



TREUTLEN COUNTY BOARD OF EDUCATION SOPERTON, GEORGIA

**ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2014**

(Including Independent Auditor's Reports)



TREUTLEN COUNTY BOARD OF EDUCATION

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TREUTLEN 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

March 25, 2015

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

INDEPENDENT AUDITOR'S REPORT

Ladies and Gentlemen:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information (Exhibits A through H) of the Treutlen County Board of Education, as of and for the year ended June 30, 2014, 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 basic financial statements referred to above 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 Treutlen County Board of Education, as of June 30, 2014, 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 2014 the Treutlen County Board of Education adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The School District restated beginning Net Position for the cumulative effect of this accounting change. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual, as presented on page 25, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Treutlen 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 March 25, 2015, on our consideration of the Treutlen 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 Treutlen 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,

A handwritten signature in black ink, appearing to read "Greg S. Griffin".

Greg S. Griffin
State Auditor

GSG:sr
2014ARL-11

TREUTLEN COUNTY BOARD OF EDUCATION

TREUTLEN COUNTY BOARD OF EDUCATION
STATEMENT OF NET POSITION
JUNE 30, 2014

EXHIBIT "A"

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 3,628,116.50
Investments	1,460,129.82
Accounts Receivable, Net	
Taxes	366,949.22
State Government	641,443.72
Federal Government	231,306.66
Local	231.03
Other	107,040.68
Inventories	30,778.84
Capital Assets, Non-Depreciable	375,582.03
Capital Assets, Depreciable (Net of Accumulated Depreciation)	<u>28,475,918.55</u>
Total Assets	<u>\$ 35,317,497.05</u>
<u>LIABILITIES</u>	
Accounts Payable	\$ 67,568.01
Salaries and Benefits Payable	990,748.40
Interest Payable	118,150.82
Retainages Payable	75,000.00
Long-Term Liabilities	
Due in More Than One Year	<u>7,920,000.00</u>
Total Liabilities	<u>\$ 9,171,467.23</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	\$ 23,000,264.74
Restricted for	
Continuation of Federal Programs	557,213.75
Debt Service	1,439,950.27
Capital Projects	60,762.96
Unrestricted	<u>1,087,838.10</u>
Total Net Position	<u><u>\$ 26,146,029.82</u></u>

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

TREUTLEN COUNTY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>
<u>GOVERNMENTAL ACTIVITIES</u>		
Instruction	\$ 6,651,925.21	\$ 101,999.74
Support Services		
Pupil Services	133,582.39	
Improvement of Instructional Services	310,488.51	
Educational Media Services	130,746.17	
General Administration	596,197.43	
School Administration	483,664.79	
Business Administration	77,994.82	
Maintenance and Operation of Plant	782,466.92	
Student Transportation Services	550,373.84	
Other Support Services	36,047.76	
Operations of Non-Instructional Services		
Food Services	768,912.32	28,969.32
Interest on Short-Term and Long-Term Debt	481,156.63	
	<u>11,003,556.79</u>	<u>130,969.06</u>
Total Governmental Activities	\$	\$
General Revenues		
Taxes		
Property Taxes		
For Maintenance and Operations		
Railroad Cars		
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Debt Services		
Other Sales Tax		
Grants and Contributions not Restricted to Specific Programs		
Investment Earnings		
Miscellaneous		
Special Item		
Loss on Sale of Building and Land		
Total General Revenues		
Change in Net Position		
Net Position - Beginning of Year (Restated)		
Net Position - End of Year		

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

EXHIBIT "B"

PROGRAM REVENUES		NET (EXPENSES)
OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	REVENUES AND CHANGES IN NET POSITION
\$ 4,449,646.40		\$ -2,100,279.07
25,794.78		-107,787.61
231,721.97		-78,766.54
136,555.00		5,808.83
495,689.17		-100,508.26
307,422.64		-176,242.15
28,966.44		-49,028.38
455,971.09		-326,495.83
300,703.46		-249,670.38
14,528.42		-21,519.34
892,676.87		152,733.87
\$ 393,078.49		-88,078.14
\$ 7,339,676.24	\$ 393,078.49	\$ -3,139,833.00
		\$ 1,611,513.45
		5,541.72
		374,099.52
		11,424.89
		648,134.00
		27,555.55
		301,544.35
		-278,225.83
		\$ 2,701,587.65
		\$ -438,245.35
		26,584,275.17
		\$ 26,146,029.82

TREUTLEN COUNTY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

EXHIBIT "C"

