



# **PEACH COUNTY BOARD OF EDUCATION FORT VALLEY, GEORGIA**

**ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2011  
(Including Independent Auditor's Reports)**



PEACH COUNTY BOARD OF EDUCATION

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SECTION I  
FINANCIAL







## DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

September 7, 2012

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

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

Ladies and Gentlemen:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information (Exhibits A through G) of the Peach County Board of Education, as of and for the year ended June 30, 2011, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Peach County Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Peach County Board of Education, as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.



The Peach County Board of Education has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2012, on our consideration of the Peach County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual, as presented on page 27, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Peach County Board of Education's financial statements as a whole. The accompanying supplementary information consists of Schedules 2 through 5, which includes the Schedule of Expenditures of Federal Awards as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

Respectfully submitted,



Greg S. Griffin  
State Auditor

GSG:as  
2011ARL-11



PEACH COUNTY BOARD OF EDUCATION



**STATEMENT OF NET ASSETS**  
**JUNE 30, 2011**

<b>ASSETS</b>	<b>Governmental Activities</b>
Cash and cash equivalents	\$ 774,252
Investments	5,347,805
Receivables:	
Taxes	1,603,873
Intergovernmental:	
State	2,268,699
Federal	186,720
Inventory	103,080
Deferred charges	177,676
Capital assets (nondepreciable)	1,165,343
Capital assets (net of accumulated depreciation)	34,235,022
Total assets	<u>45,862,470</u>
 <b>LIABILITIES</b>	
Accounts payable	117,508
Salaries and benefits payable	4,211,848
Accrued interest payable	182,629
Retainage payable	25,500
Deferred revenue	19,309
Bonds payable due within one year	2,737,250
Bonds payable due in more than one year	9,197,504
Capital leases due within one year	187,847
Capital leases due in more than one year	321,732
Total liabilities	<u>17,001,127</u>
 <b>NET ASSETS</b>	
Invested in capital assets, net of related debt	23,115,610
Restricted for:	
Continuation of federal programs	180,000
Capital projects	29,119
Debt service	4,026,291
Unrestricted	1,510,323
Total net assets	<u>\$ 28,861,343</u>

The accompanying notes are an integral part of these financial statements.



**STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		<b>Net (Expense) Revenue and Changes in Net Assets</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	
<b>Governmental activities:</b>				
Instruction	\$ 22,790,918	\$ 325,285	\$ 15,609,790	\$ (6,855,843)
Support services:				
Pupil services	1,185,595		529,300	(656,295)
Improvement of instructional services	2,537,104		2,302,730	(234,374)
Educational media services	638,335		513,804	(124,531)
General administration	1,009,573		834,437	(175,136)
School administration	2,423,039		1,070,968	(1,352,071)
Business administration	303,178		1,016	(302,162)
Maintenance and operation of plant	4,244,174		1,195,133	(3,049,041)
Student transportation services	2,103,720		707,056	(1,396,664)
Central support services	213,755		807	(212,948)
Other support services	866,943		152,678	(714,265)
Enterprise operations	321,927			(321,927)
Food service operations	2,280,701	338,180	1,735,364	(207,157)
Interest on long-term debt	527,917			(527,917)
Total governmental activities	<u>41,446,878</u>	<u>663,465</u>	<u>24,653,083</u>	<u>(16,130,330)</u>
General revenues:				
Taxes:				
Property taxes, levied for maintenance and operations				10,645,324
Sales taxes, levied for debt service				3,566,719
Intangible taxes				105,701
Transfer taxes				20,964
Railroad equipment tax				25,885
Grants and contributions not restricted to specific programs				2,061,836
Unrestricted investment earnings				14,090
Gain on sale of capital assets				1,250
Miscellaneous				303,937
Total general revenues				<u>16,745,706</u>
Change in net assets				615,376
Net assets, beginning of year				28,245,967
Net assets, end of year				<u><u>\$ 28,861,343</u></u>

The accompanying notes are an integral part of these financial statements.

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011**

ASSETS	General	Capital Projects	Debt Service	Total Governmental Funds
Cash and cash equivalents	\$ 630,529	\$ 1,913	\$ 141,810	\$ 774,252
Investments	1,572,305	52,706	3,722,794	5,347,805
Receivables:				
Taxes	1,259,557		344,316	1,603,873
Intergovernmental:				
State	2,268,699			2,268,699
Federal	186,720			186,720
Inventory	103,080			103,080
Total assets	<u>\$ 6,020,890</u>	<u>\$ 54,619</u>	<u>\$ 4,208,920</u>	<u>\$ 10,284,429</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 117,508			\$ 117,508
Salaries and benefits payable	4,211,848			4,211,848
Retainage payable		\$ 25,500		25,500
Deferred revenue	1,039,993			1,039,993
Total liabilities	<u>5,369,349</u>	<u>25,500</u>		<u>5,394,849</u>
<b>FUND BALANCES</b>				
Nonspendable: Inventory	103,080			103,080
Restricted for:				
Federal programs	76,920			76,920
Capital projects		29,119		29,119
Debt service			4,208,920	4,208,920
Assigned for:				
Student activities	318,040			318,040
Subsequent year's budget	153,501			153,501
Total fund balances	<u>651,541</u>	<u>29,119</u>	<u>4,208,920</u>	<u>4,889,580</u>
Total liabilities and fund balances	<u>\$ 6,020,890</u>	<u>\$ 54,619</u>	<u>\$ 4,208,920</u>	
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are not financial resources and are not reported in the funds.				
	Cost		58,639,113	
	Less accumulated depreciation		<u>(23,238,748)</u>	35,400,365
Other long-term assets are not available to pay for current-period expenditures and are deferred in the funds.				
	Property taxes			1,020,684
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.				
	Bonds		(12,150,000)	
	Loss on bond refunding		215,246	
	Bond issuance costs, net of amortization		177,676	
	Accrued interest		(182,629)	
	Capital leases		<u>(509,579)</u>	(12,449,286)
Net assets of governmental activities				<u>\$ 28,861,343</u>

The accompanying notes are an integral part of these financial statements.

