



TWIGGS COUNTY BOARD OF EDUCATION JEFFERSONVILLE, GEORGIA

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



TWIGGS COUNTY BOARD OF EDUCATION

- TABLE OF CONTENTS -

Page

SECTION I

FINANCIAL

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

EXHIBITS

BASIC FINANCIAL STATEMENTS

	DISTRICT-WIDE FINANCIAL STATEMENTS	
A	STATEMENT OF NET ASSETS	1
B	STATEMENT OF ACTIVITIES	2
	FUND FINANCIAL STATEMENTS	
C	BALANCE SHEET	
	GOVERNMENTAL FUNDS	3
D	RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS	4
E	STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	
	GOVERNMENTAL FUNDS	5
F	RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	6
G	STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES FIDUCIARY FUNDS	7
H	NOTES TO THE BASIC FINANCIAL STATEMENTS	8

SCHEDULES

REQUIRED SUPPLEMENTARY INFORMATION

1	SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL GENERAL FUND	29
---	--	----

SUPPLEMENTARY INFORMATION

2	SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	30
3	SCHEDULE OF STATE REVENUE	32

TWIGGS COUNTY BOARD OF EDUCATION

- TABLE OF CONTENTS -

	<u>Page</u>
SECTION I	
FINANCIAL	
SCHEDULES	
SUPPLEMENTARY INFORMATION	
4 SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS	33
5 ALLOTMENTS AND EXPENDITURES	
GENERAL FUND - QUALITY BASIC EDUCATION PROGRAMS (QBE)	
BY PROGRAM	35
SECTION II	
COMPLIANCE AND INTERNAL CONTROL REPORTS	
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 <i>GOVERNMENT AUDITING STANDARDS</i>	
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	
SECTION III	
AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS	
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS	
SECTION IV	
FINDINGS AND QUESTIONED COSTS	
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	

TWIGGS COUNTY BOARD OF EDUCATION

- TABLE OF CONTENTS -

SECTION V

MANAGEMENT'S RESPONSES

SCHEDULE OF MANAGEMENT'S RESPONSES

SECTION I
FINANCIAL



DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

September 14, 2012

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

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

Ladies and Gentlemen:

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

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

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

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

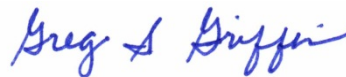
The Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual, as presented on page 29, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2012, on our consideration of the Twiggs County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Respectfully submitted,



Greg S. Griffin
State Auditor

GSG:as
2011ARL-11

TWIGGS COUNTY BOARD OF EDUCATION

TWIGGS COUNTY BOARD OF EDUCATION
STATEMENT OF NET ASSETS
JUNE 30, 2011

EXHIBIT "A"

ASSETS	Governmental Activities
Cash and cash equivalents	\$ 1,466,396
Investments	4,038,200
Receivables:	
Taxes	403,916
Intergovernmental:	
State	561,343
Federal	1,018,824
Interest	80,125
Other	46,539
Inventory	67,938
Deferred charges	54,561
Capital assets (nondepreciable)	141,716
Capital assets (depreciable, net of accumulated depreciation)	11,074,630
Total assets	<u>\$ 18,954,188</u>
 LIABILITIES	
Accounts payable	\$ 426,614
Salaries and benefits payable	1,157,570
Accrued interest payable	14,479
Bonds payable due within one year	60,000
Bonds payable due in more than one year	4,360,000
Total liabilities	<u>\$ 6,018,663</u>
 NET ASSETS	
Invested in capital assets, net of related debt	\$ 6,796,346
Restricted for:	
Bus replacement	62,443
Continuation of federal programs	432,690
Capital projects	543,537
Debt service	4,107,142
Unrestricted	993,367
Total net assets	<u>\$ 12,935,525</u>

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

TWIGGS COUNTY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

EXHIBIT "B"

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				Governmental Activities
Instruction	\$ 7,333,481		\$ 4,225,239	\$ (3,108,242)
Support services:				
Pupil services	551,549		88,416	(463,133)
Improvement of instructional services	870,346		1,077,204	206,858
Educational media services	168,456		115,812	(52,644)
General administration	601,089		517,289	(83,800)
School administration	578,698		363,615	(215,083)
Business administration	235,026		448	(234,578)
Maintenance and operation of plant	1,033,236		283,264	(749,972)
Student transportation services	775,970		289,122	\$ 152,584 (334,264)
Central support services	8,581			(8,581)
Other support services	125,723		130,455	4,732
Enterprise operations	2,782			(2,782)
Food service operations	693,703	\$ 43,147	695,552	44,996
Community service operation	41,836		41,144	(692)
Interest on long-term debt	29,296			(29,296)
Total governmental activities	<u>\$ 13,049,772</u>	<u>\$ 43,147</u>	<u>\$ 7,827,560</u>	<u>\$ 152,584 (5,026,481)</u>
General revenues:				
Taxes:				
Property taxes, levied for maintenance and operations				\$ 3,090,145
Sales taxes, for capital projects				707,479
Intangible taxes				18,126
Transfer taxes				4,584
Railroad equipment tax				29,526
Grants and contributions not restricted to specific programs				85,652
Unrestricted investment earnings				94,603
Miscellaneous				120,509
Gain on sale of assets				7,447
Total general revenues				<u>\$ 4,158,071</u>
Change in net assets				(868,410)
Net assets, beginning of year				13,803,935
Net assets, end of year				<u>\$ 12,935,525</u>

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

TWIGGS COUNTY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

EXHIBIT "C"

