



ELBERT COUNTY BOARD OF EDUCATION ELBERTON, GEORGIA

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

(Including Independent Auditor's Reports)



ELBERT COUNTY BOARD OF EDUCATION

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ELBERT COUNTY BOARD OF EDUCATION

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FINANCIAL



DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 1-156
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Greg S. Griffin
STATE AUDITOR
(404) 656-2174

July 31, 2014

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
Elbert 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 I) of the Elbert 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 Elbert 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 Elbert County Board of Education adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information. Accounting principles generally accepted in the United States of America require that the Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual, as presented on page 29 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 Elbert 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 July 31, 2014, on our consideration of the Elbert 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 Elbert 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

ELBERT COUNTY BOARD OF EDUCATION

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

EXHIBIT "A"

	<u>GOVERNMENTAL ACTIVITIES</u>
 <u>ASSETS</u>	
Cash and Cash Equivalents	\$ 4,117,500.43
Investments	16,848.92
Accounts Receivable, Net	
Taxes	1,491,986.06
State Government	1,848,867.00
Federal Government	856,424.53
Other	7,981.35
Inventories	49,097.95
Due From Other Funds	3,000.00
Capital Assets, Non-Depreciable	2,023,067.23
Capital Assets, Depreciable (Net of Accumulated Depreciation)	<u>20,782,577.23</u>
 Total Assets	 \$ <u>31,197,350.70</u>
 <u>LIABILITIES</u>	
Accounts Payable	\$ 113,666.61
Salaries and Benefits Payable	3,344,459.78
Due To Other Funds	36,864.36
Contracts Payable	597,190.71
Retainages Payable	66,354.52
Deposits and Deferred Revenues	15,730.37
Long-Term Liabilities	
Due Within One Year	77,849.92
Due in More Than One Year	<u>2,269,408.39</u>
 Total Liabilities	 \$ <u>6,521,524.66</u>
 <u>NET POSITION</u>	
Net Investment in Capital Assets	\$ 21,864,935.15
Restricted for	
Continuation of Federal Programs	444,272.91
Other (Purchase of Land)	150,000.00
Unrestricted	<u>2,216,617.98</u>
 Total Net Position	 \$ <u><u>24,675,826.04</u></u>

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

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

	EXPENSES	CHARGES FOR SERVICES
<u>GOVERNMENTAL ACTIVITIES</u>		
Instruction	\$ 19,442,398.66	\$ 1,438.07
Support Services		
Pupil Services	1,225,376.10	
Improvement of Instructional Services	1,547,927.81	
Educational Media Services	412,558.82	
General Administration	1,219,826.61	
School Administration	2,061,796.33	
Business Administration	629,225.83	
Maintenance and Operation of Plant	2,676,536.05	
Student Transportation Services	1,853,719.04	
Central Support Services	384,212.31	
Other Support Services	557,025.98	
Operations of Non-Instructional Services		
Enterprise Operations	19,317.80	3,954.63
Food Services	1,920,016.80	397,320.03
Interest on Short-Term and Long-Term Debt	55,036.58	
	\$ 34,004,974.72	\$ 402,712.73
General Revenues		
Taxes		
Property Taxes		
For Maintenance and Operations		
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Capital Projects		
Other Sales Tax		
Grants and Contributions not Restricted to Specific Programs		
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"

<u>PROGRAM REVENUES</u>		<u>NET (EXPENSES)</u>
<u>OPERATING</u>	<u>CAPITAL</u>	<u>REVENUES</u>
<u>GRANTS AND</u>	<u>GRANTS AND</u>	<u>AND CHANGES IN</u>
<u>CONTRIBUTIONS</u>	<u>CONTRIBUTIONS</u>	<u>NET POSITION</u>
\$ 13,919,425.34		\$ -5,521,535.25
64,507.00		-1,160,869.10
274,833.97		-1,273,093.84
343,888.00		-68,670.82
537,203.00		-682,623.61
823,522.00		-1,238,274.33
501.42		-628,724.41
764,435.00		-1,912,101.05
544,151.00 \$	76,219.50	-1,233,348.54
257.89		-383,954.42
43.48		-556,982.50
		-15,363.17
1,645,632.34		122,935.57
		-55,036.58
<u>\$ 18,918,400.44</u>	<u>\$ 76,219.50</u>	<u>\$ -14,607,642.05</u>
		\$ 9,039,535.68
		1,994,379.62
		115,077.97
		1,231,954.00
		6,257.58
		<u>1,261,268.31</u>
		\$ <u>13,648,473.16</u>
		\$ -959,168.89
		<u>25,634,994.93</u>
		\$ <u><u>24,675,826.04</u></u>

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

EXHIBIT "C"

	<u>GENERAL FUND</u>	<u>DISTRICT- WIDE CAPITAL PROJECTS FUND</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 2,862,910.21	\$ 1,254,590.22	\$ 4,117,500.43
Investments	16,848.92		16,848.92
Accounts Receivable, Net			
Taxes	1,328,679.49	163,306.57	1,491,986.06
State Government	1,848,867.00		1,848,867.00
Federal Government	856,424.53		856,424.53
Other	7,981.35		7,981.35
Due From Other Funds	757,351.56		757,351.56
Inventories	49,097.95		49,097.95
	<u>7,728,161.01</u>	<u>1,417,896.79</u>	<u>9,146,057.80</u>
 Total Assets	 <u>\$ 7,728,161.01</u>	 <u>\$ 1,417,896.79</u>	 <u>\$ 9,146,057.80</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES</u>			
Accounts Payable	\$ 113,666.61		\$ 113,666.61
Salaries and Benefits Payable	3,344,459.78		3,344,459.78
Contracts Payable		\$ 597,190.71	597,190.71
Retainages Payable		66,354.52	66,354.52
Deposits and Deferred Revenue	960,378.21		960,378.21
Due to Other Funds	36,864.36	754,351.56	791,215.92
	<u>4,455,368.96</u>	<u>1,417,896.79</u>	<u>5,873,265.75</u>
 Total Liabilities	 <u>\$ 4,455,368.96</u>	 <u>\$ 1,417,896.79</u>	 <u>\$ 5,873,265.75</u>
 <u>FUND BALANCES</u>			
Nonspendable	\$ 49,097.95		\$ 49,097.95
Restricted	545,174.96		545,174.96
Committed	16,848.92		16,848.92
Assigned	167,725.01		167,725.01
Unassigned	2,493,945.21	\$ 0.00	2,493,945.21
	<u>3,272,792.05</u>	<u>0.00</u>	<u>3,272,792.05</u>
 Total Fund Balances	 <u>\$ 3,272,792.05</u>	 <u>\$ 0.00</u>	 <u>\$ 3,272,792.05</u>
 Total Liabilities and Fund Balances	 <u>\$ 7,728,161.01</u>	 <u>\$ 1,417,896.79</u>	 <u>\$ 9,146,057.80</u>

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

ELBERT 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") \$ 3,272,792.05

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	\$ 1,347,522.00	
Construction in Progress	675,545.23	
Land Improvements	2,571,999.36	
Buildings	27,229,894.88	
Equipment	7,421,307.00	
Intangible Assets	370,911.25	
Accumulated Depreciation	<u>-16,811,535.26</u>	
Total Capital Assets		22,805,644.46

Taxes that are not available to pay for current period expenditures are deferred in the governmental funds. 944,647.84

Long-Term Liabilities 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:

