

**TWIGGS COUNTY  
BOARD OF EDUCATION**

**ANNUAL FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2014**

**TWIGGS COUNTY BOARD OF EDUCATION  
ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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## **FINANCIAL SECTION**



## INDEPENDENT AUDITOR'S REPORT

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To the Superintendent and Members of the  
Twiggs County Board of Education  
Jeffersonville, Georgia

### 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 of the **Twiggs County Board of Education** as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Twiggs County Board of Education'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 the 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 from 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.

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### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Twiggs County Board of Education as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***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 General Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual, 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 about 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.

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*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 schedule of state revenue, the schedule of approved local option sales tax projects, as required by the Official Code of Georgia 48-8-121, the schedule of Quality Basic Education programs – allotments and expenditures by program – General Fund, and the schedule of schedule of expenditures of federal awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of state revenue, the schedule of approved local option sales tax projects, the schedule of Quality Basic Education programs – allotments and expenditures by program – General Fund, and the schedule of expenditures of federal awards (collectively “the supplementary information”) are the responsibility of management and were derived from and relate 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 supplementary 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 February 1, 2017, 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 the Twiggs County Board of Education's internal control over financial reporting and compliance.

*Mauldin & Jenkins, LLC*

Macon, Georgia  
February 1, 2017

## **BASIC FINANCIAL STATEMENTS**

# TWIGGS COUNTY BOARD OF EDUCATION

## STATEMENT OF NET POSITION

JUNE 30, 2014

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 2,676,830
Investments	4,098,879
Receivables:	
Taxes	580,315
Intergovernmental:	
State	425,829
Federal	369,482
Interest	46,458
Other	2,446
Inventory	47,375
Capital assets (nondepreciable)	141,716
Capital assets (depreciable, net of accumulated depreciation)	9,050,669
Total assets	<u>\$ 17,439,999</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 366,283
Salaries and benefits payable	997,342
Accrued interest payable	9,653
Unearned revenue	7,719
Bonds payable due within one year	70,000
Bonds payable due in more than one year	4,155,000
Capital leases due within one year	57,911
Capital leases due in more than one year	59,081
Total liabilities	<u>\$ 5,722,989</u>
<b>NET POSITION</b>	
Net investment in capital assets	\$ 4,850,393
Restricted for:	
Bus replacement	62,443
Continuation of federal programs	403,245
Capital projects	1,713,606
Debt service	4,190,386
Unrestricted	496,937
Total net position	<u><u>\$ 11,717,010</u></u>

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



# TWIGGS COUNTY BOARD OF EDUCATION

## STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental activities:				
Instruction	\$ 5,789,424	\$ -	\$ 2,872,861	\$ (2,916,563)
Support services:				
Pupil services	509,739	-	128,914	(380,825)
Improvement of instructional services	1,015,994	-	1,019,178	3,184
Educational media services	199,296	-	108,332	(90,964)
General administration	431,235	-	383,500	(47,735)
School administration	511,808	-	432,493	(79,315)
Business administration	338,726	-	2,993	(335,733)
Maintenance and operation of plant	1,254,598	-	270,944	(983,654)
Student transportation services	777,554	-	290,348	(487,206)
Other support services	112,007	-	85,473	(26,534)
Food service operations	690,704	18,472	650,133	(22,099)
Community service operation	45,000	-	45,000	-
Interest on long-term debt	19,306	-	-	(19,306)
Total governmental activities	<u>\$ 11,695,391</u>	<u>\$ 18,472</u>	<u>\$ 6,290,169</u>	<u>\$ (5,386,750)</u>

### General revenues:

#### Taxes:

Property taxes, levied for maintenance and operations	\$ 3,819,089
Sales taxes, for capital projects	516,402
Intangible taxes	12,071
Transfer taxes	12,488
Railroad equipment tax	30,015
Unrestricted investment earnings	95,705
Miscellaneous	235,548
Total general revenues	<u>\$ 4,721,318</u>
Change in net position	(665,432)
Net position, beginning of year, as restated	12,382,442
Net position, end of year	<u><u>\$ 11,717,010</u></u>

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

# TWIGGS COUNTY BOARD OF EDUCATION

## BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2014

ASSETS	General	District - Wide Capital Projects	Debt Service	Total Governmental Funds
Cash and cash equivalents	\$ 828,464	\$ 1,793,664	\$ 54,702	\$ 2,676,830
Investments	-	-	4,098,879	4,098,879
Receivables:				
Taxes	580,094	221	-	580,315
Intergovernmental:				
State	425,829	-	-	425,829
Federal	369,482	-	-	369,482
Interest	-	-	46,458	46,458
Other	2,446	-	-	2,446
Due from other funds	-	13,311	-	13,311
Inventory	47,375	-	-	47,375
	<u>\$ 2,253,690</u>	<u>\$ 1,807,196</u>	<u>\$ 4,200,039</u>	<u>\$ 8,260,925</u>
<b>LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 272,693	\$ 93,590	\$ -	\$ 366,283
Salaries and benefits payable	997,342	-	-	997,342
Due to other funds	13,311	-	-	13,311
Unearned revenue	7,719	-	-	7,719
Total liabilities	<u>1,291,065</u>	<u>93,590</u>	<u>-</u>	<u>1,384,655</u>
<b>DEFERRED INFLOWS</b>				
Unavailable revenue - property taxes	392,890	-	-	392,890
Unavailable revenue - grants	4,361	-	-	4,361
Total deferred inflows	<u>397,251</u>	<u>-</u>	<u>-</u>	<u>397,251</u>
<b>FUND BALANCES</b>				
Nonspendable: inventory	47,375	-	-	47,375
Restricted for:				
Continuation of federal programs	327,870	-	-	327,870
Bus replacement	62,443	-	-	62,443
Debt service	-	-	4,200,039	4,200,039
Capital projects	-	1,713,606	-	1,713,606
Assigned for student activities	15,396	-	-	15,396
Unassigned	112,290	-	-	112,290
	<u>565,374</u>	<u>1,713,606</u>	<u>4,200,039</u>	<u>6,479,019</u>
Total fund balances	<u>565,374</u>	<u>1,713,606</u>	<u>4,200,039</u>	<u>6,479,019</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 2,253,690</u>	<u>\$ 1,807,196</u>	<u>\$ 4,200,039</u>	<u>\$ 8,260,925</u>