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>General</u>	<u>District - Wide Capital Projects</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Property taxes	\$ 10,575,369			\$ 10,575,369
Sales taxes			\$ 3,566,719	3,566,719
Other taxes	152,550			152,550
State funds	18,827,440			18,827,440
Federal funds	7,887,479			7,887,479
Charges for services	663,465			663,465
Investment earnings	9,327	\$ 126	4,637	14,090
Miscellaneous	303,937			303,937
Total revenues	<u>38,419,567</u>	<u>126</u>	<u>3,571,356</u>	<u>41,991,049</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	22,499,215			22,499,215
Support services:				
Pupil services	1,183,664			1,183,664
Improvement of instructional services	2,537,104			2,537,104
Educational media services	636,446			636,446
General administration	1,009,573			1,009,573
School administration	2,398,421			2,398,421
Business administration	285,031			285,031
Maintenance and operation of plant	2,933,047			2,933,047
Student transportation services	1,822,047			1,822,047
Central support services	213,755			213,755
Other support services	860,707			860,707
Enterprise operations	321,927			321,927
Food services operation	2,262,828			2,262,828
Capital outlay	255,433	497		255,930
Debt service:				
Principal retirement	179,487		2,675,000	2,854,487
Interest and fees	31,922		454,937	486,859
Total expenditures	<u>39,430,607</u>	<u>497</u>	<u>3,129,937</u>	<u>42,561,041</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,011,040)</u>	<u>(371)</u>	<u>441,419</u>	<u>(569,992)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets	1,250			1,250
Transfers in (out)	(103,752)		103,752	-
Total other financing sources (uses)	<u>(102,502)</u>		<u>103,752</u>	<u>1,250</u>
Net change in fund balances	(1,113,542)	(371)	545,171	(568,742)
<b>FUND BALANCE, beginning of year</b>	<u>1,765,083</u>	<u>29,490</u>	<u>3,663,749</u>	<u>5,458,322</u>
<b>FUND BALANCE, end of year</b>	<u><u>\$ 651,541</u></u>	<u><u>\$ 29,119</u></u>	<u><u>\$ 4,208,920</u></u>	<u><u>\$ 4,889,580</u></u>

The accompanying notes are an integral part of these financial statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$	(568,742)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The net effect of the amount by which depreciation exceeded capital outlay is to decrease net assets.

Capital outlay	102,047	
Depreciation expense	<u>(1,801,313)</u>	(1,699,266)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes	69,955
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Issuance of long-term debt provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments - bonds	2,675,000	
Principal payments - capital leases	179,487	
Loss on refunding amortization expense	(30,750)	
Bond issuance costs amortization expense	<u>(54,986)</u>	2,768,751

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in accrued interest	<u>44,678</u>
	<u><u>\$ 615,376</u></u>

The accompanying notes are an integral part of these financial statements.

**PEACH COUNTY BOARD OF EDUCATION**

**EXHIBIT "F"**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUND  
JUNE 30, 2011**

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	<b>ASSETS</b>	<b>Agency Fund</b>
		<hr/>
Cash		\$ 87,027
		<hr/>
	<b>LIABILITIES</b>	
Funds held for others		\$ 87,027
		<hr/>

**The accompanying notes are an integral part of these financial statements.**

**PEACH COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

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**EXHIBIT "G"**

**Note 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY**

**Reporting Entity**

The Peach 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 Peach County Board of Education.

**District-Wide Statements**

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

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

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

**PEACH COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**EXHIBIT "G"**

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**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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:

- The *General Fund* is the School District's primary operating fund. It accounts for all financial resources of the School District, except those resources required to be accounted for in another fund.
- The *District-Wide Capital Projects Fund* accounts for financial resources including Special Purpose Local Option Sales Tax (SPLOST) that are restricted, committed, or assigned to the expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.
- The *Debt Service Fund* accounts for and reports financial resources that are restricted, committed, or assigned including taxes (sales) legally restricted for the payment of general long-term principal, interest and paying agent's fees.

The School District reports the following fiduciary fund type:

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

**Basis of Accounting**

The basis of accounting determines when transactions are reported in the financial statements. The District-Wide governmental activities and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Agency funds have no measurement focus; however, they use 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.

**PEACH COUNTY BOARD OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**EXHIBIT "G"**

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**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Accounting (Continued)**

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 60 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, there are both restricted and unrestricted net assets available to finance the program. It is the School District's policy to first apply grant resources to such programs, followed by cost-reimbursement grants, then general revenues.

Revenue from grants and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School System must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School System on a reimbursement basis.

The State of Georgia reimburses the School District for teachers' salaries and operating costs through the Quality Basic Education Formula Earnings program (QBE). Generally, teachers are contracted for the school year (July 1 – June 30) and paid over a 12-month contract period, generally, September 1 through August 31. In accordance with the respective rules and regulations of the QBE program, the State of Georgia reimburses the School System over the same 12-month period in which teachers are paid. At June 30, the amount of teachers' salaries incurred but not paid until July and August of the subsequent year are accrued. Since the State of Georgia recognizes its QBE liability for the July and August salaries at June 30, the School District recognizes the same QBE as a receivable and revenue, consistent with symmetrical recognition.



**PEACH COUNTY BOARD OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**EXHIBIT "G"**

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**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**New Accounting Pronouncements**

In fiscal year 2011, the School District adopted the Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The provisions of this Statement establish accounting and financial reporting standards for all governments that report governmental funds. It establishes criteria for classifying fund balances into defined classifications and clarifies definitions for governmental funds.

**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 45-8-14 authorize 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 bankers' 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.

**PEACH COUNTY BOARD OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**EXHIBIT "G"**

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**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**Property Taxes**

The Peach County Board of Commissioners fixed the property tax levy for the 2010 tax digest year (calendar year) on July 22, 2010 (levy date). Taxes were due on December 20, 2010 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2010 tax digest are reported as revenue in the governmental funds for fiscal year 2011. The Peach 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, 2011, for maintenance and operations amounted to \$10,575,369.

The tax millage rate levied for the 2010 tax year (calendar year) for the Peach County Board of Education was as follows (a mill equals \$1 per thousand dollars of assessed value):

School Operations	<u>17.000</u> mills
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**Sales Taxes**

Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to \$3,566,719 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

**Inventories**

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**EXHIBIT "G"**

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**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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	Estimated
	Policy	Useful Life
Land	All	N/A
Construction in Progress	All	N/A
Land Improvements	\$ 10,000	20 to 80 Years
Buildings and Improvements	10,000	10 to 80 Years
Computer Applications	10,000	3 Years
Equipment	10,000	3 to 14 Years

Depreciation is used to allocate the actual or estimated historical cost of all capital assets over estimated useful lives.

**General Obligation Bonds**

The School District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. In the District-wide financial statements, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method, which is not materially different from the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the debt.

In the fund financial statements, the School District recognizes bond premiums and discounts, as well as bond issuance costs during the fiscal year the bonds are issued. Premiums received on debt issuances are reported as other financial sources while discounts on bond issuances are reported as other financial uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. In addition, general obligation

**PEACH COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**EXHIBIT "G"**

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**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**General Obligation Bonds (Continued)**

bonds have been issued to refund existing general obligation bonds. General obligation bonds are direct obligations and pledge the full faith and credit of the government. The outstanding amount of these bonds is recorded in the Statement of Net Assets.

