



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

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

**(Including Independent Auditor's Reports)**



PEACH COUNTY BOARD OF EDUCATION

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SECTION I  
FINANCIAL





## DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

October 30, 2014

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

Ladies and Gentlemen:

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

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

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

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

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also





includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

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

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

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

As discussed in Note 18 to the financial statements, in 2013, the Peach County Board of Education restated the prior period financial statements to properly recognize debt issuance costs resulting from the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

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

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

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

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

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



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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2014, 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* in considering Peach County Board of Education's internal control over financial reporting and compliance.

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

Respectfully submitted,



Greg S. Griffin  
State Auditor

GSG:as  
2013ARL-11



PEACH COUNTY BOARD OF EDUCATION



**PEACH COUNTY BOARD OF EDUCATION**

EXHIBIT "A"

**STATEMENT OF NET POSITION  
JUNE 30, 2013**

	<b>Governmental Activities</b>
<hr/>	
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,048,933
Investments	6,372,383
Receivables:	
Taxes	1,464,788
Intergovernmental:	
State	2,090,547
Federal	178,940
Inventory	49,943
Capital assets (nondepreciable)	1,111,366
Capital assets (net of accumulated depreciation)	38,987,088
Total assets	<u>51,303,988</u>
 <b>DEFERRED OUTFLOWS</b>	
Deferred loss on refunding	153,746
Total deferred outflows	<u>153,746</u>
 <b>LIABILITIES</b>	
Accounts payable	143,227
Salaries and benefits payable	4,146,511
Accrued interest payable	186,318
Unearned revenue	100,363
Bonds payable due within one year	3,883,904
Bonds payable due in more than one year	9,453,513
Capital leases due within one year	164,486
Compensated absences, due in less than one year	119,406
Compensated absences, due in more than one year	45,829
Total liabilities	<u>18,243,557</u>
 <b>NET POSITION</b>	
Net investment in capital assets	26,750,297
Restricted for:	
Capital projects	3,049
Debt service	4,972,577
Unrestricted	1,488,254
Total net position	<u><u>\$ 33,214,177</u></u>

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



**PEACH COUNTY BOARD OF EDUCATION**

EXHIBIT "B"

**STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
Instruction	\$ 20,750,766	\$ 255,663	\$ 14,677,458	\$ -	\$ (5,817,645)
Support services:					
Pupil services	971,599	-	337,086	-	(634,513)
Improvement of instructional services	1,525,722	-	1,216,786	-	(308,936)
Educational media services	526,419	-	489,536	-	(36,883)
General administration	899,059	-	954,465	-	55,406
School administration	2,059,909	-	951,788	-	(1,108,121)
Business administration	278,978	-	883	-	(278,095)
Maintenance and operation of plant	4,300,998	-	1,212,770	-	(3,088,228)
Student transportation services	1,919,920	-	549,885	76,220	(1,293,815)
Central support services	142,706	-	733	-	(141,973)
Other support services	641,244	-	156,448	-	(484,796)
Enterprise operations	252,468	-	-	-	(252,468)
Food service operations	2,344,802	336,051	1,716,475	-	(292,276)
Interest on long-term debt	377,070	-	-	-	(377,070)
Total governmental activities	<u>36,991,660</u>	<u>591,714</u>	<u>22,264,313</u>	<u>76,220</u>	<u>(14,059,413)</u>
General revenues:					
Taxes:					
Property taxes, levied for maintenance and operations					10,569,878
Sales taxes, levied for debt service					3,734,921
Intangible taxes					124,622
Transfer taxes					28,027
Railroad equipment tax					31,654
Grants and contributions not restricted to specific programs					1,072,733
Unrestricted investment earnings					10,125
Miscellaneous					293,905
Total general revenues					<u>15,865,865</u>
Change in net position					1,806,452
Net position, beginning of year, as restated					31,407,725
Net position, end of year					<u>\$ 33,214,177</u>

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

**PEACH COUNTY BOARD OF EDUCATION**

EXHIBIT "C"

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013**

<b>ASSETS</b>	<b>General</b>	<b>District-Wide Capital Projects</b>	<b>Debt Service</b>	<b>Total Governmental Funds</b>
Cash and cash equivalents	\$ 770,523	\$ 42	\$ 278,368	\$ 1,048,933
Investments	1,790,995	3,007	4,578,381	6,372,383
Receivables:				
Taxes	1,162,642	-	302,146	1,464,788
Intergovernmental:				
State	2,090,547	-	-	2,090,547
Federal	178,940	-	-	178,940
Inventory	49,943	-	-	49,943
Total assets	<u>\$ 6,043,590</u>	<u>\$ 3,049</u>	<u>\$ 5,158,895</u>	<u>\$ 11,205,534</u>
<b>LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 143,227	\$ -	\$ -	\$ 143,227
Salaries and benefits payable	4,146,511	-	-	4,146,511
Unearned revenue	100,363	-	-	100,363
Total liabilities	<u>4,390,101</u>	<u>-</u>	<u>-</u>	<u>4,390,101</u>
<b>DEFERRED INFLOWS</b>				
Unavailable revenue - property taxes	518,855	-	-	518,855
Unavailable revenue - grants	151,833	-	-	151,833
Total deferred inflows	<u>670,688</u>	<u>-</u>	<u>-</u>	<u>670,688</u>
<b>FUND BALANCES</b>				
Nonspendable: Inventory	49,943	-	-	49,943
Restricted for:				
Capital projects	-	3,049	-	3,049
Debt service	-	-	5,158,895	5,158,895
Assigned for student activities	281,357	-	-	281,357
Unassigned	651,501	-	-	651,501
Total fund balances	<u>982,801</u>	<u>3,049</u>	<u>5,158,895</u>	<u>6,144,745</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 6,043,590</u>	<u>\$ 3,049</u>	<u>\$ 5,158,895</u>	
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets used in governmental activities are not financial resources and are not reported in the funds.				
	Cost		65,393,728	
	Less accumulated depreciation		(25,295,274)	40,098,454
Other long-term assets are not available to pay for current-period expenditures and are deferred in the funds.				
	Property taxes		518,855	
	Grants		151,833	670,688
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.				
	Bonds		(13,007,000)	
	Bond premium		(330,417)	
	Loss on bond refunding		153,746	
	Accrued interest		(186,318)	
	Capital leases		(164,486)	
	Compensated absences		(165,235)	(13,699,710)
Net position of governmental activities				<u>\$ 33,214,177</u>