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

# TWIGGS COUNTY BOARD OF EDUCATION

## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2014

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Total fund balances - governmental funds		\$	6,479,019
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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	\$	21,457,581	
Less accumulated depreciation		<u>(12,265,196)</u>	9,192,385

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

Property taxes	\$	392,890	
Grants		<u>4,361</u>	397,251

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

Bonds	\$	(4,225,000)	
Accrued interest		(9,653)	
Capital leases		<u>(116,992)</u>	<u>(4,351,645)</u>

Net position of governmental activities		\$	<u><u>11,717,010</u></u>
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**The accompanying notes are an integral part of these financial statements.**

# TWIGGS COUNTY BOARD OF EDUCATION

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	General	District - Wide Capital Projects	Debt Service	Total Governmental Funds
<b>REVENUES</b>				
Property taxes	\$ 3,822,466	\$ -	\$ -	\$ 3,822,466
Sales taxes	24,559	516,402	-	540,961
Other taxes	30,015	-	-	30,015
State funds	3,805,964	-	-	3,805,964
Federal funds	2,493,081	-	-	2,493,081
Charges for services	18,472	-	-	18,472
Investment earnings	2,521	4,137	89,047	95,705
Miscellaneous	235,548	-	-	235,548
Total revenues	<u>\$ 10,432,626</u>	<u>\$ 520,539</u>	<u>\$ 89,047</u>	<u>\$ 11,042,212</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	\$ 5,318,287	\$ 31,747	\$ -	\$ 5,350,034
Support Services:				
Pupil services	506,150	3,589	-	509,739
Improvement of instructional services	1,015,994	-	-	1,015,994
Educational media services	193,296	6,000	-	199,296
General administration	427,094	4,141	-	431,235
School administration	505,861	5,947	-	511,808
Business administration	248,635	88,642	222	337,499
Maintenance and operation of plant	1,027,733	252,057	-	1,279,790
Student transportation services	654,267	222,288	-	876,555
Other support services	112,007	-	-	112,007
Food service operation	727,322	-	-	727,322
Community service operation	45,000	-	-	45,000
Debt service:				
Principal retirement	-	60,274	70,000	130,274
Interest and fees	-	-	21,038	21,038
Total expenditures	<u>\$ 10,781,646</u>	<u>\$ 674,685</u>	<u>\$ 91,260</u>	<u>\$ 11,547,591</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (349,020)</u>	<u>\$ (154,146)</u>	<u>\$ (2,213)</u>	<u>\$ (505,379)</u>
<b>OTHER FINANCING SOURCES</b>				
Proceeds from capital lease	\$ -	\$ 177,266	-	177,266
Total other financing sources	<u>\$ -</u>	<u>\$ 177,266</u>	<u>\$ -</u>	<u>\$ 177,266</u>
Net change in fund balances	\$ (349,020)	\$ 23,120	\$ (2,213)	\$ (328,113)
<b>FUND BALANCE, beginning of year</b>	<u>914,394</u>	<u>1,690,486</u>	<u>4,202,252</u>	<u>6,807,132</u>
<b>FUND BALANCE, end of year</b>	<u><u>\$ 565,374</u></u>	<u><u>\$ 1,713,606</u></u>	<u><u>\$ 4,200,039</u></u>	<u><u>\$ 6,479,019</u></u>

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

## TWIGGS COUNTY BOARD OF EDUCATION

### RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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Net change in fund balances - total governmental funds	\$	(328,113)
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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	\$	296,986	
Depreciation expense		<u>(576,792)</u>	(279,806)

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

Property taxes	\$	(3,377)	
Grants		<u>(8,876)</u>	(12,253)

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	70,000	
Issuance of capital leases	(177,266)	
Capital lease payments	<u>60,274</u>	(46,992)

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>1,732</u>
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Changes in net position of governmental activities	\$	<u><u>(665,432)</u></u>
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The accompanying notes are an integral part of these financial statements.

**TWIGGS COUNTY BOARD OF EDUCATION**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**FIDUCIARY FUND**  
**JUNE 30, 2014**

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	<b>ASSETS</b>	<b>Agency Funds</b>
Cash		\$ 12,832
		<u>12,832</u>
	<b>LIABILITIES</b>	
Funds held for others		\$ 12,832
		<u>12,832</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, 2014**

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**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, 2014, 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, 2014**

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**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, 2014**

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**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. The School District considers all intergovernmental revenues to be available if collected within 120 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, 2014**

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**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.