**Net Assets**

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

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

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

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

**Fund Balances**

The Peach County Board of Education implemented Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, effective July 1, 2010.

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

**Nonspendable** – Amounts that are not in spendable form (e.g., inventory and prepaid items) or are legally or contractually required to be maintained intact (e.g., permanent fund principal).

**Restricted** – Amounts that can be spent only on specific purposes stipulated by law through constitutional provisions or enabling legislation or by the external providers of those resources (e.g., grants or donations).

**Committed** – Amounts that can only be used for the specific purposes determined by a formal action of the Board. Commitments may be changed or lifted only by referring to the formal action of the Board that imposed the constraint originally (e.g., the Board's commitment in connection with future construction projects).

**PEACH COUNTY BOARD OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**EXHIBIT "G"**

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**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fund Balance (Continued)**

**Assigned** – Amounts intended to be used by the School District for specific purposes. Intent can be expressed by the Board of Education or a by a designee to whom the Board of Education delegates authority. In governmental funds other than the General Fund, assigned fund balance represents the amount that is not restricted or committed. This indicates the resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

**Unassigned** – All amounts not contained in other classifications and the residual classification of the General Fund only. Unassigned amounts are available for any legal purpose.

The responsibility for designating funds to specific classification is as follows:

**Committed Fund Balance** – 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. Funds should be committed prior to the end of the fiscal year, although the exact amount may be determined in the subsequent fiscal year.

**Assigned Fund Balance** – The Board of Education has authorized the Superintendent as the official authorized to assign fund balance to a specific purpose in accordance with the School District's policy.

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 not to exceed 15% of the total budget of the subsequent fiscal year, net of any committed fund balance for capital expenditures and assigned fund balances "to cover unanticipated deficiencies in revenue or unanticipated expenditures", 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.

**PEACH COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**EXHIBIT "G"**

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**Note 3: DEPOSITS**

**Collateralization of Deposits** - Official Code of Georgia Annotated (OCGA) Section 45-8-12 provides that there shall not be on deposit at any time in any depository for a time longer than 10 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 (OCGA 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 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 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, 2011, the bank balances were \$1,632,803. The bank balances were entirely covered by Federal depository insurance or collateralized with securities held by the pledging financial institution's agent in the School District's name.

**Categorization of Investments**

At June 30, 2011, the School District had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Certificate of Deposit	July 12, 2012	\$ 28,126
Georgia Fund One	46 days - weighted average	5,319,679
		<u>\$ 5,347,805</u>

**PEACH COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

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**EXHIBIT "G"**

**Note 3: DEPOSITS (CONTINUED)**

The Georgia Fund 1, formerly referred to as LGIP, administered by the State of Georgia, Office of the State Treasurer is not required to be categorized since the School District did not own any specific identifiable securities in the pool. The investment policy of the State of Georgia, Office of the State Treasurer for the Georgia Fund 1 (Primary Liquidity Portfolio) does not provide for investment in derivatives or similar investments. Additional information on the Georgia Fund 1 is disclosed in the *State of Georgia* Comprehensive Annual Financial Report. This audit can be obtained from the Georgia Department of Audits and Accounts at <http://www.audits.ga.gov/rsaAudits/loadRSAAudits.aud>.

The Primary Liquidity Portfolio consists of Georgia Fund 1 which is not registered with the SEC as an investment company, but does operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. The investment is valued at the pool's share price, \$1.00 per share. The pool is an AAAM rated investment pool by Standard & Poor's. The weighted average maturity of Georgia Fund 1 may not exceed 60 days. The weighted average maturity for Georgia Fund 1 on June 30, 2011, was 59 days.

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates of debt investment will adversely affect the fair value of an investment. The School District does not have a formal policy for managing interest rate risk.

**Custodial Credit Risk**

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the School District will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The School District does not have a formal policy for managing custodial credit risk.

**Note 4: NON-MONETARY TRANSACTIONS**

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

**PEACH COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**EXHIBIT "G"**

**Note 5: CAPITAL ASSETS**

Capital assets being acquired under capital leases as of June 30, 2011, are as follows:

Equipment	
Less: Accumulated Depreciation	\$ 781,936
	<u>(117,290)</u>
	<u>\$ 664,646</u>

The following is a summary of changes in the capital assets during the fiscal year:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b><u>Governmental activities:</u></b>				
Capital assets, not being depreciated:				
Land	\$ 1,165,343	\$ -	\$ -	\$ 1,165,343
Total	<u>1,165,343</u>	<u>-</u>	<u>-</u>	<u>1,165,343</u>
Capital assets, being depreciated:				
Buildings and improvements	48,528,922	102,047	-	48,630,969
Equipment	8,865,646	-	(523,211)	8,342,435
Land improvements	500,366	-	-	500,366
Total	<u>57,894,934</u>	<u>102,047</u>	<u>(523,211)</u>	<u>57,473,770</u>
Less accumulated depreciation for:				
Buildings and improvements	(15,272,636)	(1,188,968)	-	(16,461,604)
Equipment	(6,293,840)	(599,277)	523,211	(6,369,906)
Land improvements	(394,170)	(13,068)	-	(407,238)
Total	<u>(21,960,646)</u>	<u>(1,801,313)</u>	<u>523,211</u>	<u>(23,238,748)</u>
Total capital assets, being depreciated, net	<u>35,934,288</u>	<u>(1,699,266)</u>	<u>-</u>	<u>34,235,022</u>
Governmental activities capital assets, net	<u>\$ 37,099,631</u>	<u>\$ (1,699,266)</u>	<u>\$ -</u>	<u>\$ 35,400,365</u>



**PEACH COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**EXHIBIT "G"**

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**Note 5: CAPITAL ASSETS (CONTINUED)**

Current year depreciation expense by function is as follows:

Instruction		\$	268,745
Support Services			
Pupil Services	1,779		
Educational Media Services	1,740		
School Administration	22,680		
Business Administration	16,719		
Maintenance and Operations	1,207,935		
Student Transportation	259,504		
Support Services	5,745		1,516,102
Food Services			16,466
			<hr/>
Total Depreciation Expense		\$	<u>1,801,313</u>

**Note 6: INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 2011, consisted of the following:

	<u>Transfers From</u>
<u>Transfers To</u>	<u>General Fund</u>
Debt Service Fund	\$ <u>103,752</u>

Transfers are used to reimburse the SPLOST account in the Debt Service Fund for expenditures incurred in a previous fiscal year that were later deemed to be unallowable as per the SPLOST resolution.

