



TWIGGS COUNTY BOARD OF EDUCATION JEFFERSONVILLE, GEORGIA

**ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2013**
(Including Independent Auditor's Reports)



TWIGGS COUNTY BOARD OF EDUCATION

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TWIGGS COUNTY BOARD OF EDUCATION

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FINANCIAL



DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 1-156
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Greg S. Griffin
STATE AUDITOR
(404) 656-2174

March 19, 2015

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

Ladies and Gentlemen:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the

effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Emphasis of Matter

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

As discussed in Note 16 to the financial statements, in 2013, the Twiggs County Board of Education restated the prior period financial statements to properly recognize debt issuance costs resulting from the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information. Accounting principles generally accepted in the United States of America require that the Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual, as presented on page 31, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2015, 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* in considering Twiggs County Board of Education's internal control over financial reporting and compliance.

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

Respectfully submitted,

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

Greg S. Griffin
State Auditor

GSG:as
2013ARL-11

TWIGGS COUNTY BOARD OF EDUCATION

TWIGGS COUNTY BOARD OF EDUCATION**EXHIBIT "A"****STATEMENT OF NET POSITION
JUNE 30, 2013**

		Governmental Activities
ASSETS		
Cash and cash equivalents	\$	2,928,000
Investments		4,055,104
Receivables:		
Taxes		533,293
State		533,656
Federal		397,999
Interest		46,204
Other		3,499
Inventory		38,088
Capital assets (nondepreciable)		141,716
Capital assets (depreciable, net of accumulated depreciation)		10,448,471
Total assets	\$	<u>19,126,030</u>
LIABILITIES		
Accounts payable	\$	281,716
Salaries and benefits payable		1,037,491
Accrued interest payable		11,385
Bonds payable due within one year		70,000
Bonds payable due in more than one year		4,225,000
Total liabilities	\$	<u>5,625,592</u>
NET POSITION		
Net investment in capital assets	\$	6,295,187
Restricted for:		
Bus replacement		62,443
Continuation of federal programs		475,896
Capital projects		1,690,486
Debt service		4,190,867
Unrestricted		785,559
Total net position	\$	<u><u>13,500,438</u></u>

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

TWIGGS COUNTY BOARD OF EDUCATION

EXHIBIT "B"

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

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Instruction	\$ 5,721,739		\$ 2,979,120	\$ (2,742,619)
Support services:				
Pupil services	451,686		76,051	(375,635)
Improvement of instructional services	473,830		475,865	2,035
Educational media services	174,882		127,983	(46,899)
General administration	264,820		400,433	135,613
School administration	569,911		427,334	(142,577)
Business administration	285,218		8,405	(276,813)
Maintenance and operation of plant	797,043		297,236	(499,807)
Student transportation services	720,041		320,873	(399,168)
Central support services	2		64	62
Other support services	79,215		26,845	(52,370)
Food service operations	609,074	\$ 28,294	618,199	37,419
Community service operation	45,058		44,990	(68)
Interest on long-term debt	22,770			(22,770)
Total governmental activities	<u>\$ 10,215,289</u>	<u>\$ 28,294</u>	<u>\$ 5,803,398</u>	<u>\$ (4,383,597)</u>
General revenues:				
Taxes:				
Property taxes, levied for maintenance and operations			\$ 3,886,743	
Sales taxes, for capital projects			852,403	
Intangible taxes			26,220	
Transfer taxes			2,951	
Railroad equipment tax			27,882	
Unrestricted investment earnings			81,187	
Miscellaneous			170,155	
Total general revenues			<u>\$ 5,047,541</u>	
Change in net position			663,944	
Net position, beginning of year, as restated			12,836,494	
Net position, end of year			<u><u>\$ 13,500,438</u></u>	

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

TWIGGS COUNTY BOARD OF EDUCATION

EXHIBIT "C"

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

ASSETS	General	District - Wide Capital Projects	Debt Service	Total Governmental Funds
Cash and cash equivalents	\$ 1,185,437	\$ 1,641,619	\$ 100,944	\$ 2,928,000
Investments			4,055,104	4,055,104
Receivables:				
Taxes	478,952	54,341		533,293
Intergovernmental:				
State	533,656			533,656
Federal	397,999			397,999
Interest			46,204	46,204
Other	3,499			3,499
Due from other funds		18,643		18,643
Inventory	38,088			38,088
Total assets	\$ 2,637,631	\$ 1,714,603	\$ 4,202,252	\$ 8,554,486
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 257,599	\$ 24,117		\$ 281,716
Salaries and benefits payable	1,037,491			1,037,491
Due to other funds	18,643			18,643
Total liabilities	1,313,733	24,117		\$ 1,337,850
DEFERRED INFLOWS				
Unavailable revenue - property taxes	\$ 396,267			\$ 396,267
Unavailable revenue - grants	13,237			13,237
Total deferred inflows	409,504			409,504
FUND BALANCES				
Nonspendable: inventory	\$ 38,088			\$ 38,088
Restricted for:				
Continuation of federal programs	437,808			437,808
Bus replacement	62,443			62,443
Debt service			\$ 4,202,252	4,202,252
Capital projects		\$ 1,690,486		1,690,486
Assigned for:				
Student activities	7,852			7,852
Subsequent year's budget	368,203			368,203
Total fund balances	\$ 914,394	\$ 1,690,486	\$ 4,202,252	\$ 6,807,132
Total liabilities, deferred inflows, and fund balances	\$ 2,637,631	\$ 1,714,603	\$ 4,202,252	\$ 8,554,486

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

TWIGGS COUNTY BOARD OF EDUCATION

EXHIBIT "D"

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2013**

Total fund balances - governmental funds (Exhibit "C")		\$	6,807,132
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds.

Cost	\$	21,160,595	
Less accumulated depreciation		<u>(10,570,408)</u>	10,590,187

Other long-term assets are not available to pay for current-period expenditures and are reported as unavailable revenue in the funds.

