

CITY OF BUFORD
BOARD OF EDUCATION
A COMPONENT UNIT OF THE CITY OF BUFORD, GEORGIA

ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2012
(Including Independent Auditor's Reports)

CITY OF BUFORD BOARD OF EDUCATION - GWINNETT COUNTY

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DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

August 5, 2013

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
City of Buford Board of Education

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

Ladies and Gentlemen:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information (Exhibits A through H) of the City of Buford Board of Education, a component unit of the City of Buford, Georgia as of and for the year ended June 30, 2012, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Buford Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Buford Board of Education, as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 5, 2013, on our consideration of the City of Buford Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and the Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual, as presented on pages i through ix and page 23 respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Buford Board of Education's financial statements as a whole. The accompanying supplementary information consists of Schedules 2 through 5, which includes the Schedule of Expenditures of Federal Awards as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Respectfully submitted,



Greg S. Griffin
State Auditor

GSG:as
2012ARL-11

CITY OF BUFORD BOARD OF EDUCATION – GWINNETT COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

The management's discussion and analysis of the City of Buford School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2012 are as follows:

- ✓ The School District's financial status increased during fiscal year 2012. Net assets increased approximately $2.75 million. This increase was due to retirement of long-term debt associated with an Intergovernmental Agreement with Gwinnett County Public Schools associated with Special Purpose Local Option Sales Tax and an increase of funding from the City of Buford Board of Commissioners.

- ✓ General revenues accounted for $22.68 million in revenue, or 55 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for $18.46 million or 45 percent of total revenues. Total revenues were $41.14 million.

- ✓ The School District had $38.39 million in expenses related to governmental activities; only $18.46 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues of $22.68 million were adequate to provide for these programs.

- ✓ Among major funds, the general fund had $38.12 million in revenues and other financing sources and $37.87 million in expenditures. The general fund's balance increased from fiscal year 2011 to fiscal year 2012 by $248,009.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the City of Buford Board of Education as a financial whole, or as an entire operating entity.

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the School District as a whole, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds. In the case of the City of Buford Board of Education, the general fund is the most significant fund.

Reporting the School District as a Whole

Statement of Net Assets and *Statement of Activities*

While these documents contain the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2012?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include *all assets and all liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader whether, for the School District as a whole, the *financial position* of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Nonfinancial factors include the School District's local allotments base, facility conditions, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the School District has one distinct type of activity:

- Governmental Activities - All of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, food service, after school program, school activity accounts and various others.

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the School District's major funds. The School District uses two funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund and the District-wide Capital Projects Fund.

Governmental Funds: Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.

Fiduciary Funds: The School District is the trustee, or *fiduciary*, for assets that belong to others, such as school clubs and organizations within the school activity accounts. The School District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

The School District as a Whole

The perspective of the Statement of Net Assets is of the School District as a whole. Table 1 provides a summary of the School District's net assets for fiscal year 2012 compared to fiscal year 2011.

Table 1
Net Assets

	Governmental Activities	
	Fiscal Year 2011	Fiscal Year 2012
Assets		
Current and Other Assets	$ 14,927,632	$ 15,908,785
Capital Assets, Net	49,841,522	49,801,824
Total Assets	$ 64,769,154	$ 65,710,609
Liabilities		
Current and Other Liabilities	$ 4,887,076	$ 5,903,973
Long-Term Liabilities	7,024,809	4,200,348
Total Liabilities	$ 11,911,885	$ 10,104,321
Net Assets		
Invested in Capital Assets, Net of Related Debt	$ 43,211,924	$ 45,601,476
Restricted	1,167,458	887,963
Unrestricted	8,477,887	9,116,849
Total Net Assets	$ 52,857,269	$ 55,606,288

Chart 1 provides a visual summary of the School District's net assets for fiscal year 2012.

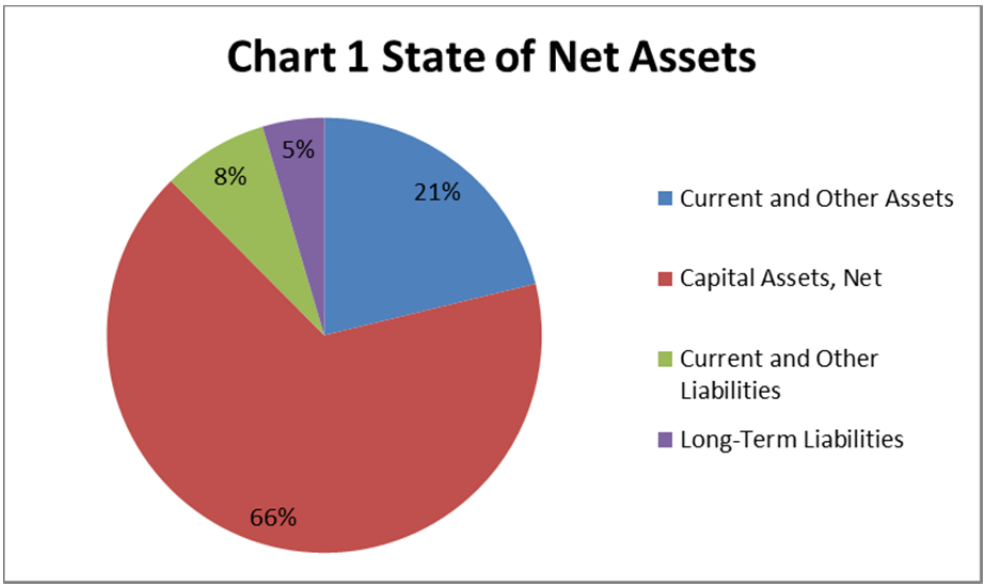


Chart 2 shows revenues for fiscal year 2012.

