



PEACH COUNTY BOARD OF EDUCATION FORT VALLEY, GEORGIA

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



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DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

October 2, 2013

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, 2012, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an

essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2013, 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 Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual, as presented on page 31, 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 to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Respectfully submitted,



Greg S. Griffin
State Auditor

PEACH COUNTY BOARD OF EDUCATION

STATEMENT OF NET ASSETS
JUNE 30, 2012

ASSETS	Governmental Activities
Cash and cash equivalents	\$ 1,381,295
Investments	12,923,668
Receivables:	
Taxes	1,408,020
Intergovernmental:	
State	2,215,778
Federal	506,002
Other	29,325
Inventory	69,664
Deferred charges	263,621
Capital assets (nondepreciable)	4,548,514
Capital assets (net of accumulated depreciation)	33,140,034
Total assets	<u>56,485,921</u>
 LIABILITIES	
Accounts payable	304,409
Salaries and benefits payable	3,864,781
Contracts payable	2,758,699
Accrued interest payable	235,717
Retainage payable	306,522
Unearned revenue	96,890
Bonds payable due within one year	3,742,154
Bonds payable due in more than one year	13,183,671
Capital leases due within one year	157,246
Capital leases due in more than one year	164,486
Total liabilities	<u>24,814,575</u>
 NET ASSETS	
Invested in capital assets, net of related debt	24,798,788
Restricted for:	
Capital projects	5,195
Debt service	5,336,595
Unrestricted	1,530,768
Total net assets	<u><u>\$ 31,671,346</u></u>

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

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 22,316,401	\$ 389,730	\$ 15,416,480	\$ 635,993	\$ (5,874,198)
Support services:					
Pupil services	1,016,193		398,404		(617,789)
Improvement of instructional services	1,659,126		1,222,446		(436,680)
Educational media services	512,135		463,458		(48,677)
General administration	998,588		800,155		(198,433)
School administration	2,123,270		968,941		(1,154,329)
Business administration	267,732		4,762		(262,970)
Maintenance and operation of plant	3,943,519		1,198,261		(2,745,258)
Student transportation services	2,089,296		613,969	303,779	(1,171,548)
Central support services	183,804		3,856		(179,948)
Other support services	1,077,368		191,447		(885,921)
Enterprise operations	399,634		-		(399,634)
Food service operations	2,294,171	321,934	1,733,873		(238,364)
Interest on long-term debt	505,748		-		(505,748)
Total governmental activities	<u>\$ 39,386,985</u>	<u>\$ 711,664</u>	<u>\$ 23,016,052</u>	<u>\$ 939,772</u>	<u>(14,719,497)</u>
General revenues:					
Taxes:					
Property taxes, levied for maintenance and operations					10,611,854
Sales taxes, levied for debt service					3,854,151
Intangible taxes					95,747
Transfer taxes					20,655
Railroad equipment tax					24,392
Grants and contributions not restricted to specific programs					1,658,153
Unrestricted investment earnings					12,598
Miscellaneous					829,267
Total general revenues					<u>17,106,817</u>
Change in net assets					2,387,320
Net assets, beginning of year, as restated					29,284,026
Net assets, end of year					<u>\$ 31,671,346</u>

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

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012**

ASSETS	General	District - Wide Capital Projects	Debt Service	Total Governmental Funds
Cash and cash equivalents	\$ 596,403	\$ 5,524	\$ 779,368	\$ 1,381,295
Investments	1,237,095	7,233,786	4,452,787	12,923,668
Receivables:				
Taxes	1,067,863		340,157	1,408,020
Intergovernmental:				
State	2,215,778			2,215,778
Federal	506,002			506,002
Other		29,325		29,325
Inventory	69,664			69,664
Total assets	<u>\$ 5,692,805</u>	<u>\$ 7,268,635</u>	<u>\$ 5,572,312</u>	<u>\$ 18,533,752</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 304,409	\$	\$	\$ 304,409
Salaries and benefits payable	3,864,781			3,864,781
Contracts payable		2,758,699		2,758,699
Retainage payable		306,522		306,522
Deferred revenue	915,423			915,423
Total liabilities	<u>5,084,613</u>	<u>3,065,221</u>		<u>8,149,834</u>
FUND BALANCES				
Nonspendable: Inventory	69,664			69,664
Restricted for:				
Capital projects		4,203,414		4,203,414
Debt service			5,572,312	5,572,312
Assigned for student activities	305,678			305,678
Unassigned	232,850			232,850
Total fund balances	<u>608,192</u>	<u>4,203,414</u>	<u>5,572,312</u>	<u>10,383,918</u>
Total liabilities and fund balances	<u>\$ 5,692,805</u>	<u>\$ 7,268,635</u>	<u>\$ 5,572,312</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		61,400,465	
	Less accumulated depreciation		<u>(23,711,917)</u>	37,688,548
Other long-term assets are not available to pay for current-period expenditures and are deferred in the funds.				
	Property taxes		721,535	
	Grants		<u>96,998</u>	818,533
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.				
	Bonds		(16,652,000)	
	Bond premium		(458,321)	
	Loss on bond refunding		184,496	
	Bond issuance costs, net of amortization		263,621	
	Accrued interest		(235,717)	
	Capital leases		<u>(321,732)</u>	(17,219,653)
Net assets of governmental activities				<u>\$ 31,671,346</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, 2012