ASSETS	General	District - Wide Capital Projects	Debt Service	Total Governmental Funds
Cash and cash equivalents	\$ 962,307	\$ 500,793	\$ 3,296	\$ 1,466,396
Investments			4,038,200	4,038,200
Receivables:				
Taxes	334,175	69,741		403,916
Intergovernmental:				
State	561,343			561,343
Federal	1,018,824			1,018,824
Interest			80,125	80,125
Other	46,539			46,539
Due from other funds		2,016		2,016
Inventory	67,938			67,938
	<u>\$ 2,991,126</u>	<u>\$ 572,550</u>	<u>\$ 4,121,621</u>	<u>\$ 7,685,297</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 397,601	\$ 29,013		\$ 426,614
Salaries and benefits payable	1,157,570			1,157,570
Due to other funds	2,016			2,016
Deferred revenue	231,748			231,748
Total liabilities	<u>\$ 1,788,935</u>	<u>\$ 29,013</u>		<u>\$ 1,817,948</u>
FUND BALANCES				
Nonspendable: inventory	\$ 67,938			\$ 67,938
Restricted for:				
Continuation of federal programs	364,752			364,752
Bus replacement	62,443			62,443
Debt service			\$ 4,121,621	4,121,621
Capital projects		\$ 543,537		543,537
Assigned for:				
Student activities	8,326			8,326
Subsequent year's budget	698,732			698,732
	<u>\$ 1,202,191</u>	<u>\$ 543,537</u>	<u>\$ 4,121,621</u>	<u>\$ 5,867,349</u>
Total fund balances	<u>\$ 1,202,191</u>	<u>\$ 543,537</u>	<u>\$ 4,121,621</u>	<u>\$ 5,867,349</u>
Total liabilities and fund balances	<u>\$ 2,991,126</u>	<u>\$ 572,550</u>	<u>\$ 4,121,621</u>	<u>\$ 7,685,297</u>

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

TWIGGS COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011

EXHIBIT "D"

Total fund balances - governmental funds (Exhibit "C")			\$	5,867,349
Amounts reported for governmental activities in the statement of net assets are different because				
Capital assets used in governmental activities are not financial resources and are not reported in the funds.				
	Cost	\$	20,866,028	
	Less accumulated depreciation		<u>(9,649,682)</u>	11,216,346
Other long-term assets are not available to pay for current-period expenditures and are deferred in the funds.				
	Property taxes			231,748
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.				
	Bonds	\$	(4,420,000)	
	Bond issuance costs, net of amortization		54,561	
	Accrued interest		<u>(14,479)</u>	
				<u>(4,379,918)</u>
Net assets of governmental activities (Exhibit "A")			\$	<u>12,935,525</u>

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

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

EXHIBIT "E"

	General	District - Wide Capital Projects	Debt Service	Total Governmental Funds
REVENUES				
Property taxes	\$ 3,304,461			\$ 3,304,461
Sales taxes	22,710	\$ 707,479		730,189
Other taxes	29,526			29,526
State funds	4,668,920			4,668,920
Federal funds	3,396,876			3,396,876
Charges for services	43,147			43,147
Investment earnings	9,182	2,216	\$ 83,205	94,603
Miscellaneous	120,509			120,509
Total revenues	<u>\$ 11,595,331</u>	<u>\$ 709,695</u>	<u>\$ 83,205</u>	<u>\$ 12,388,231</u>
EXPENDITURES				
Current:				
Instruction	\$ 6,658,744	\$ 163,868		\$ 6,822,612
Support Services:				
Pupil services	517,789	33,760		551,549
Improvement of instructional services	870,346			870,346
Educational media services	168,456			168,456
General administration	592,222	17,270		609,492
School administration	562,498	16,200		578,698
Business administration	208,737	20,898	\$ 679	230,314
Maintenance and operation of plant	1,029,729	81,008		1,110,737
Student transportation services	819,176	22,560		841,736
Central support services	8,581			8,581
Other support services	125,723			125,723
Enterprise Operations	2,782			2,782
Food services operation	685,516			685,516
Community services operation	41,836			41,836
Debt service:				
Principal retirement			60,000	60,000
Interest and fees			30,781	30,781
Total expenditures	<u>\$ 12,292,135</u>	<u>\$ 355,564</u>	<u>\$ 91,460</u>	<u>\$ 12,739,159</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (696,804)</u>	<u>\$ 354,131</u>	<u>\$ (8,255)</u>	<u>\$ (350,928)</u>
OTHER FINANCING SOURCES				
Proceeds from sale of capital assets	\$ 7,447			\$ 7,447
Total other financing sources	<u>\$ 7,447</u>			<u>\$ 7,447</u>
Net change in fund balances	\$ (689,357)	\$ 354,131	\$ (8,255)	\$ (343,481)
FUND BALANCE, beginning of year	<u>1,891,548</u>	<u>189,406</u>	<u>4,129,876</u>	<u>6,210,830</u>
FUND BALANCE, end of year	<u><u>\$ 1,202,191</u></u>	<u><u>\$ 543,537</u></u>	<u><u>\$ 4,121,621</u></u>	<u><u>\$ 5,867,349</u></u>

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

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

EXHIBIT "F"

Net change in fund balances - total governmental funds (Exhibit "E")	\$	(343,481)
--	----	-----------

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The net effect of the amount by which depreciation expense exceeded capital outlay is to decrease net assets.

Capital outlay	\$	260,350	
Depreciation expense		<u>(638,059)</u>	(377,709)

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

Property taxes	(214,316)
----------------	-----------

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

Principal payments - bonds	\$	60,000	
Bond issuance costs amortization expense		<u>(10,300)</u>	49,700

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	\$	15,911	
Change in accrued interest		<u>1,485</u>	<u>17,396</u>

Changes in net assets of governmental activities (Exhibit "B")	\$	<u><u>(868,410)</u></u>
--	----	-------------------------

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

**TWIGGS COUNTY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
JUNE 30, 2011**

EXHIBIT "G"

	ASSETS	<u>Agency Funds</u>
Cash		\$ 15,077
	LIABILITIES	
Funds held for others		\$ 15,077

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

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

EXHIBIT "H"

Note 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

Reporting Entity

The Twiggs 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.