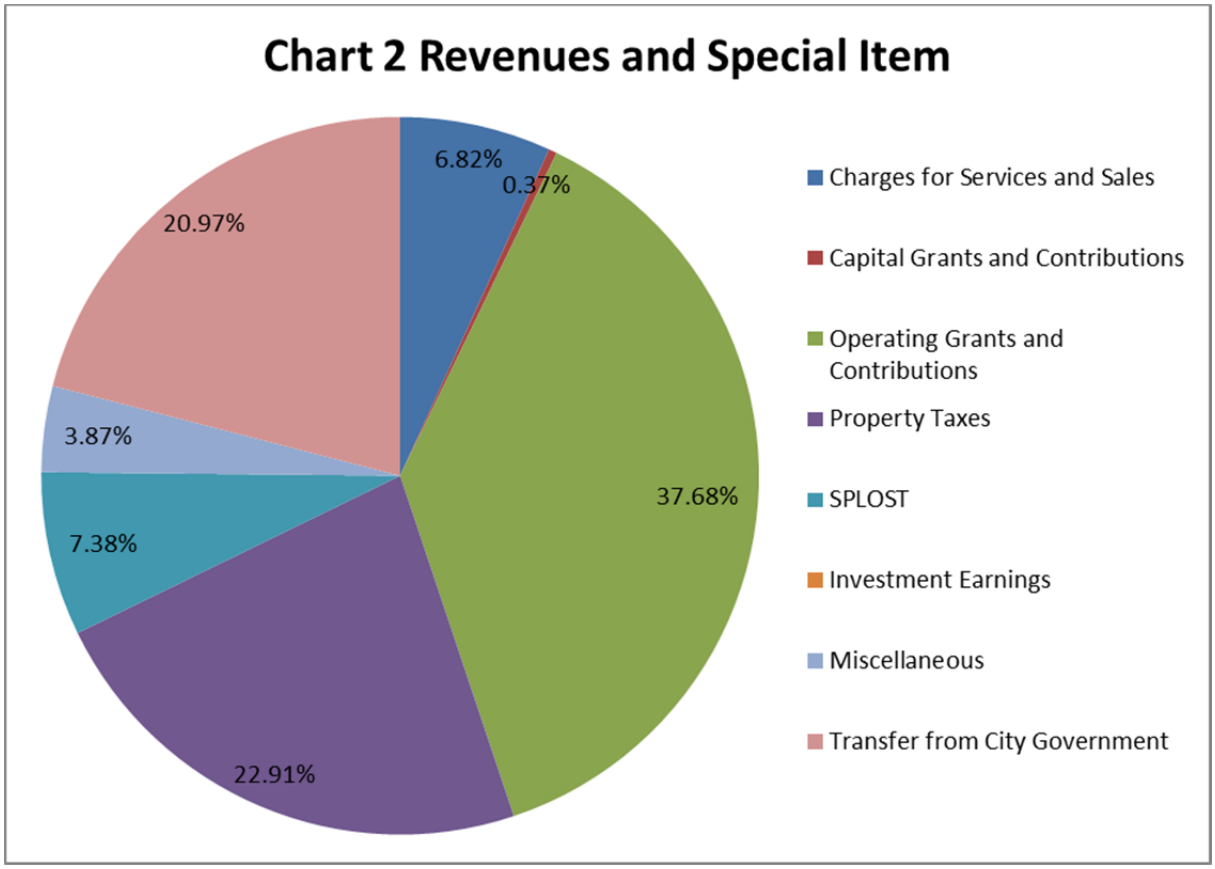


Chart 3 shows expenses for the school district for fiscal year 2012.

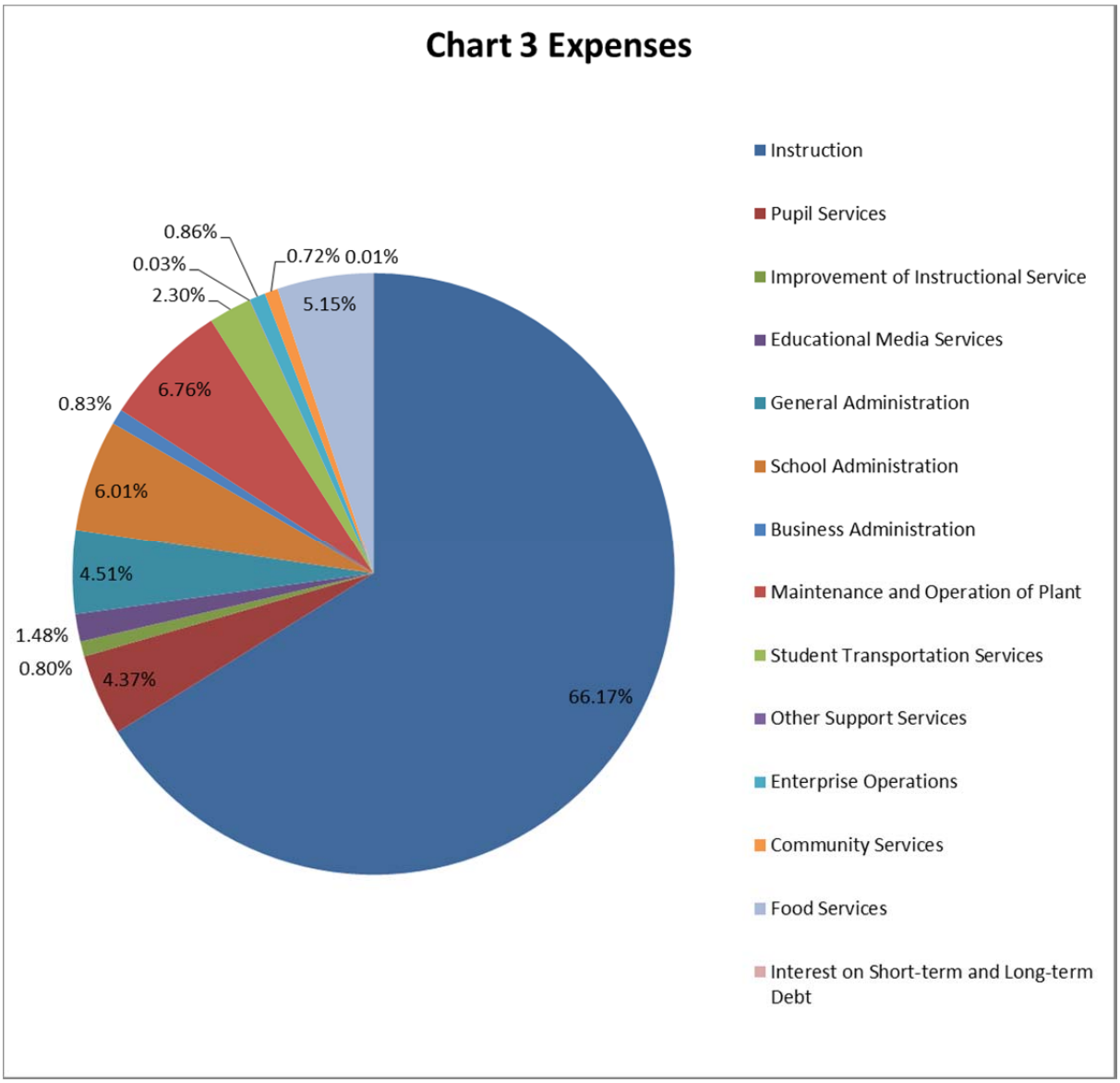


Table 2 shows the changes in net assets for fiscal year 2011 compared to the changes in net assets for fiscal year 2012.

Table 2
Change in Net Assets

	Governmental Activities	
	Fiscal Year 2011	Fiscal Year 2012
Revenues		
Program Revenues		
Charges for Services and Sales	$ 2,329,215	$ 2,805,544
Capital Grants and Contributions		152,511
Operating Grants and Contributions	15,260,513	15,500,682
Total Program Revenues	$ 17,589,728	$ 18,458,737
General Revenues:		
Taxes		
Property Taxes		
For Maintenance and Operations	$ 11,761,804	$ 9,427,680
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Capital Projects	2,837,465	3,037,224
Investment Earnings	3,212	17
Miscellaneous	1,404,406	1,591,074
Special Item		
Transfer from City Government	5,558,189	8,628,409
Total General Revenues and Special Item	$ 21,565,076	$ 22,684,404
Total Revenues	$ 39,154,804	$ 41,143,141
Program Expenses		
Instruction	$ 24,247,460	$ 25,404,857
Support Services		
Pupil Services	1,547,793	1,679,237
Improvement of Instructional Service	257,575	308,930
Educational Media Services	638,891	570,468
General Administration	1,621,724	1,729,724
School Administration	2,240,762	2,307,039
Business Administration	306,477	318,607
Maintenance and Operation of Plant	2,334,358	2,595,762
Student Transportation Services	837,982	881,714
Other Support Services	16,388	10,813
Operation of Non-Instructional Services		
Enterprise Operations	367,349	328,449
Community Services	264,542	275,003
Food Services	1,602,638	1,978,312
Interest on Short-term and Long-term Debt	5,207	5,207
Total Expenses	$ 36,289,146	$ 38,394,122
Increase in Net Assets	$ 2,865,658	$ 2,749,019

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services comparing fiscal year 2011 with fiscal year 2012. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2011	Fiscal Year 2012
Program Expenses				
Instruction	$ 24,247,460	$ 25,404,857	$ 12,495,527	$ 12,863,378
Support Services				
Pupil Services	1,547,793	1,679,237	1,464,138	1,579,616
Improvement of Instructional Service	257,575	308,930	83,077	109,656
Educational Media Services	638,891	570,468	192,721	162,480
General Administration	1,621,724	1,729,724	742,821	1,153,829
School Administration	2,240,762	2,307,039	1,418,261	1,568,072
Business Administration	306,477	318,607	305,776	318,292
Maintenance and Operation of Plant	2,334,358	2,595,762	1,342,096	1,557,062
Student Transportation Services	837,982	881,714	690,749	605,490
Other Support Services	16,388	10,813	564	2,448
Operation of Non-Instructional Services				
Enterprise Operations	367,349	328,449	-136,667	-259,975
Community Services	264,542	275,003	94,697	47,095
Food Services	1,602,638	1,978,312	452	222,734
Interest on Short-term and Long-term Debt	5,207	5,207	5,207	5,207
Total Expenses	$ 36,289,146	$ 38,394,122	$ 18,699,419	$ 19,935,384

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues of $32.53 million and an allotment from the city in the amount of $8.63 million for a total of $41.16 million in receipts. General Fund expenditures totaled $37.87 million and Capital Projects expenditures totaled $2.43 million. The fund balance for the General Fund grew by $248,009. The fund balance for the Capital Projects Fund grew by $607,975.