Capital Leases Payable	\$ -2,244,103.50	
Installment Sales Agreement	<u>-103,154.81</u>	
Total Long-Term Liabilities		<u>-2,347,258.31</u>

Net Position of Governmental Activities (Exhibit "A") \$ 24,675,826.04

ELBERT 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	TOTAL
<u>REVENUES</u>			
Property Taxes	\$ 8,648,008.15		\$ 8,648,008.15
Sales Taxes	115,077.97	\$ 1,994,379.62	2,109,457.59
State Funds	15,942,448.59		15,942,448.59
Federal Funds	4,284,125.35		4,284,125.35
Charges for Services	402,712.73		402,712.73
Investment Earnings	4,818.56	1,439.02	6,257.58
Miscellaneous	1,261,268.31		1,261,268.31
	\$ 30,658,459.66	\$ 1,995,818.64	\$ 32,654,278.30
<u>EXPENDITURES</u>			
Current			
Instruction	\$ 17,799,657.99	\$ 177,597.83	\$ 17,977,255.82
Support Services			
Pupil Services	1,140,955.91		1,140,955.91
Improvement of Instructional Services	1,441,285.98		1,441,285.98
Educational Media Services	384,136.27		384,136.27
General Administration	693,183.55	442,605.20	1,135,788.75
School Administration	1,919,752.41		1,919,752.41
Business Administration	520,007.49	65,868.91	585,876.40
Maintenance and Operation of Plant	2,087,455.83	367,383.16	2,454,838.99
Student Transportation Services	1,661,677.24	64,333.00	1,726,010.24
Central Support Services	132,325.06	225,417.60	357,742.66
Other Support Services	276,044.41	242,606.22	518,650.63
Enterprise Operations	17,986.93		17,986.93
Food Services Operation	1,920,016.80		1,920,016.80
Capital Outlay		2,746,617.68	2,746,617.68
Debt Services			
Principal	11,998.32	332,576.81	344,575.13
Interest	4,928.68	50,107.90	55,036.58
	\$ 30,011,412.87	\$ 4,715,114.31	\$ 34,726,527.18
Excess of Revenues over (under) Expenditures	\$ 647,046.79	\$ -2,719,295.67	\$ -2,072,248.88
<u>OTHER FINANCING SOURCES (USES)</u>			
Capital Leases		\$ 1,998,960.00	\$ 1,998,960.00
Transfers In		1,024.48	1,024.48
Transfers Out	\$ -1,024.48		-1,024.48
	\$ -1,024.48	\$ 1,999,984.48	\$ 1,998,960.00
Net Change in Fund Balances	\$ 646,022.31	\$ -719,311.19	\$ -73,288.88
Fund Balances - Beginning	2,626,769.74	719,311.19	3,346,080.93
Fund Balances - Ending	\$ 3,272,792.05	\$ 0.00	\$ 3,272,792.05

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

ELBERT 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") \$ -73,288.88

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

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

Capital Outlay	\$ 1,586,317.10	
Depreciation Expense	<u>-1,169,278.09</u>	
Excess of Capital Outlay over Depreciation Expense		417,039.01

The net effect of various miscellaneous transactions involving capital assets (i.e., disposals) is to decrease net position. -40,061.68

Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 391,527.53

Some of the Capital Assets acquired this year were financed with capital leases. In Governmental Funds, a capital lease arrangement is considered a source of financing, but in the Statement of Net Position, the lease obligation is reported as a Long-Term Liability. -1,998,960.00

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:

Capital Lease Payments	\$ 332,576.81	
Installment Sales Agreement	<u>11,998.32</u>	
Total Long-Term Debt Repayments		<u>344,575.13</u>

Change in Net Position of Governmental Activities (Exhibit "B") \$ -959,168.89

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

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

EXHIBIT "G"

	PRIVATE PURPOSE TRUSTS	AGENCY FUNDS
<u>ASSETS</u>		
Cash and Cash Equivalents		\$ 118,896.81
Investments	\$ 40,577.80	
Due From Other Funds		36,864.36
Total Assets	\$ 40,577.80	\$ 155,761.17
 <u>LIABILITIES</u>		
Due to Other Funds	\$ 3,000.00	
Funds Held for Others		\$ 155,761.17
Total Liabilities	\$ 3,000.00	\$ 155,761.17
 <u>NET POSITION</u>		
Held in Trust for Private Purposes	\$ 37,577.80	

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

ELBERT COUNTY BOARD OF EDUCATION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2013

EXHIBIT "H"

	<u>PRIVATE PURPOSE TRUSTS</u>
<u>ADDITIONS</u>	
Investment Earnings	
Interest	\$ <u>439.07</u>
<u>DEDUCTIONS</u>	
Scholarships	\$ <u>500.00</u>
Change in Net Position	\$ -60.93
Net Position - Beginning	<u>37,638.73</u>
 Net Position - Ending	 \$ <u><u>37,577.80</u></u>

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

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NOTE 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

REPORTING ENTITY

The Elbert 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 Elbert County Board of Education.

District-wide Statements:

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

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

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

Fund Financial Statements:

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

The School District reports the following major governmental funds:

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

The School District reports the following fiduciary fund types:

- Private Purpose Trust funds report trust arrangements under which principal and income benefit various scholarships.

- Agency funds account for assets held by the School District as an agent for various student clubs and organizations.

BASIS OF ACCOUNTING

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

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. 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, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

The School District funds certain programs by a combination of specific cost-reimbursement grants, categorical grants, and general revenues. Thus, when program costs are incurred, 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.

PROPERTY TAXES

The Elbert County Board of Commissioners adopted the property tax levy for the 2012 tax digest year (calendar year) on September 29, 2012 (levy date) based on property values as of January 1, 2012. Taxes were due on December 14, 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 Elbert 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 \$8,565,669.96.

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EXHIBIT "I"

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

School Operations	<u>16.057</u> mills
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Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to \$82,338.19 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 \$1,994,379.62 and is to be used for capital outlay for educational purposes. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

INVENTORIES

Food Inventories

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

CAPITAL ASSETS

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

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

	Capitalization Policy	Estimated Useful Life
Land	Any Amount	N/A
Land Improvements	\$ 5,000.00	20 years
Buildings and Improvements	\$ 5,000.00	Up to 50 years
Equipment	\$ 5,000.00	2 to 25 years
Intangible Assets	\$ 5,000.00	3 to 6 years

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

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

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 and capital projects in accordance with restrictions imposed by external third parties.

Unrestricted net position - Unrestricted net position represents resources derived from property 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.

ELBERT COUNTY BOARD OF EDUCATION
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EXHIBIT "I"

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

Nonspendable					
Inventories		\$		49,097.95	
Restricted					
Continuation of Federal Programs	\$		395,174.96		
Other (Purchase of Property)			150,000.00		545,174.96
Committed					
Rutland Center					16,848.92
Assigned					
School Activity Accounts					167,725.01
Unassigned					2,493,945.21
Fund Balance, June 30, 2013		\$			3,272,792.05

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 12% of expenditures, 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 fund. There is no statutory prohibition regarding over expenditure of the budget at any level. The budget for all governmental funds, except the various school activity (principal) accounts, is prepared and adopted by fund and function. The legal level of budgetary control was established by the Board at the aggregate level. The budget for the General Fund was prepared in accordance with accounting principles generally accepted in the United States of America.

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

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

NOTE 4: DEPOSITS AND INVESTMENTS

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 \$4,705,560.48. 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.