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

**PEACH COUNTY BOARD OF EDUCATION**

EXHIBIT "D"

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<b>General</b>	<b>District - Wide Capital Projects</b>	<b>Debt Service</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>				
Property taxes	\$ 10,772,558	\$ -	\$ -	\$ 10,772,558
Sales taxes	152,650	-	3,734,921	3,887,571
Other taxes	31,654	-	-	31,654
State funds	16,646,043	-	-	16,646,043
Federal funds	6,712,386	-	-	6,712,386
Charges for services	591,715	-	-	591,715
Investment earnings	3,104	1,550	5,471	10,125
Miscellaneous	293,905	-	-	293,905
Total revenues	<u>35,204,015</u>	<u>1,550</u>	<u>3,740,392</u>	<u>38,945,957</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	20,666,379	-	-	20,666,379
Support services:				
Pupil services	971,599	-	-	971,599
Improvement of instructional services	1,508,641	-	-	1,508,641
Educational media services	526,419	-	-	526,419
General administration	848,891	-	-	848,891
School administration	2,018,659	-	-	2,018,659
Business administration	262,616	-	-	262,616
Maintenance and operation of plant	2,766,179	-	-	2,766,179
Student transportation services	1,755,174	-	-	1,755,174
Central support services	140,722	-	-	140,722
Other support services	624,213	-	-	624,213
Enterprise operations	252,468	-	-	252,468
Food services operation	2,315,211	-	-	2,315,211
Capital outlay	-	4,202,090	-	4,202,090
Debt service:				
Principal retirement	157,246	-	3,645,000	3,802,246
Interest and fees	14,814	-	508,809	523,623
Total expenditures	<u>34,829,231</u>	<u>4,202,090</u>	<u>4,153,809</u>	<u>43,185,130</u>
Excess (deficiency) of revenues over (under) expenditures	<u>374,784</u>	<u>(4,200,540)</u>	<u>(413,417)</u>	<u>(4,239,173)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	175	-	175
Transfers out	(175)	-	-	(175)
Total other financing sources (uses)	<u>(175)</u>	<u>175</u>	<u>-</u>	<u>-</u>
Net change in fund balances	374,609	(4,200,365)	(413,417)	(4,239,173)
<b>FUND BALANCE, beginning of year</b>	<u>608,192</u>	<u>4,203,414</u>	<u>5,572,312</u>	<u>10,383,918</u>
<b>FUND BALANCE, end of year</b>	<u><u>\$ 982,801</u></u>	<u><u>\$ 3,049</u></u>	<u><u>\$ 5,158,895</u></u>	<u><u>\$ 6,144,745</u></u>

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

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

Net change in fund balances - total governmental funds	\$	(4,239,173)
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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 position.

Capital outlay	4,493,645	
Depreciation expense	<u>(2,074,009)</u>	2,419,636

Net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, donations, etc.) is to decrease net position.		(9,730)
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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	(202,680)	
Grants	<u>54,835</u>	(147,845)

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 position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments - bonds	3,645,000	
Principal payments - capital leases	157,246	
Loss on refunding amortization expense	(30,750)	
Bond premium	<u>127,904</u>	3,899,400

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 compensated absences	(165,235)	
Change in accrued interest	<u>49,399</u>	(115,836)
		<u>\$ 1,806,452</u>

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

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**PEACH COUNTY BOARD OF EDUCATION**

EXHIBIT "F"

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUND  
JUNE 30, 2013**

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	<b>ASSETS</b>	<b>Agency Fund</b>
		<hr/>
Cash		\$ 88,976
		<hr/>
	<b>LIABILITIES</b>	
Funds held for others		\$ 88,976
		<hr/>

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

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

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**EXHIBIT "G"**

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

**Reporting Entity**

The Peach County Board of Education (School District) was established under the laws of the State of Georgia and operates under the guidance of a school board elected by the voters and a Superintendent appointed by the Board. The Board is organized as a separate legal entity and has the power to levy taxes and issue bonds. Its budget is not subject to approval by any other entity. Accordingly, the School District is a primary government and consists of all the organizations that compose its legal entity.

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**BASIS OF PRESENTATION**

The School District's basic financial statements are collectively comprised of the District-Wide financial statements, fund financial statements and notes to the basic financial statements of the Peach County Board of Education.

