711.01	1,322,618.71
Middle Grades (6-8) Program				
Middle School (6-8) Program	7,264,513.00	9,424,476.48	39,252.95	9,463,729.43
High School General Education (9-12) Program	7,101,549.00	9,106,849.23	188,454.97	9,295,304.20
Vocational Laboratory (9-12) Program	837,293.00	869,162.58	116,289.62	985,452.20
Students with Disabilities	11,996,282.00			
Category I		100,365.55	21,538.33	121,903.88
Category II		600,762.63	6,024.51	606,787.14
Category III		14,274,590.54	67,682.22	14,342,272.76
Category IV		106,001.47	19,899.75	125,901.22
Category V			32,163.85	32,163.85
Gifted Student - Category VI	5,096,641.00	3,531,424.36	53,812.07	3,585,236.43
Remedial Education Program	719,152.00	594,641.62	4,045.24	598,686.86
Alternative Education Program	570,033.00	1,707.20	935,277.15	936,984.35
English Speakers of Other Languages (ESOL)	2,245,250.00	2,190,344.65	33,038.17	2,223,382.82
TOTAL DIRECT INSTRUCTIONAL PROGRAMS	\$ 61,328,765.00	\$ 71,074,191.10	\$ 1,688,609.06	\$ 72,762,800.16
Media Center Program	1,589,549.00	1,682,036.29	149,825.47	1,831,861.76
Staff and Professional Development	316,584.00			392,878.89
TOTAL QBE FORMULA FUNDS	\$ 63,234,898.00	\$ 72,756,227.39	\$ 1,838,434.53	\$ 74,987,540.81

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

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

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

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

October 27, 2014

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

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

Ladies and Gentlemen:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clarke County Board of Education as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Clarke County Board of Education's basic financial statements, and have issued our report thereon dated October 27, 2014.

### **Internal Control Over Financial Reporting**

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

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. 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.





Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item FS-6291-13-01 that we consider to be a significant deficiency.

### **Compliance and Other Matters**

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

We noted certain matters that we have reported to management of Clarke County Board of Education in a separate letter dated October 27, 2014.

### **Clarke County Board of Education's Response to Findings**

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

### **Purpose of this Report**

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

Respectfully submitted,



Greg S. Griffin  
State Auditor

GSG:as  
2013YB-30





## DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

October 27, 2014

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

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

Ladies and Gentlemen:

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

We have audited Clarke County Board of Education's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2013. Clarke County Board of Education's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

#### ***Management's Responsibility***

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

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

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

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



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

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

### **Report on Internal Control over Compliance**

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

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

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

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

Respectfully submitted,



Greg S. Griffin  
State Auditor



### SECTION III

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





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

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

**FINDING CONTROL NUMBER AND STATUS**

FA-6291-11-01

Previously Reported Corrective Action Implemented



## SECTION IV

### FINDINGS AND QUESTIONED COSTS



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

**I SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted: No

**Federal Awards**

Internal Control over major programs:

- Material weakness identified? No
- Significant deficiency identified? None Reported

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

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	Child Nutrition Cluster
84.010	Title I, Part A Cluster
84.395	ARRA Race-to-the-Top Incentive Grants
84.371	Striving Readers

Dollar threshold used to distinguish between Type A and Type B programs: \$688,025.03

Auditee qualified as low-risk auditee? No

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

## II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Finding Control Number: FS-6291-13-01  
Control Category: Employee Compensation/Accounting Controls (Overall)  
Internal Control Impact: Significant Deficiency  
Compliance Impact: N/A

### Description:

The School District does not have a formal definition of procedures and adequate documentation of the employee compensation processes. Additionally, the School District lacks adequate separation of duties within the financial system for the employee compensation process.

### Criteria:

The School District's management is responsible for designing and maintaining internal controls that provide adequate separation of duties involving key accounting functions, both manual and automated.

### Condition:

Weaknesses related to internal controls over Employee Compensation were as follows:

- The School District lacks formal written procedures for employee compensation processes. As a result three employees were noted for improper payment out of the twenty four employees tested. Two of these employees were noted as being underpaid and identified by the School District in the subsequent fiscal year under review. The two employees were underpaid by \$5,591.96 and \$6,379.90 in the current fiscal year. One employee was noted during testing as having an overpayment of \$400.54 in the current fiscal year under review. Six of the 24 employees tested were noted as having incomplete or inadequate documentation to support the amounts paid by the School District to the employee. Auditor noted in a test of the changes made within the financial system that these items lacked evidence of formal approval.
- Our examination included a review of general and application access controls related to the School District's significant financial applications. We noted the School District does not have adequate logical access controls in place to ensure only appropriate users have access to significant financial applications. We noted numerous users with access rights that exceeded their need to complete their assigned job functions. Further, the access granted did not adequately separate the functions of initiating, authorizing, and recording transactions.

### Cause:

In discussing these deficiencies with the School District, they stated that the cause was a result of loss of experience through large employee turnover and the hiring of new employees within the Human Resource and Payroll Departments combined with understaffing throughout the year.

### Effect or Potential Effect:

Fraud, errors and/or irregularities may not be detected in a timely manner.

### Recommendation:

The School District should implement formal written procedures for how various employee compensation processes should be conducted. The School District should consider the creation of an employee compensation handbook to provide guidance to the employees involved in the

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

## II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

employee compensation process. Application access controls in the accounting information systems should complement the system of internal control by limiting an employee's access to only the accounting functions necessary for the performance of the employee's duties. Management should ensure that proper separation of duties exists. In the case when management determines separation of duties is not cost beneficial, management should implement compensating controls that assist in assuring that financial transactions are properly processed and reported.

### Views of Responsible Officials and Corrective Action Plans:

We concur with this finding. The District has assigned a human resources specialist to focus on salary calculations. The specialist is now utilizing written formulas for determining salaries. The District is reviewing salaries by job class and evaluating salary formulas. The Human Resources office is now utilizing a tracking sheet for employees who are hired, terminated, transferred, or promoted that will be inclusive of any salary changes. This tracking sheet is being signed by human resources specialist, the Executive Director of HR and the Associate Superintendent of HR. These changes were implemented by June 2014.

The HR Department is reviewing the general and application access controls and developing compensating logical access controls to ensure that only appropriate users have access to significant financial applications. These changes will be implemented by December 2014.

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Email: hammell@clarke.k12.ga.us

## III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.