ELBERT COUNTY BOARD OF EDUCATION
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EXHIBIT "I"

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	456,096.76
3	3,587,838.70
Total	\$ 4,043,935.46

CATEGORIZATION OF INVESTMENTS

The School District's investments as of June 30, 2013, are presented below. All investments are presented by investment type and debt securities are presented by maturity.

Investment Type	Fair Value
Other Investments	
U. S. Treasury	
Money Market Funds	\$ 16,848.92

The U. S. Treasury Money Market Funds are in a Treasury Portfolio fund managed by Fidelity Investments. The Treasury Portfolio fund is rated AAAM by Standard and Poor's and Ass by Moody's. The average maturity of the fund is approximately 57 days.

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**

ELBERT COUNTY BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
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EXHIBIT "I"

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	\$ 1,347,522.00		\$ 0.00	\$ 1,347,522.00
Construction in Progress	0.00	\$ 675,545.23		675,545.23
Total Capital Assets Not Being Depreciated	\$ 1,347,522.00	\$ 675,545.23	\$ 0.00	\$ 2,023,067.23
Capital Assets Being Depreciated				
Buildings and Improvements	\$ 27,202,013.10	\$ 55,108.25	\$ 27,226.47	\$ 27,229,894.88
Equipment	6,725,209.71	785,877.58	89,780.29	7,421,307.00
Land Improvements	2,684,729.36		112,730.00	2,571,999.36
Intangible Assets	301,125.21	69,786.04		370,911.25
Less Accumulated Depreciation for:				
Buildings and Improvements	9,768,783.30	544,200.36	6,293.40	10,306,690.26
Equipment	3,750,183.81	525,357.67	73,539.18	4,202,002.30
Land Improvements	2,253,728.26	29,254.52	109,842.50	2,173,140.28
Intangible Assets	59,236.88	70,465.54		129,702.42
Total Capital Assets, Being Depreciated, Net	\$ 21,081,145.13	\$ -258,506.22	\$ 40,061.68	\$ 20,782,577.23
Governmental Activity Capital Assets - Net	\$ 22,428,667.13	\$ 417,039.01	\$ 40,061.68	\$ 22,805,644.46

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

	Governmental Activities
Equipment	\$ 919,369.06
Less: Accumulated Depreciation	87,248.53
	\$ 832,120.53

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EXHIBIT "I"

Current year depreciation expense by function is as follows:

Instruction		\$ 735,478.33
Support Services		
Pupil Services	\$ 42,364.58	
Improvements of Instructional Services	53,516.06	
Educational Media Services	14,263.28	
General Administration	42,172.71	
School Administration	71,281.89	
Business Administration	21,754.04	
Maintenance and Operation of Plant	91,150.07	
Student Transportation Services	64,088.10	
Central Support Services	13,283.26	
Other Support Services	19,257.90	433,131.89
Food Services		667.87
		\$ 1,169,278.09

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:

	Due From Other Funds	Due To Other Funds
General Fund	\$ 757,351.56	\$ 36,864.36
District-wide Capital Projects		754,351.56
Private Purpose Funds		3,000.00
Agency Funds	36,864.36	
	\$ 794,215.92	\$ 794,215.92

The general fund receivable is a result of 1) financing the scholarships for the trust fund as the private purpose trust funds were in certificates of deposit at the time and 2) funding for capital construction projects which have been expensed in the capital projects fund but the cash has not yet been transferred to the capital projects account at year-end. The Agency Fund receivable is a result of school activity account expenditures which have not yet been transferred to the agency funds at year-end.

NOTE 8: INTERFUND TRANSFERS

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

	Transfers From General Fund
<u>Transfer to</u>	
District-wide Capital Projects	\$ 1,024.48

Transfers are used to cover expenditures made in the capital projects fund for which ESPLOST funds will be received in the subsequent fiscal year.

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 and unemployment compensation.

The School District has obtained commercial insurance for risk of loss associated with torts, assets, errors or omissions, job related illness or injuries to employees, and acts of God. However, the errors or omissions policy excludes coverage for sexual harassment and discrimination. The School District has neither significantly reduced coverage for these risks nor incurred losses (settlements) which exceeded the School District's insurance coverage in any of the past three years.

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

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

	<u>Beginning of Year Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Paid</u>	<u>End of Year Liability</u>
2012	\$ 11,425.00	\$ 108,389.77	\$ 92,573.77	\$ 27,241.00
2013	\$ 27,241.00	\$ 115,088.00	\$ 138,819.00	\$ 3,510.00

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.

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

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

NOTE 9: OPERATING LEASES

Elbert County Board of Education has entered into various leases as lessee for copiers. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the year ended June 30, 2013, for governmental funds amounted to \$3,507.86. Future minimum lease payments for these leases are as follows:

ELBERT COUNTY BOARD OF EDUCATION
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EXHIBIT "I"

<u>Year Ending</u>	<u>Governmental Funds</u>
2014	\$ 12,031.44
2015	12,031.44
2016	12,031.44
2017	12,031.44
2018	<u>8,523.58</u>
Total	\$ <u><u>56,649.34</u></u>

NOTE 10: SHORT-TERM DEBT

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

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

	Beginning Balance	Issued	Redeemed	Ending Balance
Tax Anticipation Notes	\$ <u>0.00</u>	\$ <u>2,750,000.00</u>	\$ <u>2,750,000.00</u>	\$ <u>0.00</u>

NOTE 11: LONG-TERM DEBT

CAPITAL LEASES

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

INSTALLMENT SALES AGREEMENT

The Elbert County Board of Education entered into a contract with the Northeast Georgia Regional Service Agency, (NGRESA) dated July 1, 2006, for the construction and subsequent lease of the Rutland Center. Under the terms of the contract, the School District will make annual payments through July 15, 2020.

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GENERAL OBLIGATION DEBT OUTSTANDING

Voters have authorized \$7,475,000.00 in general obligation debt which was not issued as of June 30, 2013.

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

	Governmental Activities				
	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013	Due Within One Year
Capital Leases	\$ 577,720.31	\$ 1,998,960.00	\$ 332,576.81	\$ 2,244,103.50	\$ 65,391.60
Installment Sales Agreement	115,153.13		11,998.32	103,154.81	12,458.32
	<u>\$ 692,873.44</u>	<u>\$ 1,998,960.00</u>	<u>\$ 344,575.13</u>	<u>\$ 2,347,258.31</u>	<u>\$ 77,849.92</u>

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

	Capital Leases		Installment Sales Agreement	
	Principal	Interest	Principal	Interest
<u>Fiscal Year Ended June 30:</u>				
2014	\$ 65,391.60	\$ 39,009.69	\$ 12,458.32	\$ 4,291.25
2015	240,391.60	52,012.94	13,033.31	3,772.97
2016	290,391.60	47,459.44	13,531.64	3,230.78
2017	273,968.70	41,604.94	13,646.64	3,093.65
2018	225,000.00	35,750.44	14,259.97	2,525.95
2019 - 2023	<u>1,148,960.00</u>	<u>90,934.70</u>	<u>36,224.93</u>	<u>1,596.25</u>
Total Principal and Interest	<u>\$ 2,244,103.50</u>	<u>\$ 306,772.15</u>	<u>\$ 103,154.81</u>	<u>\$ 18,510.85</u>

NOTE 12: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of \$1,893,281.00 for health insurance and retirement contributions paid on the School District's behalf by the following State Agencies.