General Fund Budgeting Highlights

The School District's budget is prepared according to Georgia law. The most significant budgeted fund is the General Fund.

For the General Fund, the actual revenues and other financing sources were $38.12 million. The final actual expenditures were $37.87 million. The School District was able to maintain its financial reserves despite the continuous precipitous decline of the economy during the fiscal year 2012 budget.

Capital Assets and Debt Administration

Capital Assets

At the end of the fiscal year 2012, the School District had $49.80 million invested in capital assets, all in governmental activities. Table 4 indicates balances at June 30, 2012.

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities	
	Fiscal Year 2011	Fiscal Year 2012
Land	$ 145,000	$ 145,000
Land Improvements	197,997	373,165
Buildings and Improvements	48,748,320	48,415,723
Equipment	750,205	867,936
Total	$ 49,841,522	$ 49,801,824

Debt

Table 5 shows the School District's debt for compensated absences, the capital lease and the Intergovernmental Agreement.

Table 5
Debt at June 30

	Governmental Activities	
	Fiscal Year 2011	Fiscal Year 2012
Captial Lease	$ 362,630	$ 181,315
Compensated Absences	32,581	
Intergovernmental Agreement	6,629,598	4,200,349
Total	$ 7,024,809	$ 4,381,664

Current Issues

The City of Buford School District is buffered from some of the financial hardships other school districts experience by the financial support of a well run and fiscally responsible city government. However, changes in the student clientele, State and Federal regulations, and legal requirements continue to impact system operations and finance.

- With 2012 State mandates but flexibility in expenditure controls, the school system provided the same level of service to our students.

- With the increase in 2012 of revenues, the school system was able to maintain the ending fund equity to provide for a stable financial future and absorb some of the downturn in the economy.

- The School District has employed appropriate personnel and funded all programs adequately.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact Mrs. Angela Adams, Director of Finance, City of Buford School District, 2625 Sawnee Avenue, Buford, Georgia 30518. You may also email your questions to angela.adams@bufordcityschools.org.

CITY OF BUFORD BOARD OF EDUCATION - GWINNETT COUNTY

CITY OF BUFORD BOARD OF EDUCATION - GWINNETT COUNTY
STATEMENT OF NET ASSETS
JUNE 30, 2012

EXHIBIT "A"

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and Cash Equivalents	$ 6,826,516.44
Investments	200,000.00
Accounts Receivable, Net	
Taxes	1,997,264.41
State Government	1,873,622.84
Federal Government	754,986.23
Local Government	4,069,699.78
Inventories	21,949.98
Prepaid Items	164,745.69
Capital Assets, Non-Depreciable	145,000.00
Capital Assets, Depreciable (Net of Accumulated Depreciation)	49,656,824.27
Total Assets	$ 65,710,609.64
LIABILITIES	
Accounts Payable	$ 1,776,194.86
Salaries and Benefits Payable	3,483,473.68
Payroll Withholdings Payable	229,948.89
Deferred Revenue	233,040.26
Long-Term Liabilities	
Due Within One Year	181,315.18
Due in More Than One Year	4,200,348.60
Total Liabilities	$ 10,104,321.47
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	$ 45,601,475.67
Restricted for	
Continuation of Federal Programs	32,134.86
Capital Projects	648,267.79
Debt Service	207,560.75
Unrestricted	9,116,849.10
Total Net Assets	$ 55,606,288.17
Total Liabilities and Net Assets	$ 65,710,609.64

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

CITY OF BUFORD BOARD OF EDUCATION - GWINNETT COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

	EXPENSES	CHARGES FOR SERVICES
GOVERNMENTAL ACTIVITIES		
Instruction	$ 25,404,856.89	$ 1,449,320.74
Support Services		
Pupil Services	1,679,237.37	
Improvement of Instructional Services	308,929.90	
Educational Media Services	570,468.34	
General Administration	1,729,724.09	
School Administration	2,307,039.45	
Business Administration	318,606.63	
Maintenance and Operation of Plant	2,595,761.96	
Student Transportation Services	881,713.79	
Other Support Services	10,812.58	
Operations of Non-Instructional Services		
Enterprise Operations	328,449.27	588,138.10
Community Services	275,002.54	227,907.09
Food Services	1,978,311.80	540,177.61
Interest on Short-Term and Long-Term Debt	5,207.32	
Total Governmental Activities	$ 38,394,121.93	$ 2,805,543.54
General Revenues		
Taxes		
Property Taxes		
For Maintenance and Operations		
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Capital Projects		
Investment Earnings		
Miscellaneous		
Special Item		
Transfer from City Government		
Total General Revenues and Special Item		
Change in Net Assets		
Net Assets - Beginning of Year		
Net Assets - End of Year		

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

PROGRAM REVENUES		NET (EXPENSES)
OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	REVENUES AND CHANGES IN NET ASSETS
$ 11,092,158.55		$ -12,863,377.60
99,621.38		-1,579,615.99
199,273.64		-109,656.26
407,988.78		-162,479.56
575,895.31		-1,153,828.78
738,967.61		-1,568,071.84
314.22		-318,292.41
1,038,699.81		-1,557,062.15
123,712.36	$ 152,511.50	-605,489.93
8,364.52		-2,448.06
286.19		259,975.02
		-47,095.45
1,215,400.04		-222,734.15
		-5,207.32
$ 15,500,682.41	$ 152,511.50	$ -19,935,384.48
		$ 9,427,679.67
		3,037,224.19
		16.75
		1,591,073.51
		8,628,409.40
		$ 22,684,403.52
		$ 2,749,019.04
		52,857,269.13
		$ 55,606,288.17

CITY OF BUFORD BOARD OF EDUCATION - GWINNETT COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

EXHIBIT "C"

	GENERAL FUND	DISTRICT-WIDE CAPITAL PROJECTS FUND	TOTAL
ASSETS			
Cash and Cash Equivalents	$ 6,826,516.44		$ 6,826,516.44
Investments	200,000.00		200,000.00
Accounts Receivable, Net			
Taxes	1,739,703.65	$ 257,560.76	1,997,264.41
State Government	1,873,622.84		1,873,622.84
Federal Government	754,986.23		754,986.23
Local Government	3,047,459.85	1,022,239.93	4,069,699.78
Inventories	21,949.98		21,949.98
Prepaid Items	164,745.69		164,745.69
Total Assets	$ 14,628,984.68	$ 1,279,800.69	$ 15,908,785.37
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	$ 1,352,222.71	$ 423,972.15	$ 1,776,194.86
Salaries and Benefits Payable	3,483,473.68		3,483,473.68
Payroll Withholdings Payable	229,948.89		229,948.89
Deferred Revenue	1,870,203.76		1,870,203.76
Total Liabilities	$ 6,935,849.04	$ 423,972.15	$ 7,359,821.19
FUND BALANCES			
Nonspendable	$ 186,695.67		$ 186,695.67
Restricted	10,184.88	$ 855,828.54	866,013.42
Assigned	639,621.61		639,621.61
Unassigned	6,856,633.48		6,856,633.48
Total Fund Balances	$ 7,693,135.64	$ 855,828.54	$ 8,548,964.18
Total Liabilities and Fund Balances	$ 14,628,984.68	$ 1,279,800.69	$ 15,908,785.37

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

CITY OF BUFORD BOARD OF EDUCATION - GWINNETT COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012

EXHIBIT "D"