**Note 7: RISK MANAGEMENT**

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

The School District has obtained commercial insurance for risk of loss associated with torts, assets, errors or omissions. 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 has elected to self-insure for all potential losses related to acts of God. The School District has not experienced any losses related to this risk in the past three years.

**PEACH COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**EXHIBIT "G"**

**Note 7: RISK MANAGEMENT (CONTINUED)**

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

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

	Beginning of Year Liability	Claims and Changes in Estimates	Claims Paid	End of Year Liability
2010	\$ -	\$ 176,045	\$ (176,045)	\$ -
2011	\$ -	\$ 143,961	\$ (143,961)	\$ -

The School District participates in the Georgia Education Workers' Compensation Trust (the "Trust"), a public entity risk pool organized on December 1, 1991, to develop, implement and administer a program of workers' compensation self-insurance for its member organizations. The School District pays an annual premium to the Trust for its general insurance coverage. Additional insurance coverage is provided through an agreement by the Trust with the Safety National Casualty Company to provide coverage for potential losses sustained by the Trust in excess of \$1,000,000 loss per occurrence, up to the statutory limit. Employers' Liability insurance coverage is also provided by Safety National Casualty Company with a loss fund percentage of 100%, based on the Fund's annual normal premium, up to a maximum limit of indemnity of aggregate limit of \$2,000,000.

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

Position Covered	Amount
Superintendent	\$ 50,000
Finance Director	50,000
Drivers' Education	2,500

**PEACH COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**EXHIBIT "G"**

**Note 8: OPERATING LEASES**

Peach 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, 2011, for governmental funds amounted to \$121,005. Future minimum lease payments for these leases are as follows:

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Principal</u>
2012	\$ 54,282
2013	35,758
2014	35,328
2015	25,024
2016	<u>2,576</u>
Total	<u>\$ 152,968</u>

**Note 9: SHORT-TERM DEBT**

**Tax Anticipation Note**

On September 7, 2010, the Peach County Board of Education approved a tax anticipation note in advance of property tax collections. Proceeds from this short-term loan were issued to provide cash for operations until property tax collections were received by the School District. Article IX, Section V, Paragraph V of the Constitution of the State of Georgia limits the aggregate amount of short-term debt to 75 percent of the total gross income from taxes collected in the preceding year and requires all short-term debt to be repaid no later than December 31 of the calendar year in which the debt was incurred. The maturity date of the loan was December 31, 2010. Two draws totaling \$1,500,500 were required to meet the cash flow needs of the School District. The note was repaid on December 17, 2010.

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

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
Tax Anticipation Note	<u>\$ -</u>	<u>\$ 1,500,500</u>	<u>\$ (1,500,500)</u>	<u>\$ -</u>

**PEACH COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**EXHIBIT "G"**

**Note 10: LONG-TERM DEBT**

**Capital Leases**

The Peach County Board of Education has entered into various lease agreements as lessee for retrofit lighting and buses. 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.

**General Obligation Bonds Outstanding**

General obligation bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
General Government - Series 2006	3.530%	\$ 1,830,000
General Government - Refunding - Series 2008A	3.279%	6,520,000
General Government - Series 2008B	3.007%	3,800,000
		<u>\$ 12,150,000</u>

**Changes in Long-Term Debt**

The changes in long-term debt during the fiscal year ended June 30, 2011, were as follows:

	Governmental Funds				
	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011	Due Within One Year
G.O. Bonds	\$ 14,825,000	\$ -	\$ (2,675,000)	\$ 12,150,000	\$ 2,768,000
Less: Deferred Amounts					
Loss on Refunding	(245,996)	-	30,750	(215,246)	(30,750)
G.O. Bonds, net	14,579,004	-	(2,644,250)	11,934,754	2,737,250
Capital Leases	689,066	-	(179,487)	509,579	187,847
Total	<u>\$ 15,268,070</u>	<u>\$ -</u>	<u>\$ (2,823,737)</u>	<u>\$ 12,444,333</u>	<u>\$ 2,925,097</u>

**PEACH COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**EXHIBIT "G"**

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**Note 10: LONG-TERM DEBT (CONTINUED)**

**Scheduled Maturities of Long-Term Debt**

At June 30, 2011, payments due by fiscal year which includes principal and interest for these items are as follows:

<u>Fiscal Year Ended June 30:</u>	Capital Leases	
	Principal	Interest
2012	\$ 187,847	\$ 23,563
2013	157,246	14,814
2014	164,486	7,574
Total Principal and Interest	<u>\$ 509,579</u>	<u>\$ 45,951</u>

  

<u>Fiscal Year Ended June 30:</u>	General Obligation Debt	
	Principal	Interest
2012	\$ 2,768,000	\$ 360,356
2013	2,825,000	269,259
2014	2,921,000	180,648
2015	1,016,000	119,224
2016	1,039,000	85,910
2017 - 2018	1,581,000	68,859
Total Principal and Interest	<u>\$ 12,150,000</u>	<u>\$ 1,084,256</u>

**Note 11: ON-BEHALF PAYMENTS**

The School District has recognized revenues and costs in the amount of \$116,495 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 Non-Certified Personnel

        In the amount of \$63,377

    Paid to the Teachers Retirement System of Georgia

        For Teachers Retirement System (TRS) Employer's Cost

        In the amount of \$27,852

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 \$25,266

**PEACH COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**EXHIBIT "G"**

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**Note 12: SIGNIFICANT COMMITMENTS**

The following is an analysis of significant outstanding construction or renovation contracts executed by the School District as of June 30, 2011, together with funding available:

	Unearned	Funding
	Executed	Available
Project	Contracts	From State
07-711-062	\$ -	\$ 146,458
08RA-711-011	-	489,534
	\$ -	\$ 635,992

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

**Note 13: SIGNIFICANT CONTINGENT LIABILITIES**

Amounts received or receivable principally from the Federal government are subject to audit and review by grantor agencies. This could result in requests for reimbursement to the grantor agency for any costs which are disallowed under grant terms. The School District believes that such disallowances, if any, will be immaterial to its overall financial position.

The School District is a defendant in various legal proceedings pertaining to matters incidental to the performance of routine School District operations. The ultimate disposition of these proceedings is not presently determinable, but is not believed to be material to the basic financial statements.

**Note 14: OTHER 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 Insurance Plan administered by the Department of Community Health. The Official Code of Georgia Annotated (OCGA) 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. On average, plan members pay approximately 25 percent of the cost of the health insurance coverage.