Georgia Department of Education
 Paid to the Georgia Department of Community Health
 For Health Insurance of Certificated Personnel
 In the amount of \$1,830,528.00

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 \$62,753.00

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 13: 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
ECCHS Renovation	\$ <u>1,468,925.68</u>

The amount described in this note is not reflected in the basic financial statements.

NOTE 14: 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 15: SUBSEQUENT EVENTS

In the subsequent fiscal year, the School District issued a tax anticipation note in the amount of \$2,250,000.00

On November 7, 2013, the School District signed a contract for construction and renovations at Elbert County Comprehensive High School in the amount of \$4,130,463.00.

NOTE 16: 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

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

EXHIBIT "I"

more years of service. The subsidy for eligible dependents ranges from 0% to 55% (but no greater than the subsidy percentage offered to dependents of active employees minus 20%). No subsidy is available to Medicare eligible members not enrolled in a Medicare Advantage Option. The Board of Community Health sets all member premiums by resolution and in accordance with the law and applicable revenue and expense projections. Any subsidy policy adopted by the Board may be changed at any time by Board resolution and does not constitute a contract or promise of any amount of subsidy.

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

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

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

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:

Fiscal Year	Percentage Contributed	Required Contribution
2013	100%	\$ 3,141,096.01
2012	100%	\$ 3,081,815.09
2011	100%	\$ 3,421,402.17

NOTE 17: RETIREMENT PLANS

TEACHERS' RETIREMENT SYSTEM OF GEORGIA (TRS)

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

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

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

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

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:

Fiscal Year	Percentage Contributed	Required Contribution
2013	100%	\$ 1,839,965.90
2012	100%	\$ 1,778,551.02
2011	100%	\$ 2,049,426.88

PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS)

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

DEFINED CONTRIBUTION PLAN

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

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

EXHIBIT "I"

The School District selected Lincoln Financial Services as the provider for this plan. For each employee covered under PSERS, the School District matched the employee's contribution up to 3% of the employee's base pay.

The employee becomes vested in the plan from the first enrollment date.

Funds accumulated in the employer paid accounts are only available to the employee upon termination of employment.

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%	\$ 21,791.00
2012	100%	\$ 23,228.00
2011	100%	\$ 8,395.00

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

SCHEDULE "1"

	NONAPPROPRIATED BUDGETS		ACTUAL	VARIANCE
	ORIGINAL (1)	FINAL (1)	AMOUNTS	OVER/UNDER
<u>REVENUES</u>				
Property Taxes	\$ 8,391,238.00	\$ 8,391,238.00	\$ 8,648,008.15	\$ 256,770.15
Sales Taxes			115,077.97	115,077.97
State Funds	15,262,571.00	15,262,572.00	15,942,448.59	679,876.59
Federal Funds	83,900.00	83,900.00	4,284,125.35	4,200,225.35
Charges for Services	1,250.00	1,250.00	402,712.73	401,462.73
Investment Earnings	2,500.00	2,500.00	4,818.56	2,318.56
Miscellaneous	275,000.00	275,000.00	1,261,268.31	986,268.31
	\$ 24,016,459.00	\$ 24,016,460.00	\$ 30,658,459.66	\$ 6,641,999.66
<u>EXPENDITURES</u>				
Current				
Instruction	\$ 15,747,336.00	\$ 15,676,406.00	\$ 17,799,657.99	\$ -2,123,251.99
Support Services				
Pupil Services	987,121.00	987,121.00	1,140,955.91	-153,834.91
Improvement of Instructional Services	551,994.00	552,494.00	1,441,285.98	-888,791.98
Educational Media Services	397,223.00	412,223.00	384,136.27	28,086.73
General Administration	375,759.00	375,759.00	693,183.55	-317,424.55
School Administration	1,799,538.00	1,840,000.00	1,919,752.41	-79,752.41
Business Administration	596,010.00	611,880.00	520,007.49	91,872.51
Maintenance and Operation of Plant	1,867,086.00	1,822,836.00	2,087,455.83	-264,619.83
Student Transportation Services	1,476,512.00	1,476,512.00	1,661,677.24	-185,165.24
Central Support Services	92,132.00	92,132.00	132,325.06	-40,193.06
Other Support Services	108,808.00	137,058.00	276,044.41	-138,986.41
Enterprise Operations			17,986.93	-17,986.93
Food Services Operation			1,920,016.80	-1,920,016.80
Debt Service	16,940.00	32,039.00	16,927.00	15,112.00
	\$ 24,016,459.00	\$ 24,016,460.00	\$ 30,011,412.87	\$ -5,994,952.87
Excess of Revenues over (under) Expenditures	\$ 0.00	\$ 0.00	\$ 647,046.79	\$ 647,046.79
<u>OTHER FINANCING USES</u>				
Other Uses			-1,024.48	-1,024.48
Net Change in Fund Balances	\$ 0.00	\$ 0.00	\$ 646,022.31	\$ 646,022.31
Fund Balances - Beginning	1,993,494.66	1,993,494.66	2,626,769.74	633,275.08
Fund Balances - Ending	\$ 1,993,494.66	\$ 1,993,494.66	\$ 3,272,792.05	\$ 1,279,297.39

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

- (1) Original and Final Budget amounts do not include the budgeted revenues or expenditures of the various principal accounts. The actual revenues and expenditures of the various principal accounts are \$441,114.97 and \$428,659.48, 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.

ELBERT 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	\$ 1,859,691.80 (1)
Total U. S. Department of Agriculture			\$ 1,859,691.80
Education, U. S. Department of			
Educational Technology State Grants Cluster			
Pass-Through From Georgia Department of Education			
ARRA - Education Technology State Grants	84.386	N/A	\$ 19,085.59
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Grants to States	84.027	N/A	\$ 748,088.20
Preschool Grants	84.173	N/A	41,779.89
Total Special Education Cluster			\$ 789,868.09
Title I, Part A Cluster			
Pass-Through From Georgia Department of Education			
Title I Grants to Local Educational Agencies	* 84.010	N/A	\$ 1,233,913.80
Other Programs			
Pass-Through From Georgia Department of Education			
Career and Technical Education - Basic Grants to States	84.048	N/A	\$ 45,614.44
Education Jobs Fund	84.410	N/A	1,412.00
English Language Acquisition Grants	84.365	N/A	17,494.44
Improving Teacher Quality State Grants	84.367	N/A	212,167.97
Migrant Education - State Grant Program	84.011	N/A	31,300.10
Rural Education	84.358	N/A	64,632.87
Twenty-First Century Community Learning Centers	84.287	N/A	192,391.71
Total Other Programs			\$ 565,013.53
Total U. S. Department of Education			\$ 2,607,881.01
Defense, U. S. Department of			
Direct			
Department of the Army			
R.O.T.C. Program			\$ 90,936.48
Total Expenditures of Federal Awards			\$ 4,558,509.29

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 \$104,516.70.
- (2) Expenditures for the funds earned on the School Breakfast Program (\$464,575.00) were not maintained separately and are included in the 2013 National School Lunch Program.

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

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

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the Elbert 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.