**District-Wide Statements**

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

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

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

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

**EXHIBIT "G"**

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

**Fund Financial Statements**

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

The School District reports the following major governmental funds:

- The *General Fund* is the School District's primary operating fund. It accounts for 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, 2013**

**EXHIBIT "G"**

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

**Basis of Accounting (Continued)**

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

Compensated absences and special termination benefit amounts earned during the year are not reported in the basic financial statements. To conform to generally accepted accounting principles, the amounts earned for compensated absences and special termination benefits should be reported in the basic financial statements.

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 position 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**  
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**EXHIBIT "G"**

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

**New Accounting Pronouncements**

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

In fiscal year 2013, the School District adopted the Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* and Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The provisions of these Statements establish financial reporting standards for the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position.

**Cash and cash equivalents**

**Composition of Deposits** - Cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition in authorized financial institutions. Official Code of Georgia Annotated 45-8-14 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,

**PEACH COUNTY BOARD OF EDUCATION**  
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**EXHIBIT "G"**

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

- (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.

**Property Taxes**

The Peach County Board of Commissioners fixed the property tax levy for the 2012 tax digest year (calendar year) on July 31, 2012 (levy date) based on property values as of January 1, 2012. Taxes were due on December 20, 2012 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2012 tax digest are reported as revenue in the governmental funds for fiscal year 2013. The 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, 2013, for maintenance and operations amounted to \$10,627,128.

The tax millage rate levied for the 2012 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	17.000 mills
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Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amount to \$145,430 during the fiscal year ended June 30, 2013.

**Sales Taxes**

Education Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to \$3,734,921 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.

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

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

**Inventories**

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

**Capital Assets**

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

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

	<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
Intangible Assets	100,000	Assigned individually
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, with the exception of intangible assets, which are amortized.

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

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

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

**Compensated Absences**

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

Vacation leave of 12 days is awarded on a fiscal year basis to all full time personnel employed on a 12- month basis. The Superintendent is awarded 15 days on a fiscal year basis. No other employees are eligible to earn vacation leave. Vacation leave not utilized during the (calendar/fiscal) year may be carried over to the next fiscal year, providing such vacation leave does not exceed 20 days.

Changes in the compensated absences liability for the last three fiscal years are as follows:

	Beginning of Year Liability	Claims and Changes in Estimates	Claims Paid	End of Year Liability
2011	\$ -	\$ -	\$ -	\$ -
2012	\$ -	\$ -	\$ -	\$ -
2013	\$ -	\$ 286,489	\$ 121,254	\$ 165,235

**General Obligation Bonds**

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

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 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 Position.

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

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

**Deferred Outflows / Inflows of Resources**

The District implemented GASB Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*, as of July 1, 2013. These new standards establish accounting and financial reporting for deferred outflows/inflows of resources and the concept of net position as the residual of all other elements presented in a statement of net position.

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District did not have any items that qualified for reporting in this category for the year ended June 30, 2013.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and grants and these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available.

**Net Position**

The School District's Net Position in the District-Wide Statements is classified as follows:

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

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

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

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

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

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

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

**Assigned** - Amounts 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.

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

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

**Fund Balances (Continued)**

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 at June 30, 2013 is as follows:

<u>Fund Type/Fund Name</u>	<u>Deficit Balance</u>
General Fund	
School Food Services	\$ 365,349

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

- Reduce the number of school nutrition workers,
- Provide more training on relevant topics for all school food service employees,
- Implement Community Eligibility Program to increase reimbursements,
- Continue Seamless Summer feeding and add after-school snacks to increase reimbursements,
- Implement new procedures and computer software for food inventory, and
- Review and evaluate operations to determine other cost saving measures.

**Use of Estimates**

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



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

**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 five 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 five percent of the budgeted amount, the Superintendent shall request Board approval for the budget amendment.

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, 2013, \$28,532 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.

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

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**Note 4: DEPOSITS (CONTINUED)**

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, 2013, the bank balances were \$2,142,756. The amounts exposed to custodial credit risk are classified into three categories as follows:

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

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

<u>Custodial Credit Risk Category</u>	<u>Bank Balance</u>
1	\$ 28,352
2	-
3	-
	<u>\$ 28,352</u>

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

**EXHIBIT "G"**

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**Note 4: DEPOSITS (CONTINUED)**

**Categorization of Investments**

At June 30, 2013, the School District had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Certificate of deposit	January 12, 2014	\$ 28,352
Georgia Fund One	43 day weighted average	6,344,031
		<u>\$ 6,372,383</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](http://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 AA+ 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, 2013, was 43 days.

**Interest Rate Risk**

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

**Custodial Credit Risk**

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

**Note 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**

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

**Note 6: CAPITAL ASSETS**

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

Equipment	\$ 781,936
Less: Accumulated Depreciation	(273,678)
	<u>\$ 508,258</u>

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

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b><u>Governmental activities:</u></b>					
Capital assets, not being depreciated:					
Land	\$ 1,111,366	\$ -	\$ -	\$ -	\$ 1,111,366
Construction in progress	3,437,148	4,202,090	-	(7,639,238)	-
Total	4,548,514	4,202,090	-	(7,639,238)	1,111,366
Capital assets, being depreciated:					
Buildings and improvements	48,527,566	-	(19,751)	7,534,926	56,042,741
Equipment	7,881,479	273,555	(480,631)	(216,416)	7,457,987
Intangible assets	-	-	-	320,728	320,728
Land improvements	442,906	18,000	-	-	460,906
Total	56,851,951	291,555	(500,382)	7,639,238	64,282,362
Less accumulated depreciation for:					
Buildings and improvements	(17,601,913)	(1,511,414)	19,751	(42,541)	(19,051,035)
Equipment	(5,742,343)	(527,406)	470,901	(240,241)	(5,558,607)
Intangible assets	-	(26,455)	-	282,782	(309,237)
Land improvements	(367,661)	(8,734)	-	-	(376,395)
Total	(23,711,917)	(2,074,009)	490,652	-	(25,295,274)
Total capital assets, being depreciated, net	33,140,034	(1,782,454)	(9,730)	7,639,238	38,987,088
Governmental activities capital assets, net	<u>\$ 37,688,548</u>	<u>\$ 2,419,636</u>	<u>\$ (9,730)</u>	<u>\$ -</u>	<u>\$ 40,098,454</u>