	General	District - Wide Capital Projects	Debt Service	Total Governmental Funds
REVENUES				
Property taxes	\$ 10,911,003	\$	\$	\$ 10,911,003
Sales taxes	116,402		3,854,151	3,970,553
Other taxes	24,392			24,392
State funds	17,933,164	635,993		18,569,157
Federal funds	6,947,822			6,947,822
Charges for services	711,664			711,664
Investment earnings	3,608	5,226	3,764	12,598
Miscellaneous	829,092	175	-	829,267
Total revenues	<u>37,477,147</u>	<u>641,394</u>	<u>3,857,915</u>	<u>41,976,456</u>
EXPENDITURES				
Current:				
Instruction	22,036,405			22,036,405
Support services:				
Pupil services	1,015,303			1,015,303
Improvement of instructional services	1,659,126			1,659,126
Educational media services	511,265			511,265
General administration	998,588			998,588
School administration	2,116,285			2,116,285
Business administration	255,569			255,569
Maintenance and operation of plant	2,753,979			2,753,979
Student transportation services	2,181,764			2,181,764
Central support services	183,804			183,804
Other support services	938,431			938,431
Enterprise operations	399,634			399,634
Food services operation	2,261,785			2,261,785
Capital outlay		3,437,651		3,437,651
Debt service:				
Principal retirement	187,847		2,768,000	2,955,847
Interest and fees	23,563		391,338	414,901
Bond issuance cost		162,235		162,235
Total expenditures	<u>37,523,348</u>	<u>3,599,886</u>	<u>3,159,338</u>	<u>44,282,572</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(46,201)</u>	<u>(2,958,492)</u>	<u>698,577</u>	<u>(2,306,116)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	2,852			2,852
Transfers in (out)		(664,815)	664,815	
Bonds issued		7,270,000		7,270,000
Premium on bonds sold		527,602		527,602
Total other financing sources (uses)	<u>2,852</u>	<u>7,132,787</u>	<u>664,815</u>	<u>7,800,454</u>
Net change in fund balances	(43,349)	4,174,295	1,363,392	5,494,338
FUND BALANCE, beginning of year	<u>651,541</u>	<u>29,119</u>	<u>4,208,920</u>	<u>4,889,580</u>
FUND BALANCE, end of year	<u>\$ 608,192</u>	<u>\$ 4,203,414</u>	<u>\$ 5,572,312</u>	<u>\$ 10,383,918</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, 2012**

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

Net change in fund balances - total governmental funds	\$	5,494,338
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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 capital outlay exceeded depreciation is to increase net assets.

Capital outlay	3,810,063	
Depreciation expense	(1,754,544)	2,055,519

Net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, donations, etc.) is to decrease net assets.		(190,019)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes	(299,149)	
Grants	96,998	(202,151)

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	2,768,000	
Principal payments - capital leases	187,847	
Proceeds from issuance of bonds	(7,270,000)	
Bond issuance costs	162,235	
Loss on refunding amortization expense	(30,750)	
Bond premium	(527,602)	
Bond premium amortization expense	69,281	
Bond issuance costs amortization expense	(76,290)	(4,717,279)

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		(53,088)
		\$ 2,387,320

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

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
JUNE 30, 2012

	ASSETS	Agency Fund
Cash		<u>\$ 79,844</u>
	LIABILITIES	
Funds held for others		<u>\$ 79,844</u>

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

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

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, 2012**

EXHIBIT "G"

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 and reports 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 and reports financial resources including Special Purpose Local Option Sales Tax (SPLOST), Bond Proceeds, and grants from Georgia State Financing and Investment Commission 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, 2012

EXHIBIT "G"

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.

The State of Georgia reimburses the School System for teachers' salaries and operating costs through the Quality Basic Education (QBE) Formula Earnings program. State of Georgia law defines the formula driven grant that determines the cost of an academic school year and the State of Georgia's share in this cost. 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 requirements of the enabling legislation of the QBE program, the State of Georgia reimburses the School System over the same 12-month period in which teachers are paid, funding the academic school year expenditures. At June 30, the amount of teachers' salaries incurred but not paid until July and August of the subsequent year are accrued as the State of Georgia has only postponed the final payment of their share of the cost until the subsequent appropriations for cash management purposes. By June 30 of each year, the State of Georgia has a signed appropriation that includes this final amount, which represents the State of Georgia's intent to fund this final payment. Based on guidance in Government Accounting Standards Board (GASB) Statement No. 33, paragraph 74, the State of Georgia recognizes its QBE liability for the July and August salaries at June 30, and the School System 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, 2012**

EXHIBIT "G"

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 authorizes the School District to deposit its funds in one or more solvent banks, insured Federal savings and loan associations, or insured chartered building and loan associations.

Investments

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

Funds may be invested in the following:

- (1) Obligations issued by the State of Georgia or by other states,
- (2) Obligations issued by the United States government,
- (3) Obligations fully insured or guaranteed by the United States government or a United States government agency,
- (4) Obligations of any corporation of the United States government,
- (5) Prime 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.

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.

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

EXHIBIT "G"

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes

The Peach County Board of Commissioners fixed the property tax levy for the 2011 tax digest year (calendar year) on July 28, 2011 (levy date). Taxes were due on December 20, 2011 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2011 tax digest are reported as revenue in the governmental funds for fiscal year 2012. The 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, 2012, for maintenance and operations amounted to \$10,911,003.

The tax millage rate levied for the 2011 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
-------------------	---------------------

Sales Taxes

Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to \$3,854,151 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.

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

EXHIBIT "G"

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:

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
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
JUNE 30, 2012

EXHIBIT "G"

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

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.

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

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

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

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

Fund Balances

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

Nonspendable - Amounts that 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, 2012

EXHIBIT "G"

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 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.

Deficit Fund Balances

The fund reporting a deficit fund balance at June 30, 2012, is as follows:

<u>Fund Type/Fund Name</u>	<u>Deficit Balance</u>
General Fund	
School Food Services	\$ <u>66,545.68</u>

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

EXHIBIT "G"

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deficit Fund Balances (Continued)

The School District's plan to eliminate this deficit is as follows:

- No longer provide free breakfast for all students,
- Return to a five day school week,
- Reduce the number of school nutrition workers, and
- Provide more training on topics such as meal reimbursements to benefit staff as well as newly hired Director of School Nutrition.

Use of Estimates

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

Note 3: BUDGETARY DATA

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

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

The Superintendent is authorized by the Board to approve adjustments of no more than 5 percent of the amount budgeted for expenditures in any budget function for any fund. The Superintendent shall report any such adjustments to the Board. If expenditure of funds in any budget function for any fund is anticipated to be more than 5 percent of the budgeted amount, the Superintendent shall request Board approval for the budget amendment.

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

EXHIBIT "G"

Note 3: BUDGETARY DATA (CONTINUED)

Under no circumstance is the Superintendent or other staff person authorized to spend funds that exceed the total budget without approval by the Board.