	GENERAL FUND	DISTRICT- WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 1,435,453.69	\$ 2,192,662.81		\$ 3,628,116.50
Investments	31,204.47	1,097.81	\$ 1,427,827.54	1,460,129.82
Accounts Receivable, Net				
Taxes	334,807.01		32,142.21	366,949.22
State Government	641,443.72			641,443.72
Federal Government	231,306.66			231,306.66
Local	231.03			231.03
Other	8,909.34			8,909.34
Inventories	30,778.84			30,778.84
 Total Assets	 \$ 2,714,134.76	 \$ 2,193,760.62	 \$ 1,459,969.75	 \$ 6,367,865.13
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 67,208.51	\$ 359.50		\$ 67,568.01
Salaries and Benefits Payable	990,748.40			990,748.40
Retainages Payable		75,000.00		75,000.00
 Total Liabilities	 \$ 1,057,956.91	 \$ 75,359.50		 \$ 1,133,316.41
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable Revenue - Property Taxes	\$ 133,953.01			\$ 133,953.01
<u>FUND BALANCES</u>				
Nonspendable	\$ 30,778.84			\$ 30,778.84
Restricted	526,434.91	\$ 2,079,691.12	\$ 1,459,969.75	4,066,095.78
Assigned	121,982.60	38,710.00		160,692.60
Unassigned	843,028.49			843,028.49
 Total Fund Balances	 \$ 1,522,224.84	 \$ 2,118,401.12	 \$ 1,459,969.75	 \$ 5,100,595.71
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	 \$ 2,714,134.76	 \$ 2,193,760.62	 \$ 1,459,969.75	 \$ 6,367,865.13

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

TREUTLEN COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

EXHIBIT "D"

Total Fund Balances - Governmental Funds (Exhibit "C") \$ 5,100,595.71

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

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

Land	\$	375,582.03	
Land Improvements		1,070,117.00	
Buildings		29,478,003.21	
Equipment		2,578,589.60	
Accumulated Depreciation		<u>-4,650,791.26</u>	
Total Capital Assets			28,851,500.58

Property taxes that are not available to pay for current period expenditures are deferred in the governmental funds. 133,953.01

Qualified School Construction Bond interest subsidy not earned in the current period and therefore not reported as a receivable on the fund level. 98,131.34

Some Liabilities, including Bonds Payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Bonds and Notes Payable	\$	-7,920,000.00	
Accrued Interest Payable		<u>-118,150.82</u>	
			<u>-8,038,150.82</u>

Net Position of Governmental Activities (Exhibit "A") \$ 26,146,029.82

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

TREUTLEN COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

EXHIBIT "E"

	GENERAL FUND	DISTRICT- WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
<u>REVENUES</u>				
Property Taxes	\$ 1,616,750.93		\$	1,616,750.93
Sales Taxes	11,424.89		\$ 374,099.52	385,524.41
State Funds	5,926,667.70			5,926,667.70
Federal Funds	2,061,142.54			2,061,142.54
Charges for Services	130,969.06			130,969.06
Investment Earnings	4,020.33	\$ 5,264.14	18,271.08	27,555.55
Miscellaneous	301,544.35		391,492.32	693,036.67
Total Revenues	\$ 10,052,519.80	\$ 5,264.14	\$ 783,862.92	\$ 10,841,646.86
<u>EXPENDITURES</u>				
Current				
Instruction	\$ 5,894,834.04		\$	5,894,834.04
Support Services				
Pupil Services	133,582.39			133,582.39
Improvement of Instructional Services	310,488.51			310,488.51
Educational Media Services	130,746.17			130,746.17
General Administration	596,197.43			596,197.43
School Administration	483,664.79			483,664.79
Business Administration	77,994.82			77,994.82
Maintenance and Operation of Plant	723,085.14	\$ 79,518.69		802,603.83
Student Transportation Services	469,063.79			469,063.79
Other Support Services	36,047.76			36,047.76
Food Services Operation	748,529.83			748,529.83
Debt Services				
Principal	42,741.87			42,741.87
Dues and Fees		4,037.50		4,037.50
Interest	1,919.13		\$ 475,200.00	477,119.13
Total Expenditures	\$ 9,648,895.67	\$ 83,556.19	\$ 475,200.00	\$ 10,207,651.86
Excess of Revenues over (under) Expenditures	\$ 403,624.13	\$ -78,292.05	\$ 308,662.92	\$ 633,995.00
<u>SPECIAL ITEM</u>				
Proceeds from Sale of Building and Land		88,886.10		88,886.10
Net Change in Fund Balances	\$ 403,624.13	\$ 10,594.05	\$ 308,662.92	\$ 722,881.10
Fund Balances - Beginning	1,118,600.71	2,107,807.07	1,151,306.83	4,377,714.61
Fund Balances - Ending	\$ 1,522,224.84	\$ 2,118,401.12	\$ 1,459,969.75	\$ 5,100,595.71

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

TREUTLEN COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2014

EXHIBIT "F"

Total Net Change in Fund Balances - Governmental Funds (Exhibit "E") \$ 722,881.10

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

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

Capital Outlay	\$ 38,710.00	
Depreciation Expense	-867,591.30	
Excess of Capital Outlay over Depreciation Expense		-828,881.30

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, and disposals) is to decrease net position. -376,877.43

Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 304.24

Qualified School Construction Bond interest subsidy recorded as revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue on the fund level 1,586.17

Repayment of Long-Term Debt is reported as an expenditure in Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Position. In the current year, these amounts consist of Capital Lease Payments. 42,741.87

Change in Net Position of Governmental Activities (Exhibit "B") \$ -438,245.35

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

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

EXHIBIT "G"

AGENCY
FUNDS

ASSETS

Cash and Cash Equivalents

\$ 45,512.34

LIABILITIES

Funds Held for Others

\$ 45,512.34

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

NOTE 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

REPORTING ENTITY

The Treutlen 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 Treutlen County Board of Education.