The Twiggs County Recreation Authority (the "Recreation Authority") was created by House Bill 1897 during the 1996 session of the Georgia General Assembly. The purpose of the Authority is to acquire, construct, own and convey real and personal property for the benefit of the citizens of Twiggs County. The members of the Authority consist of the Chairperson of the Twiggs County Board of Education, the Superintendent of the Twiggs County Board of Education, the Chairperson of the Board of Commissioners of Twiggs County, one non-governmental citizen member appointed by the Twiggs County Board of Education and one non-governmental citizen member appointed by the Board of Commissioners of Twiggs County.

The Recreation Authority qualifies as a component unit of the School District under *Government Accounting Standards Board Statement (GASBS) No. 14, the Financial Reporting Entity* and *GASB Statement No. 39, Determining Whether Certain Organizations are Component Units*. However, currently there are no standing members of the Recreation Authority and no financial activity. As of the year ended June 30, 2011, the Recreation Authority has no assets or liabilities. The Recreation Authority Bonds, Series 2001, as described in Note 8, are paid by the School District. As such, the basic financial statements of the School District do not include the financial activity of the Recreation Authority.

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 Twiggs County Board of Education.

District-Wide Statements

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

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

EXHIBIT "H"

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

District-Wide Statements (Continued)

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

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

Fund Financial Statements

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

The School District reports the following major governmental funds:

- The *General Fund* is the School District's primary operating fund. It accounts for all financial resources of the School District, except those resources required to be accounted for in another fund.
- The *District-Wide Capital Projects Fund* accounts for financial resources including Special Purpose Local Option Sales Tax (SPLOST), that are restricted, committed, or assigned to the expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

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

EXHIBIT "H"

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Fund Financial Statements (Continued)

- 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 on the financial statements. The School District-Wide governmental and fiduciary fund 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 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 and compensated absences, 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.

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

EXHIBIT "H"

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

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

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

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

New Accounting Pronouncements

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

Cash and Cash Equivalents

Composition of Deposits - Cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition in authorized financial institutions. The 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.

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

EXHIBIT "H"

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

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

Funds may be invested in the following:

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

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

Receivables

Receivables consist of amounts due from property and sales taxes, grant reimbursements from 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.

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

EXHIBIT "H"

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes

The Twiggs County Board of Commissioners set the property tax levy for the 2010 tax digest year (calendar year) on October 7, 2010 (levy date). Taxes were due on December 20, 2010 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2010 tax digest are reported as revenue in the governmental funds for fiscal year 2011. The Twiggs County Tax Commissioner bills and collects the property taxes for the School District, withholds 2.5% of taxes collected as a fee for tax collection and remits the balance of taxes collected to the School District. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2011, for maintenance and operations amounted to \$3,304,461.

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

School Operations	<u>15.60</u> mills
-------------------	--------------------

Sales Taxes

Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to \$707,479 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.

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

EXHIBIT "H"

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

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

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

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
Land	All	N/A
Land Improvements	\$ 5,000	20 to 80 years
Buildings and Improvements	\$ 5,000	10 to 80 years
Equipment	\$ 5,000	3 to 20 years

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

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 15 days is awarded on a fiscal year basis to the Superintendent. Various other 12-month employees had accrued vacation leave but are no longer allowed to be compensated for it. Vacation leave not utilized during the fiscal year may be carried over to the next fiscal year, providing such vacation leave does not exceed 45 days.

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

EXHIBIT "H"

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences (Continued)

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

	Beginning of Year Liability	Increases	Decreases	End of Year Liability
2009	\$ 22,348	\$ 6,763	\$ 18,111	\$ 11,000
2010	\$ 11,000	\$ 6,722	\$ 1,811	\$ 15,911
2011	\$ 15,911	\$ -	\$ 15,911	\$ -

General Obligation Bonds

The School District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. In the District-wide financial statements, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are reported as deferred charges and amortized over the term of the debt.

In the fund financial statements, the School District recognizes bond premiums and discounts, as well as bond issuance costs during the fiscal year bonds are issued. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. 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 Assets.

Net Assets

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

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

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

EXHIBIT "H"

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets (Continued)

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

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

Fund Balances

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

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

Restricted - Amounts that can be spent only on specific purposes stipulated by external resource providers (e.g., grants or donations), constitutionally, or through enabling legislation.

Committed - Amounts that can only be used for the specific purposes determined by a formal action of the Board. Commitments may be changed or lifted only by referring to the formal action of the Board that imposed the constraint originally (e.g., the Board's commitment in connection with future construction projects). Funds may be committed prior to the end of the fiscal year, with a corresponding amount determined in the same manner.

Assigned - Amounts intended to be used by the School District for specific purposes. Intent can be expressed by the Board of Education, the Superintendent, or the Assistant Superintendent for Finance and Business Operations. 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.

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

EXHIBIT "H"

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances (Continued)

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 and the Assistant Superintendent of Finance and Business Operations as officials authorized to assign fund balance to a specific purpose in accordance with the School District's policy.

It is the goal of the School District to achieve and maintain an unassigned fund balance in the General Fund at fiscal year end of not less than 4% of budgeted expenditures, not to exceed 15% of the total budget of the subsequent fiscal year, net of any committed fund balance for capital expenditures, in compliance with Official Code of Georgia Annotated Section 20-2-167(a)5. If the unassigned fund balance at fiscal year end falls below the goal, the School District shall develop a restoration plan to achieve and maintain the minimum fund balance. When multiple categories of fund balance are available for expenditure, the School District will start with the most restricted category and spend those funds first before moving down to the next category with available funds.

Use of Estimates

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

Note 3: DEPOSITS AND INVESTMENTS

Collateralization of Deposits - The 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 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 (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.

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

EXHIBIT "H"

Note 3: DEPOSITS AND INVESTMENTS (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, 2011, the bank balances were \$2,323,077. The bank balances were entirely covered by Federal depository insurance or collateralized with securities held by the pledging financial institution's agent in the School District's name.

Categorization of Investments - The School District's investments as of June 30, 2011, are presented below.