**Cash and Cash Equivalents**

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

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

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

**Investments**

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

Funds may be invested in the following:

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

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, 2014**

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

**Property Taxes**

The Twiggs County Board of Commissioners set the property tax levy for the 2013 tax digest year (calendar year) on September 3, 2013 (levy date) based on property values as of January 1, 2013. Taxes were due on November 30, 2013 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2013 tax digest are reported as revenue in the governmental funds for fiscal year 2014. The 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, 2014, for maintenance and operations amounted to \$3,674,190.

The tax millage rate levied for the 2013 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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Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to \$148,276 during fiscal year ended June 30, 2014.

**Sales Taxes**

Education Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to \$516,402 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, 2014**

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**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, 2014**

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

**Deferred Outflows/Inflows of Resources**

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

In addition to liabilities, the statement of net position and/or governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of resources that applies to future period(s) and therefore will not be recognized as an inflow of resources (revenue) until that time. The School District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is 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** - These represent resources for which the School District is legally or contractually obligated to spend resources for bus replacement, continuation of Federal programs, debt service and capital projects in accordance with restrictions imposed by external third parties.

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

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

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**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, 2014**

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

**Fund Balances (Continued)**

It is the goal of the School District to achieve and maintain 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, 2014**

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**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, 2014**

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**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, 2014, the bank balances were \$2,783,268. 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, 2014, are presented below:

Investment	Maturities	Rating*	Fair Value
Georgia Fund 1	62 day weighted average	AAAf	\$ 499,143
Federal Home Loan Bank	August 25, 2014	AA+	145,091
Municipal Electric Authority of Georgia, Series D	January 1, 2015	A	3,454,645
			\$ 4,098,879

*\*Rating as per Standard & Poor's*

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

The Primary Liquidity Portfolio consists of Georgia Fund 1 which is not registered with the SEC as an investment company but does operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. The investment is valued at the pool's share price, \$1.00 per share. The pool is an 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, 2014 was 62 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, 2014**

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**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, 2014, \$3,599,736 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 and Georgia Fund 1. These investment are 84.28% and 12.18%, respectively, 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		\$	463,140
Support Services			
Business Administration	\$	1,227	
Maintenance and Operations		15,275	
Student Transportation		81,821	98,323
Food Services			<u>15,329</u>
Total Depreciation Expense		\$	<u><u>576,792</u></u>

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

**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	18,528	-	13,410,125
Equipment	2,680,147	254,708	-	2,934,855
Intangible assets	-	23,750	-	23,750
Land improvements	4,947,135	-	-	4,947,135
Total	<u>21,018,879</u>	<u>296,986</u>	<u>-</u>	<u>21,315,865</u>
Less accumulated depreciation for:				
Buildings and improvements	(6,974,334)	(212,177)	-	(7,186,511)
Equipment	(1,772,264)	(149,080)	-	(1,921,344)
Intangible assets	-	(4,750)	-	(4,750)
Land improvements	(2,941,806)	(210,785)	-	(3,152,591)
Total	<u>(11,688,404)</u>	<u>(576,792)</u>	<u>-</u>	<u>(12,265,196)</u>
Total capital assets, being depreciated, net	<u>9,330,475</u>	<u>(279,806)</u>	<u>-</u>	<u>9,050,669</u>
Governmental activities capital assets, net	<u>\$ 9,472,191</u>	<u>\$ (279,806)</u>	<u>\$ -</u>	<u>\$ 9,192,385</u>

Capital assets being acquired under capital lease are as follows:

	Governmental Funds
Buses	\$ 180,823
Less: Accumulated Depreciation:	<u>(9,041)</u>
	<u>\$ 171,782</u>

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

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**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, 2014, consisted of the following:

<u>Due To</u>	<u>Due From General Fund</u>
District-wide Capital Projects Fund	<u>\$ 13,311</u>

**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>
2013	<u>\$ -</u>	<u>\$ 37,222</u>	<u>\$ 37,222</u>	<u>\$ -</u>
2014	<u>\$ -</u>	<u>\$ 15,699</u>	<u>\$ 15,699</u>	<u>\$ -</u>

**TWIGGS COUNTY BOARD OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**Note 8: RISK MANAGEMENT (CONTINUED)**

The School District participates in the Georgia Education Workers' Compensation Trust, a public entity risk pool organized on December 1, 1991, to develop, implement and administer a program of workers' compensation self-insurance for its member organizations. The School District pays an annual premium to the Trust for its general 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.

**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, 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.

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	\$ -	\$ 950,000	\$ (950,000)	\$ -

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

**Note 10: LONG-TERM LIABILITIES**

**Capital Leases**

The School District entered into an agreement dated August 1, 2013 for the lease of buses. Under the terms of the agreement, the School District will make annual payments through fiscal year 2016. This lease agreement qualifies as a capital lease for accounting purposes, and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception.