District-wide Statements:

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

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

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

Fund Financial Statements:

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

The School District reports the following major governmental funds:

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

TREUTLEN COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

EXHIBIT "H"

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

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. Property taxes, sales taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

The School District funds certain programs by a combination of specific cost-reimbursement grants, categorical grants, and general revenues. Thus, when program costs are incurred, both restricted and unrestricted resources are available to finance the program. It is the School District's policy to first apply grant resources to such programs, followed by cost-reimbursement grants, then general revenues.

RESTATEMENT OF PRIOR YEAR NET POSITION

For fiscal year 2014, the School District made a prior period adjustment due to the adoption of GASB Statement No. 65, as described in "New Accounting Pronouncements" below, which require the restatement of the June 30, 2013, net position in Governmental Activities. The result is a decrease in Net Position at July 1, 2013 of \$152,797.50. This change is in accordance with generally accepted accounting principles.

Net Position, July 1, 2013, as previously reported	\$ 26,737,072.67
Bond Issuance Costs	<u>-152,797.50</u>
Net Position, July 1, 2013, as restated	<u>\$ 26,584,275.17</u>

NEW ACCOUNTING PRONOUNCEMENTS

In fiscal year 2014, the School District adopted the Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The provisions of this Statement establish accounting and financial reporting standards that reclassify, as deferred outflows or inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows or inflows of resources, certain items that were previously reported as assets and liabilities. As noted above, the School District restated beginning Net Position for the cumulative effect of this accounting change.

FUTURE ACCOUNTING PRONOUNCEMENTS

In fiscal year 2015, the School District will adopt Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. The provisions of this Statement establish accounting and financial reporting standards for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts. Implementation of this Statement will require the School District to record a liability for its proportionate share of the Net Pension Liability of pension plans in which it participates. Actuarial estimates are currently being made to determine the School District's liability, the effects of which are believed to be material.

CASH AND CASH EQUIVALENTS

Composition of Deposits

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

INVESTMENTS

Composition of Investments

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

1. Obligations issued by the State of Georgia or by other states,
2. Obligations issued by the United States government,
3. Obligations fully insured or guaranteed by the United States government or a United States government agency,
4. Obligations of any corporation of the United States government,
5. Prime banker's acceptances,
6. The local government investment pool (Georgia Fund 1) administered by the State of Georgia, Office of the State Treasurer,
7. Repurchase agreements, and
8. Obligations of other political subdivisions of the State of Georgia.

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The School District does not have a formal policy regarding investment policies that address credit risk, custodial credit risk, concentration of credit risk, interest rate risks or foreign currency risks.

RECEIVABLES

Receivables consist of amounts due from property and sales taxes, grant reimbursements due on Federal, State or other grants for expenditures made but not reimbursed and other receivables disclosed from information available. Receivables are recorded when either the asset or revenue recognition criteria has been met. Receivables recorded on the basic financial statements do not include any amounts which would necessitate the need for an allowance for uncollectible receivables.

PROPERTY TAXES

The Treutlen County Board of Commissioners adopted the property tax levy for the 2013 tax digest year (calendar year) on September 4, 2013 (levy date) based on property values as of January 1, 2013. Taxes were due on December 20, 2013 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2013 tax digest are reported as revenue in the governmental funds for fiscal year 2014. The Treutlen 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, 2014, for maintenance and operations amounted to \$1,542,210.15.

The tax millage rate levied for the 2013 tax year (calendar year) for the Treutlen County Board of Education was as follows (a mill equals \$1 per thousand dollars of assessed value):

School Operations	<u>12.00</u> mills
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Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to \$68,999.06 during fiscal year ended June 30, 2014.

SALES TAXES

Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to \$374,099.52 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

INVENTORIES

Food Inventories

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

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

TREUTLEN COUNTY BOARD OF EDUCATION
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District does not capitalize book collections or works of art. During the fiscal year under review, no events or changes in circumstances affecting a capital asset that may indicate impairment were known to the School District.

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

	Capitalization Policy	Estimated Useful Life
Land	Any Amount	N/A
Land Improvements	\$ 10,000.00	20 to 80 years
Buildings and Improvements	\$ 10,000.00	50 years
Equipment	\$ 5,000.00	5 to 15 years
Intangible Assets	\$ 50,000.00	10 to 20 years

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

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

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of net position and/or the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of resources that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense/expenditure) until then. The School District did not have any items that qualified for reporting in this category for the year ended June 30, 2014.

In addition to liabilities, the statement of net position and/or the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of resources that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until that time. The School 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 reporting only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available.

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 issuance costs are recognized as an outflow of resources in the fiscal year in which the bonds are issued.

In the fund financial statements, the School District recognizes bond issuance costs during the fiscal year bonds are issued. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. General obligation bonds are direct obligations and pledge the full faith and credit of the government. The outstanding amount of these bonds is recorded in the Statement of Net Position.