Total Fund Balances - Governmental Funds (Exhibit "C")		$ 8,548,964.18
Amounts reported for Governmental Activities in the Statement of Net Assets are different because:		
Capital Assets used in Governmental Activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Land	$ 145,000.00	
Land Improvements	949,506.19	
Buildings and Improvements	57,191,381.89	
Equipment	3,132,794.74	
Accumulated Depreciation	-11,616,858.55	
Total Capital Assets		49,801,824.27
Taxes that are not available to pay for current period expenditures are deferred in the funds.		1,637,163.50
Long-Term Liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-Term Liabilities at year-end consist of:		
Intergovernmental Agreement	$ -4,200,348.60	
Capital Lease	-181,315.18	
Total Long-Term Liabilities		-4,381,663.78
Net Assets of Governmental Activities (Exhibit "A")		$ 55,606,288.17

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

CITY OF BUFORD BOARD OF EDUCATION - GWINNETT COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

EXHIBIT "E"

	GENERAL FUND	DISTRICT-WIDE CAPITAL PROJECTS FUND	TOTAL
REVENUES			
Property Taxes	$ 9,444,129.81		$ 9,444,129.81
Sales Taxes		$ 3,037,224.19	3,037,224.19
State Funds	13,240,724.11		13,240,724.11
Federal Funds	2,412,469.80		2,412,469.80
Charges for Services	2,805,543.54		2,805,543.54
Investment Earnings	16.75		16.75
Miscellaneous	1,591,073.51		1,591,073.51
Total Revenues	$ 29,493,957.52	$ 3,037,224.19	$ 32,531,181.71
EXPENDITURES			
Current			
Instruction	$ 24,468,094.19		$ 24,468,094.19
Support Services			
Pupil Services	1,678,921.37		1,678,921.37
Improvement of Instructional Services	308,929.90		308,929.90
Educational Media Services	570,468.34		570,468.34
General Administration	1,756,050.32		1,756,050.32
School Administration	2,313,757.47		2,313,757.47
Business Administration	322,194.66		322,194.66
Maintenance and Operation of Plant	2,746,444.52		2,746,444.52
Student Transportation Services	966,181.37		966,181.37
Other Support Services	10,812.58		10,812.58
Enterprise Operations	328,449.27		328,449.27
Community Services	275,002.54		275,002.54
Food Services Operation	1,942,528.75		1,942,528.75
Debt Services			
Principal	181,315.19	$ 2,429,248.84	2,610,564.03
Interest	5,207.32		5,207.32
Total Expenditures	$ 37,874,357.79	$ 2,429,248.84	$ 40,303,606.63
Excess of Revenues over (under) Expenditures	$ -8,380,400.27	$ 607,975.35	$ -7,772,424.92
OTHER FINANCING SOURCES			
Transfers from City Government	8,628,409.40		8,628,409.40
Net Change in Fund Balances	$ 248,009.13	$ 607,975.35	$ 855,984.48
Fund Balances - Beginning (Restated)	7,445,126.51	247,853.19	7,692,979.70
Fund Balances - Ending	$ 7,693,135.64	$ 855,828.54	$ 8,548,964.18

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

CITY OF BUFORD BOARD OF EDUCATION - GWINNETT COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2012

EXHIBIT "F"

Total Net Change in Fund Balances - Governmental Funds (Exhibit "E")		$ 855,984.48
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Capital Outlays are reported as expenditures in Governmental Funds. However, in the Statement of Activities, the cost of Capital Assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital Outlay	$ 436,195.54	
Depreciation Expense	-1,169,855.90	
Excess of Capital Outlay over Depreciation Expense		-733,660.36
Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		-16,450.14
Repayment of Long-Term Debt is reported as an expenditure in Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Assets. In the current year, these amounts consist of:		
Capital Lease Payments	$ 181,315.19	
Intergovernmental Agreement Retirements	2,429,248.84	
Total Long-Term Debt Repayments		2,610,564.03
Some items 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. These activities consist of:		
Decrease in Compensated Absences		32,581.03
Change in Net Assets of Governmental Activities (Exhibit "B")		$ 2,749,019.04

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

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CITY OF BUFORD BOARD OF EDUCATION - GWINNETT COUNTY
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012

EXHIBIT "G"

	AGENCY FUNDS
ASSETS	
Cash and Cash Equivalents	$ 27,809.63
LIABILITIES	
Funds Held for Others	$ 27,809.63

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

NOTE 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

REPORTING ENTITY

The City of Buford 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 not organized as a separate legal entity and does not have the power to levy taxes or issue bonds. Its budget is subject to approval by the City of Buford, Georgia. Accordingly, the City of Buford Board of Education is determined to be a component unit of the City of Buford, Georgia, which is the primary government.

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 City of Buford Board of Education.

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

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:

- General Fund is the School District's primary operating fund. It accounts for and reports all financial resources not accounted for and reported in another fund.
- District-wide Capital Projects Fund accounts for and reports financial resources including Special Purpose Local Option Sales Tax (SPLOST) that are restricted to the expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The School District reports the following fiduciary fund type:

- Agency funds account for assets held by the School District as an agent for various funds, governments or individuals.

BASIS OF ACCOUNTING

The basis of accounting determines when transactions are reported on the financial statements. The District-wide governmental and fiduciary 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 sixty days after year-end. Property taxes, sales taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt 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.

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

RESTATEMENT OF PRIOR YEAR NET ASSETS/FUND BALANCE

For fiscal year 2012, the School District made a variety of prior period adjustments due to various errors or omissions, which require the restatement of the June 30, 2011, net assets in Governmental Activities and fund balance in the Capital Projects Fund. The result is an increase in net assets and a decrease in fund balance at July 1, 2011, of $693,962.75. This change is in accordance with generally accepted accounting principles.

Fund Balance, July 1, 2011, as previously reported	$	941,815.94
Prior Year Unrecognized Liability to City of Buford		-693,962.75
Fund Balance, July 1, 2011, as restated	$	247,853.19

CASH AND CASH EQUIVALENTS

Composition of Deposits

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

RECEIVABLES

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

PROPERTY TAXES

The City of Buford Board of Commissioners fixed the property tax levy for the 2011 tax digest year (calendar year) on August 1, 2011 (levy date). Taxes were due on November 20, 2011 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2011 tax digest are reported as revenue in the governmental funds for fiscal year 2012. The Buford City Clerk bills and collects the property taxes for the School District 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, 2012, for maintenance and operations amounted to $9,444,129.81.

The tax millage rate levied for the 2011 tax year (calendar year) for the City of Buford Board of Education was as follows (a mill equals $1 per thousand dollars of assessed value):

School Operations	13.10 mills

SALES TAXES

Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to $3,037,224.19 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.

PREPAID ITEMS

Payments made to vendors for services that will benefit periods subsequent to June 30, 2012, are recorded as prepaid items.

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:

	Capitalization Policy	Estimated Useful Life
Land	All	N/A
Land Improvements	$ 5,000.00	15 years
Buildings and Improvements	$ 5,000.00	15 to 60 years
Equipment	$ 5,000.00	5 to 12 years
Intangible Assets	$ 5,000.00	individually determined

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

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

COMPENSATED ABSENCES

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

Prior to March 15, 2004, vacation leave not utilized during a fiscal year could be carried over to the next fiscal year. Vacation leave of 10 days was awarded on a fiscal year basis to all full time personnel employed on a twelve month basis until they had reached 15 fiscal years of service. After 15 years of service, employees earned 15 days per fiscal year. No other employees are eligible to earn vacation leave. After March 15, 2004, employees are no longer allowed to carry over unused vacation leave from one fiscal year to the next, except for the vacation days carried forward prior to these changes in the Vacation Leave Policy.

The amount of compensated absences reported at June 30, 2012, is for unused vacation leave days for twelve month employees earned and carried forward prior to the change in the School District's Leave Policy as of June 30, 2012. The compensated absence balance was calculated by the School District using the individual employee's current daily pay rate.