Property taxes	\$	396,267	
Grants		<u>13,237</u>	409,504

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds	\$	(4,295,000)	
Accrued interest		<u>(11,385)</u>	(4,306,385)

Net position of governmental activities (Exhibit "A")		\$	<u>13,500,438</u>
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The accompanying notes are an integral part of these financial statements.

TWIGGS COUNTY BOARD OF EDUCATION

EXHIBIT "E"

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

	<u>General</u>	<u>District - Wide Capital Projects</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
REVENUES				
Property taxes	\$ 3,884,232			\$ 3,884,232
Sales taxes	29,171	\$ 852,403		881,574
Other taxes	27,882			27,882
State funds	4,270,385			4,270,385
Federal funds	1,519,776			1,519,776
Charges for services	28,294			28,294
Investment earnings	2,583	3,419	\$ 75,185	81,187
Miscellaneous	170,155			170,155
Total revenues	<u>\$ 9,932,478</u>	<u>\$ 855,822</u>	<u>\$ 75,185</u>	<u>\$ 10,863,485</u>
EXPENDITURES				
Current:				
Instruction	\$ 5,153,579	\$ 48,309		\$ 5,201,888
Support Services:				
Pupil services	442,076	9,610		451,686
Improvement of instructional services	473,830			473,830
Educational media services	174,882			174,882
General administration	264,820			264,820
School administration	567,907	2,004		569,911
Business administration	281,243	2,748		283,991
Maintenance and operation of plant	758,458	52,683		811,141
Student transportation services	617,444	25,313		642,757
Central support services	2			2
Other support services	79,215			79,215
Food service operation	609,533			609,533
Community service operation	45,058			45,058
Principal retirement			\$ 65,000	65,000
Interest and fees			24,379	24,379
Total expenditures	<u>\$ 9,468,047</u>	<u>\$ 140,667</u>	<u>\$ 89,379</u>	<u>\$ 9,698,093</u>
Net change in fund balances	\$ 464,431	\$ 715,155	\$ (14,194)	\$ 1,165,392
FUND BALANCE, beginning of year	<u>449,963</u>	<u>975,331</u>	<u>4,216,446</u>	<u>5,641,740</u>
FUND BALANCE, end of year	<u><u>\$ 914,394</u></u>	<u><u>\$ 1,690,486</u></u>	<u><u>\$ 4,202,252</u></u>	<u><u>\$ 6,807,132</u></u>

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

TWIGGS COUNTY BOARD OF EDUCATION**EXHIBIT "F"****RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Net change in fund balances - total governmental funds (Exhibit "E")	\$	1,165,392
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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 position.

Capital outlay	\$	37,125	
Depreciation expense		<u>(620,930)</u>	(583,805)

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

Property taxes	\$	2,511	
Grants		<u>13,237</u>	15,748

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

Principal payments - bonds			65,000
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in accrued interest		<u>1,609</u>	
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Changes in net position of governmental activities (Exhibit "B")	\$	<u><u>663,944</u></u>
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The accompanying notes are an integral part of these financial statements.

TWIGGS COUNTY BOARD OF EDUCATION

EXHIBIT "G"

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

	ASSETS	Agency Funds
Cash		<u>\$ 11,660</u>
	LIABILITIES	
Funds held for others		<u>\$ 11,660</u>

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

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

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*, *GASB Statement No. 39, Determining Whether Certain Organizations are Component Units* and *GASB 61, the Financial Reporting Entity: Omnibus*. However, currently there are no standing members of the Recreation Authority and no financial activity. As of the year ended June 30, 2013, the Recreation Authority has no assets or liabilities. The Recreation Authority Bonds, Series 2001, as described in Note 10, 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 Position and the Statement of Activities display information about the financial activities of the overall School District, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

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

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 and reports all financial resources of the School District, except those resources required to be accounted for in another fund.
- The *District-wide Capital Projects Fund* accounts for and reports financial resources including Special Purpose Local Option Sales Tax (SPLOST), 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, 2013**

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, 2013

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 position available to finance the program. It is the School District's policy to first apply grant resources to such programs, followed by cost-reimbursement grants, then general revenues.

The State of Georgia reimburses the School System for teachers' salaries and operating costs through the Quality Basic Education (QBE) Formula Earnings program. State of Georgia law defines the formula driven grant that determines the cost of an academic school year and the State of Georgia's share in this cost. Generally, teachers are contracted for the school year (July 1 - June 30) and paid over a 12-month contract period, generally, September 1 through August 31. In accordance with the requirements of the enabling legislation of the QBE program, the State of Georgia reimburses the School System over the same 12-month period in which teachers are paid, funding the academic school year expenditures. At June 30, the amount of teachers' salaries incurred but not paid until July and August of the subsequent year are accrued as the State of Georgia has only postponed the final payment of their share of the cost until the subsequent appropriations for cash management purposes. By June 30 of each year, the State of Georgia has a signed appropriation that includes this final amount, which represents the State of Georgia's intent to fund this final payment. Based on guidance in Government Accounting Standards Board (GASB) Statement No. 33, paragraph 74, the State of Georgia recognizes its QBE liability for the July and August salaries at June 30, and the School System recognizes the same QBE as a receivable and revenue, consistent with symmetrical recognition.

New Accounting Pronouncements

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

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

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

EXHIBIT "H"

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2013

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 2012 tax digest year (calendar year) on September 6, 2012 (levy date) based on property values as of January 1, 2012. Taxes were due on November 30, 2012 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2012 tax digest are reported as revenue in the governmental funds for fiscal year 2013. The 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, 2013, for maintenance and operations amounted to \$3,884,232.

The tax millage rate levied for the 2012 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>16.600</u> mills
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Sales Taxes

Education Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to \$852,403 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, 2013**

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	\$ 10,000	15 to 20 Years
Buildings and Improvements	10,000	5 to 50 Years
Equipment	10,000	3 to 20 Years

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

General Obligation Bonds

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

In the fund financial statements, the School District recognizes bond premiums and discounts, as well as bond issuance costs during the fiscal year 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 Position.