NET POSITION

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

Net investment in capital assets - This represents the School District's total investment in capital

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assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

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

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

FUND BALANCES

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

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

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

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

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

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

Fund Balances of the Governmental Funds at June 30, 2014, are as follows:

Nonspendable			
Inventories		\$	30,778.84
Restricted			
Continuation of Federal Programs	\$	526,434.91	
Capital Projects		2,079,691.12	
Debt Service		<u>1,459,969.75</u>	4,066,095.78
Assigned			
Capital Projects	\$	38,710.00	
School Activity Accounts		<u>121,982.60</u>	160,692.60
Unassigned			<u>843,028.49</u>
Fund Balance, June 30, 2014		\$	<u><u>5,100,595.71</u></u>

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

USE OF ESTIMATES

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

NOTE 3: BUDGETARY DATA

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

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

NOTE 4: DEPOSITS AND INVESTMENTS

COLLATERALIZATION OF DEPOSITS

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

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

1. Surety bond signed by a surety company duly qualified and authorized to transact business within the State of Georgia,
2. Insurance on accounts provided by the Federal Deposit Insurance Corporation,
3. Bonds, bills, notes, certificates of indebtedness or other direct obligations of the United States or of the State of Georgia,

TREUTLEN COUNTY BOARD OF EDUCATION
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4. Bonds, bills, notes, certificates of indebtedness or other obligations of the counties or municipalities of the State of Georgia,
5. Bonds of any public authority created by the laws of the State of Georgia, providing that the statute that created the authority authorized the use of the bonds for this purpose,
6. Industrial revenue bonds and bonds of development authorities created by the laws of the State of Georgia, and
7. Bonds, bills, notes, certificates of indebtedness, or other obligations of a subsidiary corporation of the United States government, which are fully guaranteed by the United States government both as to principal and interest or debt obligations issued by or securities guaranteed by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, the Central Bank for Cooperatives, the Farm Credit Banks, the Federal Home Loan Mortgage Association, and the Federal National Mortgage Association.

CATEGORIZATION OF DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At June 30, 2014, the School District had deposits with a carrying amount of \$3,704,833.31, which includes \$31,204.47 in Certificates of Deposit that are reported as Investments, and a bank balance of \$3,902,282.82. The bank balances insured by Federal depository insurance were \$454,098.07 and the bank balances collateralized with securities held by the pledging institution or by the pledging financial institution's trust department or agent in the School District's name were \$3,448,184.75.

CATEGORIZATION OF INVESTMENTS

At June 30, 2014, the carrying value of the School District's total investment was \$1,460,129.82. This includes \$31,204.47 invested in Certificates of Deposit, which are collateralized in the same manner as other cash deposits. The School District's investments as of June 30, 2014, are presented below. All investments are presented by investment type and debt securities are presented by maturity.

<u>Investment Type</u>	<u>Fair Value</u>
Other Investments	
Federal Government Obligations Fund	\$ 1,186,919.17
Investment Pools	
Office of the State Treasurer	
Georgia Fund 1	<u>242,006.18</u>
Total Investments	\$ <u><u>1,428,925.35</u></u>

The Federated Government Obligations Fund, formerly referred to as a Government Obligations Fund, administered by the Federated Investors, Incorporated, is not required to be categorized since the School District did not own any specific identifiable securities in the pool. The Federated Government Obligations Fund invests primarily in a portfolio of short-term U. S. Treasury and government agency securities, including repurchase agreements.

The Federated Government Obligations Fund is registered with the SEC as an investment company and operated in a matter consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. The investment is valued at the fund's share price, \$1.00 per share. The fund is an AAAM rated investment pool by Standard and Poor's. The weighted average maturity for Federated Government Obligations Fund on June 30, 2014, was 51 days.

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

The Primary Liquidity Portfolio consists of Georgia Fund 1 is not registered with the SEC as an investment company. The investment is valued at the pool's share price, \$1.00 per share. The pool is an AAf rated investment pool by Standard and Poor's. The weighted average maturity for Georgia Fund 1 on June 30, 2014, was 62 days.

NOTE 5: NON-MONETARY TRANSACTIONS

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

NOTE 6: CAPITAL ASSETS

The following is a summary of changes in the Capital Assets during the fiscal year:

	Balances July 1, 2013	Increases	Decreases	Balances June 30, 2014
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 413,244.85	\$ 0.00	\$ 37,662.82	\$ 375,582.03
Total Capital Assets Not Being Depreciated	\$ 413,244.85	\$ 0.00	\$ 37,662.82	\$ 375,582.03
Capital Assets Being Depreciated				
Buildings and Improvements	\$ 30,810,668.71		\$ 1,332,665.50	\$ 29,478,003.21
Equipment	2,656,711.36	\$ 38,710.00	116,831.76	2,578,589.60
Land Improvements	1,327,278.00		257,161.00	1,070,117.00
Less Accumulated Depreciation for:				
Buildings and Improvements	2,897,727.74	573,160.07	1,025,596.00	2,445,291.81
Equipment	1,288,090.75	240,925.38	116,831.76	1,412,184.37
Land Improvements	964,825.12	53,505.85	225,015.89	793,315.08
Total Capital Assets, Being Depreciated, Net	\$ 29,644,014.46	\$ -828,881.30	\$ 339,214.61	\$ 28,475,918.55
Governmental Activity Capital Assets - Net	\$ 30,057,259.31	\$ -828,881.30	\$ 376,877.43	\$ 28,851,500.58

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Current year depreciation expense by function is as follows:

Instruction		\$ 763,844.16
Support Services		
Maintenance and Operation of Plant	\$ 8,809.40	
Student Transportation Services	76,808.81	85,618.21
Food Services		<u>18,128.93</u>
		<u>\$ 867,591.30</u>

NOTE 7: RISK MANAGEMENT

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

The School District has obtained commercial insurance for risk of loss associated with torts, assets, errors or omissions, and job related illness or injuries to employees. 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 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. The School District had no unemployment compensation claims liability during the last two fiscal years.