	Beginning of Year Liability	Increases	Decreases	End of Year Liability
2010	$ 61,193.44	$ 888.37	$ 19,305.31	$ 42,776.50
2011	$ 42,776.50	$ 0.00	$ 10,195.47	$ 32,581.03
2012	$ 32,581.03	$ 0.00	$ 32,581.03	$ 0.00

NET ASSETS

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

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

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

FUND BALANCES

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

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

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

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

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

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

Fund Balances of the Governmental Funds at June 30, 2012, are as follows:

Nonspendable			
Inventories	$ 21,949.98		
Prepaid Assets	164,745.69	$	186,695.67
Restricted			
Continuation of Federal Programs	$ 10,184.88		
Capital Projects	648,267.79		
Debt Service	207,560.75		866,013.42
Assigned			
School Activity Accounts			639,621.61
Unassigned			6,856,633.48
Fund Balance, June 30, 2012		$	8,548,964.18

It is the goal of the School District to achieve and maintain a committed, assigned, and unassigned fund balance in the general fund at fiscal year-end of not less than 8.3% of expenditures, not to exceed 15% of the total budget of the subsequent fiscal year, 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: BUDGETARY DATA

The budget is a complete financial plan for the School District's fiscal year, and is based upon careful estimates of expenditures together with probable funding sources. The budget is legally adopted each year for the general and capital projects funds. There is no statutory prohibition regarding over expenditure of the budget at any level. The budget for all governmental funds is prepared and adopted by fund, function and object. The legal level of budgetary control was established by the Board at the aggregate fund 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. At the next regularly scheduled meeting of the Board after advertisement, the Board receives comments on the tentative budget, makes revisions as necessary and adopts a final budget. The approved budget is then submitted, in accordance with provisions of Official Code of Georgia Annotated section 20-2-167(c), to the Georgia Department of Education. The Board may increase or decrease the budget at any time during the year. All unexpended budget authority lapses at fiscal year-end.

The Superintendent is authorized by the Board to approve adjustments of no more than five percent of the amount budgeted for expenditures in any budget function for any fund. The Superintendent shall report any such adjustments to the Board no later than the regular Board meeting following such action. If expenditure of funds in any budget function for any fund is anticipated to be more than five percent of the budgeted amount, the Superintendent shall request Board approval for the budget amendment. Under no circumstance is the Superintendent or other staff person authorized to spend funds that exceed the total budget without approval by the Board.

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

NOTE 4: DEPOSITS

COLLATERALIZATION OF DEPOSITS

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

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

1. Surety bond signed by a surety company duly qualified and authorized to transact business within the State of Georgia,
2. Insurance on accounts provided by the Federal Deposit Insurance Corporation,

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

CATEGORIZATION OF DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At June 30, 2012, the bank balances were $7,226,535.69. The bank balances were entirely covered by Federal depository insurance.

NOTE 5: NON-MONETARY TRANSACTIONS

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

NOTE 6: CAPITAL ASSETS

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

	Balances July 1, 2011 (Restated)	Increases	Decreases	Balances June 30, 2012
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	$ 145,000.00	$ 0.00	$ 0.00	$ 145,000.00
Capital Assets Being Depreciated				
Buildings and Improvements	$ 57,083,982.77	$ 107,399.12	$ 0.00	$ 57,191,381.89
Equipment	2,840,179.05	292,615.69		3,132,794.74
Land Improvements	913,325.46	36,180.73		949,506.19
Less Accumulated Depreciation for:				
Buildings and Improvements	7,811,958.54	963,700.40		8,775,658.94
Equipment	2,089,974.54	174,883.97		2,264,858.51
Land Improvements	545,069.57	31,271.53		576,341.10
Total Capital Assets, Being Depreciated, Net	$ 50,390,484.63	$ -733,660.36	$ 0.00	$ 49,656,824.27
Governmental Activity Capital Assets - Net	$ 50,535,484.63	$ -733,660.36	$ 0.00	$ 49,801,824.27

Current year depreciation expense by function is as follows:

Instruction		$ 954,645.89
Support Services		
Pupil Services	$ 2,316.00	
General Administration	6,868.21	
School Administration	2,281.30	
Maintenance and Operation of Plant	48,041.34	
Student Transportation Services	119,920.10	179,426.95
Food Services		35,783.06
		$ 1,169,855.90

NOTE 7: RISK MANAGEMENT

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

The School District has obtained commercial insurance for risk of loss associated with torts, assets, errors or omissions, job related illness or injuries to employees, and acts of God. 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 is self-insured with regard to unemployment compensation claims. The School District accounts for claims within the same fund that the employee's salary and benefits are paid. Claims are accounted for with expenses/expenditures and liability being reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated.

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

	Beginning of Year Liability	Claims and Changes in Estimates	Claims Paid	End of Year Liability
2011	$ 0.00	$ 115,631.02	$ 115,631.02	$ 0.00
2012	$ 0.00	$ 16,636.91	$ 16,636.91	$ 0.00

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

Position Covered	Amount
Superintendent	$ 50,000.00
Assistant Superintendent	$ 50,000.00
Each Principal	$ 3,000.00

NOTE 8: OPERATING LEASES

City of Buford Board of Education has entered into various leases as lessee for copiers. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the year ended June 30, 2012, for governmental funds amounted to $20,167.81. Future minimum lease payments for these leases are as follows:

Year Ending	Governmental Funds
2013	$ 21,148.00
2014	17,748.00
2015	11,676.00
Total	$ 50,572.00

NOTE 9: LONG-TERM DEBT

CAPITAL LEASES

The City of Buford Board of Education entered into a lease agreement for the purchase of computers. 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.

COMPENSATED ABSENCES

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

INTERGOVERNMENTAL CONTRACT

In March 2007, the Gwinnett County School District issued general obligation bonds in the amount of $425,000,000.00 to provide advance funding for Capital Outlay projects associated with the voters' approval of a Special Purpose Local Option Sales Tax ("SPLOST"). Per an Intergovernmental Agreement signed on August 4, 2006, between the Gwinnett County School District ("Gwinnett") and the City of Buford Board of Education ("Buford"). Gwinnett agreed to provide advance funding of $18,700,000.00 of proceeds from the general obligation bonds to Buford. In exchange, Buford agreed to relinquish upon receipt from the State of Georgia, its share of proceeds from the SPLOST. The agreement also allows for a reduction in this advance funding for any deficiency of collected funds from advance funds related to the prior SPLOST project.

In fiscal year 2008, Gwinnett provided the advance funding of $18,700,000.00. SPLOST proceeds of $2,023,675.10 were received and remitted by Buford to Gwinnett during the fiscal year. SPLOST proceeds of $405,573.74 were received but not yet remitted by Buford to Gwinnett. This balance is considered matured debt expense/expenditure and is reported as an accounts payable on the School District's Statement of Net Assets and Governmental Funds Balance Sheet. The remaining advance funding proceeds of $4,200,348.60 is reported as long-term debt on the School District's Statement of Net Assets.

The changes in Long-Term Debt during the fiscal year ended June 30, 2012, were as follows:

	Governmental Funds				
	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012	Due Within One Year
Compensated Absences	$ 32,581.03	$ 0.00	$ 32,581.03	$ 0.00	$
Intergovernmental Agreement	6,629,597.44		2,429,248.84	4,200,348.60	(1)
Capital Leases	362,630.37		181,315.19	181,315.18	181,315.18
	$ 7,024,808.84	$ 0.00	$ 2,643,145.06	$ 4,381,663.78	$ 181,315.18

(1) Per the Intergovernmental Agreement with the Gwinnett County School District, portion of Long-term debt due within one year is equal to Special Purpose Local Option Sales Tax collections to be made by the School District in the subsequent fiscal yea It is not possible to determine the specific amount of these funds to be collected.

NOTE 10: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of $2,336,026.00 for health insurance and retirement contributions paid on the School District's behalf by the following State Agencies.