**PEACH COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**EXHIBIT "G"**

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**Note 14: OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

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 30 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, 2011:

For certificated teachers, librarians and regional educational service agencies:

<b>Period</b>	<b>Percentage of Covered Payroll</b>
July 2010 - April 2011	21.955% of covered payroll for August 2010 - May 2011 coverage
May 2011 - June 2011	1.429% of covered payroll for June 2011 - July 2011 coverage

For non-certificated school personnel:

<b>Period</b>	<b>Contribution</b>
July 2010 - December 2010	\$162.72 per member per month
January 2011 - May 2011	\$218.20 per member per month
June 2011	\$246.20 per member per month

The Department of Education was appropriated an additional \$25,081,633 for non-certificated personnel health insurance payments. The amount attributable to the School District is reflected in Note 11: On-behalf payments.

No additional contribution was required by the Board for fiscal year 2011 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.

Currently the state is requiring that local Boards of Education pay only on active employees. The District's contribution to the health insurance plans for the fiscal years ended June 30, 2011, 2010, 2009 was \$3,404,114, \$3,133,086, and \$2,432,072, respectively, which equaled the required contribution. Currently the State of Georgia has been making the remaining contributions to fund the pay-as-you-go financing on behalf of all local Boards of Education (see Note 1 for discussion of on-behalf payments).

**PEACH COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

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**EXHIBIT "G"**

**Note 15: RETIREMENT PLAN**

**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, 2011, were 5.53% of annual salary. The member contribution rate will increase to 6.00% effective July 1, 2011. Employer contributions required for fiscal year 2011 were 10.28% of annual salary as required by the June 30, 2008, actuarial valuation. The employer contribution rate will increase to 11.41% effective July 1, 2012.



**PEACH COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**EXHIBIT "G"**

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**Note 15: RETIREMENT PLAN (CONTINUED)**

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>Amount Contributed</u>
2011	100%	\$ 2,167,275
2010	100%	2,069,295
2009	100%	2,076,923

**Public School Employees' Retirement System (PSERS)**

Bus drivers, lunchroom personnel, and maintenance and custodial personnel are members of the Public School Employee's Retirement System of Georgia (PSERS). The PSERS is funded by contributions from employees and the State of Georgia. The School District makes no contribution to this plan. See Note 11: On-behalf payments for information on the contributions made by the State of Georgia on behalf of the School District's employees.

**Note 16: SUBSEQUENT EVENTS**

**Tax Anticipation Note**

On August 3, 2011, the Peach County Board of Education issued a \$3,000,000 tax anticipation note in advance of property tax collections. Proceeds from this short-term loan were issued to provide cash for operations until property tax collections were received by the School District. The maturity date of the loan was December 31, 2011. Two draws totaling \$2,200,000 were required to meet the cash flow needs of the School District. The note was repaid on December 23, 2011.

**General Obligation Bonds**

On December 15, 2011, the Peach County Board of Education issued \$7,270,000 in General Obligation Refunding Bonds. The bond issue of \$7,270,000 plus \$527,602 premium, less bond issuance costs and underwriters' discount of \$111,077 and \$54,525 respectively, provided net proceeds of \$7,632,000. The bonds carry interest rates ranging from 2.00% to 4.00% and mature in fiscal years 2013 through 2016.

**Construction Commitment**

In the subsequent fiscal year, the Peach County Board of Education signed a contract with Dublin Construction Company for the construction manager's guaranteed maximum price for the Peach County Schools Renovations, Modifications, and Additions in the amount of \$7,129,000.

## PEACH COUNTY BOARD OF EDUCATION

## SCHEDULE "1"

**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Budget			Variance With
	Original(1)	Final(1)	Actual	Final Budget
REVENUES				
Property taxes	\$ 11,014,053	\$ 11,014,053	\$ 10,575,369	\$ (438,684)
Other taxes			152,550	152,550
State funds	18,448,135	18,448,135	18,827,440	379,305
Federal funds	319,547	319,547	7,887,479	7,567,932
Charges for services	10,000	10,000	663,465	653,465
Investment earnings	25,000	25,000	9,327	(15,673)
Miscellaneous	212,009	212,009	303,937	91,928
Total revenues	30,028,744	30,028,744	38,419,567	8,390,823
EXPENDITURES				
Current:				
Instruction	21,077,545	21,984,295	22,499,215	(514,920)
Support services:				
Pupil services	1,064,421	1,040,635	1,183,664	(143,029)
Improvement of instructional services	1,396,012	3,282,504	2,537,104	745,400
Educational media services	621,405	627,455	636,446	(8,991)
General administration	944,350	956,633	1,009,573	(52,940)
School administration	2,178,186	2,191,908	2,398,421	(206,513)
Business administration	297,337	297,337	285,031	12,306
Maintenance and operation of plant	3,214,710	3,215,910	2,933,047	282,863
Student transportation services	1,976,391	2,048,878	1,822,047	226,831
Central support services	237,933	237,933	213,755	24,178
Other support services	1,088,449	1,146,668	860,707	285,961
Enterprise operations			321,927	(321,927)
Food services operations	979,872	979,872	2,262,828	(1,282,956)
Capital outlay			255,433	(255,433)
Debt service:				
Principal retirement			179,487	(179,487)
Interest and fiscal charges			31,922	(31,922)
Total expenditures	35,076,611	38,010,028	39,430,607	(1,420,579)
Deficiency of revenues under expenditures	(5,047,867)	(7,981,284)	(1,011,040)	6,970,244
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets			1,250	1,250
Transfers out			(103,752)	(103,752)
Total other financing sources (uses)			(102,502)	(102,502)
Net change in fund balance	(5,047,867)	(7,981,284)	(1,113,542)	6,867,742
FUND BALANCE, beginning of year	1,765,083	1,765,083	1,765,083	
FUND BALANCE, end of year	\$ (3,282,784)	\$ (6,216,201)	\$ 651,541	\$ 6,867,742

**Note to the Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**

(1) Original and Final Budget amounts do not include budgeted revenues or expenditures of the various school activity accounts.

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 basic financial statements.