**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%	\$ 390,000
General Government - QZAB Series 2002	2016	0.00%	3,835,000
			<u>\$ 4,225,000</u>

**Changes in Long-Term Liabilities**

The changes in long-term debt during the fiscal year ended June 30, 2014, 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	\$ 460,000	\$ -	\$ (70,000)	\$ 390,000	\$ 70,000
QZAB, Series 2001	3,835,000	-	-	3,835,000	-
Capital leases	-	177,266	(60,274)	116,992	57,911
Total	<u>\$ 4,295,000</u>	<u>\$ 177,266</u>	<u>\$ (130,274)</u>	<u>\$ 4,341,992</u>	<u>\$ 127,911</u>

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

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**Note 10: LONG-TERM LIABILITIES (CONTINUED)**

**Scheduled Maturities of Long-Term Liabilities**

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

Fiscal Year Ended June 30	Capital Leases	
	Principal	Interest
2015	\$ 57,911	\$ 2,363
2016	59,081	1,193
Total Principal and Interest	<u>\$ 116,992</u>	<u>\$ 3,556</u>

Fiscal Year Ended June 30	Twiggs County Recreation Authority Bonds, Series 2001		QZAB Series 2001
	Principal	Interest	
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>\$ 390,000</u>	<u>\$ 49,997</u>	<u>\$ 3,835,000</u>



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

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**Note 11: ON-BEHALF PAYMENTS**

The School District has recognized revenues and costs in the amount of \$415,737 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 \$389,244

Paid to the Teachers Retirement System

For Teachers Retirement System (TRS) Employer's Cost

In the amount of \$2,965

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 \$23,528

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 stand alone financial audit report and a copy can be obtained from the Georgia Department of Audits and Accounts.

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

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**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, 2014:

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

<u>Period</u>	<u>Contribution</u>
July 2013 - June 2014	\$945.00 per member per month

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

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**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 2013 - June 2014	\$596.20 per member per month

No additional contribution was required by the Board for fiscal year 2014 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, 2014, 2013, and 2012, were \$1,033,525, \$880,800, and \$1,024,246, 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, 2014**

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**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, 2014, were 6.00% of annual salary. Employer contributions required for fiscal year 2014 were 12.28% of annual salary as required by the June 30, 2011, actuarial valuation. The employer contribution rate will increase to 13.15% effective July 1, 2014.

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

<u>Fiscal Year</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>
2014	100%	\$ 635,720
2013	100%	541,051
2012	100%	567,614

**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, 2014**

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**Note 15: SUBSEQUENT EVENTS**

**Tax Anticipation Note**

On August 20, 2014, 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, 2014. One draw totaling \$950,000 was required to meet the cash flow needs of the School District. The note was repaid on December 17, 2014.

On September 17, 2015, 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, 2015. One draw totaling \$950,000 was required to meet the cash flow needs of the School District. The note was repaid on December 13, 2015.

On August 26, 2016, the Twiggs County Board of Education issued a temporary loan in advance of property tax collections with a financial institution in the amount of \$1,000,000. 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 30, 2016. One draw totaling \$1,000,000 was required to meet the cash flow needs of the School District. The note was repaid on December 7, 2016.

**Bonds**

The voters of Twiggs County approved, in the special election held on May 20, 2014, the issuance of \$3,000,000 in general obligation bonds and authorized the reimposition of a 1% sales tax, for a period beginning January 1, 2015, not to exceed 20 calendar quarters, and to raise no more than \$4,300,000. The bonds were issued on October 16, 2014. The proceeds of the bonds are to be used, in whole or in part, for the purposes of acquiring, constructing, repairing, improving, renovating, extending, upgrading, and equipping school buildings and support facilities in the Twiggs County School District useful or desirable in connection therewith, including acquiring any necessary property therefore, both real and personal, specifically including the following: (1) acquiring, constructing, and equipping a new elementary school gym; (2) improving and renovating the existing high school gym; (3) acquiring safety and security equipment and vocational, musical, athletic, and physical education equipment; (4) acquiring, repairing, and updating system wide technology, including computer hardware; (5) adding to, renovating, repairing, improving, and equipping existing school buildings, other buildings, and facilities, including athletic facilities and roof and HVAC repairs; (6) acquiring textbooks, e-books, and classroom furniture; (7) acquiring school buses and other system-wide vehicles; (8) acquiring and repairing transportation and maintenance equipment and facilities; and (9) paying expenses incident to accomplishing the foregoing.

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

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**Note 15: SUBSEQUENT EVENTS (CONTINUED)**

**New Accounting Pronouncement**

In fiscal year 2015, the School District will adopt Governmental Account Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. The provisions of this Statement establish accounting and financial reporting standards for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts. Implementation of this statement will require the School District to record a liability for its proportionate share of the Net Pension Liability of pension plans in which it is a member. The amount of the School District's Net Pension Liability as of June 30, 2015, is \$6,358,153.

**Note 16: PRIOR PERIOD ADJUSTMENT**

During the current year, management determined certain buildings and equipment at two sites were impaired. Upon further analysis, management determined that these assets became impaired in a prior year. As such, a prior period adjustment was recorded to restate the net position of governmental activities at June 30, 2013.