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

Note 4: 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. At June 30, 2012, \$28,302 of deposits were not secured by surety bond, insurance, or collateral as specified above. The School District is working with the affected financial institution to ensure appropriate levels of collateral are maintained for all of the School District's deposits

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

- (1) Surety bond signed by a surety company duly qualified and authorized to transact business within the State of Georgia,
- (2) Insurance on accounts provided by the Federal Deposit Insurance Corporation,
- (3) Bonds, bills, notes, certificates of indebtedness or other direct obligations of the United States or of the State of Georgia,
- (4) Bonds, bills, notes, certificates of indebtedness or other obligations of the counties or municipalities of the State of Georgia,
- (5) Bonds of any public authority created by the laws of the State of Georgia, providing that the statute that created the authority authorized the use of the bonds for this purpose,
- (6) Industrial revenue bonds and bonds of development authorities created by the laws of the State of Georgia, and
- (7) Bonds, bills, notes, certificates of indebtedness, or other obligations of a subsidiary corporation of the United States government, which are fully guaranteed by the United States government both as to principal and interest or debt obligations issued by 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, 2012, the bank balances were \$2,464,596. The amounts exposed to custodial credit risk are classified into three categories as follows:

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

EXHIBIT "G"

Note 4: DEPOSITS (CONTINUED)

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

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

<u>Custodial Credit Risk Category</u>	<u>Bank Balance</u>
1	\$ 28,302
2	
3	<u>587</u>
Total	\$ <u><u>28,889</u></u>

Categorization of Investments

At June 30, 2012, the School District had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Certificate of deposit	July 12, 2012	\$ 28,302
Georgia Fund One	48 day weighted average	<u>12,895,366</u>
		<u>\$ 12,923,668</u>

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 www.audits.ga.gov/SGD/CAFR.html

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, 2012, was 48 days.

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

EXHIBIT "G"

Note 4: DEPOSITS (CONTINUED)

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 5: NON-MONETARY TRANSACTIONS

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

Note 6: CAPITAL ASSETS

Capital assets being acquired under capital leases as of June 30, 2012, are as follows:

Equipment	\$ 781,936
Less: Accumulated Depreciation	<u>(195,484)</u>
	<u><u>\$ 586,452</u></u>

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

EXHIBIT "G"

Note 6: CAPITAL ASSETS (CONTINUED)

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

	Adjusted Balances July 1, 2011	Increases	Decreases	Transfers	Balances June 30, 2012
Governmental Activities					
Capital Assets, Not Being Depreciated:					
Land	\$ 1,165,343	\$	\$ (53,977)	\$	\$ 1,111,366
Construction Work In Progress		3,437,148			3,437,148
Total	<u>1,165,343</u>	<u>3,437,148</u>	<u>(53,977)</u>		<u>4,548,514</u>
Capital Assets, Being Depreciated:					
Buildings and Improvements	48,798,441		(48,597)	(222,278)	48,527,566
Equipment	8,936,987	372,915	(1,650,701)	222,278	7,881,479
Land Improvements	500,366		(57,460)		442,906
Total	<u>58,235,794</u>	<u>372,915</u>	<u>(1,756,758)</u>		<u>56,851,951</u>
Less: Accumulated Depreciation:					
Buildings and Improvements	(16,467,186)	(1,175,603)	32,541	(8,335)	(17,618,583)
Equipment	(6,703,665)	(569,278)	1,538,935	8,335	(5,725,673)
Land Improvements	(407,238)	(9,663)	49,240		(367,661)
Total	<u>(23,578,089)</u>	<u>(1,754,544)</u>	<u>1,620,716</u>		<u>(23,711,917)</u>
Total Capital Assets, Being Depreciated, Net	<u>\$ 34,657,705</u>	<u>\$ (1,381,629)</u>	<u>\$ (136,042)</u>	<u>\$</u>	<u>\$ 33,140,034</u>
Governmental Activity Capital Assets - Net	<u>\$ 35,823,048</u>	<u>\$ 2,055,519</u>	<u>\$ (190,019)</u>	<u>\$</u>	<u>\$ 37,688,548</u>

A restatement has been made to properly reflect beginning balances in the net amount of \$567,438. See also Note 18.

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

EXHIBIT "G"

Note 6: CAPITAL ASSETS (CONTINUED)

Current year depreciation expense by function is as follows:

Instruction		\$ 260,919
Support Services		
Pupil Services	\$ 890	
Educational Media Services	870	
School Administration	6,983	
Business Administration	12,160	
Maintenance and Operations	1,189,198	
Student Transportation	245,402	
Support Services	<u>5,745</u>	1,461,248
Food Services		<u>32,377</u>
Total Depreciation Expense		<u><u>\$ 1,754,544</u></u>

Note 7: INTERFUND TRANSFERS

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

<u>Transfers to</u>	<u>Transfers From</u> <u>District-wide</u> <u>Capital Projects</u> <u>Fund</u>
Debt Service Fund	\$ <u><u>664,815</u></u>

Transfers are used to move excess GSFIC funds to the Debt Service Fund to reimburse SPLOST funds expended on the GSFIC project.

Note 8: RISK MANAGEMENT

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

The School District has obtained commercial insurance for risk of loss associated with 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
JUNE 30, 2012

EXHIBIT "G"

Note 8: 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:

	<u>Beginning of Year Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Paid</u>	<u>End of Year Liability</u>
2011	\$ -	\$ 143,961	\$ (143,961)	\$ -
2012	\$ -	\$ 79,277	\$ (79,277)	\$ -

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:

<u>Position Covered</u>	<u>Amount</u>
Superintendent	\$ 50,000
Finance Director	\$ 50,000

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

EXHIBIT "G"

Note 9: 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, 2012, for governmental funds amounted to \$96,748. Future minimum lease payments for these leases are as follows:

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Principal</u>
2013	\$ 35,758
2014	35,328
2015	25,024
2016	<u>2,576</u>
Total	<u>\$ 98,686</u>

Note 10: SHORT-TERM DEBT

Tax Anticipation Note

On August 3, 2011, the Peach County Board of Education approved a temporary loan in advance of property tax collections. Proceeds from this short-term loan were used 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, 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.

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>\$ 2,200,000</u>	<u>\$ (2,200,000)</u>	<u>\$ -</u>

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

EXHIBIT "G"

Note 11: LONG-TERM DEBT

Capital Leases

The Peach County Board of Education has entered into various lease agreements as lessee for 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:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
General Government - Refunding - Series 2008A	3.279%	\$ 5,582,000
General Government - Series 2008B	3.007%	3,800,000
General Government - Series 2011	2.000% - 4.000%	7,270,000
		<u>\$ 16,652,000</u>

Changes in Long-Term Debt

The changes in long-term debt during the fiscal year ended June 30, 2012, were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General Obligation Bonds	\$ 12,150,000	\$ 7,270,000	\$ (2,768,000)	\$ 16,652,000	\$ 3,645,000
Less: Deferred Amounts					
Loss on Refunding	(215,246)	-	30,750	(184,496)	(30,750)
Premium	-	527,602	(69,281)	458,321	127,904
General Obligation Bonds, Net	11,934,754	7,797,602	(2,806,531)	16,925,825	3,742,154
Capital Leases	509,579	-	(187,847)	321,732	157,246
Total	<u>\$ 12,444,333</u>	<u>\$ 7,797,602</u>	<u>\$ (2,994,378)</u>	<u>\$ 17,247,557</u>	<u>\$ 3,899,400</u>