PEACH COUNTY BOARD OF EDUCATION

SCHEDULE "2"

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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	\$ (1)
National School Lunch Program	10.555	N/A	2,190,200 (2)
Total U.S. Department of Agriculture			2,190,200
Education, U. S. Department of			
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
ARRA - Grants to States	* 84.391	N/A	379,008
ARRA - Preschool Grants	* 84.392	N/A	26,971
Grants to States	* 84.027	N/A	827,930
Preschool Grants	* 84.173	N/A	27,075
Total Special Education Cluster			1,260,984
School Improvement Grants Cluster			
Pass-Through From Georgia Department of Education			
ARRA - School Improvement Grant	* 84.388	N/A	1,851,201
Title I, Part A Cluster			
Pass-Through From Georgia Department of Education			
ARRA - Title I Grants to Local Educational Agencies	* 84.389	N/A	397,075
Title I Grants to Local Educational Agencies	* 84.010	N/A	1,203,364
Total Title I, Part A Cluster			1,600,439
Other Programs			
Pass-Through From Georgia Department of Education			
ARRA - Race to the Top	84.395	N/A	10,109
Education Jobs Fund	* 84.410	N/A	769,468
English Language Acquisition Grants	84.365	N/A	23,913
Enhancing Education Through Technology Program	84.318	N/A	11,994
Improving Teacher Quality State Grants	* 84.367	N/A	334,581
Mathematics and Science Partnerships	84.366	N/A	232,057
Migrant Education -State Grant Program	84.011	N/A	29,226
Rural Education	84.358	N/A	114,025
Career & Technical Education - Basic Grants to States	84.048	N/A	54,647
Total Other Programs			1,580,020
Total U. S. Department of Education			6,292,644

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Funding Agency <u>Program/Grant</u>	<u>CFDA Number</u>	<u>Pass- Through Entity ID Number</u>	<u>Expenditures In Period</u>
Defense, U. S. Department of Direct Department of the Air Force R.O.T.C. Program			\$ 19,711
Total Expenditures of Federal Awards			\$ 8,502,555

N/A = Not Available

**Notes to the Schedule of Expenditures of Federal Awards**

- (1) Expenditures for the funds earned on the School Breakfast Program (\$380,643) were not maintained separately and are included in the National School Lunch Program.
- (2) Includes the Federally assigned value of donated commodities for the Food Donation Program in the amount of \$169,587.

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 Peach County Board of Education and is presented on the modified accrual basis of accounting used in the presentation of the fund financial statements.

See notes to basic financial statements.

PEACH COUNTY BOARD OF EDUCATION

SCHEDULE "3"

SCHEDULE OF STATE REVENUE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

<u>Agency/Funding</u>	<u>Governmental Fund Type General Fund</u>
<b>Grants</b>	
Education, Georgia Department of Quality Basic Education	
Direct Instructional Cost	
Kindergarten Program	\$ 1,555,828
Primary Grades (1-3) Program	3,313,040
Primary Grades - Early Intervention (1-3) Program	69,107
Upper Elementary Grades (4-5) Program	1,810,266
Upper Elementary Grades - Early Intervention (4-5) Program	74,701
Middle Grades (6-8) Program	2,757,005
High School General Education (9-12) Program	2,351,678
Vocational Laboratory (9-12) Program	709,906
Students with Disabilities	1,882,402
Program for Intellectually Gifted Students - Category VI	219,135
Remedial Education Program	240,220
Alternative Education Program	204,623
English Speakers of Other Languages (ESOL)	265,410
Media Center Program	451,493
20 Days Additional Instruction	143,467
Staff and Professional Development	77,886
Indirect Cost	
Central Administration	548,011
School Administration	913,044
Facility Maintenance and Operations	1,029,074
Categorical Grants	
Pupil Transportation	561,660
Nursing Services	74,762
Vocational Supervisors	14,635
Education Equalization Funding Grant	2,061,836
Food Services	72,628
Vocational Education	44,975
Amended Formula Adjustment	(2,811,397)
Other State Programs	
Dual Enrollment	9,506
Health Insurance	63,377
Math and Science Supplements	22,906
Preschool Handicapped Program	42,688
Teachers' Retirement	27,852
Virtual Schools Grant	450
Total Grants from Georgia Department of Education	18,802,174
Office of Treasury and Fiscal Services	
Public School Employees Retirement	25,266
	<u>\$ 18,827,440</u>

See notes to basic financial statements.

**SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

<u>Project</u>	<u>Original Estimated Cost (1)</u>	<u>Current Estimated Costs (2)</u>	<u>Expended In Current Year (3)(4)</u>	<u>Expended In Prior Years (3)(4)</u>	<u>Project Status</u>
(1) acquiring, constructing and equipping two new elementary schools and related facilities, including necessary furnishings, fixtures and equipment	Not available	\$ 29,736,509	\$ 497	\$ 26,537,397	Ongoing
(2) acquiring and installing system wide instructional and administrative technology, safety and security equipment	Not available	Not Available		N/A	N/A
(3) paying expenses incident to accomplishing the foregoing; and, in order to raise not more than \$17,500,000 to pay a portion of the debt service on such Bonds, to pay a portion of the costs of the capital outlay projects described above, and to pay a portion of the debt service on the School District's 1998 Refunding Bonds	Not available	3,413,115	1,363,647	1,853,140	Ongoing
Unapproved Projects	<u>Not available</u>		<u>N/A</u>	<u>103,752</u>	
	<u>\$ -</u>	<u>\$ 33,149,624</u>	<u>\$ 1,364,144</u>	<u>\$ 28,494,289</u>	

N/A - Not applicable

- (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 Peach 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 project.
- (4) Amounts included in project 3 above include principal payments on the 2008A Refunding Bonds, as well as interest paid on all outstanding bond issuances as of June 30, 2011.

See notes to the basic financial statements.

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**PEACH COUNTY BOARD OF EDUCATION**

**SCHEDULE "5"**

**SCHEDULE OF QUALITY BASIC EDUCATION PROGRAMS (QBE)  
ALLOTMENTS AND EXPENDITURES BY PROGRAM  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Description	Allotments From Georgia Department of Education (1) & (2)	Eligible QBE Program Costs		
		Salaries	Operations	Total
<b>Direct Instructional Funds:</b>				
Kindergarten Program	\$ 1,787,007	\$ 1,435,541	\$ 62,630	\$ 1,498,171
Kindergarten Program - Early Intervention Program		53,909		53,909
Primary Grades (1-3) Program	3,846,947	3,126,886	89,817	3,216,703
Primary Grades - Early Intervention (1-3) Program	85,400	49,276		49,276
Upper Elementary Grades (4-5) Program	2,083,747	1,723,517	60,276	1,783,793
Upper Elementary Grades-Early Intervention (4-5) Program	78,644	156,887		156,887
Middle Grades (6-8) Program	2,979,645	2,967,810	64,726	3,032,536
High School General Education (9-12) Program	2,555,417	3,514,269	763,632	4,277,901
Vocational Laboratory (9-12) Program	821,852	650,537	77,873	728,410
Students with Disabilities	2,189,204			
Category I		274,833		274,833
Category II		397,433		397,433
Category III		858,647		858,647
Category IV		257,398		257,398
Gifted Student - Category VI	269,630	437,425	1,534	438,959
Remedial Education Program	260,789			
Alternative Education Program	236,554	481,580	11,616	493,196
English Speakers of Other Languages (ESOL)	300,284	212,461		212,461
<b>TOTAL DIRECT INSTRUCTIONAL PROGRAMS</b>	<b>17,495,120</b>	<b>16,598,409</b>	<b>1,132,104</b>	<b>17,730,513</b>
Media Center Program	521,415	573,758	20,947	594,705
Staff and Professional Development	89,969			46,140
<b>TOTAL QBE FORMULA FUNDS</b>	<b>\$ 18,106,504</b>	<b>\$ 17,172,167</b>	<b>\$ 1,153,051</b>	<b>\$ 18,371,358</b>

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

(2) Allotments do not include the impact of the state amended budget adjustment.