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

EXHIBIT "H"

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows / Inflows of Resources

The District implemented GASB Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*, as of July 1, 2012. These new standards establish accounting and financial reporting for deferred outflows / inflows of resources and the concept of net position as the residual of all other elements presented in a statement of net position.

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

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

Net Position

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

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

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

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

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

EXHIBIT "H"

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances

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

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

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

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

Assigned - Amounts intended to be used by the School District for specific purposes. Intent can be expressed by the Board of Education, 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.

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.

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

EXHIBIT "H"

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances (Continued)

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: BUDGETS

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

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

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

EXHIBIT "H"

Note 3: BUDGETS (CONTINUED)

The Superintendent is authorized by the Board to approve adjustments for expenditures within any budget function for any fund. Expenditures may not exceed the total appropriation at the aggregate level by function without the board's approval of a budget amendment. Under no circumstance is the Superintendent or other staff person authorized to spend funds that exceed the total budget without approval by the Board.

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

Note 4: DEPOSITS 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 10 days a sum of money which has not been secured by surety bond, by guarantee of insurance, or by collateral. The aggregate of the face value of such surety bond and the market value of securities pledged shall be equal to not less than 110 percent of the public funds being secured after the deduction of the amount of deposit insurance. If a depository elects the pooled method (OCGA 45-8-13.1) the aggregate of the market value of the securities pledged to secure a pool of public funds shall be not less than 110 percent of the daily pool balance.

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

- (1) Surety bond signed by a surety company duly qualified and authorized to transact business within the State of Georgia,
- (2) Insurance on accounts provided by the Federal Deposit Insurance Corporation,
- (3) Bonds, bills, notes, certificates of indebtedness or other direct obligations of the United States or of the State of Georgia,
- (4) Bonds, bills, notes, certificates of indebtedness or other obligations of the counties or municipalities of the State of Georgia,
- (5) Bonds of any public authority created by the laws of the State of Georgia, providing that the statute that created the authority authorized the use of the bonds for this purpose,
- (6) Industrial revenue bonds and bonds of development authorities created by the laws of the State of Georgia, and
- (7) Bonds, bills, notes, certificates of indebtedness, or other obligations of a subsidiary corporation of the United States government, which are fully guaranteed by the United States government both as to principal and interest or debt obligations issued by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, the Central Bank for Cooperatives, the Farm Credit Banks, the Federal Home Loan Mortgage Association, and the Federal National Mortgage Association.

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

EXHIBIT "H"

Note 4: DEPOSITS AND INVESTMENTS (CONTINUED)

Categorization of Deposits - Custodial credit risk is the risk that in the event of bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At June 30, 2013, the bank balances were \$2,893,441. 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, 2013, are presented below.

Investment	Maturities	Rating*	Fair Value
Georgia Fund 1	43 day weighted average	AAAf	\$ 589,789
Municipal Electric Authority of Georgia, Series D	January 1, 2015	A	3,465,315
			<u>\$ 4,055,104</u>

**Rating as per Standard & Poor's*

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

The Primary Liquidity Portfolio consists of Georgia Fund 1 which is not registered with the SEC as an investment company but does operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. The investment is valued at the pool's share price, \$1.00 per share. The pool is an AAAf rated investment pool by Standard & Poor's. The weighted average maturity of Georgia Fund 1 may not exceed 60 days. The weighted average maturity for Georgia Fund 1 on June 30, 2013 was 43 days.

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

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

EXHIBIT "H"

Note 4: DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2013, \$3,465,315 of the School District's applicable investments was uninsured, and is 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.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of government's investment in a single issuer. The School District does not have a formal policy for managing concentration of credit risk. More than 5% of the School District's investments are in MEAG, Series D. This investment is 85.46% of the School District's total investments.

Note 5: NON-MONETARY TRANSACTIONS

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

Note 6: CAPITAL ASSETS

Current year depreciation expense by function is as follows:

Instruction		\$	519,851
Support Services			
Business Administration	\$	1,227	
Maintenance and Operations		9,382	
Student Transportation		<u>77,284</u>	87,893
Food Services			<u>13,186</u>
Total Depreciation Expense		\$	<u><u>620,930</u></u>

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

EXHIBIT "H"

Note 6: CAPITAL ASSETS (CONTINUED)

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

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 141,716	\$ -	\$ -	\$ 141,716
Total	<u>141,716</u>	<u>-</u>	<u>-</u>	<u>141,716</u>
Capital assets, being depreciated:				
Buildings and improvements	13,391,597	-	-	13,391,597
Equipment	2,643,022	37,125	-	2,680,147
Land improvements	4,947,135	-	-	4,947,135
Total	<u>20,981,754</u>	<u>37,125</u>	<u>-</u>	<u>21,018,879</u>
Less accumulated depreciation for:				
Buildings and improvements	(5,633,613)	(288,605)	-	(5,922,218)
Equipment	(1,662,721)	(109,543)	-	(1,772,264)
Land improvements	(2,653,144)	(222,782)	-	(2,875,926)
Total	<u>(9,949,478)</u>	<u>(620,930)</u>	<u>-</u>	<u>(10,570,408)</u>
Total capital assets, being depreciated, net	<u>11,032,276</u>	<u>(583,805)</u>	<u>-</u>	<u>10,448,471</u>
Governmental activities capital assets, net	<u>\$ 11,173,992</u>	<u>\$ (583,805)</u>	<u>\$ -</u>	<u>\$ 10,590,187</u>

Note 7: 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, 2013, consisted of the following:

Due To	Due From General Fund
District-Wide Capital Projects Fund	<u>\$ 18,643</u>

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

EXHIBIT "H"

Note 8: RISK MANAGEMENT

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

The School District has obtained commercial insurance for risk of loss associated with torts, assets, and errors or omissions. The School District has neither significantly reduced coverage for these risks nor incurred losses (settlements) which exceeded the School District's insurance coverage in any of the past three years.