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

EXHIBIT "G"

Note 11: LONG-TERM DEBT (CONTINUED)

Scheduled Maturities of Long-Term Debt

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

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Capital Leases</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 157,246	\$ 14,814
2014	164,486	7,574
Total Principal and Interest	<u>\$ 321,732</u>	<u>\$ 22,388</u>

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 3,645,000	\$ 507,810
2014	3,756,000	402,798
2015	3,766,000	316,324
2016	3,904,000	200,510
2017	1,062,000	51,841
2018	519,000	17,018
Total Principal and Interest	<u>\$ 16,652,000</u>	<u>\$ 1,496,301</u>

Note 12: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of \$2,576,480 for health insurance and retirement contributions paid on the School District's behalf by the following State Agencies:

Georgia Department of Education

 Paid to the Georgia Department of Community Health

 For Health Insurance of Certified Personnel

 In the amount of \$2,498,117

 Paid to the Teachers Retirement System of Georgia

 For Teachers Retirement System (TRS) Employer's Cost

 In the amount of \$24,739

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 \$53,624

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

EXHIBIT "G"

Note 13: SIGNIFICANT COMMITMENTS

The School District is committed under an outstanding construction contract in the Capital Projects Fund in the amount of \$4,063,779. This contract includes HVAC renovations at various facilities within the School District. This amount is not reflected in the basic financial statements.

Note 14: SIGNIFICANT CONTINGENT LIABILITIES

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

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

Note 15: OTHER POST EMPLOYMENT BENEFITS

Georgia School Personnel Employees 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 postemployment 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. For members with fewer than five years of service as of January 1, 2012, contributions also vary based on years of service. On average, members with five years or more of service as of January 1, 2012, pay approximately 25 percent of the cost of the health insurance coverage. In accordance with the Board resolution dated December 8, 2011, for members with fewer than five years of service as of January 1, 2012, the state provides a premium subsidy in retirement that

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

EXHIBIT "G"

Note 15: OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

ranges from 0% for fewer than 10 years of service to 75% (but no greater than the subsidy percentage offered to active employees) for 30 or more years of service. The subsidy for eligible dependents ranges from 0% to 55% (but no greater than the subsidy percentage offered to dependents of active employees minus 20%). No subsidy is available to Medicare eligible members not enrolled in a Medicare Advantage Option. The Board of Community Health sets all member premiums by resolution and in accordance with the law and applicable revenue and expense projections. Any subsidy policy adopted by the Board may be changed at any time by Board resolution and does not constitute a contract or promise of any amount of subsidy.

Participating employers are statutorily required to contribute in accordance with the employer contribution rates established by the Board. The contribution rates are established to fund all benefits due under the health insurance plans for both active and retired employees based on projected "pay-as-you-go" financing requirements. Contributions are not based on the actuarially calculated annual required contribution (ARC) which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 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, 2012:

For certificated teachers, librarians and regional educational service agencies:

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

For non-certificated school personnel:

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

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

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

EXHIBIT "G"

Note 15: OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

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, 2012, 2011, 2010 was \$3,372,907, \$3,404,114, and \$3,133,086, 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 12 for discussion of on-behalf payments).

Note 16: 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). SRPB-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 SRPB-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.

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

EXHIBIT "G"

Note 16: RETIREMENT PLAN (CONTINUED)

Teachers Retirement System of Georgia (TRS) (Continued)

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

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

<u>Fiscal Year</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>
2012	100%	\$1,998,341
2011	100%	2,167,275
2010	100%	2,069,295

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 12: On-behalf payments for information on the contributions made by the State of Georgia on behalf of the School District's employees.

Note 17: SUBSEQUENT EVENT

Tax Anticipation Note

On August 8, 2012, the Peach County Board of Education issued a \$3,000,000 temporary loan in advance of property tax collections. Proceeds from this short-term loan were used to provide cash for operations until property tax collections were received by the School District. The maturity date of the loan was December 31, 2012. Two draws totaling \$1,900,000 were required to meet the cash flow needs of the School District. The note was repaid on December 20, 2012.

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

EXHIBIT "G"

Note 18: PRIOR PERIOD ADJUSTMENT

The School District has determined that a restatement of the net assets of governmental activities is required to reflect corrections to beginning balances of capital assets. The School District omitted capital assets with a net book value of \$567,438 in the June 30, 2011 financial statements in error, resulting in an understatement of net assets.

Net assets June 30, 2011, as previously reported	\$ 28,861,343
Adjustment for capital assets	422,683
Net assets June 30, 2011, as restated	<u>\$ 29,284,026</u>

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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, 2012

	Budget		Actual	Variance With Final Budget
	Original (1)	Final (1)		
REVENUES				
Property taxes	\$ 10,515,050	\$ 10,515,050	\$ 10,911,003	\$ 395,953
Sales taxes	89,000	89,000	116,402	27,402
Other taxes			24,392	24,392
State funds	17,626,683	17,626,683	17,933,164	306,481
Federal funds	5,732,635	7,413,755	6,947,822	(465,933)
Charges for services	792,950	792,950	711,664	(81,286)
Investment earnings	3,500	3,500	3,608	108
Miscellaneous	15,000	506,103	829,092	322,989
Total revenues	34,774,818	36,947,041	37,477,147	530,106
EXPENDITURES				
Current:				
Instruction	19,942,936	21,567,096	22,036,405	(469,309)
Support services:				
Pupil services	846,406	1,369,921	1,015,303	354,618
Improvement of instructional services	1,072,833	1,578,903	1,659,126	(80,223)
Educational media services	468,164	471,046	511,265	(40,219)
General administration	797,555	1,002,999	998,588	4,411
School administration	2,163,748	1,955,107	2,116,285	(161,178)
Business administration	325,844	275,025	255,569	19,456
Maintenance and operation of plant	3,166,638	3,076,700	2,753,979	322,721
Student transportation services	2,295,744	2,277,767	2,181,764	96,003
Central support services	223,488	208,040	183,804	24,236
Other support services	1,017,415	1,359,870	938,431	421,439
Enterprise operations			399,634	(399,634)
Food services operations	2,712,021	2,712,021	2,261,785	450,236
Debt service:				
Principal retirement			187,847	(187,847)
Interest and fiscal charges			23,563	(23,563)
Total expenditures	35,032,792	37,854,495	37,523,348	331,147
Deficiency of revenues over expenditures	(257,974)	(907,454)	(46,201)	861,253
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets			2,852	2,852
Total other financing sources (uses)			2,852	2,852
Net change in fund balance	(257,974)	(907,454)	(43,349)	864,105
FUND BALANCE, beginning of year	651,541	651,541	651,541	-
FUND BALANCE, end of year	\$ 393,567	\$ (255,913)	\$ 608,192	\$ 864,105

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

(1) Original and Final Budget amounts do not include actual revenues (\$586,591) or expenditures (\$598,877) of the various school activity accounts.