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

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**Note 6: CAPITAL ASSETS**

Current year depreciation expense by function is as follows:

Instruction		\$ 254,319
Support Services		
School Administration	\$ 12,782	
Business Administration	3,801	
Maintenance and Operations	1,532,542	
Student Transportation	240,966	
Support Services	<u>2,873</u>	1,792,964
Food Services		<u>26,726</u>
Total Depreciation Expense		<u><u>\$ 2,074,009</u></u>

**Note 7: INTERFUND TRANSFERS**

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

	<u>Transfers From</u> <u>General Fund</u>
<u>Transfers To</u>	<u>Fund</u>
District-Wide Capital Projects	\$ 175

Transfers are used to reimburse the District-Wide Capital Projects Fund for revenues deposited in the General Fund in the prior year in error.

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

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**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.

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

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

	Beginning of Year Liability	Claims and Changes in Estimates	Claims Paid	End of Year Liability
2012	\$ -	\$ 79,277	\$ (79,277)	\$ -
2013	\$ -	\$ 57,012	\$ (57,012)	\$ -

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 workers' compensation insurance coverage. Specific excess of loss insurance coverage is provided through an agreement by the Trust with the Safety National Casualty Company to provide coverage for potential losses sustained by the Trust in excess of \$1,000,000 loss per occurrence, up to the statutory limit. Employers' Liability insurance coverage is also provided with limits of \$2 million. The Trust covers the first \$1 million of each Employers Liability claim with Safety National Casualty Company providing additional Employers Liability limits up to a \$2 million per occurrence maximum. Safety National Casualty Company also provides \$2 million in aggregate coverage to the Trust, attaching at 110% of the loss fund and based on the Fund's annual normal premium.

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

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**Note 8: RISK MANAGEMENT (CONTINUED)**

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

**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, 2013, for governmental funds amounted to \$117,642. Future minimum lease payments for these leases are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>
2014	\$ 35,328
2015	25,024
2016	2,576
Total	<u>\$ 62,928</u>

**Note 10: SHORT-TERM DEBT**

**Tax Anticipation Note**

The School District issued a tax anticipation note in advance of property tax collections, depositing the proceeds in its General Fund. This short-term debt is 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, 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, 2013**

**EXHIBIT "G"**

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

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Tax Anticipation Note	<u>\$ -</u>	<u>\$ 1,900,000</u>	<u>\$ (1,900,000)</u>	<u>\$ -</u>

**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.

**Compensated Absences**

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

**General Obligation 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%	\$ 4,622,000
General Government - Series 2008B	3.007%	1,935,000
General Government - Series 2011	2.000% - 4.000%	6,450,000
		<u>\$13,007,000</u>



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

**EXHIBIT "G"**

**Note 11: LONG-TERM DEBT (CONTINUED)**

**Changes in Long-Term Debt**

The changes in long-term debt during the fiscal year ended June 30, 2013, were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
General Obligation Bonds	\$ 16,652,000	\$ -	\$ (3,645,000)	\$ 13,007,000	\$ 3,756,000
Premium	458,321		(127,904)	330,417	127,904
General Obligation Bonds, Net	17,110,321	-	(3,772,904)	13,337,417	3,883,904
Capital Leases	321,732		(157,246)	164,486	164,486
Compensated Absences	-	286,489	(121,254)	165,235	119,406
Total	<u>\$ 17,432,053</u>	<u>\$ 286,489</u>	<u>\$ (4,051,404)</u>	<u>\$ 13,667,138</u>	<u>\$ 4,167,796</u>

**Scheduled Maturities of Long-Term Debt**

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

Fiscal Year <u>Ended June 30</u>	<u>Capital Leases</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 164,486	\$ 7,574

Fiscal Year <u>Ended June 30</u>	<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Premium</u>
2014	\$ 3,756,000	\$ 402,798	\$ 127,904
2015	3,766,000	316,324	127,904
2016	3,904,000	200,510	74,609
2017	1,062,000	51,841	-
2018	519,000	17,018	-
Total Principal and Interest	<u>\$ 13,007,000</u>	<u>\$ 988,491</u>	<u>\$ 330,417</u>

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

**EXHIBIT "G"**

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**Note 12: ON-BEHALF PAYMENTS**

The School District has recognized revenues and costs in the amount of \$2,265,302 for health insurance and retirement contributions paid on the School District's behalf by the following State Agencies:

Georgia Department of Education  
Paid to the Georgia Department of Community Health  
For Health Insurance of Certificated Personnel  
In the amount of \$2,152,476

Paid to the Teachers Retirement System of Georgia  
For Teachers Retirement System (TRS) Employer's Cost  
In the amount of \$23,978

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 \$88,848

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

**Note 13: SIGNIFICANT COMMITMENTS**

On December 1, 2012, the School District entered into an agreement with Durham School Services, L.P. for the transportation of pupils. The term of this agreement shall be December 1, 2012 through June 30, 2018.