The School District has elected to self-insure for all potential losses 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 Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Paid</u>	<u>End of Year Liability</u>
2012	<u>\$ -</u>	<u>\$ 31,329</u>	<u>\$ 31,329</u>	<u>\$ -</u>
2013	<u>\$ -</u>	<u>\$ 37,222</u>	<u>\$ 37,222</u>	<u>\$ -</u>

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

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

EXHIBIT "H"

Note 8: RISK MANAGEMENT (CONTINUED)

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

<u>Position Covered</u>	<u>Amount</u>
Superintendent	\$ 500,000
Principal	30,000 to 50,000
Bookkeeper	30,000 to 100,000
Chief Financial Officer	500,000

Note 9: SHORT-TERM DEBT

Tax Anticipation Note

The School District issued a tax anticipation note in advance of property tax collections, depositing the proceeds in its General Fund. This short-term debt is to provide cash for operations until property tax collections were received by the School District. Article IX, Section V, Paragraph V of the Constitution of the State of Georgia limits the aggregate amount of short-term debt to 75 percent of the total gross income from taxes collected in the preceding year and requires all short-term debt to be repaid no later than December 31 of the calendar year in which the debt was incurred. The maturity date of the loan was December 31, 2012. One draw totaling \$850,000 was required to meet the cash flow needs of the School District. The note was repaid on December 18, 2012.

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Tax Anticipation Note	\$ -	\$ 850,000	\$ (850,000)	\$ -

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

EXHIBIT "H"

Note 10: LONG-TERM DEBT

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%	\$ 460,000
General Government - QZAB Series 2002	2016	0.00%	3,835,000
			<u>\$ 4,295,000</u>

Changes in Long-Term Debt

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Twiggs County Recreation Authority Bonds, Series 2001	\$ 525,000	\$ -	\$ (65,000)	\$ 460,000	\$ 70,000
QZAB, Series 2001	3,835,000	-	-	3,835,000	-
Total	<u>\$ 4,360,000</u>	<u>\$ -</u>	<u>\$ (65,000)</u>	<u>\$ 4,295,000</u>	<u>\$ 70,000</u>

Scheduled Maturities of Long-Term Debt

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

<u>Fiscal Year Ended June 30</u>	<u>Twiggs County Recreation Authority Bonds, Series 2001</u>		<u>QZAB Series 2001</u>
	<u>Principal</u>	<u>Interest</u>	
2014	\$ 70,000	\$ 21,038	\$ -
2015	70,000	17,573	-
2016	75,000	13,984	3,835,000
2017	80,000	10,148	-
2018	80,000	6,188	-
2019	85,000	2,104	-
Total Principal and Interest	<u>\$ 460,000</u>	<u>\$ 71,035</u>	<u>\$ 3,835,000</u>

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

EXHIBIT "H"

Note 11: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of \$641,039 for health insurance and retirement contributions paid on the School District's behalf by the following state agencies.

Georgia Department of Education

 Paid to the Georgia Department of Community Health

 For Health Insurance of Certificated Personnel

 In the amount of \$616,308

 Paid to the Teachers Retirement System

 For Teachers Retirement System (TRS) Employer's Cost

 In the amount of \$2,985

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 \$21,746

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

Note 12: 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 13: OTHER POST EMPLOYMENT BENEFITS

Georgia School Personnel Employees' Post-employment Health Benefit Fund

Plan Description. The Georgia School Personnel Post-employment Health Benefit Fund (School OPEB Fund) is a cost-sharing multiple-employer defined benefit postemployment healthcare plan that covers eligible former employees of public school systems, libraries and regional educational service agencies. The School OPEB Fund provides health insurance benefits to eligible former employees and their qualified beneficiaries through the State Employees Health Insurance Plan administered by the Department of Community Health. The Official Code of Georgia Annotated (OCGA) assigns the authority to establish and amend the benefit provisions of the group health plans, including benefits for retirees, to the Board of Community Health (Board). The Department of Community Health, which includes the School OPEB Fund, issues a separate standalone 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, 2013**

EXHIBIT "H"

Note 13: OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

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

Participating employers are statutorily required to contribute in accordance with the employer contribution rates established by the Board. The contribution rates are established to fund all benefits due under the health insurance plans for both active and retired employees based on projected "pay-as-you-go" financing requirements. Contributions are not based on the actuarially calculated annual required contribution (ARC) which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 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, 2013:

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

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

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

EXHIBIT "H"

Note 13: OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

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

For non-certificated school personnel:

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

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

Currently, the state is requiring that local Boards of Education pay only on active employees. The District's contributions to the health insurance plans for the fiscal years ended June 30, 2013, 2012, 2011 were \$880,800, \$1,024,246, and \$995,811, 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 14: 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). SRPB-TRS was established as a qualified excess benefit plan in accordance with Section 415 of the Internal Revenue Code (IRC) as a portion of TRS. The purpose of SRBP-TRS is to provide retirement benefits to employees covered by TRS whose benefits are otherwise limited by IRC Section 415. Beginning July 1, 1997, all members and retired former members in TRS are eligible to participate in the SRPB-TRS whenever their benefits under TRS exceed the IRC Section 415 imposed limitation on benefits.

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

EXHIBIT "H"

Note 14: RETIREMENT PLAN (CONTINUED)

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

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

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

<u>Fiscal Year</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>
2013	100%	\$ 541,051
2012	100%	567,614
2011	100%	583,296

Public School Employees' Retirement System (PSERS)

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

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

EXHIBIT "H"

Note 15: SUBSEQUENT EVENT

Tax Anticipation Note

On September 25, 2013, the Twiggs County Board of Education issued a temporary loan in advance of property tax collections with a financial institution in the amount of \$950,000. Proceeds from this short-term loan were issued to provide cash for operations until property tax collections were received by the School District. The maturity date of the loan was December 31, 2013. One draw totaling \$950,000 was required to meet the cash flow needs of the School District. The note was repaid on December 11, 2013.