See notes to the basic financial statements.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

<u>Funding Agency Program/Grant</u>	<u>CFDA Number</u>	<u>Pass- Through Entity ID Number</u>	<u>Expenditures In Period</u>
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	2,175,723 (2)
Total U. S. Department of Agriculture			<u>2,175,723</u>
Education, U. S. Department of Special Education Cluster Pass-Through From Georgia Department of Education Special Education			
Grants to States	* 84.027	N/A	738,829
Preschool Grants	* 84.173	N/A	24,113
Total Special Education Cluster			<u>762,942</u>
School Improvement Grants Cluster Pass-Through From Georgia Department of Education ARRA - School Improvement Grant			
	* 84.388	N/A	<u>1,745,567</u>
Title I, Part A Cluster Pass-Through From Georgia Department of Education Title I Grants to Local Education Agencies			
	* 84.010	N/A	<u>2,070,754</u>
Other Programs Pass-Through From Georgia Department of Education			
ARRA - Race-to-the-Top	84.395	N/A	264,546
Career & Technical Education - Basic Grants to States	84.048	N/A	42,520
Education Jobs Fund	84.410	N/A	9,380
English Language Acquisition Grants	84.365	N/A	22,830
Improving Teacher Quality State Grants	84.367	N/A	269,941
Migrant Education	84.011	N/A	36,771
Rural Education	84.358	N/A	<u>96,015</u>
Total Other Programs			<u>742,003</u>
Pass-Through From Middle Georgia Regional Educational Service Agency Mathematics and Science Partnerships			
	84.366	N/A	<u>11,778</u>
Total U. S. Department of Education			<u>5,333,044</u>

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

<u>Funding Agency 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	12.unknown		\$ 30,334
Total Expenditures of Federal Awards			<u>\$ 7,539,101</u>

N/A = Not Available

Notes to the Schedule of Expenditures of Federal Awards

- (1) Expenditures for the funds earned on the School Breakfast Program (\$394,183) 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 \$151,912.

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 the basic financial statements.

**SCHEDULE OF STATE REVENUE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

<u>Agency/Funding</u>	<u>Governmental Fund Types</u>		<u>Total</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>	
Grants			
Education, Georgia Department of			
Quality Basic Education			
Direct Instructional Cost			
Kindergarten Program	\$ 1,323,999	\$	\$ 1,323,999
Kindergarten Program - Early Intervention Program	43,790		43,790
Primary Grades (1-3) Program	2,710,547		2,710,547
Primary Grades - Early Intervention (1-3) Program	33,462		33,462
Upper Elementary Grades (4-5) Program	1,492,714		1,492,714
Upper Elementary Grades - Early Intervention (4-5) Program	97,140		97,140
Middle Grades (6-8) Program	2,170,833		2,170,833
High School General Education (9-12) Program	1,640,377		1,640,377
Vocational Laboratory (9-12) Program	610,714		610,714
Students with Disabilities	1,758,538		1,758,538
Program for Intellectually Gifted Students - Category VI	281,137		281,137
Remedial Education Program	129,742		129,742
Alternative Education Program	162,806		162,806
English Speakers of Other Languages (ESOL)	218,099		218,099
Media Center Program	378,116		378,116
20 Days Additional Instruction	115,970		115,970
Staff and Professional Development	75,062		75,062
Indirect Cost			
Central Administration	475,065		475,065
School Administration	770,070		770,070
Facility Maintenance and Operations	976,596		976,596
Categorical Grants			
Pupil Transportation			
Pupil Transportation	537,175		537,175
State Bonds	303,779		303,779
Nursing Services	73,664		73,664
Mid-term Adjustment Hold-Harmless	49,796		49,796
Vocational Supervisors	14,094		14,094
Education Equalization Funding Grant	1,674,765		1,674,765
Food Services	56,062		56,062
Vocational Education	39,520		39,520
Amended Formula Adjustment	(2,953,271)		(2,953,271)
Other State Programs			
Dual Enrollment	20,330		20,330
Health Insurance	2,498,117		2,498,117
Math and Science Supplements	34,081		34,081
Preschool Handicapped Program	41,387		41,387
Teachers' Retirement	24,739		24,739
Virtual Schools Grant	525		525
Georgia State Financing and Investment Commission		635,993	635,993
Office of the State Treasurer			
Public School Employees Retirement	53,624		53,624
	<u>\$ 17,933,164</u>	<u>\$ 635,993</u>	<u>\$ 18,569,157</u>

See notes to the basic financial statements.

**SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

<u>Project</u>	<u>Original Estimated Cost (1)</u>	<u>Current Estimated Costs (2)</u>	<u>Expended In Current Year (3)</u>	<u>Expended In Prior Years (3)</u>	<u>Total Completion Cost</u>	<u>Project Status</u>
(1-1) acquiring, constructing and equipping two new elementary schools and related facilities, including necessary furnishings, fixtures, and equipment	\$ Not available	\$ 26,538,396	\$ 502	\$ 26,537,894	\$ 26,538,396	Completed
(7-1) 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	3,249,587	32,800	3,216,787	3,249,587	Completed
Unapproved Projects			N/A	103,752	103,752	
(1-2) Retire prior debt service of Series 2008A and 2008B bonds - principal and interest	11,086,399	13,200,000	1,266,057		1,266,057	
(2-2) Replace 10 units for A/C and HVAC controls at PCHS, BES, and FVMS	1,246,585	7,635,368	3,437,149		3,437,149	
(3-2) Install white boards in all classrooms at BES, BMS, FVMS, and PCHS	66,000	66,000				
(4-2) Continue technology upgrades e.g. cabling, Smart Boards, video distribution equipment, etc.	2,500,000	2,500,000				
(5-2) Install fireproof ceiling tiles and equipment upgrades in kitchens at PCHS, FVMS, BMS, and BES	700,000	700,000				
(6-2) Install camera system at FVMS, BMS, BES, and two new schools	400,000	400,000				
(7-2) Build impaired ramp at PCHS auditorium entrance	500,000	500,000				
(8-2) Repair roofs at FVMS, PCHS, BES and HES	750,000	750,000				
(9-2) Provide playground equipment at all elementary schools	200,000	200,000				
(10-2) Renovate PCHS track	200,000	200,000				
(11-2) Repair gym floor at BES	80,000	80,000				
(12-2) Build tennis courts at PCHS	350,000	350,000				
(13-2) Resurface asphalt at all schools and visitors parking access at PCHS	400,000	400,000				
(14-2) Build restrooms, dressing rooms, and concession between track and tennis courts at PCHS	85,000	85,000				
(15-2) Build restrooms, dressing rooms, and concession at soccer field at PCHS	40,000	40,000				
(16-2) Renovate old HES to house 9th Grade Academy	85,000	85,000				
(17-2) Replace roof awnings between old HES and old gym	150,000	150,000				
(18-2) paying expenses incident to accomplishing the foregoing; including the costs of issuance of up to \$10,000,000 in Bonds	965,116	965,116	192,716		192,716	
	<u>\$ 19,804,100</u>	<u>\$ 58,094,467</u>	<u>\$ 4,929,224</u>	<u>\$ 29,858,433</u>	<u>\$ 34,787,657</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) As of June 30, 2012, there were no excess proceeds which were not yet expended.