The following is an analysis of the significant outstanding service contract executed by the School District as of June 30, 2013.

Service	Unearned Executed Contracts
Transportation of Pupils	\$ 6,883,079

**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.

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

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**EXHIBIT "G"**

**Note 14: SIGNIFICANT CONTINGENT LIABILITIES (CONTINUED)**

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

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

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

**EXHIBIT "G"**

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unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

**Note 15: OTHER POST EMPLOYMENT BENEFITS (CONTINUED)**

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

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

<b>Period</b>	<b>Contribution Rate</b>
July 2012 - February 2013	\$912.34 per member per month
March 2013 - June 2013	\$937.34 per member per month

For non-certificated school personnel:

<b>Period</b>	<b>Contribution Rate</b>
July 2012 - June 2013	\$446.20 per member per month

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

Currently the state is requiring that local Boards of Education pay only on active employees. The District's contribution to the health insurance plans for the fiscal years ended June 30, 2013, 2012, 2011 was \$3,465,059, \$3,372,907, and \$3,404,114, respectively, which equaled the required contribution. Currently the State of Georgia has been making the remaining contributions to fund the pay-as-you-go financing on behalf of all local Boards of Education (see Note 1 for discussion of on-behalf payments).

**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

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

**EXHIBIT "G"**

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**Note 16: RETIREMENT PLAN (CONTINUED)**

**Teachers Retirement System of Georgia (TRS) (Continued)**

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.

*Funding Policy.* TRS is funded by member and employer contributions as adopted and amended by the Board of Trustees. Members become fully vested after 10 years of service. If a member terminates with less than 10 years of service, no vesting of employer contributions occurs, but the member's contributions may be refunded with interest. Member contributions are limited by state law to not less than 5% or more than 6% of a member's earnable compensation. Member contributions as adopted by the Board of Trustees for the fiscal year ended June 30, 2013, were 6.00% of annual salary. Employer contributions required for fiscal year 2013 were 11.41% of annual salary as required by the June 30, 2010, actuarial valuation. The employer contribution rate will increase to 12.28% effective July 1, 2013.

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

<u>Fiscal Year</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>
2013	100%	\$2,085,978
2012	100%	1,998,341
2011	100%	2,167,275

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

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**EXHIBIT "G"**

**Note 16: RETIREMENT PLAN (CONTINUED)**

**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 September 6, 2013, 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, 2013. One draw totaling \$500,000 was required to meet the cash flow needs of the School District. The note was repaid on December 20, 2013.

**Note 18: PRIOR PERIOD ADJUSTMENT**

In conjunction with the implementation of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the School District is required to change its accounting treatment of debt issuance costs. The new standard requires that debt issuance costs be recognized as an expense in the period incurred rather than capitalized and recognized as an expense (amortized) in a systematic and rational manner over the duration of the related debt as was the required treatment in prior reporting periods.

Therefore, in conjunction with the implementation of Statement No. 65, the following restatements were required to the beginning net position of the Governmental Activities to properly recognize debt issuance costs as expenses in the periods in which they were incurred:

Net position June 30, 2012, as previously reported	\$ 31,671,346
Adjustment for bond issuance costs	<u>(263,621)</u>
Net position June 30, 2012, as restated	<u><u>\$ 31,407,725</u></u>

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**PEACH COUNTY BOARD OF EDUCATION**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

SCHEDULE "1"

	Budget		Actual	Variance With Final Budget
	Original (1)	Final (1)		
<b>REVENUES</b>				
Property taxes	\$ 10,525,975	\$ 10,525,975	\$ 10,772,558	\$ 246,583
Sales taxes	114,923	114,923	152,650	37,727
Other taxes	-	-	31,654	31,654
State funds	16,599,176	16,599,176	16,646,043	46,867
Federal funds	6,593,453	6,593,453	6,712,386	118,933
Charges for services	807,950	807,950	591,715	(216,235)
Investment earnings	2,000	2,000	3,104	1,104
Miscellaneous	37,000	37,000	293,905	256,905
Total revenues	34,680,477	34,680,477	35,204,015	523,538
<b>EXPENDITURES</b>				
Current:				
Instruction	19,671,631	19,671,631	20,666,379	(994,748)
Support services:				
Pupil services	909,668	909,668	971,599	(61,931)
Improvement of instructional services	1,538,318	1,538,318	1,508,641	29,677
Educational media services	483,441	483,441	526,419	(42,978)
General administration	1,024,375	1,024,375	848,891	175,484
School administration	2,048,053	2,048,053	2,018,659	29,394
Business administration	256,631	256,631	262,616	(5,985)
Maintenance and operation of plant	2,888,697	2,907,197	2,766,179	141,018
Student transportation services	1,977,174	1,977,174	1,755,174	222,000
Central support services	127,056	127,056	140,722	(13,666)
Other support services	771,996	1,002,235	624,213	378,022
Enterprise operations	-	-	252,468	(252,468)
Food services operations	2,712,021	2,712,021	2,315,211	396,810
Debt service:				
Principal retirement	-	-	157,246	(157,246)
Interest and fiscal charges	-	-	14,814	(14,814)
Total expenditures	34,409,061	34,657,800	34,829,231	(171,431)
Excess of revenues over expenditures	271,416	22,677	374,784	352,107
<b>OTHER FINANCING USES</b>				
Transfers out	-	-	(175)	(175)
Total other financing uses	-	-	(175)	(175)
Net change in fund balance	271,416	22,677	374,609	351,932
<b>FUND BALANCE, beginning of year</b>	608,192	608,192	608,192	-
<b>FUND BALANCE, end of year</b>	\$ 879,608	\$ 630,869	\$ 982,801	\$ 351,932

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

(1) Original and Final Budget amounts do not include budgeted revenues (\$421,190) or expenditures (\$455,511) of the various school activity accounts.