Note 16: PRIOD PERIOD ADJUSTMENT

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

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

Net Position, Governmental Activities, previously reported	\$ 12,880,755
Recognition of issuance costs incurred in prior periods	(44,261)
Net Position, Governmental Activities, as restated	<u>\$ 12,836,494</u>

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TWIGGS COUNTY BOARD OF EDUCATION

SCHEDULE "1"

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Nonappropriated Budget		Actual	Variance With Final Budget
	Original (1)	Final (1)		
REVENUES				
Property taxes	\$ 3,624,028	\$ 3,624,028	\$ 3,884,232	\$ 260,204
Sales taxes			29,171	29,171
Other taxes			27,882	27,882
State funds	3,425,857	3,425,857	4,270,385	844,528
Federal funds		6,000	1,519,776	1,513,776
Charges for services			28,294	28,294
Investment earnings			2,583	2,583
Miscellaneous			170,155	170,155
Total revenues	<u>\$ 7,049,885</u>	<u>\$ 7,055,885</u>	<u>\$ 9,932,478</u>	<u>\$ 2,876,593</u>
EXPENDITURES				
Current:				
Instruction	\$ 4,400,937	\$ 4,928,742	\$ 5,153,579	\$ (224,837)
Support services:				
Pupil services	404,633	492,408	442,076	50,332
Improvement of instructional services	11,450	672,338	473,830	198,508
Educational media services	167,733	167,733	174,882	(7,149)
General administration	245,689	247,424	264,820	(17,396)
School administration	527,610	527,610	567,907	(40,297)
Business administration	167,678	167,678	281,243	(113,565)
Maintenance and operation of plant	928,726	854,723	758,458	96,265
Student transportation services	573,455	588,054	617,444	(29,390)
Central support services	9,100	9,100	2	9,098
Other support services	22,900	58,712	79,215	(20,503)
Food service operations			609,533	(609,533)
Community service operation			45,058	(45,058)
Total expenditures	<u>\$ 7,459,911</u>	<u>\$ 8,714,522</u>	<u>\$ 9,468,047</u>	<u>\$ (753,525)</u>
Net change in fund balances	\$ (410,026)	\$ (1,658,637)	\$ 464,431	\$ 2,123,068
FUND BALANCE, beginning of year	<u>449,963</u>	<u>449,963</u>	<u>449,963</u>	<u>-</u>
FUND BALANCE, end of year	<u>\$ 39,937</u>	<u>\$ (1,208,674)</u>	<u>\$ 914,394</u>	<u>\$ 2,123,068</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 (\$128,793) or expenditures (\$125,127) 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, 2013

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	\$ 583,301 (2)
Total U. S. Department of Agriculture			\$ 583,301
Education, U. S. Department of Special Education Cluster Pass-Through From Georgia Department of Education Special Education			
Grants to States	* 84.027	N/A	\$ 350,094
Preschool Grants	* 84.173	N/A	246
Total Special Education Cluster			\$ 350,340
Title I, Part A Cluster Pass-Through From Georgia Department of Education Title I Grants to Local Education Agencies			
	* 84.010	N/A	\$ 454,800
Other Programs Pass-Through From Georgia Department of Education			
Education Jobs Fund	84.410	N/A	\$ 401
Improving Teacher Quality State Grants	84.367	N/A	41,601
Rural Education	84.358	N/A	9,776
Career and Technical Education - Basic Grants to States	84.048	N/A	14,824
Total U. S. Department of Education			\$ 871,742
Defense, U. S. Department of Direct Department of the Air Force R.O.T.C. Program			
	N/A	N/A	48,844
Total Expenditures of Federal Awards			\$ 1,503,887

N/A = Not Available

Notes to the Schedule of Expenditures of Federal Awards

- (1) Expenditures for the funds earned on the School Breakfast Program (\$204,090) were not maintained separately and are included in the 2013 National School Lunch Program.
- (2) Includes the Federally assigned value of donated commodities for the Food Donation Program in the amount of \$30,159.

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 "3"

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

<u>Agency/Funding</u>	<u>Governmental Fund Type General Fund</u>
Grants	
Education, Georgia Department of	
Quality Basic Education	
Direct Instructional Cost	
Kindergarten Program	\$ 259,950
Kindergarten Program - Early Intervention Program	38,105
Primary Grades (1-3) Program	627,766
Primary Grades - Early Intervention (1-3) Program	56,742
Upper Elementary Grades (4-5) Program	269,666
Primary Grades - Early Intervention (4-5) Program	91,294
Middle School (6-8) Program	498,228
High School General Education (9-12) Program	507,642
Vocational Laboratory (9-12) Program	125,407
Students with Disabilities	782,828
Gifted Students - Category VI	(1,503)
Remedial Education Program	33,810
Alternative Education Program	43,178
Media Center Program	90,165
20 Days Additional Instruction	28,132
Staff and Professional Development	16,693
Indirect Cost	
Central Administration	300,734
School Administration	299,678
Facility Maintenance and Operations	204,566
Categorical Grants	
Pupil Transportation	
Regular	267,318
Nursing Services	45,000
Vocational Supervisors	6,939
Mid-term Adjustment Hold-Harmless	72,187
Food Services	18,102
Vocational Education	14,961
Amended Formula Adjustment	(627,980)
Other State Programs	
Preschool Handicapped State Grant	24,159
Lottery Programs	
Pre-Kindergarten	114,400
Human Resources, Georgia Department of	
Family Connection	31,753
Other Grants From Georgia Department of Education	
Math and Science Supplement	5,734
On-Behalf Payments	
Georgia Department of Education	
Paid to the Teachers Retirement System	2,985
Office of State Treasurer	
Paid to the Public School Employees Retirement System	21,746
Grand Total	<u>\$ 4,270,385</u>

See notes to the basic financial statements.