Net Position, Governmental Activities, as previously reported	\$ 13,500,438
Recognition of impairment of certain buildings & equipment	(1,117,996)
Net Position, Governmental Activities, as restated	<u><u>\$ 12,382,442</u></u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

# TWIGGS COUNTY BOARD OF EDUCATION

## GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Nonappropriated Budget		Actual	Variance With Final Budget
	Original <sup>(1)</sup>	Final <sup>(1)</sup>		
<b>REVENUES</b>				
Property taxes	\$ 3,798,418	\$ 3,798,418	\$ 3,822,466	\$ 24,048
Sales taxes	-	-	24,559	24,559
Other taxes	-	-	30,015	30,015
State funds	3,463,339	3,463,339	3,805,964	342,625
Federal funds	-	-	2,493,081	2,493,081
Charges for services	-	-	18,472	18,472
Investment earnings	-	-	2,521	2,521
Miscellaneous	-	-	235,548	235,548
Total revenues	<u>\$ 7,261,757</u>	<u>\$ 7,261,757</u>	<u>\$ 10,432,626</u>	<u>\$ 3,170,869</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	\$ 4,503,500	\$ 5,462,317	\$ 5,318,287	\$ 144,030
Support services:				
Pupil services	422,618	513,210	506,150	7,060
Improvement of instructional services	8,180	1,215,319	1,015,994	199,325
Educational media services	194,933	194,933	193,296	1,637
General administration	359,922	395,287	427,094	(31,807)
School administration	445,643	445,643	505,861	(60,218)
Business administration	232,684	232,684	248,635	(15,951)
Maintenance and operation of plant	876,812	876,812	1,027,733	(150,921)
Student transportation services	606,003	626,031	654,267	(28,236)
Central support services	10,000	10,000	-	10,000
Other support services	43,000	153,309	112,007	41,302
Food service operations	-	-	727,322	(727,322)
Community service operation	-	-	45,000	(45,000)
Total expenditures	<u>\$ 7,703,295</u>	<u>\$ 10,125,545</u>	<u>\$ 10,781,646</u>	<u>\$ (656,101)</u>
Net change in fund balances	\$ (441,538)	\$ (2,863,788)	\$ (349,020)	\$ 2,514,768
<b>FUND BALANCE, beginning of year</b>	<u>914,394</u>	<u>914,394</u>	<u>914,394</u>	<u>-</u>
<b>FUND BALANCE, end of year</b>	<u>\$ 472,856</u>	<u>\$ (1,949,394)</u>	<u>\$ 565,374</u>	<u>\$ 2,514,768</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 (\$184,470) or expenditures (\$176,928) 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.



## **SUPPLEMENTARY INFORMATION**

# TWIGGS COUNTY BOARD OF EDUCATION

## SCHEDULE OF STATE REVENUE FOR THE FISCAL YEAR ENDED JUNE 30, 2014

<u>Agency/Funding</u>	<u>Governmental Fund Type General Fund</u>
<b>Grants</b>	
Education, Georgia Department of	
Quality Basic Education	
Direct Instructional Cost	
Kindergarten Program	\$ 246,845
Kindergarten Program - Early Intervention Program	40,575
Primary Grades (1-3) Program	559,051
Primary Grades - Early Intervention (1-3) Program	76,052
Upper Elementary Grades (4-5) Program	203,855
Primary Grades - Early Intervention (4-5) Program	55,550
Middle School (6-8) Program	469,645
High School General Education (9-12) Program	442,324
Vocational Laboratory (9-12) Program	89,456
Students with Disabilities	600,794
Gifted Students - Category VI	4,666
Remedial Education Program	16,936
Alternative Education Program	31,648
Media Center Program	77,476
20 Days Additional Instruction	24,370
Staff and Professional Development	15,461
Principal Staff and Professional Development	729
Indirect Cost	
Central Administration	255,628
School Administration	313,494
Facility Maintenance and Operations	190,046
Categorical Grants	
Pupil Transportation	
Regular	267,639
Nursing Services	19,302
Vocational Supervisors	6,683
Mid-term Adjustment Hold-Harmless	-
Food Services	16,783
Vocational Education	23,277
Amended Formula Adjustment	(508,383)
Other State Programs	
Preschool Handicapped State Grant	14,346
Lottery Programs	
Pre-Kindergarten	100,627

(Continued)

# TWIGGS COUNTY BOARD OF EDUCATION

## SCHEDULE OF STATE REVENUE FOR THE FISCAL YEAR ENDED JUNE 30, 2014

<u>Agency/Funding</u>	<u>Governmental Fund Type General Fund</u>
Human Resources, Georgia Department of Family Connection	\$ 58,237
Georgia Emergency Management Agency Disaster Grants - Public Assistance	295
Other Grants From Georgia Department of Education	
Governor's Discretionary Awards	2,937
Tuition for Multi-Handicapped Children	61,216
Math and Science Supplement	1,911
On-Behalf Payments	
Georgia Department of Education	
Paid to the Teachers Retirement System	2,965
Office of State Treasurer	
Paid to the Public School Employees Retirement System	23,528
Grand Total	<u>\$ 3,805,964</u>

(1) Payments to the Georgia Department of Community Health by the Georgia Department of Education on behalf of the School District in the amount of \$3,563,590 are included as part of the Quality Basic Education revenue allotments above.

# TWIGGS COUNTY BOARD OF EDUCATION

## SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS FOR THE FISCAL YEAR ENDED JUNE 30, 2014

<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	\$ 1,023,235	\$ 91,260	\$ 931,975	\$ 1,023,235	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>674,685</u>	<u>1,344,366</u>	<u>2,019,051</u>	Ongoing
	<u>\$ 5,463,245</u>	<u>\$ 6,023,235</u>	<u>\$ 765,945</u>	<u>\$ 2,276,341</u>	<u>\$ 3,042,286</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.

(4) As of June 30, 2014, there were no excess proceeds which were not yet expended.