PEACH COUNTY BOARD OF EDUCATION

SCHEDULE "2"

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Funding Agency Program/Grant	CFDA Number	Pass-Through Entity ID Number	Expenditures In Period
Agriculture, U. S. Department of Child Nutrition Cluster			
Pass-Through From Georgia Department of Education			
Food Services			
School Breakfast Program	* 10.553	N/A	\$ (1)
National School Lunch Program	* 10.555	N/A	2,258,833 (2)
Total Child Nutrition Cluster			2,258,833
Total U.S. Department of Agriculture			2,258,833
Education, U. S. Department of Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Grants to States	* 84.027	N/A	705,571
Preschool Grants	* 84.173	N/A	30,031
Total Special Education Cluster			735,602
School Improvement Grants Cluster			
Pass-Through From Georgia Department of Education			
ARRA - School Improvement Grant	* 84.388	N/A	158
School Improvement Grant	* 84.377	N/A	1,692,671
			1,692,829
Title I, Part A Cluster			
Pass-Through From Georgia Department of Education			
Title I Grants to Local Education Agencies	* 84.010	N/A	1,634,548
Total Title I, Part A Cluster			1,634,548
Other Programs			
Pass-Through From Georgia Department of Education			
Race to the Top	* 84.395	N/A	449,682
Education Jobs Fund	84.410	N/A	1,518
English Language Acquisition Grants	84.365	N/A	29,325
Improving Teacher Quality State Grants	* 84.367	N/A	327,969
Migrant Education	84.011	N/A	40,391
Rural Education	84.358	N/A	76,135
Career & Technical Education - Basic Grants to States	84.048	N/A	59,313
Pass-Through From Middle GA Regional Educational Agency			
Mathematics and Science Partnerships	84.366	N/A	10,546
Total U. S. Department of Education			5,057,858
Defense, U. S. Department of Direct			
Department of the Air Force			
R.O.T.C. Program	12.unknown	N/A	\$ 53,424
Total Expenditures of Federal Awards			\$ 7,370,115

N/A = Not Available

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

- (1) Expenditures for the funds earned on the School Breakfast Program (\$403,403) 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 \$89,277.

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.

**PEACH COUNTY BOARD OF EDUCATION**

SCHEDULE "3"

**SCHEDULE OF STATE REVENUE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

<u>Agency/Funding</u>	<u>Governmental Fund Type General Fund</u>
<b>Grants</b>	
Education, Georgia Department of	
Quality Basic Education (1)	
Direct Instructional Cost	
Kindergarten Program	\$ 1,266,644
Kindergarten Program - Early Intervention Program	147,776
Primary Grades (1-3) Program	2,969,518
Primary Grades - Early Intervention (1-3) Program	187,675
Upper Elementary Grades (4-5) Program	1,530,590
Upper Elementary Grades - Early Intervention (4-5) Program	117,012
Middle Grades (6-8) Program	2,348,523
High School General Education (9-12) Program	1,788,135
Vocational Laboratory (9-12) Program	638,187
Students with Disabilities	2,081,554
Program for Intellectually Gifted Students - Category VI	368,934
Remedial Education Program	402,767
Alternative Education Program	178,870
English Speakers of Other Languages (ESOL)	203,703
Media Center Program	413,019
20 Days Additional Instruction	127,909
Staff and Professional Development	74,517
Indirect Cost	
Central Administration	532,330
School Administration	773,469
Facility Maintenance and Operations	1,036,446
Categorical Grants	
Pupil Transportation	
Pupil Transportation	528,107
State Bonds	76,220
Nursing Services	74,762
Mid-term Adjustment Hold-Harmless	266,755
Vocational Supervisors	14,062
Education Equalization Funding Grant	1,072,733
Food Services	56,378
Vocational Education	75,002
Amended Formula Adjustment	(2,882,374)
Other State Programs	
Math and Science Supplements	22,280
Preschool Handicapped Program	41,714
Teachers' Retirement	23,978
Office of the State Treasurer	
Public School Employees Retirement	88,848
	<u>\$ 16,646,043</u>

(1) Payments to the Georgia Department of Community Health by the Georgia Department of Education on behalf of the School District in the amount of \$2,152,476 are included as part of the Quality Basic Education revenue allotments above.

**SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Project	Original Estimated Cost (1)	Current Estimated Costs (2)	Expended In Current Year (3)	Expended In Prior Years (3)	Total Completion Cost (4)	Project Status
(1-1) acquiring, constructing and equipping two new elementary schools and related facilities, including necessary furnishings, fixtures, and equipment	Not available	\$ 26,538,396	\$ -	\$ 26,538,396	\$ 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	-	3,249,587	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	3,094,759	1,266,057	4,360,816	
(2-2) Replace 10 units for A/C and HVAC controls at PCHS, BES, and FVMS	1,246,585	7,635,368	4,202,090	3,437,149	7,639,239	Completed
(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	239,050	192,716	431,766	
	<u>\$ 19,804,100</u>	<u>\$ 58,094,467</u>	<u>\$ 7,535,899</u>	<u>\$ 34,787,657</u>	<u>\$ 42,323,556</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 project(s). 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, 2013, there were no excess proceeds which were not yet expended.