See notes to 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

September 7, 2012

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

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

Ladies and Gentlemen:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Peach County Board of Education as of and for the year ended June 30, 2011, which collectively comprise Peach County Board of Education's basic financial statements and have issued our report thereon dated September 7, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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



A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider item FS-7111-11-01 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider item FS-7111-11-02 in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in internal control over financial reporting.

#### Compliance and Other Matters

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

We noted certain matters that we have reported to management of Peach County Board of Education in a separate letter dated September 7, 2012.

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

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

Respectfully submitted,



Greg S. Griffin  
State Auditor

GSG:as  
2011YB-40





## DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

September 7, 2012

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

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

Ladies and Gentlemen:

Compliance

We have audited Peach 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, 2011. Peach County Board of Education's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of Peach County Board of Education's management. Our responsibility is to express an opinion on Peach County Board of Education's compliance based on our audit.

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

As described in item FA-7111-11-01 in the accompanying Schedule of Findings and Questioned Costs, Peach County Board of Education did not comply with requirements regarding Reporting that are applicable to its Special Education Cluster (CFDA 84.027 and 84.173). Compliance with such requirements is necessary, in our opinion, for Peach County Board of Education to comply with requirements applicable to that program.





In our opinion, except for the noncompliance described in the preceding paragraph, the Peach County Board of Education complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2011. The results of our auditing procedures also disclosed another instance of noncompliance with those requirements, 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-7111-11-02.

#### Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

*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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item FA-7111-11-01 to be a material weakness.

*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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item FA-7111-11-02 to be a significant deficiency.

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



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

Respectfully submitted,

A handwritten signature in blue ink that reads "Greg S. Griffin". The signature is written in a cursive, flowing style.

Greg S. Griffin  
State Auditor

GSG:as  
2011SA-55



### SECTION III

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



PEACH COUNTY BOARD OF EDUCATION  
AUDITEE'S RESPONSE  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2011

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

**FINDING CONTROL NUMBER AND STATUS**

FS-7111-10-01                      Unresolved - See Corrective Action/Responses

**CORRECTIVE ACTION/RESPONSES**

CASH AND CASH EQUIVALENTS  
GENERAL LEDGER  
Inadequate Internal Control Procedures  
Finding Control Number: FS-7111-10-01

The School District Administration began a new process to ensure that cash is reviewed and reconciled to the general ledger on a monthly basis. The School District administration also implemented new procedures to ensure that all journal entries are properly documented and approved by administration.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.





## SECTION IV

### FINDINGS AND QUESTIONED COSTS



PEACH COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2011

**I SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

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

Internal control over financial reporting:

- Material weakness identified? Yes
- Significant deficiency identified? Yes

Noncompliance material to financial statements noted: No

**Federal Awards**

Internal Control over major programs:

- Material weakness identified? Yes
- Significant deficiency identified? Yes

Type of auditor's report issued on compliance for major programs:  
Unqualified for all major programs except for Special Education Cluster, which  
was qualified.

Any audit findings disclosed that are required to be reported in accordance with OMB  
Circular A-133, Section 510(a)? Yes

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010, 84.389	Title I, Part A Cluster
84.027, 84.173, 84.391, 84.392	Special Education Cluster
84.410	Education Jobs Fund
84.388	ARRA - School Improvement Grant
84.367	Improving Teacher Quality State Grants

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

Auditee qualified as low-risk auditee? No

PEACH COUNTY BOARD OF EDUCATION  
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## II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

### CASH AND CASH EQUIVALENTS

#### GENERAL LEDGER

##### Inadequate Internal Control Procedures

##### Material Weakness

Finding Control Number: FS-7111-11-01

#### Condition:

This is a repeat finding (FS-7111-10-01) from the fiscal year ended June 30, 2010. The accounting procedures of the School District were insufficient to provide adequate internal control procedures over the Cash and Cash Equivalent function. In addition, internal controls were insufficient to prevent the recording of undocumented and unapproved journal entries.

#### Criteria:

The School District's management is responsible for designing and maintaining internal controls that provide for reasonable assurance that transactions are processed according to established procedures.

#### Questioned Cost:

N/A

#### Information:

Weaknesses in internal controls were noted as follows:

- The General Operating, SPLOST Construction, School Nutrition and Kay Road Elementary School accounts were not properly reconciled to the general ledger. Unreconciled variances were found between the cash total and the cash recorded on the financial statements.
- The School District's final trial balance reflected an overall balance in the interfund cash account of (\$5,983.16). This account should always carry an overall balance of zero.
- An examination of the Central Office bank reconciliations disclosed no evidence of supervisory review for two bank accounts.
- Several journal entries recorded during the fiscal year under review were undocumented and/or unapproved.
- The entity could not provide a listing of salaries and benefits payable. A review of management's process to accrue benefits payable indicated a weakness in the design of the control ensuring the valuation of the calculation. Our procedures indicated a possible misstatement exceeding \$700,000.00.

#### Cause:

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

#### Effect:

The lack of adequate internal control over these areas 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.

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## II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

### Recommendation:

The School District should establish procedures to ensure that cash is reviewed and reconciled to the general ledger on a monthly basis. In addition, administrative reviews should be performed to determine that bank reconciliations were correct and that all required adjustments had been made. In addition, journal entries should be properly documented and approved. Finally, management should ensure benefits payable accruals are appropriate and adequately documented.

### CAPITAL ASSETS

#### Failure to Maintain Adequate Capital Asset Records

##### Significant Deficiency

Finding Control Number: FS-7111-11-02

### Condition:

The School District did not adequately maintain capital assets inventory records.

### Criteria:

Chapter 37 *Implementing a Capital Assets Management System* of the Financial Management for Georgia Local Units of Administration provides that School Districts must establish fixed asset policies, define system requirements, implement a fixed asset system, and maintain fixed asset inventory records.