# TWIGGS COUNTY BOARD OF EDUCATION

## SCHEDULE OF QUALITY BASIC EDUCATION PROGRAM (QBE) ALLOTMENTS AND EXPENDITURES BY PROGRAM GENERAL FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Description	Allotments From Georgia Department of Education (1) & (2)	Eligible QBE Program Costs		
		Salaries	Operations	Total
<b>Direct Instructional Funds:</b>				
Kindergarten Program	\$ 344,304	\$ 266,073	\$ 394	\$ 266,467
Kindergarten Program - Early Intervention Program	54,915	-	-	-
Primary Grades (1-3) Program	782,930	663,316	2,990	666,306
Primary Grades - Early Intervention (1-3) Program	101,645	58,519	-	58,519
Upper Elementary Grades (4-5) Program	294,360	473,705	5,076	478,781
Upper Elementary Grades-Early Intervention (4-5) Program	82,385	51,638	-	51,638
Middle School (6-8) Program	653,543	752,616	1,312	753,928
High School General Education (9-12) Program	625,285	701,714	8,141	709,855
Vocational Laboratory (9-12) Program	127,932	251,442	4,880	256,322
Students with Disabilities	860,770	-	-	-
Category I	-	84,507	2,084	86,591
Category II	-	199	-	199
Category III	-	483,030	25,309	508,339
Category IV	-	95,595	-	95,595
Category V	-	185	-	185
Gifted Student - Category VI	5,548	7	-	7
Remedial Education Program	26,559	-	-	-
Alternative Education Program	45,825	141,013	-	141,013
<b>TOTAL DIRECT INSTRUCTIONAL PROGRAMS</b>	<b>\$ 4,006,001</b>	<b>\$ 4,023,559</b>	<b>\$ 50,186</b>	<b>\$ 4,073,745</b>
Media Center Program	109,030	163,956	29,340	193,296
Staff and Professional Development	21,238	-	5,314	5,314
<b>TOTAL QBE FORMULA FUNDS</b>	<b>\$ 4,136,269</b>	<b>\$ 4,187,515</b>	<b>\$ 84,840</b>	<b>\$ 4,272,355</b>

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

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

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

## **COMPLIANCE SECTION**



**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***

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**To the Superintendent and Members of the  
Twiggs County Board of Education  
Jeffersonville, Georgia**

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 the Twiggs County Board of Education as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Twiggs County Board of Education's basic financial statements and have issued our report thereon dated February 1, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 a 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 deficiencies described in the accompanying schedule of findings and questioned costs as items 2014-001 and 2014-002 to be material weaknesses.

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 2014-003 through 2014-005 to be significant deficiencies.

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## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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*.

## **Twiggs County Board of Education's Responses to Findings**

Twiggs County Board of Education's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Twiggs County Board of Education's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## **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.

*Mauldin & Jenkins, LLC*

Macon, Georgia  
February 1, 2017





**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY  
OMB CIRCULAR A-133**

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**To the Superintendent and Members of the  
Twiggs County Board of Education  
Jeffersonville, Georgia**

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

We have audited the 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 the Twiggs County Board of Education's major federal programs for the year ended June 30, 2014. The 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 the 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 the Twiggs County Board of Education's compliance.

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***Basis for Qualified Opinion on School Improvement Grant***

As described in the accompanying schedule of findings and questioned costs, Twiggs County Board of Education did not comply with the requirements regarding procurement for the School Improvement Grant as described in finding number 2014-006. Compliance with such requirements is necessary, in our opinion, for the Twiggs County Board of Education to comply with the requirements applicable to that program.

***Qualified Opinion on School Improvement Grant***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 the School Improvement Grant for the year ended June 30, 2014.

***Unmodified Opinion on Each of the Other Major Federal Program***

In our opinion, 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 other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2014.

***Other Matters***

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

**Report on Internal Control Over Compliance**

Management of the 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 the 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.

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Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

*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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2016-006 to be a material weakness.

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

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.

*Mauldin & Jenkins, LLC*

Macon, Georgia  
February 1, 2017

# TWIGGS COUNTY BOARD OF EDUCATION

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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	\$ 200,788
National School Lunch Program	10.555 *	N/A	421,172
Total U. S. Department of Agriculture			621,960
Education, U. S. Department of			
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Grants to States	84.027	N/A	213,948
Preschool Grants	84.173	N/A	12,515
Total Special Education Cluster			226,463
School Improvement Grant Cluster			
Pass-Through From Georgia Department of Education			
ARRA - School Improvement Grants	84.388 *	N/A	826,521
Other Programs			
Pass-Through From Georgia Department of Education			
Improving Teacher Quality State Grants	84.367	N/A	167,636
ARRA - Race to the Top	84.395	N/A	834
Rural Education	84.358	N/A	6,638
Title I Grants to Local Educational Agencies	84.010	N/A	576,325
Career and Technical Education - Basic Grants to States	84.048	N/A	19,358
Total U. S. Department of Education			1,823,775
Defense, U. S. Department of			
Direct			
Department of the Air Force			
R.O.T.C. Program	12.Unknown	N/A	47,785
Homeland Security, U. S. Department of			
Passed through Georgia Emergency Management Agency			
Disaster Grants - Public Assistance	97.036	FEMA - DR - 4165 - DR - GA	2,211
Total Expenditures of Federal Awards			\$ 2,495,731

N/A = Not Available

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

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

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**

## **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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### **NOTE 1. BASIS OF PRESENTATION**

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Twiggs County Board of Education and is presented on the accrual basis of accounting.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the financial statements.