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

<u>Position Covered</u>	<u>Amount</u>
Superintendent	\$ 50,000.00
Food Service Director	\$ 15,000.00
Each Principal	\$ 15,000.00
Each Employee	\$ 100,000.00

NOTE 8: LONG-TERM LIABILITIES

CAPITAL LEASES

The Treutlen County Board of Education also entered into various lease agreements 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.

TREUTLEN COUNTY BOARD OF EDUCATION
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GENERAL OBLIGATION DEBT OUTSTANDING

General Obligation Bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
Taxable		
Qualified School Construction Bonds - Series 2010	6.00%	\$ <u>7,920,000.00</u>

The changes in Long-Term Liabilities during the fiscal year ended June 30, 2014, were as follows:

	Governmental Activities				
	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014	Due Within One Year
QSCB Bonds	\$ 7,920,000.00	\$ 0.00		\$ 7,920,000.00	\$ 0.00
Capital Leases	<u>42,741.87</u>		<u>\$ 42,741.87</u>	<u>0.00</u>	
	<u>\$ 7,962,741.87</u>	<u>\$ 0.00</u>	<u>\$ 42,741.87</u>	<u>\$ 7,920,000.00</u>	<u>\$ 0.00</u>

At June 30, 2014, payments due by fiscal year which includes principal and interest for these items are as follows:

Fiscal Year Ended June 30:	General Obligation Debt	
	Principal	Interest
2015		\$ 475,200.00
2016		475,200.00
2017		475,200.00
2018		475,200.00
2019		475,200.00
2020 - 2024		2,376,000.00
2025 - 2029		2,376,000.00
2030	\$ <u>7,920,000.00</u>	\$ <u>237,600.00</u>
Total Principal and Interest	\$ <u>7,920,000.00</u>	\$ <u>7,365,600.00</u>

NOTE 9: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of \$414,032.00 for health insurance and retirement contributions paid on the School District's behalf by the following State Agencies.

Georgia Department of Education

Paid to the Georgia Department of Community Health

For Health Insurance of Certificated Personnel

In the amount of \$396,732.00

Office of the State Treasurer

Paid to the Public School Employees' Retirement System

For Public School Employees' Retirement (PSERS) Employer's Cost

In the amount of \$17,300.00

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

NOTE 10: SPECIAL ITEM

The School District incurred a loss in the amount of \$278,225.83 on the sale of the old Elementary/Primary School Building, Land and Land Improvements. The assets were removed from the School District's Capital Asset listing at their carrying value of \$367,111.93 on the date they were sold. This activity is reported as a Special Item on the Statement of Activities.

NOTE 11: 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.

NOTE 12: POST-EMPLOYMENT BENEFITS

GEORGIA SCHOOL PERSONNEL POST-EMPLOYMENT HEALTH BENEFIT FUND

Plan Description. The Georgia School Personnel Post-employment Health Benefit Fund (School OPEB Fund) is a cost-sharing multiple-employer defined benefit post-employment healthcare plan that covers eligible former employees of public school systems, libraries and regional educational service agencies. The School OPEB Fund provides health insurance benefits to eligible former employees and their qualified beneficiaries through the State Employees Health Benefit Plan administered by the Department of Community Health. The Official Code of Georgia Annotated (O.C.G.A.) assigns the authority to establish and amend the benefit provisions of the group health plans, including benefits for retirees, to the Board of Community Health (Board). The Department of Community Health, which includes the School OPEB Fund, issues a separate stand alone financial audit report and a copy can be obtained from the Georgia Department of Audits and Accounts.

Funding Policy. The contribution requirements of plan members and participating employers are established by the Board in accordance with the current Appropriations Act and may be amended by the Board. Contributions of plan members or beneficiaries receiving benefits vary based on plan election, dependent coverage, and Medicare eligibility and election. For members with fewer than five years of service as of January 1, 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 unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

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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, 2014, were 6.00% of annual salary. Employer contributions required for fiscal year 2014 were 12.28% of annual salary as required by the June 30, 2011, actuarial valuation.

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>
2014	100%	\$ 592,616.90
2013	100%	\$ 560,918.78
2012	100%	\$ 503,240.56

PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS)

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

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TREUTLEN COUNTY BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2014

SCHEDULE "1"