<u>Investment Type</u>	<u>Maturities</u>	<u>Rating*</u>	<u>Fair Value</u>
Georgia Fund 1	59 Day Weighted Average	AAAm	\$ 765,126
Municipal Electric Authority of Georgia Series A	January 1, 2012	A	3,273,074
Total Investments			<u>\$ 4,038,200</u>

*Rating as per Standard and Poor's

The Georgia Fund 1, formerly referred to as LGIP, administered by the State of Georgia, Office of 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 State Treasurer for the Georgia Fund 1 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.

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

EXHIBIT "H"

Note 3: DEPOSITS AND INVESTMENTS (CONTINUED)

Categorization of Investments (Continued)

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

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates of debt investments 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.

As of June 30, 2011, \$3,273,074 of the School District's applicable investments were uninsured, and are held by either the counterparty or the counterparty's trust department or agent in the School District's name.

Credit Quality Risk - Credit quality risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The School District does not have a formal policy for managing credit quality risk.

Note 4: NON-MONETARY TRANSACTIONS

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

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

EXHIBIT "H"

Note 5: CAPITAL ASSETS

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

	Balances <u>July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	Balances <u>June 30, 2011</u>
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 141,716			\$ 141,716
Capital Assets, Being Depreciated:				
Buildings and Improvements	\$ 13,375,908	\$ 59,547		\$ 13,435,455
Equipment	2,209,888	200,803	\$ (119,483)	2,291,208
Land Improvements	4,997,649			4,997,649
Less: Accumulated Depreciation:				
Buildings and Improvements	(5,073,127)	(294,433)		(5,367,560)
Equipment	(1,822,609)	(106,728)	(119,483)	(1,809,854)
Land Improvements	(2,235,370)	(236,898)		(2,472,268)
Total Capital Assets, Being Depreciated	\$ 11,452,339	\$ (377,709)	\$ -	\$ 11,074,630
Governmental Activity Capital Assets	\$ 11,594,055	\$ (377,709)	\$ -	\$ 11,216,346

Current year depreciation expense by function is as follows:

Instruction	\$ 510,869
Support Services	
Business Administration	\$ 1,920
Maintenance and Operation of Plant	17,945
Student Transportation Services	86,818
Food Services	20,507
Total Depreciation Expense	\$ 638,059

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

EXHIBIT "H"

Note 6: INTERFUND PAYABLES AND RECEIVABLES

Due to and due from other funds are recorded for interfund receivables and payables which arise from interfund transactions. These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Interfund balances at June 30, 2011, consisted of the following:

<u>Due To</u>	<u>Due From</u> <u>General</u> <u>Fund</u>
District-wide Capital Projects Fund	\$ <u>2,015</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, and errors or omissions. The School District has neither significantly reduced coverage for these risks nor incurred losses (settlements) which School District's insurance coverage in any of the past three years.

The School District has elected to self-insure for all potential losses of property due 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 the loss can be reasonably estimated.

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

	<u>Beginning of Year</u> <u>Liability</u>	<u>Claims and</u> <u>Changes in</u> <u>Estimates</u>	<u>Claims</u> <u>Paid</u>	<u>End of Year</u> <u>Liability</u>
2010	\$ -	\$ 32,976	\$ 32,976	\$ -
2011	\$ -	\$ 46,012	\$ 46,012	\$ -

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

EXHIBIT "H"

Note 7: RISK MANAGEMENT (CONTINUED)

The School District participates in the Georgia Education Workers' Compensation Trust, a public entity risk pool organized on December 1, 1991, to develop, implement and administer a program of workers' compensation self-insurance for its member organizations. The School District pays an annual premium to the Trust for its general insurance coverage. Additional insurance coverage is provided through an agreement by the Trust with the Midwest Employers Casualty Company to provide coverage for potential losses sustained by the Trust in excess of \$700,000 loss per occurrence, up to the statutory limit. Employers' Liability insurance coverage is also provided by Midwest Employers Casualty Company to provide coverage for potential losses sustained by the Fund in excess of \$700,000 loss per occurrence, up to \$1,000,000, with an aggregate limit of \$2,000,000.

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

<u>Position Covered</u>	<u>Amount</u>
Superintendent	\$ 500,000
Principal	\$ 30,000 - \$ 100,000
Bookkeeper	\$ 30,000 - \$ 50,000

Note 8: LONG-TERM DEBT

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>Maturity</u>	<u>Interest Rates</u>	<u>Amount</u>
General Government - Twiggs County			
Recreation Authority Bonds, Series 2001	2019	4.95%	\$ 585,000
General Government - QZAB - Series 2002	2016	0.00%	3,835,000
			<u>\$ 4,420,000</u>

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

EXHIBIT "H"

Note 8: LONG-TERM DEBT (CONTINUED)

Changes in Long-Term Debt

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

	Governmental Funds			
	Twiggs County Recreation			
	Compensated Absences	Bonds Series 2001	QZAB Series 2002	Total
Balance July 1, 2010	\$ 15,911	\$ 645,000	\$ 3,835,000	\$ 4,495,911
Additions				
Annual Leave Earned	-	-	-	-
Deductions				
Recreation Authority Bonds				
Retired	-	60,000	-	60,000
Annual Leave Utilized	15,911	-	-	15,911
Balance June 30, 2011	\$ -	\$ 585,000	\$ 3,835,000	\$ 4,420,000
Portion of Long-Term Debt				
Due Within One Year	\$ -	\$ 60,000	\$ -	\$ 60,000

Scheduled Maturities of Long-Term Debt

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

Fiscal Year Ended June 30:	Twiggs County Recreation Authority Bonds, Series 2001		QZAB Series 2002
	Principal	Interest	Principal
2012	\$ 60,000	\$ 27,473	
2013	65,000	24,379	
2014	70,000	21,038	
2015	70,000	17,573	
2016	75,000	13,984	\$ 3,835,000
2017 - 2019	245,000	18,439	
Total Principal and Interest	\$ 585,000	\$ 122,886	\$ 3,835,000

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

EXHIBIT "H"

Note 9: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of \$31,105 for health insurance and retirement contributions paid on the School District's behalf by the following state agencies.