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

SCHEDULE "3"

<u>AGENCY/FUNDING</u>	<u>GOVERNMENTAL FUND TYPE GENERAL FUND</u>
GRANTS	
Bright From the Start:	
Georgia Department of Early Care and Learning	
Pre-Kindergarten Program	\$ 679,219.00
Education, Georgia Department of	
Quality Basic Education (1)	
Direct Instructional Cost	
Kindergarten Program	916,180.00
Kindergarten Program - Early Intervention Program	391,518.00
Primary Grades (1-3) Program	2,364,593.00
Primary Grades - Early Intervention (1-3) Program	141,022.00
Upper Elementary Grades (4-5) Program	978,627.00
Upper Elementary Grades - Early Intervention (4-5) Program	214,420.00
Middle School (6-8) Program	2,030,121.00
High School General Education (9-12) Program	1,546,425.00
Vocational Laboratory (9-12) Program	688,124.00
Students with Disabilities	2,322,041.00
Gifted Student - Category VI	646,042.00
Remedial Education Program	190,596.00
Alternative Education Program	155,467.00
English Speakers of Other Languages (ESOL)	122,411.00
Media Center Program	343,888.00
20 Days Additional Instruction	105,049.00
Staff and Professional Development	62,666.00
Indirect Cost	
Central Administration	537,203.00
School Administration	823,522.00
Facility Maintenance and Operations	764,435.00
Mid-term Adjustment Hold-Harmless	463,215.00
Amended Formula Adjustment	-2,686,028.00
Categorical Grants	
Pupil Transportation	
Regular	544,151.00
Nursing Services	64,507.00
Education Equalization Funding Grant	1,231,954.00
Other State Programs	
Food Services	60,325.00
Preschool Handicapped Program	47,291.00
Pupil Transportation - State Bonds	76,219.50
Vocational Education	54,492.09
Office of the State Treasurer	
Public School Employees' Retirement	<u>62,753.00</u>
	<u>\$ 15,942,448.59</u>

(1) Payments to the Georgia Department of Community Health by the Georgia Department of Education on behalf of the School District in the amount of \$1,830,258.00 are included as part of the Quality Basic Education revenue allotments above.

See notes to the basic financial statements.

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

SCHEDULE "4"

PROJECT	SPLOST 2006						
	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) (6) (7)	ESTIMATED COMPLETION DATE
(1) Adding to, renovating, repairing, improving, equipping and furnishing existing school buildings and other facilities, including but not limited to athletic/ physical education facilities, transportation and maintenance facilities, additional classrooms and parking areas.	\$ 6,439,408.26	\$ 4,450,000.00	\$ 319,721.87	\$ 3,990,505.43	\$ 4,310,227.30	\$ 139,772.70	Completed - June 2013
(2) HVAC mechanical systems and roofing	762,900.51	450,000.00		373,918.05	373,918.05	76,081.95	Completed - June 2012
(3) Acquiring system-wide technology and safety equipment	3,228,499.72	2,925,114.28	436,830.17	2,488,284.11	2,925,114.28	0.00	Completed - June 2013
(4) Purchasing textbooks	2,482,319.30	1,400,000.00	100,858.28	1,219,457.25	1,320,315.53	79,684.47	Completed - June 2013
(5) Acquiring school buses and other school vehicles	1,986,872.21	933,057.80	58,243.00	874,814.80	933,057.80	0.00	Completed - June 2012
(6) Acquiring of any other property desirable thereof, both real and personal	<u>100,000.00</u>						Completed - June 2012
	<u>\$ 15,000,000.00</u>	<u>\$ 10,158,172.08</u>	<u>\$ 915,653.32</u>	<u>\$ 8,946,979.64</u>	<u>\$ 9,862,632.96</u>	<u>\$ 295,539.12</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 Elbert 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	\$ 733,774.18
Current Year	<u>87,590.24</u>
Total	<u>\$ 821,364.42</u>

- (5) Projects in SPLOST 2006 are appropriately funded as of June 30, 2013.
- (6) All projects in SPLOST 2006 are expected to be completed on or before June 30, 2013.
- (7) Project 1 /SPLOST 2006 was completed in June 2013 with total actual expenditures of \$4,310,227.30. The previous estimated cost was \$4,450,000. The surplus of SPLOST proceeds will be \$139,772.70 and used to fund other projects due to a decrease in sales tax revenues.

 Project 2/SPLOST 2006 was completed in June 2012 with a total actual expenditures of \$373,918.05. The previous estimated cost was \$450,000. The surplus of SPLOST proceeds will be \$76,081.95 and used to fund other projects due to a decrease in sales tax revenues.

 Project 3/SPLOST was completed in June 2013 with total actual expenditures of \$2,925,114.28.

 Project 4/SPLOST 2006 was completed in June 2012 with total actual expenditures of \$1,320,315.53. The previous estimated cost was \$1,400,000. The surplus of SPLOST proceeds will be \$76,684.47. and used to fund other projects due to a decrease in sales tax revenues.

 Project 5/SPLOST 2006 was completed in June 2013 with a total actual expenditures of 933,057.80.

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

SCHEDULE "4"

PROJECT	SPLOST 2011						
	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3)	AMOUNT EXPENDED IN PRIOR YEARS (3)	TOTAL COMPLETION COST	EXCESS PROCEEDS NOT EXPENDED (5) (6) (7)	ESTIMATED COMPLETION DATE
(1) Renovating, modernizing, equipping, repairing, and improving Elbert County Comprehensive High School to include mechanical, structural, educational, and other facility functions	\$ 7,095,663.00	\$ 6,776,078.62	\$ 836,563.48				October 2014
(2) Purchasing textbooks and software	1,230,469.00	1,232,524.22	82,254.21				June 2017
(3) Acquiring and improving school buses and other school vehicles	703,125.00	250,000.00					June 2017
(4) Purchasing, upgrading and supporting existing and future technology initiatives.	2,109,375.00	1,700,000.00	481,487.23				June 2017
(5) Renovating, modernizing, equipping, repairing, and improving, planning and acquiring other system facilities to include elementary, middle athletic and operational facilities	2,009,805.00	2,048,147.08	139,551.39				June 2017
(6) Acquiring any other real or personal property so as desired	<u>351,563.00</u>						June 2017
	<u>\$ 13,500,000.00</u>	<u>\$ 12,006,749.92</u>	<u>\$ 1,539,856.31</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	

- (1) The School District's original cost estimate as specified in the resolution calling for the imposition of the Local Option Sales Tax.
- (2) The School District's current estimate of total cost for the projects. Includes all cost from project inception to completion, including other state revenues.
- (3) The voters of Elbert 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	\$ 0.00
Current Year	<u>137,357.00</u>
Total	<u>\$ 137,357.00</u>
- (5) Projects 1 - 6/SPLOST 2011 are appropriately funded as of June 30, 2013.
- (6) All projects in Projects 1 - 6/SPLOST 2011 are expected to be completed on or before June 30, 2017.
- (7) At June 30, 2013, none of the 2011 projects have been completed, therefore no finalized project cost has been able to be calculated.