	NONAPPROPRIATED BUDGETS		ACTUAL	VARIANCE
	ORIGINAL (1)	FINAL (1)	AMOUNTS	OVER/UNDER
<u>REVENUES</u>				
Property Taxes	\$ 1,443,018.21	\$ 1,443,018.21	\$ 1,616,750.93	\$ 173,732.72
Sales Taxes	9,000.00	9,000.00	11,424.89	2,424.89
State Funds	5,932,663.00	5,930,361.00	5,926,667.70	-3,693.30
Federal Funds	2,006,732.00	2,015,980.00	2,061,142.54	45,162.54
Charges for Services	28,000.00	28,000.00	130,969.06	102,969.06
Investment Earnings	3,000.00	3,000.00	4,020.33	1,020.33
Miscellaneous	197,436.00	197,436.00	301,544.35	104,108.35
Total Revenues	\$ 9,619,849.21	\$ 9,626,795.21	\$ 10,052,519.80	\$ 425,724.59
<u>EXPENDITURES</u>				
Current				
Instruction	\$ 6,045,305.66	\$ 6,195,552.07	\$ 5,894,834.04	\$ 300,718.03
Support Services				
Pupil Services	152,550.17	154,423.70	133,582.39	20,841.31
Improvement of Instructional Services	484,816.71	390,796.09	310,488.51	80,307.58
Educational Media Services	136,487.42	136,487.42	130,746.17	5,741.25
General Administration	488,252.10	590,666.01	596,197.43	-5,531.42
School Administration	556,605.85	554,006.33	483,664.79	70,341.54
Business Administration	79,291.85	79,291.85	77,994.82	1,297.03
Maintenance and Operation of Plant	722,735.78	730,044.94	723,085.14	6,959.80
Student Transportation Services	547,983.58	553,215.74	469,063.79	84,151.95
Other Support Services	70,289.05	72,489.00	36,047.76	36,441.24
Food Services Operation	996,140.52	996,827.43	748,529.83	248,297.60
Debt Service			44,661.00	-44,661.00
Total Expenditures	\$ 10,280,458.69	\$ 10,453,800.58	\$ 9,648,895.67	\$ 804,904.91
Net Change in Fund Balances	\$ -660,609.48	\$ -827,005.37	\$ 403,624.13	\$ 1,230,629.50
Fund Balances - Beginning	1,126,112.22	1,126,112.22	1,118,600.71	-7,511.51
Adjustments	-1,793.25	2,830.42		-2,830.42
Fund Balances - Ending	\$ 463,709.49	\$ 301,937.27	\$ 1,522,224.84	\$ 1,220,287.57

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

- (1) Original and Final Budget amounts do not include the budgeted revenues or expenditures of the various principal accounts.
The actual revenues and expenditures of the various principal accounts are \$221,278.04 and \$245,578.61, respectively.

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

See notes to the basic financial statements.

TREUTLEN COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

SCHEDULE "2"

FUNDING AGENCY PROGRAM/GRANT	CFDA NUMBER	PASS- THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD
Agriculture, U. S. Department of			
Child Nutrition Cluster			
Pass-Through From Georgia Department of Education			
Food Services			
School Breakfast Program	* 10.553	N/A	(2)
National School Lunch Program	* 10.555	N/A	\$ 695,681.25 (1)
Total Child Nutrition Cluster			\$ 695,681.25
Other Programs			
Pass-Through From Georgia Department of Education			
Food Services			
Fresh Fruit and Vegetable Program	10.582	N/A	\$ 31,205.96
Total U. S. Department of Agriculture			\$ 726,887.21
Education, U. S. Department of			
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Grants to States	84.027	N/A	\$ 223,722.99
Preschool Grants	84.173	N/A	8,749.88
Total Special Education Cluster			\$ 232,472.87
Other Programs			
Pass-Through From Georgia Department of Education			
ARRA - Race-to-the-Top Incentive Grants	84.395	N/A	\$ 324,919.94
Career and Technical Education - Basic Grants to States	84.048	N/A	15,105.70
Improving Teacher Quality State Grants	84.367	N/A	47,089.99
Rural Education	84.358	N/A	15,576.24
Title I Grants to Local Educational Agencies	84.010	N/A	668,438.79
Total Other Programs			\$ 1,071,130.66
Total U. S. Department of Education			\$ 1,303,603.53
Total Expenditures of Federal Awards			\$ 2,030,490.74

N/A = Not Available

Notes to the Schedule of Expenditures of Federal Awards

- (1) Includes the Federally assigned value of donated commodities for the Food Donation Program in the amount of \$55,257.99.
- (2) Expenditures for the funds earned on the School Breakfast Program (\$165,343.22) were not maintained separately and are included in the 2014 National School Lunch Program.

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

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

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the Treutlen County Board of Education and is presented on the modified accrual basis of accounting which is the basis of accounting used in the presentation of the fund financial statements.

See notes to the basic financial statements.

TREUTLEN COUNTY BOARD OF EDUCATION
SCHEDULE OF STATE REVENUE
YEAR ENDED JUNE 30, 2014

SCHEDULE "3"

AGENCY/FUNDING	GOVERNMENTAL FUND TYPE	GENERAL FUND
GRANTS		
Bright From the Start:		
Georgia Department of Early Care and Learning Pre-Kindergarten Program	\$	252,406.42
Education, Georgia Department of Quality Basic Education (1)		
Direct Instructional Cost		
Kindergarten Program		369,454.00
Kindergarten Program - Early Intervention Program		31,090.00
Primary Grades (1-3) Program		875,933.00
Primary Grades - Early Intervention (1-3) Program		133,197.00
Upper Elementary Grades (4-5) Program		451,301.00
Upper Elementary Grades - Early Intervention (4-5) Program		50,142.00
Middle School (6-8) Program		777,375.00
High School General Education (9-12) Program		578,176.00
Vocational Laboratory (9-12) Program		245,159.00
Students with Disabilities		555,466.00
Gifted Student - Category VI		45,544.00
Remedial Education Program		49,973.00
Alternative Education Program		50,689.00
Media Center Program		123,078.00
20 Days Additional Instruction		39,745.00
Staff and Professional Development		23,807.00
Indirect Cost		
Central Administration		305,310.00
School Administration		274,530.00
Facility Maintenance and Operations		299,102.00
Mid-term Adjustment Hold-Harmless		196,210.00
Amended Formula Adjustment		-761,256.00
Categorical Grants		
Pupil Transportation		
Regular		189,173.00
Nursing Services		22,731.00
Education Equalization Funding Grant		648,134.00
Other State Programs		
Food Services		19,163.00
Math and Science Supplements		4,533.28
Preschool Handicapped Program		28,015.00
Vocational Education		31,187.00
Office of the State Treasurer		
Public School Employees Retirement		17,300.00
	\$	<u>5,926,667.70</u>