Total current year expenditures from above	\$ 7,535,899
Principal paid during FY 2013, Series 2011 Bonds	820,000
Total expenditures combined of the District-wide Capital Projects Fund and the Debt Service Fund	<u>\$ 8,355,899</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, 2013**

SCHEDULE "5"

Description	Allotments From Georgia Department of Education			Eligible QBE Program Costs		
	(1)	(2)	(3)	Salaries	Operations	Total
<b>Direct Instructional Funds:</b>						
Kindergarten Program	\$	1,544,530	\$	1,484,490	\$ 57,431	\$ 1,541,921
Kindergarten Program - Early Intervention Program		156,825		41,507	-	41,507
Primary Grades (1-3) Program		3,547,006		2,483,564	65,088	2,548,652
Primary Grades - Early Intervention (1-3) Program		201,899		39,925	-	39,925
Upper Elementary Grades (4-5) Program		1,841,998		1,731,599	71,069	1,802,668
Upper Elementary Grades-Early Intervention (4-5) Program		136,445		69,463	-	69,463
Middle Grades (6-8) Program		2,808,364		2,906,304	80,866	2,987,170
High School General Education (9-12) Program		2,141,625		2,992,738	563,135	3,555,873
Vocational Laboratory (9-12) Program		765,069		626,245	66,081	692,326
Students with Disabilities		2,450,006		-	-	-
Category I		-		567	-	567
Category II		-		94,310	-	94,310
Category III		-		1,256,506	454	1,256,960
Category IV		-		85,372	-	85,372
Category V		-		666,021	-	666,021
Gifted Student - Category VI		426,586		489,411	1,177	490,588
Remedial Education Program		435,451		-	-	-
Alternative Education Program		213,680		149,063	4,510	153,573
English Speakers of Other Languages (ESOL)		249,677		207,440	-	207,440
<b>TOTAL DIRECT INSTRUCTIONAL PROGRAMS</b>		<u>16,919,161</u>		<u>15,324,525</u>	<u>909,811</u>	<u>16,234,336</u>
Media Center Program		490,804		477,076	-	477,076
Staff and Professional Development		87,768		-	-	57,154
<b>TOTAL QBE FORMULA FUNDS</b>	<u>\$</u>	<u>17,497,733</u>	<u>\$</u>	<u>15,801,601</u>	<u>\$ 909,811</u>	<u>\$ 16,768,566</u>

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

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

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



## 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 30, 2014

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

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

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

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



Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item FS-7111-13-01, that we consider to be a significant deficiency.

### **Compliance and Other Matters**

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

We noted certain matters that we have reported to management of Peach County Board of Education in a separate letter dated October 30, 2014.

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

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

### **Purpose of this Report**

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

Respectfully submitted,



Greg S. Griffin  
State Auditor

GSG:as  
2013YB-30





## DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

October 30, 2014

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 FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Ladies and Gentlemen:

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

We have audited 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, 2013. 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.

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

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

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

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



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

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

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item FA-7111-13-01. Our opinion on each major Federal program is not modified with respect to this matter.

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

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

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain a deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item FA-7111-13-01 that we consider to be a significant deficiency.





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

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

Respectfully submitted,



Greg S. Griffin  
State Auditor

GSG:as  
2013SA-40



### SECTION III

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



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

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

**FINDING CONTROL NUMBER AND STATUS**

FS-7111-11-01	Further Action Not Warranted - Finding was repeated in FY2012
FS-7111-11-02	Further Action Not Warranted - Finding was repeated in FY2012
FS-7111-12-01	Partially Resolved - See Corrective Action Responses
FS-7111-12-02	Partially Resolved - See Corrective Action Responses

**CORRECTIVE ACTION/RESPONSES**

CASH AND CASH EQUIVALENTS  
EMPLOYEE COMPENSATION  
Inadequate Controls Procedures  
Finding Control Number: FS-7111-12-01

Peach County Board of Education and its management continue to work diligently on the policies and procedures and training of staff members to ensure bank reconciliations and salary reconciliations are performed accurately.

CAPITAL ASSETS  
Failure to Adequately Maintain Capital Assets  
Finding Control Number: FS-7111-12-02

Peach County Board of Education continues to improve this issue, and is committed to continue until this finding is resolved.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

**FINDING CONTROL NUMBER AND STATUS**

FA-7111-11-02	Unresolved - See Corrective Action/Responses
FA-7111-12-01	Unresolved - See Corrective Action/Responses
FA-7111-12-02	Unresolved - See Corrective Action/Responses
FA-7111-12-03	Unresolved - See Corrective Action/Responses
FA-7111-12-04	Unresolved - See Corrective Action/Responses
FA-7111-12-05	Unresolved - See Corrective Action/Responses
FA-7111-12-06	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, 2013

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 (CFDA 84.388)

Questioned Cost: \$5,017.39

Finding Control Number: FA-7111-11-02

This finding is pending a review by the Georgia Department of Education to determine if a refund is appropriate.