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ELBERT 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			ELIGIBLE QBE PROGRAM COSTS				
	DEPARTMENT OF			SALARIES	OPERATIONS	TOTAL		
	EDUCATION (1)	(2)	(3)					
Direct Instructional Programs								
Kindergarten Program	\$	916,180.00	\$	1,358,734.50	\$	3,834.72	\$	1,362,569.22
Kindergarten Program-Early Intervention Program		391,518.00		30,713.00				30,713.00
Primary Grades (1-3) Program		2,364,593.00		276,704.57		9,828.46		286,533.03
Primary Grades-Early Intervention (1-3) Program		141,022.00		671,899.35				671,899.35
Upper Elementary Grades (4-5) Program		978,627.00		1,538,213.30		5,361.94		1,543,575.24
Upper Elementary Grades-Early Intervention (4-5) Program		214,420.00		12,976.76				12,976.76
Middle School (6-8) Program		2,030,121.00		2,878,502.68		16,878.25		2,895,380.93
High School General Education (9-12) Program		1,546,425.00		2,026,608.11		39,566.78		2,066,174.89
Vocational Laboratory (9-12) Program								
Students with Disabilities								
Category I		82,538.00						
Category II		223,521.00		387,290.43				387,290.43
Category III		1,194,914.00		670,880.33		65,765.00		736,645.33
Category IV		408,999.00		828,285.37				828,285.37
Category V		412,069.00		3,346.50				3,346.50
Gifted Student - Category VI		646,042.00		704,367.71		1,498.51		705,866.22
Remedial Education Program		190,596.00		141,902.73				141,902.73
Alternative Education Program		155,467.00		277,394.47		917.79		278,312.26
English Speakers of Other Languages (ESOL)		122,411.00		146,065.77				146,065.77
TOTAL DIRECT INSTRUCTIONAL PROGRAMS	\$	12,019,463.00	\$	11,953,885.58	\$	143,651.45	\$	12,097,537.03
Media Center Program		343,888.00		341,157.98		37,498.38		378,656.36
Staff and Professional Development		62,666.00				3,912.90		3,912.90
TOTAL QBE FORMULA FUNDS	\$	12,426,017.00	\$	12,295,043.56	\$	185,062.73	\$	12,480,106.29

(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

July 31, 2014

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
Elbert 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 Elbert 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 Elbert County Board of Education's basic financial statements and have issued our report thereon dated July 31, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Elbert 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 Elbert County Board of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of the Elbert County Board of Education's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items FS-6521-13-01, FS-6521-13-02, FS-6521-13-03 and FS-6521-13-05 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item FS-6521-13-04 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Elbert 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 Elbert County Board of Education in a separate letter dated July 31, 2014.

Elbert County Board of Education's Response to Findings

Elbert County Board of Education's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Elbert 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



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

July 31, 2014

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
Elbert 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 Elbert 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. Elbert 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 Elbert 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 Elbert 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 Elbert County Board of Education's compliance.

Opinion on Each Major Federal Program

In our opinion, the Elbert 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.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item FA-6521-13-01. Our opinion on each major Federal program is not modified with respect to this matter.

Elbert County Board of Education's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Elbert County Board of Education's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of Elbert 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 Elbert 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 Elbert County Board of Education's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items FA-6521-13-01 that we consider to be a significant deficiency.

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

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

Respectfully submitted,



Greg S. Griffin
State Auditor

GSG:as
2013SA-40

SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

ELBERT 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

<u>FINDING CONTROL NUMBER</u>	<u>AUDITEE'S RESPONSE/STATUS</u>	<u>SEE AUDITOR'S COMMENTS</u>
FS-6521-11-01	Further Action Not Warranted	(1)
FS-6521-11-02	Further Action Not Warranted	(1)
FS-6521-11-03	Previously Reported Corrective Action Implemented	
FS-6521-11-04	Further Action Not Warranted	(1)
FS-6521-11-05	Further Action Not Warranted	(1)
FS-6521-12-01	Partially Resolved - See Corrective Action/Responses	
FS-6521-12-02	Partially Resolved - See Corrective Action/Responses	
FS-6521-12-03	Previously Reported Corrective Action Implemented	
FS-6521-12-04	Unresolved - See Corrective Action/Responses	
FS-6521-12-05	Unresolved - See Corrective Action/Responses	
FS-6521-12-06	Partially Resolved - See Corrective Action/Responses	

AUDITOR'S COMMENTS

(1) Finding of this nature has been repeated in fiscal year 2012 and fiscal year 2013.

CORRECTIVE ACTION/RESPONSES

ACCOUNTING CONTROLS (OVERALL)

EMPLOYEE COMPENSATION

GENERAL LEDGER

Inadequate Accounting Procedures

Finding Control Number: FS-6521-12-01

The District is in the process of redeveloping its internal control processes to strengthen the accounting controls.

CASH AND CASH EQUIVALENTS

Inadequate Internal Control Procedures

Finding Control Number: FS-6521-12-02

The District is in the process of redeveloping its internal control processes to strengthen the accounting controls.

FINANCIAL REPORTING

Inadequate Controls over Financial Reporting

Finding Control Number: FS-6521-12-04

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

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

CORRECTIVE ACTION/RESPONSES

The District is in the process of redeveloping its internal control processes to strengthen the accounting controls.

EXPENDITURES/LIABILITIES/DISBURSEMENTS

Improper Use of SPLOST Proceeds

Finding Control Number: FS-6521-12-05

The District is in the process of redeveloping its internal control processes to strengthen the accounting controls.

CAPITAL ASSETS

Failure to Adequately Maintain Capital Assets

Finding Control Number: FS-6521-12-06

The District is in the process of redeveloping its internal control processes to strengthen the accounting controls.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING CONTROL NUMBER AND STATUS

FA-6521-10-01

Previously Reported Corrective Action Implemented

FA-6521-12-01

Partially Resolved - See Corrective Action/Responses

CORRECTIVE ACTION/RESPONSES

REPORTING

Failure to File Accurate Completion Reports

Failure to Refund Unexpended Grants

U. S. Department of Education

Through Georgia Department of Education

Title I, Part A Cluster (CFDA 84.010 and 84.389)

Career and Technical Education – Basic Grants to States (CFDA 84.048)

Questioned Cost: \$554.70

Finding Control Number: FA-6521-12-01

The District is in the process of redeveloping its internal control processes to strengthen the accounting controls.

SECTION IV
FINDINGS AND QUESTIONED COSTS

ELBERT 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; Aggregate Remaining Fund Information	Unmodified
Internal control over financial reporting:	
▪ Material weaknesses identified?	Yes
▪ Significant deficiencies identified?	Yes
Noncompliance material to financial statements noted:	No

Federal Awards

Internal Control over major programs:							
▪ Material weakness identified?	No						
▪ Significant deficiency identified?	Yes						
Type of auditor's report issued on compliance for major programs: All major programs	Unmodified						
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)?	Yes						
Identification of major programs:							
<table border="0"> <thead> <tr> <th style="text-align: left;"><u>CFDA Numbers</u></th> <th style="text-align: left;"><u>Name of Federal Program or Cluster</u></th> </tr> </thead> <tbody> <tr> <td>10.553, 10.555</td> <td>Child Nutrition Cluster</td> </tr> <tr> <td>84.010</td> <td>Title I, Part A Cluster</td> </tr> </tbody> </table>	<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	
<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>						
10.553, 10.555	Child Nutrition Cluster						
84.010	Title I, Part A Cluster						
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000.00						
Auditee qualified as low-risk auditee?	No						

ELBERT 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-6521-13-01
Inadequate Separation of Duties
Control Category: ACCOUNTING CONTROLS (OVERALL)
Internal Control Impact: Material Weakness
Compliance Impact: N/A

Description:

This is a repeat finding (FS-6521-12-01 and FS-6521-11-01) from fiscal year ended June 30, 2012 and June 30, 2011, respectively. The policies and procedures of the School District were insufficient to provide adequate controls over accounting controls.