Total current year expenditures from above	\$ 4,929,224
Principal paid during FY 2012, Series 2006 Bonds	1,830,000
Total expenditures combined of the District-wide Capital Projects Fund and the Debt Service Fund	<u>\$ 6,759,224</u>

See notes to the basic financial statements.

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PEACH COUNTY BOARD OF EDUCATION
SCHEDULE OF QUALITY BASIC EDUCATION PROGRAMS (QBE)
ALLOTMENTS AND EXPENDITURES BY PROGRAM
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

SCHEDULE "5"

Description	Allotments From Georgia Department of Education (1) & (2)	Eligible QBE Program Costs		
		Salaries	Operations	Total
Direct Instructional Funds:				
Kindergarten Program	\$ 1,577,609	\$ 1,476,782	\$ 59,656	\$ 1,536,438
Kindergarten Program - Early Intervention Program	43,648	40,780		40,780
Primary Grades (1-3) Program	3,257,147	2,932,583	63,968	2,996,551
Primary Grades - Early Intervention (1-3) Program	45,667	40,780		40,780
Upper Elementary Grades (4-5) Program	1,788,752	1,508,000	61,078	1,569,078
Upper Elementary Grades-Early Intervention (4-5) Program	108,166	153,491	-	153,491
Middle Grades (6-8) Program	2,593,991	3,183,645	72,683	3,256,328
Middle School (6-8) Program				
High School General Education (9-12) Program	2,003,862	3,667,163	145,623	3,812,786
Vocational Laboratory (9-12) Program	728,565	541,175	63,568	604,743
Students with Disabilities	2,069,237			
Category I		52,816		52,816
Category II		163,914		163,914
Category III		978,952		978,952
Category IV		102,331		102,331
Category V		974,370		974,370
Gifted Student - Category VI	319,251	437,104	1,433	438,537
Remedial Education Program	166,943			
Alternative Education Program	196,403	327,080	4,416	331,496
English Speakers of Other Languages (ESOL)	260,685	217,316		217,316
TOTAL DIRECT INSTRUCTIONAL PROGRAMS	15,159,926	16,798,282	472,425	17,270,707
Media Center Program	452,914	470,059	699	470,758
Staff and Professional Development	89,511			58,063
TOTAL QBE FORMULA FUNDS	\$ 15,702,351	\$ 17,268,341	\$ 473,124	\$ 17,799,528

(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 the basic financial statements.

SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS



DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

October 2, 2013

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, 2012, which collectively comprise Peach County Board of Education's basic financial statements and have issued our report thereon dated October 2, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of 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.

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.

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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we consider items FS-7111-12-01, and FS-7111-12-02, described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or 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.

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 October 2, 2013.

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 the response.

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
2012YB-30



DEPARTMENT OF AUDITS AND ACCOUNTS

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Greg S. Griffin
STATE AUDITOR
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October 2, 2013

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, 2012. 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.

In our opinion, 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, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are described in the accompanying Schedule of Findings and Questioned Costs as items FA-7111-12-02, FA-7111-12-04 and FA-7111-12-06.

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 certain deficiencies in internal control over compliance that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

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 a 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-7111-12-01 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 deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items FA-7111-12-02, FA-7111-12-03, FA-7111-12-04, FA-7111-12-05 and FA-7111-12-06 to be significant deficiencies.

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,



Greg S. Griffin
State Auditor

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, 2012

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FINDING CONTROL NUMBER AND STATUS

FS-7111-10-01	Further Action Not Warranted
FS-7111-11-01	Unresolved - See Corrective Action/Responses
FS-7111-11-02	Unresolved - See Corrective Action/Responses

CORRECTIVE ACTION/RESPONSES

CASH AND CASH EQUIVALENTS
GENERAL LEDGER
Inadequate Internal Control Procedures
Finding Control Number: FS-7111-11-01

The Board has successfully implemented a new process for reconciling bank statements and for having all journal entries approved. The Board has also implemented a process to allow for the salary accrual process to be done in a more timely manner to ensure that process is complete before processing completion reports for federal programs. However, the Finance Director will continue to work with the software vendor as well as other Finance Directors to improve the payroll accrual process. The Finance Director will research a more accurate process for running payroll accruals.

CAPITAL ASSETS
Failure to Maintain Adequate Capital Asset Records
Finding Control Number: FS-7111-11-02

The Board contracted with an outside vendor to perform a fixed asset inventory. Measures are being implemented currently for staff to be responsible for maintaining and updating the fixed asset inventory accurately.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING CONTROL NUMBER AND STATUS

FA-7111-11-01	Previously Reported Corrective Action Implemented
FA-7111-11-02	Unresolved - See Corrective Action/Responses

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

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

CORRECTIVE ACTION/RESPONSES

ALLOWABLE COSTS/COST PRINCIPLES

Failure to Maintain Adequate Time Records

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

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 certifications and time logs are current and accurate.