Payments to the Georgia Department of Community Health by the Georgia Department of Education on behalf of the School District in the amount of \$396,732.00 are included as part of the Quality Basic Education revenue allotments above.

See notes to the basic financial statements.

TREUTLEN COUNTY BOARD OF EDUCATION
SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS
YEAR ENDED JUNE 30, 2014

SCHEDULE "4"

PROJECT	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3)	AMOUNT EXPENDED IN PRIOR YEARS (3)	TOTAL COMPLETION COST	EXCESS PROCEEDS NOT EXPENDED	ESTIMATED COMPLETION DATE
SPLOST II							
Acquiring, constructing and equipping a new school for students in kindergarten through twelfth grade;	\$ 624,414.85	\$ 25,449,039.19	\$ 44,846.19	\$ 25,404,193.00	\$ 25,449,039.19	\$ 0.00	Completed
Adding to, renovating, repairing, improving, demolishing, furnishing and equipping existing School District buildings and facilities;	0.00	0.00	0.00	0.00			Not yet determined (4)
System-wide technology improvements;	0.00	0.00	0.00	0.00			Not yet determined (4)
Acquiring new school equipment, including safety and security equipment;	0.00	0.00	0.00	0.00			Not yet determined (4)
Acquiring new school buses and vehicles;	0.00	0.00	0.00	0.00			Not yet determined (4)
Acquiring land and any necessary real and personal property in connection therewith; and	0.00	0.00	0.00	0.00			Not yet determined (4)
Repaying principal and interest on Treutlen County School District General Obligation Bonds for such capital outlay projects.	<u>1,875,585.15</u>	<u>1,725,472.07</u>	<u>83,707.68</u>	<u>114,480.17</u>			10/1/2029
TOTAL SPLOST II	\$ 2,500,000.00	\$ 27,174,511.26	\$ 128,553.87	\$ 25,518,673.17	\$ 25,449,039.19	\$ 0.00	
SPLOST III							
Retiring general obligation debt of the Treutlen County School District previously incurred with respect to capital outlay projects of the School District	<u>2,727,792.00</u>	<u>2,727,792.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	10/1/2029
TOTAL ALL PROJECTS	\$ <u>5,227,792.00</u>	\$ <u>29,902,303.26</u>	\$ <u>128,553.87</u>	\$ <u>25,518,673.17</u>	\$ <u>25,449,039.19</u>	\$ <u>0.00</u>	

(1) The School District's original cost estimate as specified in the resolution calling for the imposition of the Local Option Sales Tax.

(2) The School District's current estimate of total cost for the projects. Includes all cost from project inception to completion.

(3) The voters of Treutlen County approved the imposition of a 1% sales tax to fund the above projects and retire associated debt. Amounts expended for these projects may include sales tax proceeds, state, local property taxes and/or other funds over the life of the projects.

(4) The School District intends to complete some of these projects if funds become available. Estimated costs have not yet been determined.

See notes to the basic financial statements.

TREUTLEN COUNTY BOARD OF EDUCATION
GENERAL FUND - QUALITY BASIC EDUCATION PROGRAMS (QBE)
ALLOTMENTS AND EXPENDITURES - BY PROGRAM
YEAR ENDED JUNE 30, 2014

SCHEDULE "5"

DESCRIPTION	ALLOTMENTS FROM GEORGIA DEPARTMENT OF EDUCATION (1) (2)	ELIGIBLE QBE PROGRAM COSTS		
		SALARIES	OPERATIONS	TOTAL
Direct Instructional Programs				
Kindergarten Program	\$ 420,866.00	\$ 344,139.04	\$ 10,379.66	\$ 354,518.70
Kindergarten Program-Early Intervention Program	40,369.00	18,637.88		18,637.88
Primary Grades (1-3) Program	979,143.00	788,528.52	32,307.71	820,836.23
Primary Grades-Early Intervention (1-3) Program	155,311.00	106,495.67		106,495.67
Upper Elementary Grades (4-5) Program	489,440.00	579,606.76	23,510.13	603,116.89
Upper Elementary Grades-Early Intervention (4-5) Program	68,167.00	65,675.00		65,675.00
Middle School (6-8) Program	870,295.00	578,079.76	11,314.92	589,394.68
High School General Education (9-12) Program	639,315.00	719,625.24	19,361.50	738,986.74
Vocational Laboratory (9-12) Program	280,117.00	253,111.59	67,846.43	320,958.02
Students with Disabilities	635,795.00			
Category II		74,425.12		74,425.12
Category III		386,547.88	57,487.28	444,035.16
Gifted Student - Category VI	48,829.00	33,633.71		33,633.71
Remedial Education Program	51,942.00	41,710.84		41,710.84
Alternative Education Program	58,258.00	71,221.98		71,221.98
TOTAL DIRECT INSTRUCTIONAL PROGRAMS	\$ 4,737,847.00	\$ 4,061,438.99	\$ 222,207.63	\$ 4,283,646.62
Media Center Program	137,487.00	121,422.42	9,323.75	130,746.17
Staff and Professional Development	25,708.00	405.20	18,028.00	18,433.20
TOTAL QBE FORMULA FUNDS	\$ 4,901,042.00	\$ 4,183,266.61	\$ 249,559.38	\$ 4,432,825.99