### **NOTE 2. DONATED COMMODITIES**

The Child Nutrition Cluster includes \$36,720 of non-cash expenditures in the form of donated food commodities.

### **NOTE 3. SUBRECIPIENTS**

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

# TWIGGS COUNTY BOARD OF EDUCATION

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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### A. SUMMARY OF AUDIT RESULTS

#### Financial Statements

Type of auditor's report issued

Unmodified

Internal control over financial reporting:

Material weaknesses identified?

☒ Yes ☐ No

Significant deficiencies identified not considered  
to be material weaknesses?

☒ Yes ☐ None Reported

Noncompliance material to financial statements noted?

☐ Yes ☒ No

#### Federal Awards

Internal Control over major programs:

Material weaknesses identified?

☒ Yes ☐ No

Significant deficiencies identified not considered  
to be material weaknesses?

☐ Yes ☒ None Reported

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

Qualified

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

☒ Yes ☐ No

Identification of major program:

CFDA Number

Name of Federal Program or Cluster

10.553

10.555

U.S. Department of Agriculture:

Child Nutrition Cluster:

School Breakfast Program

National School Lunch Program

84.388

U.S. Department of Education:

School Improvement Cluster:

ARRA – School Improvement Grant

Dollar threshold used to distinguish between  
Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

☐ Yes ☒ No

**TWIGGS COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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**B. FINDINGS: FINANCIAL STATEMENT AUDIT**

**2014-001. Failure to Adequately Maintain Capital Assets (Repeat Finding)**

Criteria: Chapter 37 Implementing Capital Assets Management System of the Financial Management for Georgia Local Units of Administration indicates that School Districts must establish capital assets policies, define system requirements, implement a capital assets system, maintain capital assets inventory records, and perform annual physical inventory counts of the capital assets. Governmental Accounting Standards Board (GASB) Statement No. 42, *Accounting and Financing Reporting for Impairment of Capital Assets and for Insurance Recoveries*, requires School Districts to develop and implement an asset impairment policy, while GASB Statement No. 51, *Accounting and Financing Reporting for Intangible Assets*, requires School Districts to develop and implement an intangible asset policy. Additionally, GASB Statement No. 42 requires capital assets no longer in service or whose capacity is determined to be impaired to be reported at the lower of carrying value or fair value.

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

- In a prior year, capital assets were taken out of service with no plans for future use. These assets were determined to have no fair value. A prior period adjustment was required to reduce beginning net position and capital assets, net of accumulated depreciation in the amount of \$1,117,996.
- 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;
- 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.

Context: Internal controls were not in place to ensure capital assets were properly reported in accordance with Board policy and applicable GASB standards.

Effect: Lack of adequate controls over capital assets resulted in a prior period adjustment to properly report impaired capital assets at their fair value.

Recommendation: We recommend the School District strengthen internal controls over capital assets to follow both Board policy and applicable GASB standards. Additionally, management should implement policies related to impairment of capital assets and intangible assets.

Views of Responsible Officials and Planned Corrective Action: We concur with this finding. Management has implemented a plan to strengthen internal controls over capital assets.

**TWIGGS COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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**B. FINDINGS: FINANCIAL STATEMENT AUDIT (CONTINUED)**

**2014-002. Accounts Payable**

Criteria: In accordance with generally accepted accounting principles, expenditures should be recognized as soon as a liability is incurred, regardless of the timing of related cash flows.

Condition: A material misstatement was detected during our audit procedures related to liabilities and expenditures.

Context: The School District did not record an expenditure and liability at year end for an amount related to expenditures incurred prior to year end.

Effect: An audit adjustment in the amount \$73,307 was required to accrue additional accounts payable in the Capital Projects Fund.

Recommendation: We recommend the School District strengthen internal controls over liabilities and expenditures to ensure accounts payable is properly stated at year end.

Views of Responsible Officials and Planned Corrective Action: We concur with this finding. Management has implemented a plan to strengthen internal controls over accounts payable.

**2014-003. Inadequate Internal Control Procedures – Cash and Cash Equivalents (Repeat Finding)**

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
- The outstanding check listings included amounts which had been outstanding for an extended period of time. Some of these met the requirements set by state law for escheatment to the Georgia Department of Revenue (GDOR), but no amounts were turned over and reported through the GDOR Unclaimed Property report.

Context: Management did not have internal controls in place to ensure adequate approvals of reconciliations and escheatment of old outstanding amounts.

Effect: Lack of adequate controls 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.



**TWIGGS COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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**B. FINDINGS: FINANCIAL STATEMENT AUDIT (CONTINUED)**

**2014-003. Inadequate Internal Control Procedures – Cash and Cash Equivalents (Repeat Finding) (Continued)**

Recommendation: We recommend the School District strengthen internal controls to ensure bank reconciliations are completed in a timely manner and administrative reviews are performed timely to determine bank reconciliations are correct and required adjustments are made. Additionally, we recommend the outstanding check listings be reviewed and checks voided and reissued as necessary. Amounts meeting the requirements for escheatment to the GDOR should be remitted annually through the GDOR Unclaimed Property report.

Views of Responsible Officials and Planned Corrective Action: We concur with this finding. Management has implemented a plan to strengthen internal controls over cash and cash equivalents.