TWIGGS COUNTY BOARD OF EDUCATION

SCHEDULE "4"

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

<u>Project</u>	<u>Original Estimated Cost (1)</u>	<u>Current Estimated Costs (2)</u>	<u>Expended In Current Year (3)</u>	<u>Expended In Prior Years (3)</u>	<u>Total Completion Cost</u>	<u>Estimated Completion Date</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	\$ 931,975	\$ 89,379	\$ 842,596	\$ 931,975	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, including computer hardware, and security cameras and 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>140,667</u>	<u>1,203,699</u>	<u>1,344,366</u>	Ongoing
	<u>\$ 5,463,245</u>	<u>\$ 5,931,975</u>	<u>\$ 230,046</u>	<u>\$ 2,046,295</u>	<u>\$ 2,276,341</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.

As of June 30, 2013, there were no excess proceeds which were not yet expended.

See notes to the basic financial statements.

TWIGGS COUNTY BOARD OF EDUCATION

SCHEDULE "5"

**SCHEDULE OF QUALITY BASIC EDUCATION PROGRAMS (QBE)
ALLOTMENTS AND EXPENDITURES BY PROGRAM
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

<u>Description</u>	<u>Allotments From Georgia Department of Education (1) & (2)</u>	<u>Eligible QBE Program Costs</u>		
		<u>Salaries</u>	<u>Operations</u>	<u>Total</u>
Direct Instructional Funds:				
Kindergarten Program	\$ 335,582	\$ 259,693	\$ 534	\$ 260,227
Kindergarten Program - Early Intervention Program	44,159			
Primary Grades (1-3) Program	780,622	662,593	534	663,127
Primary Grades - Early Intervention (1-3) Program	74,265	30,477		30,477
Upper Elementary Grades (4-5) Program	343,007	480,232	1,066	481,298
Upper Elementary Grades-Early Intervention (4-5) Program	107,773	31,156		31,156
Middle Grades (6-8) Program			82	82
Middle School (6-8) Program	627,892	755,871	1,513	757,384
High School General Education (9-12) Program	656,215	835,147	5,600	840,747
Vocational Laboratory (9-12) Program	143,835	150,836	590	151,426
Students with Disabilities	982,544			
Category I		53,613		53,613
Category II		75,964		75,964
Category III		324,661	22,495	347,156
Category IV		130,839		130,839
Category V		95,565		95,565
Gifted Student - Category VI		1,529		1,529
Remedial Education Program	42,320			
Alternative Education Program	54,025	48,859		48,859
TOTAL DIRECT INSTRUCTIONAL PROGRAMS	\$ 4,192,239	\$ 3,937,035	\$ 32,414	\$ 3,969,449
Media Center Program	112,941	170,928	3,380	174,308
Staff and Professional Development	20,889	-	-	509
TOTAL QBE FORMULA FUNDS	\$ 4,326,069	\$ 4,107,963	\$ 35,794	\$ 4,144,266

(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

March 19, 2015

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, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Twiggs County Board of Education as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Twiggs County Board of Education's basic financial statements and have issued our report thereon dated March 19, 2015.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item FS-7431-13-05 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items FS-7431-13-01, FS-7431-13-02, FS-7431-13-03, FS-7431-13-04 and FS-7431-13-06 to be significant deficiencies.

Compliance and Other Matters

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

We noted certain matters that we have reported to management of Twiggs County Board of Education in a separate letter dated March 19, 2015.

Twiggs County Board of Education's Response to Findings

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

Purpose of this Report

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

Respectfully submitted,



Greg S. Griffin
State Auditor



DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

March 19, 2015

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

Ladies and Gentlemen:

Report on Compliance for Each Major Federal Program

We have audited 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, 2013. 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.

Management's Responsibility

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

Auditor's Responsibility

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

Management of Twiggs County Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Twiggs County Board of Education's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Respectfully submitted,



Greg S. Griffin
State Auditor

SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

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

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FINDING CONTROL NUMBER AND STATUS

FS-7431-11-01	Partially Resolved - See Corrective Action/Responses
FS-7431-11-02	Partially Resolved - See Corrective Action/Responses
FS-7431-12-01	Unresolved - See Corrective Action/Responses
FS-7431-12-02	Partially Resolved - See Corrective Action/Responses
FS-7431-12-03	Partially Resolved - See Corrective Action/Responses

CORRECTIVE ACTION/RESPONSES

CAPITAL ASSETS

Failure to Adequately Maintain Capital Assets

Finding Control Number: FS-7431-11-01

The Administration concurs with this finding. The Administration will review the School District's capital asset controls and procedures, making appropriate adjustments to ensure capital assets records conform to the School District's capital assets policy, intangible assets policy and generally accepted accounting principles (GAAP). 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 fiscal year 2013, which includes guidelines for maintaining an accurate capital assets listing. The School District has hired a Chief Financial Officer to oversee and ensure that proper procedures of GAAP are followed and administered.

EMPLOYEE COMPENSATION

Inadequate Internal Controls over Employee Compensation

Finding Control Number: FS-7431-11-02

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

CASH AND CASH EQUIVALENTS

Inadequate Internal Control Procedures

Finding Control Number: FS-7431-12-01

The Administration has partially implemented the planned action for this finding as of June 30, 2013. One bank account was closed in 2013, but was not reported on the 2013 financial statements. The other account was added to the general ledger in fiscal year 2014.

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

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

CORRECTIVE ACTION/RESPONSES

EMPLOYEE COMPENSATION

Inadequate Internal Controls over Employee Compensation
Finding Control Number: FS-7431-12-02

The Administration has partially implemented the corrective action as of June 30, 2013. In fiscal year 2013, the Chief Financial Officer prepared all salary sheets which were later reviewed by the Interim Superintendent. In fiscal year 2014, the Superintendent reviewed and approved all salary amounts. In addition, a salary scale for non-certificated employees was developed.