Georgia Department of Education
Paid to the Georgia Department of Community Health
For Health Insurance of Certificated Personnel
In the amount of $2,310,975.00

Office of the State Treasurer
Paid to the Public School Employees' Retirement System
For Public School Employees' Retirement (PSERS) Employer's Cost
In the amount of $25,051.00

NOTE 11: SIGNIFICANT CONTINGENT LIABILITIES

Amounts received or receivable principally from the Federal government are subject to audit and review by grantor agencies. This could result in requests for reimbursement to the grantor agency for any costs which are disallowed under grant terms. The School District believes that such disallowances, if any, will be immaterial to its overall financial position.

The School District is a defendant in various legal proceedings pertaining to matters incidental to the performance of routine School District operations. The ultimate disposition of these proceedings is not presently determinable, but is not believed to be material to the basic financial statements.

NOTE 12: POST-EMPLOYMENT BENEFITS

GEORGIA SCHOOL PERSONNEL POST-EMPLOYMENT HEALTH BENEFIT FUND

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

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

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

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, 2012:

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

June 2011	1.429%	of covered payroll for July coverage
July 2011	18.534%	of covered payroll for August coverage
August 2011 - March 2012	24.000%	of covered payroll for September - April coverage
April 2012 - June 2012	3.958%	of covered payroll for May - July coverage

For non-certificated school personnel:

July 2011 - August 2011	$246.20	per member per month
September 2011 - June 2012	$296.20	per member per month

No additional contribution was required by the Board for fiscal year 2012 nor contributed to the School OPEB Fund to prefund retiree benefits. Such additional contribution amounts are determined annually by the Board in accordance with the School plan for other post-employment benefits and are subject to appropriation.

The School District's combined active and retiree contributions to the health insurance plans, which equaled the required contribution, for the current fiscal year and the preceding two fiscal years were as follows:

Fiscal Year	Percentage Contributed	Required Contribution
2012	100%	$ 2,980,644.97
2011	100%	$ 2,736,845.75
2010	100%	$ 2,760,694.36

NOTE 13: RETIREMENT PLANS

TEACHERS' RETIREMENT SYSTEM OF GEORGIA (TRS)

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

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

TRS provides service retirement, disability retirement, and survivor's benefits. The benefit structure of TRS is defined and may be amended by State statute. A member is eligible for normal service retirement after 30 years of creditable service, regardless of age, or after 10 years of service and attainment of age 60. A member is eligible for early retirement after 25 years of creditable service.

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

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, 2012, were 5.53% of annual salary. The member contribution rate will increase to 6.00% effective July 1, 2012. Employer contributions required for fiscal year 2012 were 10.28% of annual salary as required by the June 30, 2009, actuarial valuation. The employer contribution rate will increase to 11.41% effective July 1, 2012.

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

Fiscal Year	Percentage Contributed	Required Contribution
2012	100%	$ 2,005,679.63
2011	100%	$ 1,926,519.86
2010	100%	$ 1,846,138.14

PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS)

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

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CITY OF BUFORD BOARD OF EDUCATION - GWINNETT COUNTY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2012

SCHEDULE "1"

	NONAPPROPRIATED BUDGETS		ACTUAL	VARIANCE
	ORIGINAL (1)	FINAL (1)	AMOUNTS	OVER/UNDER
REVENUES				
Property Taxes	$ 17,900,000.00	$ 17,900,000.00	$ 9,444,129.81	$ -8,455,870.19
State Funds	11,366,578.00	11,366,578.00	13,240,724.11	1,874,146.11
Federal Funds	950,000.00	950,000.00	2,412,469.80	1,462,469.80
Charges for Services	1,436,567.87	1,436,567.87	2,805,543.54	1,368,975.67
Investment Earnings	200.00	200.00	16.75	-183.25
Miscellaneous	45,450.00	45,450.00	1,591,073.51	1,545,623.51
Total Revenues	$ 31,698,795.87	$ 31,698,795.87	$ 29,493,957.52	$ -2,204,838.35
EXPENDITURES				
Current				
Instruction	$ 21,297,477.09	$ 21,514,506.31	$ 24,468,094.19	$ -2,953,587.88
Support Services				
Pupil Services	1,238,858.34	1,238,442.54	1,678,921.37	-440,478.83
Improvement of Instructional Services	163,212.52	237,643.52	308,929.90	-71,286.38
Educational Media Services	580,618.77	580,618.77	570,468.34	10,150.43
General Administration	1,876,516.76	1,884,979.76	1,756,050.32	128,929.44
School Administration	2,128,311.83	2,128,042.11	2,313,757.47	-185,715.36
Business Administration	347,822.99	347,822.99	322,194.66	25,628.33
Maintenance and Operation of Plant	2,508,797.97	2,508,797.97	2,746,444.52	-237,646.55
Student Transportation Services	863,653.72	863,653.72	966,181.37	-102,527.65
Other Support Services		8,262.50	10,812.58	-2,550.08
Enterprise Operations			328,449.27	-328,449.27
Community Services			275,002.54	-275,002.54
Food Services Operation	1,498,467.43	1,498,467.43	1,942,528.75	-444,061.32
Debt Service			186,522.51	-186,522.51
Total Expenditures	$ 32,503,737.42	$ 32,811,237.62	$ 37,874,357.79	$ -5,063,120.17
Excess of Revenues over (under) Expenditures	$ -804,941.55	$ -1,112,441.75	$ -8,380,400.27	$ -7,267,958.52
OTHER FINANCING SOURCES				
Transfers From City Government			8,628,409.40	8,628,409.40
Net Change in Fund Balances	$ -804,941.55	$ -1,112,441.75	$ 248,009.13	$ 1,360,450.88
Fund Balances - Beginning	7,061,928.44	7,078,281.18	7,445,126.51	366,845.33
Fund Balances - Ending	$ 6,256,986.89	$ 5,965,839.43	$ 7,693,135.64	$ 1,727,296.21

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

(1) Original and Final Budget amounts do not include budgeted revenues or expenditures of the various principal accounts. The actual amounts include revenues ($1,920,981.90) and expenditures ($1,730,171.74) of the various principal 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.

CITY OF BUFORD BOARD OF EDUCATION - GWINNETT COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

SCHEDULE "2"

FUNDING AGENCY PROGRAM/GRANT		CFDA NUMBER	PASS-THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD	
Agriculture, U. S. Department of					
Child Nutrition Cluster					
Pass-Through From Georgia Department of Education					
Food Services					
School Breakfast Program	*	10.553	N/A	(2)	
National School Lunch Program	*	10.555	N/A	$ 1,897,109.64	(1)
Total U.S. Department of Agriculture				$ 1,897,109.64	
Education, U.S. Department of					
Special Education Cluster					
Pass-Through From Georgia Department of Education					
Special Education					
Grants to States	*	84.027	N/A	$ 529,853.28	
Title I, Part A Cluster					
Pass-Through From Georgia Department of Education					
ARRA - Title I Grants to Local Educational Agencies		84.389	N/A	$ 7,899.21	
Title I Grants to Local Educational Agencies		84.010	N/A	616,695.40	
Total Title I, Part A Cluster				$ 624,594.61	
Other Programs					
Pass-Through From Georgia Department of Education					
Career and Technical Education - Basic Grants to States		84.048	N/A	$ 26,924.71	
Education Jobs Fund		84.410	N/A	8,191.00	
Improving Teacher Quality State Grants		84.367	N/A	104,914.23	
Total Other Programs				$ 140,029.94	
Total U. S. Department of Education				$ 1,294,477.83	
Total Expenditures of Federal Awards				$ 3,191,587.47	

N/A = Not Available

Notes to the Schedule of Expenditures of Federal Awards

(1) Includes the Federally assigned value of donated commodities for the Food Donation Program in the amount of $98,203.62.

(2) Expenditures for the funds earned on the School Breakfast Program ($290,883.33) were not maintained separately and are included in the 2012 National School Lunch Program.

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

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

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

See notes to the basic financial statements.