### Questioned Cost:

N/A

### Information:

A review of the School District's capital assets policies and procedures and the related capital assets records noted the following deficiencies:

- The School District could not locate several assets from its capital assets listing.
- A number of assets recently added to the listing did not include adequate identifying information such as make, model, decal number or serial number.
- Several capital asset additions were not capitalized in the year under review, or were capitalized at an incorrect value.
- Accumulated Depreciation was not recorded properly for several assets.
- A physical inventory of capital assets has not been performed in several years as required by the capital assets policy.
- The capital asset listing contains assets below the capitalization threshold.
- The entity did not capitalize software in accordance with the capitalization policy.
- The entity included contradictory wording in its capitalization policy related to computer applications and intangible assets, and did not designate a useful life for intangible assets.

### Cause:

The School District failed to properly maintain its capital assets records in accordance with the School District's approved capital assets policy and requirements set-forth in Chapter 37 *Implementing a Capital Assets Management System* of the Financial Management for Georgia Local Units of Administration.

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## II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

### Effect:

The failure of the School District to properly account for capital assets activity can lead to inaccurate internal and external reporting, as well as noncompliance with generally accepted accounting principles.

### Recommendation:

The School District management should review their capital asset controls and procedures and make appropriate adjustments to ensure that their capital assets records conform to the School District's approved capital assets policy and generally accepted accounting principles. The School District should conduct routine physical inventory counts of capital assets.

## III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

### REPORTING

Failure to File Accurate Completion Reports

Material Weakness

Material Noncompliance

U. S. Department of Education

Through Georgia Department of Education

Special Education Cluster (CFDA 84.027 and 84.173)

Finding Control Number: FA-7111-11-01

### Condition:

The entity failed to file accurate completion reports for the Special Education Cluster (CFDA 84.027 and 84.173).

### 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."

### Questioned Cost:

\$62,893.46

### Information:

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

- 1) Actual Special Education Cluster expenditures for the Flow Through grant period ending June 30, 2011, totaled \$827,930.01 while expenditures were reported on the completion report as \$887,190.87, resulting in a variance of \$59,260.86.
- 2) Actual Special Education Cluster expenditures for the Preschool grant period ending June 30, 2011, totaled \$27,075.40 while expenditures were reported on the completion report as \$30,708.00, resulting in a variance of \$3,632.60.

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### III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

**Cause:**

Management failed to implement procedures to ensure that amounts reported on the completion report agreed with actual expenditures.

**Effect:**

Failure to accurately report Federal expenditures can result in inaccurate and incomplete disclosures for Federal grant reporting purposes and can result in excessive claims for reimbursement.

**Recommendation:**

Management should implement procedures to ensure that completion reports, submitted to the Georgia Department of Education, (1) include all activity of the reporting period, (2) are supported by applicable accounting records and (3) are properly presented in accordance with program requirements. The Georgia Department of Education should review this matter to determine if a reclaim of funds is appropriate.

#### ALLOWABLE COSTS/COST PRINCIPLES

##### Failure to Maintain Adequate Time Records

##### Significant Deficiency

##### U. S. Department of Education

##### Through Georgia Department of Education

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

##### Improving Teacher Quality State Grants (CFDA 84.367)

##### ARRA-School Improvement Grant (84.388)

##### Finding Control Number: FA-7111-11-02

**Condition:**

Certifications and documentation based on time distribution records, as required by Federal guidelines were inadequate and did not properly support the amounts paid to split-funded personnel.

**Criteria:**

Provisions of OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, require that salaries be documented as follows:

- Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.
- Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports (PARs) or equivalent documentation. Such documentary support will be required where employees work on more than one Federal award, or a Federal award and a non-Federal award. PARs must reflect an after-the-fact distribution of the actual activity of each employee, account for the total activity for which the employee is compensated, be prepared at least monthly and must coincide with one or more pay periods, and be signed by the employee.



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### III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

- Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that:
  - The governmental unit's system for establishing the estimates produce reasonable approximations of the activity actually performed;
  - At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the difference between budgeted and actual costs are less than ten percent;
  - And the budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.

**Questioned Cost:**

\$5,017.39 Title 1, Part A Cluster (CFDA 84.010 and 84.389)

**Information:**

Based on a review of employees' payroll records, the following items were noted:

- Periodic certifications referenced the wrong programs for employees tested in the School Improvement Grant and Improving Teacher Quality programs.
- Several PARs were missing for an employee tested in the Title I, Part A Cluster program.
- A split-funded employee was paid a different percentage by the Title I, Part A Cluster program than was supported by the applicable PARs.
- PARs were not signed by the employee.

**Cause:**

Management failed to implement appropriate procedures to ensure compliance with Federal guidelines regarding charges for salaries and wages being supported by periodic certifications or personnel activity reports.

**Effect:**

Failure to work and adequately document the time and effort of split-funded personnel to support compensation resulted in questioned cost and can result in material noncompliance with Federal grant requirements.

**Recommendation:**

Management should ensure that all salaries charged to Federal programs are commensurate with actual time devoted to those Federal programs. The School District should implement procedures to ensure that, in line with Federal regulations, appropriate time and effort records are maintained to adequately support compensation charged to Federal programs. The Georgia Department of Education should review this matter to determine if a reclaim of funds is appropriate.

## SECTION V

### MANAGEMENT'S RESPONSES



PEACH COUNTY BOARD OF EDUCATION  
SCHEDULE OF MANAGEMENT'S RESPONSES  
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Finding Control Number: FS-7111-11-01

We concur with this finding. The Board has already begun a new process for reconciling bank statements for all accounts as well as having all journal entries documented and approved. The Board will continue to work with the accounting software vendor to ensure that salaries and benefits payable are appropriately documented. The Board is also in the process of having a new fixed asset inventory completed by an independent vendor.

Finding Control Number: FS-7111-11-02

We concur with this finding. The Board has already begun a new process for reconciling bank statements for all accounts as well as having all journal entries documented and approved. The Board will continue to work with the accounting software vendor to ensure that salaries and benefits payable are appropriately documented. The Board is also in the process of having a new fixed asset inventory completed by an independent vendor.

Finding Control Number: FA-7111-11-01

We concur with this finding. The Director of Finance has already implemented a new procedure to ensure that all transactions including salaries and benefits payable are posted to the ledger prior to completion reports being submitted. Also, a new Director of Federal Programs has been hired. The new Director of Federal Programs works closely with the Director of Finance to ensure that all procedures are followed pertaining to expenditures, purchasing, periodic certification and time logs are current and accurate.

Finding Control Number: FA-7111-11-02

We concur with this finding. The Director of Finance has already implemented a new procedure to ensure that all transactions including salaries and benefits payable are posted to the ledger prior to completion reports being submitted. Also, a new Director of Federal Programs has been hired. The new Director of Federal Programs works closely with the Director of Finance to ensure that all procedures are followed pertaining to expenditures, purchasing, periodic certification and time logs are current and accurate.

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