SECTION IV

FINDINGS AND QUESTIONED COSTS

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

I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted: No

Federal Awards

Internal Control over major programs:

- Material weakness identified? Yes
- Significant deficiencies identified? Yes

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

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	Child Nutrition Cluster
84.010	Title I, Part A Cluster
84.027, 84.173	Special Education Cluster
84.388	ARRA - School Improvement Grants

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

Auditee qualified as low-risk auditee? No

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

CASH AND CASH EQUIVALENTS

EMPLOYEE COMPENSATION

Inadequate Internal Control Procedures

Significant Deficiency

Finding Control Number: FS-7111-12-01

Condition:

This is a repeat finding (FS-7111-11-01 and FS-7111-10-01) from the fiscal years ended June 30, 2011, and June 30, 2010, respectively. The accounting procedures of the School District were insufficient to provide adequate internal control procedures over the Cash and Cash Equivalents function and the Salaries and Benefits accrual function.

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

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Criteria:

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

Questioned Cost:

N/A

Information:

Weaknesses in internal controls were noted as follows:

- The General Operating account was not properly reconciled to the general ledger. Undocumented reconciling items were noted on the reconciliation.
- 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 School Nutrition bank reconciliations disclosed no evidence of supervisory review for two months, and one bank reconciliation could not be located.
- 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 of \$169,575.
- The entity could not reconcile salaries per the CS-1 to the accounting records. A variance of \$288,661.84 was noted, and entity personnel were unable to reconcile the variance.

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.

Recommendation:

The School District should establish procedures to ensure 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 are correct and that all required adjustments have been made. Finally, management should ensure benefits payable accruals are appropriate and adequately documented, and that salary expense can be reconciled between the CS1 and the general ledger.

CAPITAL ASSETS

Failure to Adequately Maintain Capital Assets

Significant Deficiency

Finding Control Number: FS-7111-12-02

Condition:

This is a repeat finding (FS-7111-11-02) from the fiscal year ended June 30, 2011. The School District did not maintain adequate controls over its capital assets.

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

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

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 document the values of several additions to technology equipment.
- Capital assets 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 as a result of failure to follow the entity's established capitalization policy.
- One asset reviewed was not classified in the proper category.
- 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.

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.

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

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

ACTIVITIES ALLOWED OR UNALLOWED

Inadequate Controls over Expenditures

Material Weakness

U. S. Department of Agriculture

Through Georgia Department of Education

Child Nutrition Cluster (CFDA 10.553 and 10.555)

Finding Control Number: FA-7111-12-01

Condition:

A review of expenditures charged to the Child Nutrition Cluster (CFDA 10.553 and 10.555) programs revealed that the School District failed to implement internal control procedures to ensure expenditures were properly documented and authorized.

Criteria:

Provisions of OMB Circular A-87 *Cost Principles for State, Local and Indian Tribal Governments*, states that "Governmental units are responsible for the efficient and effective administration of Federal awards through the application of sound management practices." In addition, A-87 requires that "to be allowable under Federal awards, costs must be...adequately documented".

Questioned Cost:

N/A

Information:

A review of expenditure vouchers for the Child Nutrition Cluster (CFDA 10.553 and 10.555) revealed the following deficiencies:

- 1) All vouchers tested had no evidence of approval.
- 2) Several vouchers had no evidence of receipt.

Cause:

Management failed to monitor compliance with Federal guidelines to ensure that expenditures charged to the Federal program were approved and properly documented.

Effect:

Failure to ensure expenditures are approved and properly documented can result in noncompliance with the requirements of the Federal grant.

Recommendation:

The School District should implement procedures to ensure that all expenditures are approved by appropriate management and properly documented.

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

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

ALLOWABLE COSTS/COST PRINCIPLES

Improper Time and Attendance Records

Significant Deficiency

Nonmaterial Noncompliance

U. S. Department of Education

Through Georgia Department of Education

ARRA - School Improvement Grant (CFDA 84.388)

U. S. Department of Agriculture

Through Georgia Department of Education

Child Nutrition Cluster (CFDA 10.553 and 10.555)

Finding Control Number: FA-7111-12-02

Condition:

This is a repeat finding (FA-7111-11-02) from the year ended June 30, 2011. A review of salaries charged to the School Improvement Grant and the Child Nutrition Cluster revealed that required time and distribution records were not being utilized consistently to support the charges to the Federal programs.

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.
- 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.
- 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:

\$2,984.21 ARRA - School Improvement Grant (CFDA 84.388)

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

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Information:

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

- Periodic certifications were not maintained for employees tested in Child Nutrition Cluster.
- A split-funded employee was paid a different percentage by the ARRA - School Improvement Grant than was supported by the applicable PARs.

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.

CASH MANAGEMENT

Excessive Cash Balances

Significant Deficiency

U. S. Department of Education

Through Georgia Department of Education

Special Education Cluster (CFDA 84.027 and 84.173)

Finding Control Number: FA-7111-12-03

Condition:

The School District made cash drawdowns in excess of immediate cash needs.

Criteria:

In accordance with 34 CFR 80.21, when funds are advanced, School Districts must follow procedures to minimize the time lapsing between the transfer of funds from the Georgia Department of Education and disbursement.

Questioned Cost:

N/A

Information:

- The School District maintained excessive cash balances for eleven months.
- The School District's average monthly cash balance was in excess of 4% of the program's total cash receipts.

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

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Cause:

The School District failed to accurately forecast the actual cash needs of the programs resulting in noncompliance with grant requirements.

Effect:

Failure to monitor the cash needs of the programs can result in material noncompliance with requirements of the Federal grants.

Recommendation:

The School District should implement procedures to accurately forecast the actual cash needs of the Special Education Cluster programs. Management should implement procedures to minimize the time lapsing between the transfer of funds from the Georgia Department of Education and disbursement.

ELIGIBILITY

Inadequate Controls over Eligibility Determinations

Significant Deficiency

Nonmaterial Noncompliance

U. S. Department of Agriculture

Through Georgia Department of Education

Child Nutrition Cluster (CFDA 10.553 and 10.555)

Finding Control Number: FA-7111-12-04

Condition:

The School District failed to make accurate eligibility determinations for students participating in the School Breakfast Program (CFDA 10.553) and the National School Lunch Program (CFDA 10.555).

Criteria:

7 CFR 245.6(c)(1) states, in part, "eligibility for free or reduced price meals, as determined through an approved application or by direct certification...The local educational agency must determine household eligibility for free or reduced price meals either through direct certification or the application process at or about the beginning of the school year."

7 CFR 210.7(c)(1) states, in part, "To ensure that the Claim for Reimbursement accurately reflects the number of lunches and meal supplements served to eligible children, the school food authority shall, at a minimum: (i) Correctly approve each child's eligibility for free and reduced price lunches and meal supplements based on the requirements prescribed under 7 CFR part 245; (ii) Maintain a system to issue benefits and to update the eligibility of children approved for free or reduced price lunches and meal supplements."