CITY OF BUFORD BOARD OF EDUCATION - GWINNETT COUNTY
SCHEDULE OF STATE REVENUE
YEAR ENDED JUNE 30, 2012

SCHEDULE "3"

AGENCY/FUNDING	GOVERNMENTAL FUND TYPE GENERAL FUND
GRANTS	
Education, Georgia Department of	
Quality Basic Education	
Direct Instructional Cost	
Kindergarten Program	$ 978,410.00
Kindergarten Program - Early Intervention Program	45,101.00
Primary Grades (1-3) Program	2,133,222.00
Primary Grades - Early Intervention (1-3) Program	80,914.00
Upper Elementary Grades (4-5) Program	1,076,639.00
Upper Elementary Grades - Early Intervention (4-5) Program	42,036.00
Middle School (6-8) Program	1,583,715.00
High School General Education (9-12) Program	1,512,006.00
Vocational Laboratory (9-12) Program	378,512.00
Students with Disabilities	1,590,070.00
Gifted Student - Category VI	577,748.00
Remedial Education Program	124,427.00
Alternative Education Program	126,774.00
English Speakers of Other Languages (ESOL)	289,337.00
Media Center Program	300,748.00
20 Days Additional Instruction	89,946.00
Staff and Professional Development	60,650.00
Indirect Cost	
Central Administration	421,412.00
School Administration	543,124.00
Facility Maintenance and Operations	764,499.00
Categorical Grants	
Pupil Transportation	
Regular	112,865.00
Nursing Services	63,601.00
Food Services	39,793.06
Amended Formula Adjustment	-2,155,328.00
Other State Programs	
Apprenticeship Program	-145.00
CTAE - Middle School Support Grant	-5,420.01
Dual Enrollment	4,996.00
Extended Day - Technology	12,194.69
Health Insurance	2,310,975.00
Math and Science Supplements	2,188.44
Pupil Transportation - State Bonds	152,511.50
Virtual Schools Grant	3,100.00
Vocational Construction Related Equipment - State Bonds	-44,393.57
Vocation Supervisors	-555.00
Office of State Treasurer	
Public School Employees' Retirement	25,051.00
	$ 13,240,724.11

See notes to the basic financial statements.

CITY OF BUFORD BOARD OF EDUCATION - GWINNETT COUNTY
SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS
YEAR ENDED JUNE 30, 2012

SCHEDULE "4"

PROJECT	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3)	AMOUNT EXPENDED IN PRIOR YEARS (3)	TOTAL COMPLETION COST	EXCESS PROCEEDS NOT EXPENDED	ESTIMATED COMPLETION DATE
Hall County SPLOST Projects: acquiring, constructing and equipping additional classrooms, instructional and support space and remodeling, renovating, and equipping existing classrooms, instructional and support space; acquiring, constructing and equipping new middle schools; acquiring and installing technology improvements system-wide; and renovating existing school buildings and facilities.	$ 3,000,000.00	$ 3,000,000.00	$ 0.00	$ 1,797,667.81	$ 0.00	$ 0.00	

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

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

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

See notes to the basic financial statements.

CITY OF BUFORD BOARD OF EDUCATION - GWINNETT COUNTY
GENERAL FUND - QUALITY BASIC EDUCATION PROGRAMS (QBE)
ALLOTMENTS AND EXPENDITURES - BY PROGRAM
YEAR ENDED JUNE 30, 2012

SCHEDULE "5"

DESCRIPTION	ALLOTMENTS FROM GEORGIA DEPARTMENT OF EDUCATION (1) (2)	ELIGIBLE QBE PROGRAM COSTS SALARIES	OPERATIONS	TOTAL
Direct Instructional Programs				
Kindergarten Program	$ 1,311,418.00	$ 1,629,695.76	$ 61,812.89	$ 1,691,508.65
Kindergarten Program-Early Intervention Program	62,794.00	192,219.71		192,219.71
Primary Grades (1-3) Program	2,880,225.00	3,619,406.86	151,614.46	3,771,021.32
Primary Grades-Early Intervention (1-3) Program	109,320.00	255,746.25		255,746.25
Upper Elementary Grades (4-5) Program	1,454,106.00	2,044,380.59	80,727.31	2,125,107.90
Upper Elementary Grades-Early Intervention (4-5) Program	57,382.00	166,926.51		166,926.51
Middle School (6-8) Program	2,141,827.00	3,301,056.95	231,231.92	3,532,288.87
High School General Education (9-12) Program	1,988,072.00	3,178,423.08	337,459.87	3,515,882.95
Vocational Laboratory (9-12) Program	503,037.00	408,201.68	57,641.35	465,843.03
Students with Disabilities	2,140,813.00			
Category I		220,857.53	344,093.09	564,950.62
Category II			72.13	72.13
Category III		1,528,046.24	528.43	1,528,574.67
Category IV		558,806.56		558,806.56
Gifted Student - Category VI	754,154.00	339,488.70	399.00	339,887.70
Remedial Education Program	168,270.00		171.12	171.12
Alternative Education Program	170,339.00	72,375.40		72,375.40
English Speakers of Other Languages (ESOL)	389,914.00	406,372.08	50.00	406,422.08
TOTAL DIRECT INSTRUCTIONAL PROGRAMS	$ 14,131,671.00	$ 17,922,003.90	$ 1,265,801.57	$ 19,187,805.47
Media Center Program	405,607.00	536,753.27	33,211.99	569,965.26
Staff and Professional Development	82,957.00	97,003.63		97,003.63
TOTAL QBE FORMULA FUNDS	$ 14,620,235.00	$ 18,555,760.80	$ 1,299,013.56	$ 19,854,774.36

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

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

See notes to the basic financial statements.

SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS

DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

August 5, 2013

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
City of Buford Board of Education

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

Ladies and Gentlemen:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Buford Board of Education as of and for the year ended June 30, 2012, which collectively comprise City of Buford Board of Education's basic financial statements and have issued our report thereon dated August 5, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses and therefore, there can be no assurances that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider item FS-7641-12-03 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider items FS-7641-12-01, FS-7641-12-02, FS-7641-12-04, FS-7641-12-05, and FS-7641-12-06 in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

Compliance and Other Matters

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

We noted certain matters that we have reported to management of City of Buford Board of Education in a separate letter dated August 5, 2013.

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

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

Respectfully submitted,



Greg S. Griffin
State Auditor

GSG:as
2012YB-40

DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

August 5, 2013

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
City of Buford Board of Education

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

Ladies and Gentlemen:

Compliance

We have audited City of Buford Board of Education's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2012. City of Buford Board of Education's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of City of Buford Board of Education's management. Our responsibility is to express an opinion on City of Buford Board of Education's compliance based on our audit.

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

As described in item FA-7641-12-01, in the accompanying Schedule of Findings and Questioned Costs, City of Buford Board of Education did not comply with requirements regarding Reporting that is applicable to its Special Education Cluster. Compliance with such requirements is necessary, in our opinion, for City of Buford Board of Education to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, City of Buford Board of Education complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

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

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 significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a 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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item FA-7641-12-01 to be a material weakness.

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

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

Respectfully submitted,



Greg S. Griffin
State Auditor

GSG:as
2012SA-65

SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

CITY OF BUFORD BOARD OF EDUCATION - GWINNETT COUNTY
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FINDING CONTROL NUMBER AND STATUS

FS-7641-10-01	Further Action Not Warranted
FS-7641-10-02	Further Action Not Warranted
FS-7641-10-03	Further Action Not Warranted
FS-7641-10-04	Further Action Not Warranted
FS-7641-10-05	Further Action Not Warranted
FS-7641-11-01	Unresolved - See Corrective Action/Responses
FS-7641-11-02	Unresolved - See Corrective Action/Responses
FS-7641-11-03	Unresolved - See Corrective Action/Responses
FS-7641-11-04	Unresolved - See Corrective Action/Responses
FS-7641-11-05	Unresolved - See Corrective Action/Responses
FS-7641-11-06	Previously Reported Corrective Action Implemented
FS-7641-11-07	Unresolved - See Corrective Action/Responses

CORRECTIVE ACTION/RESPONSES

GENERAL LEDGER
Inadequate Approval of Journal Entries
Finding Control Number: FS-7641-11-01

The Board will implement steps to ensure adequate documentation and approvals of journal entries. These steps include utilizing journal entry forms and attaching backup documentation and utilizing current staff for preparation of journal entries. Each journal entry form has a place for preparer, entry, and approval signatures.