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

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

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

March 25, 2015

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
Treutlen 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 Treutlen County Board of Education as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Treutlen County Board of Education's basic financial statements, and have issued our report thereon dated March 25, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Treutlen 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 Treutlen County Board of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of the Treutlen 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 items FS-2014-001, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Treutlen 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 a certain matter that we have reported to management of Treutlen County Board of Education in a separate letter dated March 25, 2015.

Treutlen County Board of Education's Response to Findings

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

A handwritten signature in black ink, appearing to read "Greg S. Griffin".

Greg S. Griffin
State Auditor

GSG:sr
2014YB-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

March 25, 2015

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
Treutlen 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 Treutlen 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, 2014. Treutlen 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 Treutlen 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 Treutlen 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 Treutlen County Board of Education's compliance.

Opinion on Each Major Federal Program

In our opinion, the Treutlen 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, 2014.

Report on Internal Control over Compliance

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

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

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

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

Respectfully submitted,



Greg S. Griffin
State Auditor

SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

TREUTLEN COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FINDING CONTROL NUMBER AND STATUS

FS-7401-13-01	Previously Reported Corrective Action Implemented
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PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING CONTROL NUMBER AND STATUS

FA-7401-13-01	Previously Reported Corrective Action Implemented
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SECTION IV

FINDINGS AND QUESTIONED COSTS

TREUTLEN COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted: No

Federal Awards

Internal Control over major programs:

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

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

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	Child Nutrition Cluster

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

Auditee qualified as low-risk auditee? Yes

TREUTLEN COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Finding Control Number: FS-2014-001
Inadequate Internal Control Procedures over School Activity Accounts
Control Category: Cash and Cash Equivalents
Revenues/Receivables/Receipts
Expenditures/Liabilities/Disbursements
Internal Control Impact: Significant Deficiency

Description:

The accounting procedures of the School District were insufficient to provide for adequate internal controls over the school activity accounts.

Criteria:

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

Condition:

The following deficiencies were noted with the School District's school activity accounts:

Cash and Cash Equivalents

- The bank reconciliation function was not separated from the record keeping and voucher payment function.
- The school activity bookkeeper is an authorized user and check signer on all school bank accounts.

Revenues/Receivables/Receipts

- Deposit preparation was not separated from the record keeping and cash custody functions.
- The following deficiencies were noted during our test of ten receipt transactions:
 1. Five receipts lacked adequate supporting documentation.
 2. Two receipts were not deposited into the bank account in a timely manner.

Expenditures/Liabilities/Disbursements

- The check writing function was not separated from the record keeping or processing of signed checks.
- The following deficiencies were noted during our test of thirty disbursement transactions:
 1. Fourteen disbursements did not have proper approval before purchase. Some of these were purchased with credit cards. In addition, there was no written policy regarding the use of credit cards.
 2. Six vouchers lacked adequate supporting documentation. These items also lacked evidence of who actually received these goods.
 3. Eleven items were purchased using blank checks although prohibited by board policy.
 4. Two checks had stamped rather than handwritten signatures by the Principal as required.
 5. One item was for compensation paid to employees and was not processed through the Central Board Office's payroll department.
 6. One item was for monetary incentives for teacher attendance that was not approved by the Central Board Office. In addition, this activity was not properly reported to the Teacher's Retirement System.

TREUTLEN COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Cause:

In discussing these deficiencies with the School District, they stated that school personnel have not been adequately following policies and procedures set-forth in the School District's "Procedures Governing Internal School Accounts."

Effect or Potential Effect:

Errors and/or irregularities may not be detected in a timely manner.

Recommendation:

The School District should implement procedures to ensure key accounting functions of custody, record keeping and authorization are separated and/or utilize management oversight for these incompatible activities. In addition, management should monitor controls to provide reasonable assurance that transactions are processed according to established procedures and implement procedures necessary to strengthen internal controls over the accounting functions and FMGLUA Chapter 43 School Activity Accounts.

Views of Responsible Officials and Corrective Action Plans:

We concur with this finding. The Board of Education approved an updated School Internal Accounting Policy and Procedures Handbook at their regular meeting on February 9, 2015. On February 13, 2015, School Internal Accounting Policy Training was held for the administrators and accounting Personnel. All current and newly hired personnel will be trained on the updated policies and procedures annually. The updated policies and procedures address the deficiencies in the finding.

Contact Person: Cheryl E. Conley, Superintendent

Telephone: (912) 529-7101 Fax: (912) 529-4226 E-mail: cconley@treutlen.k12.ga.us

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.