Criteria:

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

Condition:

A review of access to the School District's financial system revealed that several users were granted access that allowed the user to perform conflicting significant duties. Most notably, the chief financial officer has the ability to perform all accounting functions and is also the Technology Director for the school system. A test of compensating controls outside of the financial system revealed that these controls were not effective, and therefore, the access that allowed for conflicting duties could have an effect on data that is used in the preparation of the financial statements. In addition, financial personnel were granted administrator roles which allows for the addition, modification, and deletion of user access in the financial system.

Questioned Cost:

N/A

Cause:

In discussing the issue with management, they stated that the School District does not currently have the financial resources to limit access to physical assets and the related accounting records.

Effect or Potential Effect:

The lack of adequate controls over the logical access to the School District's financial system may result in errors and/or irregularities not being detected in a timely manner.

Recommendation:

The School District should enhance Logical Access Controls to include security settings to limit access to authorized individuals. 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 that 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. Formal Logical Access policies and procedures will assist in mitigating the risk of manipulation, corruption, or loss of financial data, to ensure the integrity of information which is utilized by management for decision making and financial reporting.

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

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Views of Responsible Officials and Corrective Action Plans:

We concur with this finding. Due to changes in personnel within the system, some of the compensating controls were not as effective. The District has reviewed its practices and procedures to distribute duties to others outside of the finance staff to increase the effectiveness of the controls. In addition, duties have been reviewed with the District and stronger compensating controls are being implemented to mediate the risks. The District anticipates the changes to be implemented fully by July 1, 2014.

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Finding Control Number: FS-6521-13-02
Inadequate Internal Controls over Cash and Cash Equivalents
Control Category: Cash and Cash Equivalents
Internal Control Impact: Material Weakness
Compliance Impact: N/A

Description:

This is a repeat finding (FS-6521-12-02 and FS-6521-11-02) from fiscal years ended June 30, 2012 and June 30, 2011, respectively. The accounting procedures of the School District were insufficient to provide adequate internal control procedures over the Cash and Cash Equivalents function.

Criteria:

Management is responsible for designing and maintaining internal controls over Cash and Cash Equivalents.

Condition:

The General Operating Account, Purchasing Card Account and School Nutrition Account were not properly reconciled to the general ledger at June 30, 2013, in the amounts of \$368,468.81, \$4,878.19, and \$31,562.58, respectively. Additionally, the reconciliations were not reviewed or approved.

Questioned Cost:

N/A

Cause:

In discussing this issue with management, they stated that they did not give adequate resources to ensuring that internal controls were effective, due in part to the effort to maintain adequate separation of duties, which are limited by financial constraints that restrict the hiring of additional employees.

Effect or Potential Effect:

The lack of adequate control over cash increases the risk for theft, fraud, or misuse of School District resources that may result in errors and/or irregularities which would not be detected in a timely manner.

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

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Recommendation:

The School District should establish procedures to ensure that cash is reconciled to the general ledger on a monthly basis.

Views of Responsible Officials and Corrective Action Plans:

We concur with this finding. The District has reviewed current practices and implemented additional procedures, including the allocation of certain duties to other staff members. The District anticipates the changes to be implemented fully by July 1, 2014.

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Finding Control Number: FS-6521-13-03
Inadequate Internal Controls over Financial Reporting
Control Category: Financial Reporting
Internal Control Impact: Material Weakness
Compliance Impact: N/A

Description:

This is a repeat finding (FS-6521-12-04, FS-6521-11-05, and FS-6521-10-02) from fiscal years ended June 30, 2012, June 30, 2011, and June 30, 2010, respectively. The School District did not have adequate internal controls in place to ensure that financial statement activity presented for audit was materially correct.

Criteria:

Management is responsible for having adequate controls over the financial reporting process, which not only includes proper recording of transactions to the general ledger, but extends to accurate preparation and presentation of the financial statements, including note disclosures.

Condition:

The Governmental Accounting Standards Board (GASB) Statement 34 reporting model requires the presentation of both fund level and entity-wide level statements in the School District's financial statements. During the audit, numerous correcting entries were proposed by the auditors and accepted by the client to properly present the entity's fund level and entity-wide level financial statements.

The School District did not properly record on-behalf payments made to the Department of Community Health by the Georgia Department of Education. A material audit adjustment of \$1,830,528 was proposed to the entity-wide and fund level statements and accepted by the School District to correct this misstatement.

Several reclassification entries were proposed and accepted to improve financial statement presentation.

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

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Various uncorrected misstatements and misclassifications that were more than trivial were encountered throughout the course of the audit.

Additionally, the School District did not maintain supporting documentation for post-closing journal entries made to the financial statements. This included an adjustment of \$332,795.98 posted to Cash and Cash Equivalents.

Questioned Cost:

N/A

Cause:

In discussing this issue with management, they stated that the School District does not have the financial resources to dedicate staff to the adequate review of financial statements.

Effect or Potential Effect:

Significant misclassifications were included in the financial statements presented for audit. In addition, the lack of controls and monitoring could impact the reporting of the School District's financial position and results of operations.

Recommendation:

The School District should review the accounting controls and procedures currently in place, identify weaknesses, and design and implement procedures necessary to strengthen controls over the preparation of the financial statements. In addition, we recommend the School District maintain formal documentation of all journal entries made to the financial statements.

Views of Responsible Officials and Corrective Action Plans:

We concur with this finding. The entry for on-behalf payments was recorded correctly by the District and then reversed based upon documentation from the Georgia Department of Education. The District will monitor all adjustments and journal entries, including maintaining documentation. For financial statement entries, all classifications will be reviewed prior to presenting the statements to the auditors for fiscal year 2014. The District anticipates the changes to be implemented fully by July 1, 2014.

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ELBERT 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-6521-13-04
Improper Use of SPLOST Proceeds
Control Category: EXPENDITURES/LIABILITIES/DISBURSEMENTS
Internal Control Impact: Significant Deficiency
Compliance Impact: Nonmaterial Noncompliance

Description:

This is a repeat finding (FS-6521-12-05) from the year ended June 30, 2012. The School District improperly used proceeds from the Special Purpose Local Option Sales Tax (SPLOST).

Criteria:

The Official Code of Georgia Annotated (O.C.G.A) §48-8-121 states, "The proceeds received from the tax authorized by this part shall be used...exclusively for the purpose or purposes specified in the resolution or ordinance calling for the imposition of the tax". The SPLOST resolution as passed by the voters of Elbert County read as follows:

"Shall a one percent sales and use tax for educational purposes be continued in Elbert County for a period not to exceed 20 calendar quarters (5 years), commencing on the first day of the expiration of the current tax, for the purpose of raising not more than \$13,500,000.00 of net proceeds by said tax, for the following projects: (1) renovating, modernizing, equipping, repairing, and improving Elbert County Comprehensive High School to include mechanical, structural, educational, and other facility functions with an estimated cost of \$7,095,663; (2) purchasing textbooks and software, with an estimated cost of \$1,230,469; (3) acquiring and improving school buses and other vehicles, with an estimated cost of \$703,125; (4) purchasing, upgrading and supporting existing and future technology initiatives, with an estimated cost of \$2,109,375; (5) renovating, modernizing, equipping, repairing, improving, planning, and acquiring other system facilities to include elementary, middle, athletic and operational facilities, with an estimated cost of \$2,009,805; (6) acquiring any other real or personal property as so desired, with an estimated cost of \$351,563. The maximum amount of the projects to be paid with the sale and use tax proceeds not to exceed \$13,500,000."