Provisions in the U. S. Department of Agriculture Eligibility Manual for School Meals requires LEA officials, for approved applications, to indicate the approval date, indicate the level of benefit for which each child is approved and sign or initial the application.

Questioned Cost:

\$1,855.34

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

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Information:

Testing of applications for free and reduced priced meals revealed the following deficiencies:

- One application was on the master list as approved for free meals; however the application was correctly approved for reduced priced meals.
- Two applications were on the master list as approved for free meals; however there were no applications on file.
- One application was on the master list as approved for reduced priced meals; however there was no application on file.
- Thirty-one applications did not contain evidence indicating the approval date, the level of benefit for which each child is approved and was not signed or initialed.

Cause:

Management did not monitor controls and procedures in place to ensure that eligibility requirements were met.

Effect:

Failure to ensure that eligibility requirements were met resulted in noncompliance with Federal requirements.

Recommendation:

The School District should establish and implement appropriate monitoring procedures to ensure Federal requirements for eligibility are met. The Georgia Department of Education should review this matter to determine if a reclaim of funds is appropriate.

ELIGIBILITY

Failure to Document Eligibility Determinations

Significant Deficiency

U. S. Department of Education

Through Georgia Department of Education

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

Finding Control Number: FA-7111-12-05

Condition:

The School District failed to provide adequate documentation of eligibility determinations for its Title I Targeted Assistance Program. The procedures of the School District were insufficient to provide adequate documentation of correctly identifying students for participation in the targeted assistance program.

Criteria:

As provided in Section 1115(a) of Title I of the Elementary Secondary Education Act (ESEA), a school selected to operate as a Targeted Assistance Program may use funds only for programs that provide services to eligible children identified as having the greatest need for special assistance. In addition, Section 1115(b)(1)(B) provides that eligible children are identified by the school as failing, or most at-risk of failing, to meet the Georgia Department of Education challenging student academic achievement standards on the basis of multiple, educationally related, objective criteria established by the Local Education Agency and supplemented by the school.

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

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Questioned Cost:

N/A

Information:

The School District failed to provide adequate documentation of eligibility determinations for one of its Targeted Assistance Title I schools. The School District provided a spreadsheet that assessed all students on the applicable criteria. However, documentation supporting student assessments for the most significant criteria category was not maintained by the School District.

Cause:

Management failed to implement adequate internal controls for maintaining adequate documentation of eligibility determinations.

Effect:

The School District may have served students with less need over those who have more need.

Recommendation:

The School District should ensure that proper procedures are implemented and followed in determining student eligibility for Targeted Assistance Schools. Documentation of these determinations should be maintained on file and made available for audit. The Georgia Department of Education should review this matter to determine if a reclaim of grant funds is appropriate.

SPECIAL TESTS AND PROVISIONS

Inadequate Internal Controls over Verification

Significant Deficiency

Nonmaterial Noncompliance

U. S. Department of Agriculture

Through Georgia Department of Education

Child Nutrition Cluster (CFDA 10.553 and 10.555)

Finding Control Number: FA-7111-12-06

Condition:

The School District failed to provide adequate documentation for verification of applications for Free and Reduced Priced Meals.

Criteria:

7 CFR 245.6a(c)(1) states "The local educational agency must verify eligibility of children in a sample of household applications approved for free and reduced price meal benefits for that school year."

7 CFR 245.6a(f)(7) states, in part, "Based on the verification activities, the local educational agency shall make appropriate modifications to the eligibility determinations made initially."

7 CFR 245.6a(j) states, in part, "If verification activities fail to confirm eligibility for free or reduced price benefits or should the household fail to cooperate with verification efforts, the school or local educational agency shall reduce or terminate benefits, as applicable, as follows: Ten days advance notification shall be provided to households that are to receive a reduction or termination of benefits, prior to the actual reduction or termination."

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

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Questioned Cost:

\$1,076.38

Information:

Testing of the School District's verification process revealed the following deficiencies:

- The School District did not accurately confirm eligibility for one household application.
- The School District did not terminate benefits as required for students in the household.

Cause:

Management did not have controls and procedures in place to ensure that verification requirements were met.

Effect:

Failure to ensure that verification requirements were met resulted in noncompliance with Federal requirements.

Recommendation:

The School District should establish and implement appropriate procedures to ensure Federal requirements for verification are met. 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
YEAR ENDED JUNE 30, 2012

Finding Control Number: FS-7111-12-01

We concur with the finding. The new Director of Human Resources is working closely with the Director of Finance to ensure adequate controls over employee compensation. The two directors are working together to ensure that all reductions in salary are calculated consistently and accurately.

Finding Control Number: FS-7111-12-02

We concur with the finding. After hiring an outside vendor to perform a fixed asset inventory, the district has implemented new procedures for District staff at each location to be responsible for maintaining and updating the fixed asset inventory accurately.

Finding Control Number: FA-7111-12-01

We concur with the finding. A new Director of School Nutrition was hired beginning with the FY13 school year. The new Director is working closely with the Director of Finance to implement procedures to ensure all expenditures are approved and documented properly.

Finding Control Number: FA-7111-12-02

We concur with the finding. The District is working closely with all federal programs to improve the process for periodic certifications and time logs for employees paid with federal funds.

Finding Control Number: FA-7111-12-03

We concur with the finding. The Finance Director is currently working with the auditors as well as the Department of Education to clear up the excessive cash balance in the Special Education cluster. Due to the timing of the audit, it was too late to clear the finding up for FY13, but the Director of Finance will have the finding clear during FY14.

Finding Control Number: FA-7111-12-04

We concur with the finding. A new School Nutrition Director was hired beginning with the FY13 school year. The new director has attended several trainings and is implementing new procedures in the school nutrition department to ensure accurate eligibility determinations. The District will continue to work with the new director to implement a process that will ensure accuracy and adequate controls over the procedures.

Finding Control Number: FA-7111-12-05

We concur with the finding. The District did not have any Targeted Assisted schools in FY13. Beginning with the FY14 school year, every school in the District is now school-wide Title I.

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

Finding Control Number: FA-7111-12-06

We concur with the finding. A new School Nutrition Director was hired beginning with the FY13 school year. The new director has attended several trainings and is implementing new procedures in the school nutrition department to ensure accurate verifications. The District will continue to work with the new director to implement a process that will ensure accuracy and adequate controls over the procedures.

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