**2014-004. Inadequate Internal Control Procedures Over School Activity Accounts (Repeat Finding)**

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: Weaknesses noted related to school activity accounts included the following:

- Several receipts did not include documentation of the signature of the individual submitting the money.
- Documentation for one deposit was not available for testing.
- Several receipts did not include documentation of approval for posting.
- One disbursement was not properly approved or no invoice was available for testing.
- Documentation for one disbursement was not available for testing.
- Lack of proper segregation of duties among employees with responsibilities for cash receipt, disbursement, and reconciliations functions.

Context: Management did not have internal controls in place over school activity accounts.

Effect: Lack of adequate controls over school activity funds 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 the School District strengthen internal controls over school activity funds to ensure appropriate approvals are maintained and documented and that all transactions are properly supported.

Views of Responsible Officials and Planned Corrective Action: We concur with this finding. Management has implemented a plan to strengthen internal controls over school activity funds.

**TWIGGS COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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**B. FINDINGS: FINANCIAL STATEMENT AUDIT (CONTINUED)**

**2014-005. Inadequate Internal Control Procedures – Employee Compensation (Repeat Finding)**

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: During our testing of employee compensation, we noted that while employee salary calculation sheets were prepared based on the respective certified and classified pay scales, there were several instances in which the salary calculation sheet did not include evidence of review and approval.

Effect: Lack of adequate controls over employee compensation could result in improper payments to employees as well as increasing the risk of material misstatement of the financial statements due to errors and/or fraud.

Recommendation: We recommend the School District strengthen internal controls over employee compensation to ensure employees are paid based on pre-approved amounts and such documentation is maintained in the employee personnel file for audit trail purposes.

Views of Responsible Officials and Planned Corrective Action: We concur with this finding. Management has implemented a plan to strengthen internal controls over employee compensation.

**C. FINDINGS: FEDERAL PROGRAMS AUDIT**

**2014-006. Procurement – School Improvement Grant, CFDA 84.388**

Criteria: As a recipient of federal awards, the School District is charged with the responsibility of verifying that covered transactions (procurement contracts for goods and services that are expected to equal or exceed \$25,000, or meet certain other specified criteria) are not awarded to suspended or debarred parties. Internal controls should be in place to ensure verification checks are performed and documented. Additionally, contracts should be awarded in compliance with federal regulations, state law, and Board policy.

Condition: Based on the above criteria, the School District did not have effective procedures in place to ensure that procurement and suspension and debarment procedures were followed for the fiscal year ended June 30, 2014.

Questioned Costs: Not applicable

Context: The School District's procurement procedures establish that bids shall be obtained for any single purchase or multiple purchases of a single item or service during the fiscal year which is equal to or exceeds \$25,000. The School District paid a vendor over \$25,000 during the fiscal year ended June 30, 2014, and did not follow the procurement and suspension and debarment requirements. The School District lacked proper bid documents and the suspension and debarment certification.

**TWIGGS COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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**C. FINDINGS: FEDERAL PROGRAMS AUDIT (CONTINUED)**

**2014-006. Procurement – School Improvement Grant, CFDA 84.388 (Continued)**

Effect: The School District did not have controls in place to ensure bid documentation is obtained and maintained on file. Additionally, we did not observe that verification procedures were performed and documented. Without proper documentation, suspended/debarred parties could be improperly awarded contracts involving federal grant monies.

Recommendation: We recommend the School District strengthen internal controls over procurement including suspension and debarment to ensure bid documentation is obtained and maintained and that verification procedures are completed timely and adequately documented.

Views of Responsible Officials and Planned Corrective Action: We concur with this finding. Management will strengthen internal controls over procurement including suspension and debarment to ensure verification procedures are performed and documented.

# **TWIGGS COUNTY BOARD OF EDUCATION**

## **SCHEDULE OF PRIOR YEAR FINDINGS FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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### **FS-7431-13-01. Inadequate Internal Control Procedures – Cash and Cash Equivalents**

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.

Auditee Reponse/Status: Unresolved. See current year finding 2014-003.

### **FS-7431-13-02. Inadequate Internal Control Procedures – Expenditures/Liabilities/Disbursements**

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; and
- Three expenditures reviewed were classified incorrectly between Instruction and other functions.

Auditee Reponse/Status: Resolved.

### **FS-7431-13-03. Inadequate Internal Control Procedures Over 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.

# **TWIGGS COUNTY BOARD OF EDUCATION**

## **SCHEDULE OF PRIOR YEAR FINDINGS FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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### **FS-7431-13-03. Inadequate Internal Control Procedures Over School Activity Accounts (Continued)**

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).

Auditee Response/Status: Unresolved. See current year finding 2014-004.

### **FS-7431-13-04. Inadequate Internal Control Procedures – 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 inadequate documentation of pre-approval of salaries on file.

Auditee Response/Status: Unresolved. See current year finding 2014-005.

### **FS-7431-13-05. Inadequate Internal Control Procedures – General Ledger**

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.

Auditee Response/Status: Resolved.

# **TWIGGS COUNTY BOARD OF EDUCATION**

## **SCHEDULE OF PRIOR YEAR FINDINGS FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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### **FS-7431-13-06. Failure to Adequately Maintain Capital Assets**

Criteria: Chapter 37 Implementing Capital Assets Management System of the Financial Management for Georgia Local Units of Administration indicates that School Districts must establish capital assets policies, define system requirements, implement a capital assets system, maintain capital assets inventory records, and perform annual physical inventory counts of the capital 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.

Auditee Response/Status: Unresolved. See current year finding 2014-001.