Georgia Department of Education

 Paid to the Georgia Department of Community Health

 For Health Insurance of Non-Certified Personnel

 In the amount of \$20,659

 Paid to the Teachers Retirement System

 For Teachers Retirement System (TRS) Employer's Cost

 In the amount of \$2,772

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 \$7,674

Note 10: 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 11: OTHER POST-EMPLOYMENT BENEFITS

Georgia School Personnel Post-employment Health Benefit Fund

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

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

EXHIBIT "H"

Note 11: OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Georgia School Personnel Post-employment Health Benefit Fund (Continued)

Funding Policy. The contribution requirements of plan members and participating employers are established by the Board in accordance with the current Appropriations Act and may be amended by the Board. Contributions of plan members or beneficiaries receiving benefits vary based on plan election, dependent coverage, and Medicare eligibility and election. On average, plan members pay approximately 25 percent of the cost of health insurance coverage.

Participating employers are statutorily required to contribute in accordance with the employer contribution rates established by the Board. The contribution rates are established to fund all benefits due under the health insurance plans for both active and retired employees based on projected "pay-as-you-go" financing requirements. Contributions are not based on the actuarially calculated annual required contribution (ARC) which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The combined active and retiree contribution rates established by the Board for employers participating in the School OPEB Fund were as follows for the fiscal year ended June 30, 2011:

For certificated teachers, librarians and regional educational service agencies:

July 2010 - April 2011	21.955% of covered payroll for August - May Coverage
May 2011 - June 2011	1.429% of covered payroll for June - July Coverage

For non-certificated school personnel:

July 2010 - December 2010	\$162.72 per member per month
January 2011 - May 2011	\$218.20 per member per month
June 2011	\$246.20 per member per month

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

No additional contribution was required by the Board for fiscal year 2011 nor contributed to the School OPEB Fund to prefund retiree benefits. Such additional contribution amounts are determined annually by the Board in accordance with the School plan for other post-employment benefits and are subject to appropriation.

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

EXHIBIT "H"

Note 11: OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Georgia School Personnel Post-employment Health Benefit Fund (Continued)

Currently, the state is requiring that local Boards of Education pay only on active employees. The District's contributions to the health insurance plans for the fiscal years ended June 30, 2011, 2010, 2009 were \$995,811, \$880,680 and \$703,331, 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.

Note 12: RETIREMENT PLAN

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

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

TRS provides service retirement, disability retirement, and survivor's benefits. The benefit structure of TRS is defined and may be amended by State statute. A member is eligible for normal service retirement after 30 years of creditable service, regardless of age, or after 10 years of service and attainment of age 60. A member is eligible for early retirement after 25 years of creditable service. Normal retirement (pension) benefits paid to members are equal to 2% of the average of the member's two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. Early retirement benefits are reduced by the lesser of one-twelfth of 7% for each month the member is below age 60 or by 7% for each year or fraction thereof by which the member has less than 30 years of service. It is also assumed that certain cost-of-living adjustments, based on the Consumer Price Index, will be made in future years. Retirement benefits are payable monthly for life. A member may elect to receive a partial lump-sum distribution in addition to a reduced monthly retirement benefit. Death, disability and spousal benefits are also available.

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

EXHIBIT "H"

Note 12: RETIREMENT PLAN (CONTINUED)

Funding Policy. TRS is funded by member and employer contributions as adopted and amended by the Board of Trustees. Members become fully vested after 10 years of service. If a member terminates with less than 10 years of service, no vesting of employer contributions occurs, but the member's contributions may be refunded with interest. Member contributions are limited by state law to not less than 5% or more than 6% of a member's earnable compensation. Member contributions as adopted by the Board of Trustees for the fiscal year ended June 30, 2011, were 5.53% of annual salary. The member contribution rate will increase to 6.00% effective July 1, 2011. Employer contributions required for fiscal year 2011 were 10.28% of annual salary as required by the June 30, 2008, actuarial valuation. The employer contribution rate will increase to 11.41% effective July 1, 2012.

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>
2011	100%	\$	583,296
2010	100%	\$	515,071
2009	100%	\$	543,592

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

Note 13: SUBSEQUENT EVENT

Tax Anticipation Notes

On November 17, 2011, the Twiggs County Board of Education issued two temporary loans in advance of property tax collections with two separate financial institutions in the amounts of \$375,000 and \$225,000, respectively. Proceeds from these short-term loans were issued to provide cash for operations until property tax collections were received by the School District. The maturity date of the loans was December 31, 2011. Two draws totaling \$600,000 were required to meet the cash flow needs of the School District. The notes were repaid on December 13, 2011.

(This page left intentionally blank)

TWIGGS COUNTY BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

SCHEDULE "1"