CAPITAL ASSETS

Failure to Adequately Maintain Capital Assets
Finding Control Number: FS-7431-12-03

The planned action is partially implemented as of June 30, 2013. The Finance Department has performed annual inventory counts of capital assets in fiscal year 2013 and 2014. An asset impairment policy and intangible asset policy will be developed by June 30, 2015.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING CONTROL NUMBER AND STATUS

FA-7431-11-01	Partially Resolved - See Corrective Action/Responses
FA-7431-12-01	Partially Resolved - See Corrective Action/Responses

CORRECTIVE ACTION/RESPONSES

ALLOWABLE COSTS/COST PRINCIPLES

Failure to Maintain Adequate Time and Effort Records
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)
Questioned Cost: \$21,469.55
Finding Control Number: FA-7431-11-01

The Administration concurs with this finding. The Administration will ensure that all salaries charged to Federal Programs are commensurate with the actual time devoted to those Federal Programs for fiscal year 2013. Any employees paid directly from a Federal Program are required to submit a monthly PAR that reflects the employees' exact times they are providing services for those programs. The employees' 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.

Auditor's Comment: The Administration has refunded the questioned costs associated with this finding to the Georgia Department of Education.

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

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

ALLOWABLE COSTS/COST PRINCIPLES

Failure to Maintain Adequate Time and Effort Records

U. S. Department of Education

Through Georgia Department of Education

Title I, Part A Cluster (CFDA 84.010)

Questioned Cost: \$3,554.63

Finding Control Number: FA-7431-12-01

The above corrective plan was implemented and during the fiscal year 2013 audit the auditors did not find any problems with inadequate Personnel Activity Reports for the Title I Program, so no new audit finding was issued in fiscal year 2013's engagement. The auditors did ask that we follow up with the Georgia Department of Education and obtain clearance that the fiscal year 2012 audit finding was resolved.

SECTION IV

FINDINGS AND QUESTIONED COSTS

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

I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted: No

Federal Awards

Internal Control over major programs:

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

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

Any audit findings disclosed that are required to be reported in
accordance with OMB Circular A-143, Section 510(a)? No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	Child Nutrition Cluster
84.010, 84.389	Title I, Part A Cluster
84.027, 84.173	Special Education Cluster

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

Auditee qualified as low-risk auditee? No

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

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS-7431-13-01 Inadequate Internal Control Procedures

Control Category: Cash and Cash Equivalents

Internal Control Impact: Significant Deficiency

Compliance Impact: N/A

Description:

This is a repeat finding (FS-7431-12-01) from fiscal year ended June 30, 2012. Weaknesses in internal controls were noted over the Cash and Cash Equivalents function.

Criteria:

The School District's management is responsible for designing and maintaining an adequate system of internal controls that ensures all cash accounts are supported by and reconciled to either cash on hand or bank accounts held at authorized financial institutions.

Condition:

Weaknesses noted related to Cash and Cash Equivalents were as follows:

- Several reconciliations reviewed by the auditor did not contain evidence of dates in which the reconciliations were prepared and reviewed; and
- Outstanding checks totaling \$40,243 identified on bank reconciliations which were written to the School District did not have corresponding deposits in transit recorded on the receiving bank reconciliations for the School District. The financial statement preparer corrected this error on the financial statements.

Cause:

Discussion with management revealed that they did not implement an adequate system of internal controls over Cash and Cash Equivalents to ensure adequate approvals of reconciliations and proper recording of cash.

Effect or Potential Effect:

The lack of adequate control over cash increases the risk for theft, fraud, or misuse of School District resources that may result in errors and/or irregularities which would not be detected in a timely manner.

Recommendation:

The School District should establish policies and procedures to ensure bank reconciliations are completed in a timely manner and administrative reviews are performed to determine that bank reconciliations are correct and all required adjustments are made.

Views of Responsible Officials and Corrective Action Plans:

The administration concurs with this finding. The administration has implemented appropriate procedures to strengthen internal controls over bank reconciliations in subsequent fiscal years. This includes improving separation of duties and management review and approval of monthly bank reconciliations of accounts.

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

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS-7431-13-02 Inadequate Internal Control Procedures

Control Category: Expenditures/Liabilities/Disbursements

Internal Control Impact: Significant Deficiency

Compliance Impact: N/A

Description:

Weaknesses in internal controls were noted over the expenditure process.

Criteria:

The School District's management is responsible for designing and maintaining an adequate system of internal controls to ensure that expenditures are recorded.

Condition:

Based on a review of 45 expenditures, weaknesses in internal controls related to the expenditure process were as follows:

- Two expenditures reviewed did not have a valid invoice to document what the School Board was receiving for the funds it spent;
- Thirteen expenditures reviewed were not properly approved prior to payment;
- Eight expenditures reviewed revealed that documentation of receipt of goods or services was not always obtained prior to payment;
- Problems were noted with cutoff procedures for several fiscal year 2012 expenditures, which were reported in fiscal year 2013;
- Three expenditures reviewed were classified incorrectly between Instruction and other functions; and

Cause:

Discussion with management revealed that these deficiencies were the result of inadequate training regarding the bidding process, expenditure approvals, documentation and cutoff.

Effect or Potential Effect:

The lack of adequate control over the expenditure process increases the risk for theft, fraud, or misuse of school district resources that may result in errors and/or irregularities which would not be detected in a timely manner.

Recommendation:

Effective internal control/monitoring policies and procedures should be implemented to ensure that expenditures are properly approved, classified and documented. Training over these policies and procedures should be provided to staff responsible for the expenditure process.

Views of Responsible Officials and Corrective Action Plans:

The administration concurs with this finding. The administration will implement stronger controls to ensure purchases are approved in advance and contain appropriate supporting documentation.

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

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Finding Control Number: FS-7431-13-03
Inadequate Internal Control Procedures Over School Activity Accounts
Control Category: Expenditures/Liabilities/Disbursements
Cash and Cash Equivalents
Revenues/Receivables/Receipts
Internal Control Impact: Significant Deficiency
Compliance Impact: N/A

Description:

Weaknesses were noted in internal controls over the school activity accounts.