Condition:

During the year under review, the School District used SPLOST proceeds in the amount of \$65,490.05 for salaries and benefits for an accountant and maintenance personnel. The School District was not able to document the time in which these individuals worked specifically on SPLOST projects to support the allocation of these costs to SPLOST.

Questioned Cost:

\$65,490.05

Cause:

In discussing this issue with management, they stated that the School District assumed that personnel costs incurred related to SPLOST projects was an allowable use of SPLOST proceeds.

Effect:

The payments related to personnel expenditures incurred during the normal duties of employees appear to be a violation of the referendum approved by the citizens of Elbert County.

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

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Recommendation:

The School District should establish policies and procedures to ensure expenditures are an appropriate use of SPLOST funds in accordance with State law and the SPLOST referendum as approved by voters of Elbert County.

Views of Responsible Officials and Corrective Action Plans:

We concur with the finding with reservation. The District received legal guidance regarding the duties of staff members on SPLOST related projects. Detailed job descriptions were maintained for all staff associated with SPLOST projects. Due to the size and nature of the projects, the District would have incurred additional costs if outside contractors were used with regards to the projects. In general, the maintenance director was overseeing all of the construction on-behalf of the District. The accountant was performing the duties of the technology director due to the position being one person. The District has implemented additional procedures for SPLOST projects and anticipates the changes to be implemented fully July 1, 2014. No expenses for these items will be charged in future periods.

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Finding Control Number: FS-6521-13-05
Inadequate Maintenance of Capital Assets
Control Category: CAPITAL ASSETS
Internal Control Impact: Material Weakness
Compliance Impact: Nonmaterial Noncompliance

Description:

This is a repeat finding (FS-6521-12-06, FS-6521-11-04, and FS-6521-10-01) from the years ended June 30, 2012, June 30, 2011, and June 30, 2010, respectively. The School District did not adequately maintain the capital assets records.

Criteria:

Chapter 37 *Fixed Assets* of the Financial Management Guide for Local Units of Administration indicates that School Districts must establish fixed asset policies, define system requirements, implement a fixed asset system and maintain fixed asset inventory records.

Condition:

A review of the School District's capital asset records noted deficiencies as discussed below:

- The School District lacked proper internal controls to detect significant errors in a timely manner.
- The balances on the financial statements did not agree to the subsidiary ledger nor were the appropriate balances submitted to Georgia Department of Education as required.
- Equipment obtained through a current year capital lease was not capitalized, resulting in a corrected misstatement of \$592,411.00.
- A construction contract to renovate and re-roof the Elbert County High School was not included in construction work in progress, resulting in a corrected misstatement of \$663,545.23.

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

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

- One asset was added four times to the capital asset listing resulting in an uncorrected misstatement of \$71,604.15.
- The School District did not calculate depreciation expense according to their capital asset policy.
- The School District did not accurately calculate depreciation expense related to the salvage value of buildings, resulting in a total uncorrected misstatement of \$495,923.68, of which \$85,815.61 is to current year expense.
- Assets were not being recorded consistently by category.
- Several buildings that are fully depreciated are still in use. The School District should reevaluate lives of these assets accordingly.
- During the completion of a capital asset sample the following issues were noted:
 - Several assets appeared to be impaired in accordance with GASB 42. The School District did not adhere to its capital asset policy in determining the status of assets.
 - Assets that have been surplus and no longer owned by the School District are still included on the capital asset listing.
 - Equipment items at the Elbert County Middle School are included as part of the building on the capital asset listing.

Questioned Cost:

N/A

Cause:

In discussing this issue with management, they stated that they did not have the time and resources to ensure adequate accounting procedures were in place to process, record, and report capital assets and related activity.

Effect:

The failure of the School District to maintain a complete and accurate capital assets listing can lead to inaccurate internal and external reporting, as well as noncompliance with generally accepted accounting principles.

Recommendation:

The School District should reassess internal control procedures related to capital assets to ensure that they are in place and operating effectively. An administrative review should be performed to ensure the accuracy of capital asset records and make appropriate adjustments to ensure that capital asset records and procedures for maintaining capital assets conform to generally accepted accounting principles.

Views of Responsible Officials and Corrective Action Plans:

We concur with this finding. Equipment that was not capitalized was items that were added to a fully depreciable building and certain other items related to renovation projects that were not clearly stated in the capital asset policy on how to handle certain costs. The District will be evaluating the current capital asset policy in order to clarify the position of the District and remove any ambiguity that may arise regarding certain transactions and the useful life of buildings. The District also completed a detailed capital asset inventory and analysis of every asset as of June 30, 2014. The policy revision is anticipated to be reviewed in August 2014.

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

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Contact Person: Ben M. Childs, Chief Financial Officer
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III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FA-6521-13-01 Failure to Refund Unexpended Grants

Compliance Requirement: REPORTING
Internal Control Impact: Significant Deficiency
Compliance Impact: Nonmaterial Noncompliance
Federal Awarding Agency: U.S. Department of Education
Pass-Through Entity: Georgia Department of Education
CFDA Number and Title: 84.010 and 84.389 Title I, Part A Cluster
84.358 Rural Education
84.365 English Language Acquisition Grants
84.367 Improving Teacher Quality

Description:

This is a repeat finding (FA-6521-12-01) from the year ended June 30, 2012. The School District failed to refund unearned grant balances to the Georgia Department of Education.

Criteria:

In accordance with provisions of OMB Circular A-133, Part 3 Compliance Supplement, Subpart L - Reporting, states in part, "Each recipient must report program outlays and program income...as prescribed by the Federal awarding agency. The reporting requirements for subrecipients are as specified by the pass-through entity."

Chapter 41, *State and Federal Fiscal Rules and Procedures* of the Financial Management for Georgia Local Units of Administration states, "This chapter sets forth the principal requirements that a School District must meet to account for and externally report its budget and financial operations relating to state and Federally funded programs administered by the Georgia Department of Education." Unearned funds must be returned to the Georgia Department of Education.

Condition:

A review of the School District's accounting records revealed the following:

1. The School District did not return unearned Title I, Part A Cluster funds for the Title I-Grants to Local Educational Agencies program for the grant period ending September 30, 2012, in the amount of \$10,248.45 or ARRA funds from the grant period ending September 30, 2011 in the amount of \$621.38.
2. The School District did not return unearned Rural Education funds for the grant period ending June 30, 2012, in the amount of \$435.93.
3. The School District did not return unearned English Language Acquisition Grant funds for the grant period ending June 30, 2012, in the amount of \$395.95.

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4. The School District did not return unearned Improving Teacher Quality funds for the grant period ending June 30, 2012, in the amount of \$2,924.66.

Questioned Cost:

\$14,626.37

Cause:

In discussing the issue with management, they stated that the grantor had not requested the funds back and therefore they were not returned.

Effect or Potential Effect:

The lack of monitoring of expenditures and funds drawn down resulted in noncompliance with the Federal grant requirements.

Recommendation:

Management should implement procedures to ensure that unearned funds on hand at the end of a grant period are returned to the grantor timely. The Georgia Department of Education should review this matter to determine if a reclaim of funds is appropriate.

Views of Responsible Officials and Corrective Action Plans:

We concur with this finding. The District is waiting on the Georgia Department of Education on guidance regarding the returning of these funds. We anticipated this finding to be cleared by June 30, 2014.

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