	Nonappropriated Budget		Actual	Variance With Final Budget
	Original ⁽¹⁾	Final ⁽¹⁾		
REVENUES				
Property taxes	\$ 3,460,549	\$ 3,460,549	\$ 3,304,461	\$ (156,088)
Sales taxes			22,710	22,710
Other taxes			29,526	29,526
State funds	4,314,051	4,314,051	4,668,920	354,869
Federal funds	3,320,692	3,322,106	3,396,876	74,770
Charges for services	34,584	34,584	43,147	8,563
Investment earnings	200	200	9,182	8,982
Miscellaneous			120,509	120,509
Total revenues	<u>\$ 11,130,076</u>	<u>\$ 11,131,490</u>	<u>\$ 11,595,331</u>	<u>\$ 463,841</u>
EXPENDITURES				
Current:				
Instruction	\$ 6,734,133	\$ 7,453,392	\$ 6,658,744	\$ 794,648
Support services:				
Pupil services	607,510	714,746	517,789	196,957
Improvement of instructional services	918,286	924,012	870,346	53,666
Educational media services	176,500	176,500	168,456	8,044
General administration	376,001	458,675	592,222	(133,547)
School administration	480,000	480,000	562,498	(82,498)
Business administration	150,000	150,000	208,737	(58,737)
Maintenance and operation of plant	950,000	951,543	1,029,729	(78,186)
Student transportation services	751,121	776,571	819,176	(42,605)
Central support services	165,000	165,000	8,581	156,419
Other support services	203,516	176,350	125,723	50,627
Enterprise operations			2,782	(2,782)
Food services operations	671,566	671,566	685,516	(13,950)
Community services operation		42,250	41,836	414
Total expenditures	<u>\$ 12,183,633</u>	<u>\$ 13,140,605</u>	<u>\$ 12,292,135</u>	<u>\$ 848,470</u>
Excess (Deficiency) of revenues over (under) expenditures	\$ (1,053,557)	\$ (2,009,115)	\$ (696,804)	\$ 1,312,311
OTHER FINANCING SOURCES				
Proceeds from sale of capital assets			7,447	7,447
Net change in fund balances	\$ (1,053,557)	\$ (2,009,115)	\$ (689,357)	\$ 1,319,758
FUND BALANCE, beginning of year	<u>1,891,548</u>	<u>1,891,548</u>	<u>1,891,548</u>	
FUND BALANCE, end of year	<u><u>\$ 837,991</u></u>	<u><u>\$ (117,567)</u></u>	<u><u>\$ 1,202,191</u></u>	<u><u>\$ 1,319,758</u></u>

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

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

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

See notes to the basic financial statements.

TWIGGS COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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	(1)
National School Lunch Program	10.555	N/A	\$ 660,862 (2)
Total U. S. Department of Agriculture			660,862
Education, U. S. Department of			
Direct			
Office of Elementary and Secondary Education			
Early Reading First	* 84.359		556,146
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Grants to States	84.027	N/A	371,658
Preschool Grants	84.173	N/A	7,589
Total Special Education Cluster			379,247
State Fiscal Stabilization Fund Cluster			
Pass-Through From Georgia Department of Education			
ARRA - Education State Grants	84.394	N/A	78,731
Title I, Part A Cluster			
Pass-Through From Georgia Department of Education			
ARRA - Title I Grants to Local Educational Agencies	* 84.389	N/A	231,547
Title I Grants to Local Educational Agencies	* 84.010	N/A	915,661
Total Title I, Part A Cluster			1,147,208
Education Technology State Grants Cluster			
Pass-Through From Georgia Department of Education			
Education Technology State Grants	84.318	N/A	269
Other Programs			
Pass-Through From Georgia Department of Education			
Education Jobs Fund	* 84.410	N/A	197,551
Improving Teacher Quality State Grants	84.367	N/A	114,434
Rural Education	84.358	N/A	20,688
Career and Technical Education - Basic Grants to States	84.048	N/A	18,627
Total Other Programs			351,300
Total U. S. Department of Education			2,512,901
Defense, U. S. Department of			
Direct			
Department of the Air Force			
R.O.T.C. Program	N/A		46,861
Total Expenditures of Federal Awards			\$ 3,220,624

N/A = Not Available

**TWIGGS COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

SCHEDULE "2"

Notes to the Schedule of Expenditures of Federal Awards

- (1) Expenditures for the funds earned on the School Breakfast Program (\$220,203) were not maintained separately and are included in the 2011 National School Lunch Program.
- (2) Includes the Federally assigned value of donated commodities for the Food Donation Program in the amount of \$47,385.

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

See notes to the basic financial statements.

TWIGGS COUNTY BOARD OF EDUCATION
SCHEDULE OF STATE REVENUE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

SCHEDULE "3"

<u>Agency/Funding</u>	<u>Governmental Fund Type General Fund</u>
Grants	
Bright from the Start	
Georgia Department of Early Care and Learning	
Pre-Kindergarten Program	\$ 119,619
Education, Georgia Department of	
Quality Basic Education	
Direct Instructional Cost	
Kindergarten Program	322,361
Kindergarten Program - Early Intervention Program	29,053
Primary Grades (1-3) Program	585,686
Primary Grades - Early Intervention (1-3) Program	74,192
Upper Elementary Grades (4-5) Program	295,140
Upper Elementary Grades - Early Intervention (4-5) Program	77,417
Middle Grades (6-8) Program	497,070
High School General Education (9-12) Program	559,660
Vocational Laboratory (9-12) Program	128,825
Students with Disabilities	780,654
Gifted Students - Category VI	8,940
Remedial Education Program	96,218
Alternative Education Program	45,042
Media Center Program	94,315
20 Days Additional Instruction	29,798
Staff and Professional Development	18,791
Indirect Cost	
Central Administration	292,542
School Administration	296,370
Facility Maintenance and Operations	230,479
Categorical Grants	
Pupil Transportation	
Regular	272,280
Nursing Services	32,959
Vocational Supervisors	7,318
Mid-term Adjustment Hold-Harmless	5,685
Education Equalization Funding Grant	85,652
Food Services	20,740
Vocational Education	29,605
Amended Formula Adjustment	(631,855)
Other State Programs	
Math and Science Supplements	25,197
Preschool Handicapped State Grant	14,334
Pupil Transportation - State Bonds	152,584
Human Resources, Georgia Department of	
Family Connection	41,144
On-Behalf Payments	
Georgia Department of Education	
Paid to the Georgia Department of Community Health	20,659
Paid to the Teachers Retirement System	2,772
Office of State Treasurer	
Paid to the Public School Employees Retirement System	7,674
Grand Total	<u>\$ 4,668,920</u>

See notes to the basic financial statements.