Criteria:

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

Condition:

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

Cash and Cash Equivalents

- The bank reconciliation function was not separated from record keeping function consistently throughout the year under review; and
- Bank reconciliations were not reviewed consistently throughout the year under review.

Revenues/Receivables/Receipts

- Deposit preparation was not separated from the record keeping, cash custody, and bank reconciliation functions;
- There was no evidence of review of deposit by the principal in five receipts reviewed;
- There was no evidence of review or approval of deposit by individual submitting the money in four of five receipts reviewed; and
- None of the three deposits related to gate receipts reviewed were supported by documentation required by school procedures to substantiate/reconcile the amount of tickets sold to the cash taken in at the games.

Expenditures/Liabilities/Disbursements

- The custody of assets function was not separated from the record keeping and bank reconciliation functions; and
- Auditor noted no controls were in place to ensure prior approval of expenditures before goods and/or services were ordered or bought (with the expectation of reimbursement).

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

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

General Ledger

- The School District did not perform quarterly monitoring of school activity accounts as required; and
- Deficit fund balances were noted in numerous Agency School Activity Accounts as a result of inadequate monitoring.

Cause:

In discussing this deficiency with the School District, they stated they did not implement an adequate system of internal control or monitoring over the school activity accounts.

Effect or Potential Effect:

The lack of adequate control over the school activity accounts increases the risk for theft, fraud, or misuse of school district resources that may result in errors and/or irregularities which would not be detected in a timely manner.

Recommendation:

We recommend that management move quickly and decisively to address the deficiencies noted above because management's actions related to establishing good internal controls are the foundation for an effective internal control structure. Effective internal control/monitoring policies and procedures should be implemented to ensure that school activity accounts have adequate controls in place, duties are properly separated, and activity related to school activity accounts is monitored periodically.

Views of Responsible Officials and Corrective Action Plans:

The administration concurs with this finding. The administration has made personnel changes and implemented greater oversight of the school accounts. Policies and procedures have been developed to ensure greater internal controls over gate receipts.

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

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS-7431-13-04 Inadequate Internal Controls Procedures

Control Category: Employee Compensation

Internal Control Impact: Significant Deficiency

Compliance Impact: N/A

Description:

This is a repeat finding (FS-7431-12-02, FS-7431-11-02) from fiscal years ended June 30, 2012 and June 30, 2011, respectively. The accounting procedures of the School District were insufficient to provide adequate internal control procedures 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.

Condition:

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

- One employee was overpaid by \$2,611 based on a calculation error and inadequate review; and
- Employees had adequate documentation of pre-approval of salaries on file.

Cause:

Discussion with management revealed that these deficiencies were the result of inadequate time management, resulting in the inability to obtain prior approvals of these expenditures.

Effect or Potential 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 approval of employee salaries and processing of employee compensation. The School District should review this matter to determine if recovery or payment of funds is needed.

Views of Responsible Officials and Corrective Action Plans:

The administration concurs with this finding. The administration has implemented procedures to obtain prior approval of salaries as well as a salary scale for classified employees.

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

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS-7431-13-05 Inadequate Internal Control Procedures

Control Category: General Ledger

Internal Control Impact: Material Weakness

Compliance Impact: N/A

Description:

Internal controls were insufficient to prevent the recording of undocumented and unapproved journal entries.

Criteria:

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

Condition:

A review of the School District's journal entries revealed that there is no documentation of supervisory review of journal entries being posted into the financial accounting system.

Cause:

Discussion with management revealed that these deficiencies were the result of inadequate time management and documentation.

Effect or Potential Effect:

The lack of adequate internal control over this area increases the risk for theft, fraud, or misuse of School District resources that may result in errors and/or irregularities which would not be detected in a timely manner.

Recommendation:

The School District should establish procedures to ensure that journal entries are properly approved.

Views of Responsible Officials and Corrective Action Plans:

The administration concurs with this finding. The administration will implement appropriate procedures to strengthen controls over journal entries. This includes documenting approval of all journal entries prior to their posting in PC Genesis and documenting the review of monthly journal entry reports to ensure all journal entries are properly approved.

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

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS-7431-13-06 Failure to Adequately Maintain Capital Assets

Control Category: Capital Assets

Internal Control Impact: Significant Deficiency

Compliance Impact: N/A

Description:

This is a repeat finding (FS-7431-12-03, FS-7431-11-01, FS-7431-10-01) from fiscal years ended June 30, 2012, June 30, 2011, and June 30, 2010, respectively. The School District did not adequately maintain capital assets records.

Criteria:

Chapter 37 *Implementing 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. Governmental Accounting Standards Board (GASB) Statement Number 42 requires School Districts to develop and implement an asset impairment policy, while GASB Statement Number 51 requires School Districts to develop and implement an intangible asset policy.

Condition:

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

- Physical inventory performed by the board revealed 16 assets included on the capital asset listing that could not be located or were not being used in operations by the Board. These assets were not removed from the listing, however they were fully depreciated;
- Depreciation expense for the current year was not charged in the correct amount;
- Several classes of assets were not being depreciated over useful lives as described by Board policy; and
- No adequate asset impairment or intangible assets policies have been developed by the School District.

Cause:

Discussion with management revealed that these deficiencies were the result of inadequate training on adherence to the Board's capitalization policy.

Effect or Potential Effect:

The failure of the School District to maintain complete and accurate capital asset records 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 assets controls and procedures and make appropriate adjustments to ensure 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.

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

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Views of Responsible Officials and Corrective Action Plans:

The administration concurs with this finding. The Finance Department performed an annual inventory count of capital assets in fiscal year 2014. The administration plans to dispose of all capital assets that are no longer in operation, and remove these items from the listing. The administration will develop and implement an asset impairment and intangible asset policies in fiscal year 2015.

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III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.