ACTIVITIES ALLOWED OR UNALLOWED

Inadequate Controls over Expenditures

U. S. Department of Education

Through Georgia Department of Education

Child Nutrition Cluster

Finding Control Number: FA-7111-12-01

This finding is pending review by the Georgia Department of Education.

ALLOWABLE COSTS/COST PRINCIPLES

Improper Time and Attendance Records

U. S. Department of Education

Through Georgia Department of Education

ARRA - School Improvement Grant (CFDA 84.388)

U. S. Department of Agriculture

Questioned Cost: \$2,984.21

Through Georgia Department of Education

Child Nutrition Cluster (CFDA 10.553 and 10.555)

Finding Control Number: FA-7111-12-02

This finding is pending review by the Georgia Department of Education to determine if a refund is appropriate.

CASH MANAGEMENT

Excessive Cash Balances

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

This finding is pending review by the Georgia Department of Education.

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

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

**CORRECTIVE ACTION/RESPONSES**

ELIGIBILITY

Inadequate Controls over Eligibility Determinations  
U. S. Department of Agriculture  
Through Georgia Department of Education  
Child Nutrition Cluster (CFDA 10.553 and 10.555)  
Questioned Cost: \$1,855.34  
Finding Control Number: FA-7111-12-04

This finding is pending review by the Georgia Department of Education to determine if a refund is appropriate.

ELIGIBILITY

Failure to Document Eligibility Determinations  
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

This finding is pending review by the Georgia Department of Education.

SPECIAL TESTS AND PROVISIONS

Inadequate Internal Controls over Verification  
U. S. Department of Agriculture  
Through Georgia Department of Education  
Child Nutrition Cluster (CFDA 10.553 and 10.555)  
Questioned Cost: \$1,076.38  
Finding Control Number: FA-7111-12-06

This finding is pending review by the Georgia Department of Education to determine if a refund is appropriate.





## SECTION IV

### FINDINGS AND QUESTIONED COSTS



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

**I SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted: No

**Federal Awards**

Internal Control over major programs:

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

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

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

Identification of major programs:

<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
84.367	Improving Teacher Quality State Grants
84.377, 84.388	School Improvement Grants Cluster
84.395	ARRA Race-to-the-Top Incentive Grants

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

Auditee qualified as low-risk auditee? No

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

**II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS**

Finding Control Number: FS-7111-13-01  
Control Category: Budget Preparation/Execution  
Internal Control Impact: Significant Deficiency

**Description:**

The School District reported a deficit fund balance of \$365,349 in the School Food Service Fund at June 30, 2013.

**Criteria:**

Chapter 25 *Governmental Fund Deficits* of the Financial Management for the Georgia Local Units of Administration states in part: "The seriousness of the fund balances deficits cannot be overstated. The Georgia Department of Education requires those LUAs with deficit governmental fund balances to meet certain reporting requirements".

The Department of Audits and Accounts is required to report all instances of budget deficits in accordance with the Official Code of Georgia Annotated §20-2-67(a) which states: "When an audit by the Department of Audits and Accounts finds and reports irregularities or budget deficits in the fund accounting information regarding a local school system or a school within the local school system, the Department of Audits and Accounts shall report the findings of irregularities or budget deficits to the State Board of Education and the local board of education."

**Condition:**

The School District reported a deficit fund balance of \$365,349 in the School Food Service Fund.

**Cause:**

The School District's expenditures for the School Food Service Fund exceeded its available resources.

**Effect or Potential Effect:**

The fund balance of the School Food Service Fund is not sufficient to meet the fund's obligations at June 30, 2013. This is a financial statement irregularity required to be reported in accordance with the Official Code of Georgia Annotated §20-2-67.

**Recommendation:**

The School District should establish policies and procedures to ensure that expenditures do not exceed availability of resources, so that in future periods the School District does not report a deficit fund balance.

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

We concur with the finding. In an effort to begin decreasing to eventually eliminate the deficit in School Nutrition, the District has decreased the number of school nutrition employees through attrition, implemented the Community Eligibility Program in four of the six schools, hired a school nutrition bookkeeper to assist accurate financial reporting and implementing procedures to better control food inventory.

Contact Person: Susan Perry  
Title: Director of Finance  
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Fax: (478) 825-9970  
Email: sperry@peachschools.org

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

### III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding Control Number:	FA-7111-13-01
Compliance Requirement:	Cash Management
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Nonmaterial Noncompliance
Federal Awarding Agency:	U.S. Department of Education
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	Special Education Cluster (CFDA 84.027 and 84.173) Improving Teacher Quality State Grant (CFDA 84.367)

#### Description:

This is a repeat finding (FA-7111-12-03) from the year ended June 30, 2012. The School District made cash drawdowns in excess of immediate cash needs for the Special Education Cluster and the Improving Teacher Quality State Grant program.

#### Criteria:

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

#### Condition:

The School District maintained excessive cash balances for eleven months for the Special Education Cluster and twelve months for the Improving Teacher Quality State Grant program. The average monthly cash balance was in excess of 4% of the total cash receipts for both Federal programs.

#### Questioned Cost:

N/A

#### Cause:

While the School District was analyzing the need as it relates to the expenditures for the program, the School District had not considered a beginning balance in the program resulting in noncompliance with grant requirements.

#### Effect or Potential Effect:

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

#### Recommendation:

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

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

We concur with the finding. The Finance Director has worked closely with auditors to correct prior balances resulting from a past problem. The District feels certain the problem has now been corrected.

Contact Person:	Susan Perry
Title:	Director of Finance
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