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

SCHEDULE "4"

<u>Project</u>	<u>Original Estimated Cost (1)</u>	<u>Current Estimated Costs (2)</u>	<u>Expended In Current Year (3)</u>	<u>Expended In Prior Years (3)</u>	<u>Project Status</u>
Funding the payment of principal and interest on the School District's Twiggs County Recreation Authority Bonds, Series 2001 beginning with an interest payment due January 1, 2003	\$ 463,245	\$ 754,868	\$ 91,460	\$ 663,408	Ongoing
Adding to, renovating, repairing, improving, modifying, and equipping existing school buildings and other facilities including, but not limited to, roofing and HVAC; acquiring system-wide vocational, musical, technology, physical education and safety equipment; purchasing textbooks and desks; acquiring school buses and other school vehicles; acquiring and repairing maintenance and transportation equipment and facilities; payment of a portion of the principal of Twiggs County School District General Obligation QZAB Bonds, Series 2001, the maximum amount of such principal to be paid shall be \$950,000, and the acquiring of any property desirable therefore, both real and personal.	<u>5,000,000</u>	<u>5,000,000</u>	<u>355,564</u>	<u>565,072</u>	Ongoing
	<u>\$ 5,463,245</u>	<u>\$ 5,754,868</u>	<u>\$ 447,024</u>	<u>\$ 1,228,480</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 Twiggs 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.

See notes to the basic financial statements.

(This page left intentionally blank)

TWIGGS 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, 2011

SCHEDULE "5"

Description	Allotments From Georgia Department of Education		Eligible QBE Program Costs										
	(1) & (2)		Salaries	Operations	Total								
Direct Instructional Funds:													
Kindergarten Program	\$	378,096	\$	291,353	\$	3,904	\$	295,257					
Kindergarten Program - Early Intervention Program		34,368		15,245				15,245					
Primary Grades (1-3) Program		728,018		686,666		9,147		695,813					
Primary Grades - Early Intervention (1-3) Program		87,604		102,498				102,498					
Upper Elementary Grades (4-5) Program		363,028		450,150		7,549		457,699					
Upper Elementary Grades-Early Intervention (4-5) Program		93,629		170,152				170,152					
Middle Grades (6-8) Program						80		80					
Middle School (6-8) Program		600,098		724,345		8,259		732,604					
High School General Education (9-12) Program		683,343		828,064		28,990		857,054					
Vocational Laboratory (9-12) Program		171,266		335,854		5,380		341,234					
Students with Disabilities		951,040											
Category I				59,196				59,196					
Category II				117,364		397		117,761					
Category III				302,861		47,467		350,328					
Category IV				140,091				140,091					
Category V				125,439				125,439					
Gifted Student - Category VI		10,931		86,459				86,459					
Remedial Education Program		117,659		18,622				18,622					
Alternative Education Program		55,079		29,735				29,735					
TOTAL DIRECT INSTRUCTIONAL PROGRAMS						\$	4,274,159	\$	4,484,094	\$	111,173	\$	4,595,267
Media Center Program		115,185		164,133		3,632		167,765					
Staff and Professional Development		22,936						21,980					
TOTAL QBE FORMULA FUNDS						\$	4,412,280	\$	4,648,227	\$	114,805	\$	4,785,012

(1) Comprised of state funds plus Local Five Mill Share.

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

See notes to the basic financial statements.

SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS



DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

September 14, 2012

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

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

Ladies and Gentlemen:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Twiggs County Board of Education as of and for the year ended June 30, 2011, which collectively comprise Twiggs County Board of Education's basic financial statements and have issued our report thereon dated September 14, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we consider items FS-7431-11-01 and FS-7431-11-02, described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

We noted certain matters that we have reported to management of Twiggs County Board of Education in a separate letter dated September 14, 2012.

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

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

Respectfully submitted,



Greg S. Griffin
State Auditor



DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

September 14, 2012

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

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

Ladies and Gentlemen:

Compliance

We have audited Twiggs County Board of Education's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2011. Twiggs County Board of Education's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of Twiggs County Board of Education's management. Our responsibility is to express an opinion on Twiggs County Board of Education's compliance based on our audit.

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

In our opinion, the Twiggs County Board of Education complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item FA-7431-11-01.

Internal Control Over Compliance

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

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying Schedule of Findings and Questioned Costs as item FA-7431-11-01. *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.

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

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

Respectfully submitted,



Greg S. Griffin
State Auditor

SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

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

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FINDING CONTROL NUMBER AND STATUS

FS-7431-09-02	Further Action Not Warranted
FS-7431-10-01	Unresolved - See Corrective Action/Responses

CORRECTIVE ACTION/RESPONSES

CAPITAL ASSETS
Failure to Adequately Maintain Capital Assets
Finding Control Number: FS-7431-10-01

The Administration concurs with this finding. The Administration will review the district's capital asset controls and procedures, making appropriate adjustments to ensure capital assets records conform to the district's capital assets policy, intangible asset policy and generally accepted accounting principles. The Finance Department will develop a schedule to perform an annual inventory count of capital assets. The Administration worked with an outside consultant to develop and implement an asset impairment policy and intangible asset policy in FY 12, which includes guidelines for maintaining an accurate capital assets listing. The district is hiring a CFO to oversee and ensure that proper procedures of GAAP is followed and administered.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV

FINDINGS AND QUESTIONED COSTS

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

I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted: No

Federal Awards

Internal Control over major programs:

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

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

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010, 84.389	Title I, Part A Cluster
84.410	Education Jobs Fund
84.359	Early Reading First

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

Auditee qualified as low-risk auditee? No

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

CAPITAL ASSETS

Failure to Adequately Maintain Capital Assets
Significant Deficiency
Finding Control Number: FS-7431-11-01

Condition:

This is a repeat finding (FS-7431-10-01, FS-7431-09-02, and FS-7431-08-02) from fiscal years ended June 30, 2010, June 30, 2009, and June 30, 2008, respectively. The School District failed to adequately maintain capital asset records.

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

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Criteria:

Chapter 37 *Implementing a Capital Assets Management System* of the Financial Management for Georgia Local Units of Administration indicates that School Districts must establish fixed assets policies, define system requirements, implement a fixed assets system, maintain fixed assets inventory records, and perform annual physical inventory counts of the fixed assets. GASB 42 requires School Districts to develop and implement an asset impairment policy, while GASB 51 requires School Districts to develop and implement an intangible asset policy.

Questioned Cost:

N/A

Information:

A review of the School District's capital assets records revealed the following deficiencies:

- A periodic physical inventory count of capital assets is not performed.
- Numerous assets added to the listing do not include adequate identifying information such as make, model, decal number or serial number.
- Current year capital assets purchases were identified during testing that were not added to the capital assets listing and subsequently were not properly reflected on the financial statements. Additionally, asset deletions were also identified that were incorrectly included on the financial statements and the capital assets listing.
- Depreciation expense for the current year was not charged in the correct amount.
- No adequate asset impairment or intangible assets policies have been developed by the School District to date.

Cause:

The School District failed to ensure that adequate accounting procedures were in place to process, record and report capital assets and related activity.

Effect:

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

Recommendation:

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

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

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

EMPLOYEE COMPENSATION

Inadequate Internal Controls over Employee Compensation

Significant Deficiency

Finding Control Number: FS-7431-11-02

Condition:

The accounting procedures of the School District were insufficient to provide for adequate internal controls over employee compensation.

Criteria:

The School District's management is responsible for designing and maintaining internal controls that ensure employee compensation payments are properly calculated, disbursed and documented.

Questioned Cost:

N/A

Information:

Based on a review of employees' payroll records the following control deficiencies were noted:

- Not all employees were paid according to the local Board approved salary schedules or pay calculation sheets.
- The Superintendent's pay did not appear to match the Board approved contract.
- An employee was not classified under the proper function code for financial reporting purposes.

Cause:

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

Effect:

This could result in errors in financial reporting and increases the risk of material misstatement in the financial statements including misstatements due to fraud.

Recommendation:

The School District should implement appropriate procedures to strengthen internal controls over processing of employee compensation. The School District should review this matter to determine if recovery or payment of funds is needed.

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

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

ALLOWABLE COSTS/COST PRINCIPLES

Failure to Maintain Adequate Time and Effort Records

Significant Deficiency

Nonmaterial Noncompliance

U. S. Department of Education

Early Reading First (CFDA 84.359)

Through Georgia Department of Education

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

Finding Control Number: FA-7431-11-01

Condition:

A review of salaries charged to the Early Reading First program and the Title I, Part A Cluster revealed that required time and effort records were inadequate and did not support charges to the Federal programs for all employees.

Criteria:

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

- Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed.
- Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports (PARs) or equivalent documentation. Such documentary support will be required where employees work on more than one Federal award, or a Federal award and a non-Federal award. PARs must reflect an after-the-fact distribution of the actual activity of each employee, account for the total activity for which the employee is compensated, be prepared at least monthly and must coincide with one or more pay periods, and be signed by the employee.
- Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that:
 - The governmental unit's system for establishing the estimates produce reasonable approximations of the activity actually performed;
 - At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the difference between budgeted and actual costs are less than ten percent;
 - And the budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.

Questioned Cost:

\$11,812.81 Early Reading First (CFDA 84.359)

\$9,656.74 Title I, Part A Cluster (CFDA 84.010 and 84.389)

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

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Information:

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

- Semi-annual certifications were not completed for the second half of the year.
- One employee with salary charges to the Early Reading First program and a non-Federal source completed only one PAR, which was not signed by the employee.
- One employee with salary charges to the Title I, Part A Cluster and a non-Federal source did not complete PARs for all months worked. Completed PARs did not support salary charges to the Federal program. Quarterly and annual comparisons were not made to ensure that salary amounts charged were adjusted to the actual activity.
- One employee with salary charges to the Early Reading First program and the Title I, Part A Cluster did not complete PARs for all months worked. Completed PARs did not support salary charges to the Federal programs. Quarterly and annual comparisons were not made to ensure that salary amounts charged were adjusted to actual activity.

Cause:

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

Effect:

Failure to adequately document the time and effort of the employees to support their compensation resulted in questioned costs and can result in material noncompliance with Federal grant requirements.

Recommendation:

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

SECTION V

MANAGEMENT'S RESPONSES

TWIGGS COUNTY BOARD OF EDUCATION
SCHEDULE OF MANAGEMENT'S RESPONSES
YEAR ENDED JUNE 30, 2011

Finding Control Number: FS-7431-11-01

The Administration concurs with this finding. The Administration will review the district's capital asset controls and procedures, making appropriate adjustments to ensure capital assets records conform to the district's capital assets policy, intangible asset policy and generally accepted accounting principles. The Finance Department will develop a schedule to perform an annual inventory count of capital assets. The Administration worked with an outside consultant to develop and implement an asset impairment policy and intangible asset policy in FY 12, which includes guidelines for maintaining an accurate capital assets listing. The district has hired a CFO to oversee and ensure that proper procedures of GAAP is followed and administered.

Finding Control Number: FS-7431-11-02

The Administration concurs with this finding. The Administration will implement appropriate procedures to strengthen internal controls over processing employee compensation. For the current FY 2013, the payroll office is under the guidance of the newly hired CFO. This will help ensure that all processes are followed under GAAP.

Finding Control Number: FA-7431-11-01

The Administration concurs with this finding. The Administration will ensure that all salaries charged to are commensurate with the actual time devoted to those Federal Programs for FY 2013. Any employee(s) paid directly from a Federal Program is required to submit a monthly PAR that reflects the employee's exact time(s) they are providing services for those programs. The employee's compensation will be reflective of the PAR submitted for the current pay period. The Federal Programs' Director will review each time sheet and verify they are completed properly.

Contact Person:	Benjamin Roundtree
Telephone:	(478) 945-3127
Fax:	(478) 945-3078
Email:	broundtree@twiggss.k12.ga.us