CASH AND CASH EQUIVALENTS
Inadequate Internal Control Procedures
Finding Control Number: FS-7641-11-02

Due to budgetary constraints, no additional staff can be added at this time. However, the Board will have an administrator independent of the general ledger review the bank statements on a monthly basis.

FINANCIAL REPORTING
Inadequate Internal Controls over Financial Reporting
Finding Control Number: FS-7641-11-03

The Board will complete the financial statements for the Department of Audits no later than December 2013 to ensure there is adequate time to review and revise statements before the arrival of the audit team. The finance department will review all points and findings from prior year to ensure that issues are resolved.

CITY OF BUFORD BOARD OF EDUCATION - GWINNETT COUNTY
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

CORRECTIVE ACTION/RESPONSES

CASH AND CASH EQUIVALENTS
REVENUES/RECEIVABLES/RECEIPTS
EXPENDITURES/LIABILITIES/DISBURSEMENTS
Inadequate Internal Controls over School Activity Accounts
Finding Control Number: FS-7641-11-04

Due to budgetary constraints, no additional staff can be added at this time. However, the Board has implemented steps to ensure that internal controls and adequate separation of duties exist. These steps include meetings with individual school administration staffs to review the procedures necessary to ensure separation of duties exist.

CAPITAL ASSETS
Failure to Properly Maintain Capital Assets
Finding Control Number: FS-7641-11-05

The Board has implemented steps to ensure that capital assets are adequately maintained. These steps include a more in depth review of possible capital assets items from the fiscal year expenditure records.

ACCOUNTING CONTROLS
Inadequate Internal Controls over Grants
Finding Control Number: FS-7641-11-07

The Board has implemented internal controls to ensure that all Federal programs are properly closed at year end.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING CONTROL NUMBER AND STATUS

FA-7641-10-01	Partially Resolved – See Corrective Action/Responses
FA-7641-10-02	Partially Resolved – See Corrective Action/Responses
FA-7641-10-03	Partially Resolved – See Corrective Action/Responses
FA-7641-10-04	Partially Resolved – See Corrective Action/Responses
FA-7641-11-01	Partially Resolved – See Corrective Action/Responses

CITY OF BUFORD BOARD OF EDUCATION - GWINNETT COUNTY
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

CORRECTIVE ACTION/RESPONSES

ACTIVITIES ALLOWED/UNALLOWED
ALLOWABLE COSTS/COST PRINCIPLES
Inadequate Internal Control Procedures
U. S. Department of Education
Through Georgia Department of Education
Title I Grants to Local Educational Agencies (CFDA 84.389)
Questioned Cost: $10,015.36
Finding Control Number: FA-7641-10-01

We are awaiting a final resolution from the Georgia Department of Education Financial Review.

ALLOWABLE COSTS/COST PRINCIPLES
Time and Attendance Records not Utilized
U. S. Department of Education
Through Georgia Department of Education
Special Education Cluster (CFDA 84.027 and 84.391)
Title I Grants to Local Educational Agencies (CFDA 84.010 and 84.389)
Finding Control Number: FA-7641-10-02

We are awaiting a final resolution from the Georgia Department of Education Financial Review.

ELIGIBILITY
Failure to Document Eligibility Determinations
U. S. Department of Education
Through Georgia Department of Education
Title I Grants to Local Educational Agencies (CFDA 84.010 and 84.389)
Questioned Cost: $560.00
Finding Control Number: FA-7641-10-03

We are awaiting a final resolution from the Georgia Department of Education Financial Review.

SPECIAL TESTS AND PROVISIONS
Inadequate Schoolwide Program Plans
U. S. Department of Education
Through Georgia Department of Education
Title I Grants to Local Educational Agencies (CFDA 84.010 and 84.389)
Finding Control Number: FA-7641-10-04

We are awaiting a final resolution from the Georgia Department of Education Financial Review.

CITY OF BUFORD BOARD OF EDUCATION - GWINNETT COUNTY
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

CORRECTIVE ACTION/RESPONSES

CASH MANAGEMENT
Excessive Cash Balances
U. S. Department of Education
Through Georgia Department of Education
Special Education Cluster (CFDA 84.027 and 84.391)
Finding Control Number: FA-7641-11-01

We are awaiting a final resolution from the Georgia Department of Education Financial Review.

SECTION IV

FINDINGS AND QUESTIONED COSTS

CITY OF BUFORD BOARD OF EDUCATION - GWINNETT COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issue:

Governmental Activities; General Fund; Capital Projects Fund; Aggregate Remaining Fund Information	Unqualified

Internal control over financial reporting:

▪ Material weakness identified?	Yes
▪ Significant deficiencies identified?	Yes

Noncompliance material to financial statements noted:	No

Federal Awards

Internal Control over major programs:

▪ Material weakness identified?	Yes
▪ Significant deficiency identified?	None Reported

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

Child Nutrition Cluster	Unqualified
Special Education Cluster	Qualified

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

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
10.553, 10.555	Child Nutrition Cluster
84.027	Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$300,000.00
Auditee qualified as low-risk auditee?	No

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

GENERAL LEDGER
Inadequate Approval of Journal Entries
Significant Deficiency
Finding Control Number: FS-7641-12-01

Condition:
This is a repeat finding (FS-7641-11-01, FS-7641-10-04, and FS-7641-09-05) from the fiscal years ended June 30, 2011, June 30 2010, and June 30, 2009, respectively. School District personnel did not ensure that journal entries were properly approved based on the policies and procedures.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Criteria:
The School District's management is responsible for designing and maintaining internal controls that provide reasonable assurance journal entries are properly approved, documented, and processed.

Questioned Cost:
N/A

Information:
There was no evidence provided to document journal entries were reviewed and approved by someone independent of the general ledger journal entry function.

Cause:
These deficiencies were a result of management's failure to adequately monitor and implement procedures to ensure journal entries are properly documented and approved before posting to the accounting records.

Effect:
The lack of adequate controls over the journal entry process may result in errors in financial reporting and increases the risk of material misstatements, including misstatements due to fraud.

Recommendation:
The School District should strengthen internal controls over the journal entry process to ensure journal entries are properly approved.

CASH AND CASH EQUIVALENTS
Inadequate Internal Control Procedures
Significant Deficiency
Finding Control Number: FS-7641-12-02

Condition:
This is a repeat finding (FS-7641-11-02, FS-7641-10-01, and FS-7641-09-01) from the fiscal years ended June 30, 2011, June 30, 2010, and June 30, 2009, respectively. The accounting procedures of the School District were insufficient to provide adequate internal controls over Cash and Cash Equivalents.

Criteria:
The School District's management is responsible for designing and maintaining internal controls over Cash and Cash Equivalents.

Questioned Cost:
N/A

Information:
Weaknesses in internal controls related to Cash and Cash Equivalents were noted as follows:

- Bank reconciliations were not performed by someone independent of the general ledger function.
- The School District could not provide evidence that someone reviews and/or approves bank reconciliations.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

- Bank reconciliations were not performed for the new Holding Account and a cash balance of $4,495.08 appears to be unreported at fiscal year end.
- The School District's bank reconciliation for the School Food Service account had an unidentified variance of $3,111.75.

Cause:
The School District did not design internal controls to properly reconcile and maintain cash activity on the general ledger.

Effect:
Failure to maintain adequate internal controls over cash activity increases the risk that significant misstatements could occur in the financial statements due to error or fraud.

Recommendation:
The School District should design and implement controls over cash to ensure bank reconciliations are performed by someone independent of the general ledger function and a supervisory review is performed over bank reconciliations.

FINANCIAL REPORTING
Inadequate Internal Controls over Financial Reporting
Material Weakness
Finding Control Number: FS-7641-12-03

Condition:
This is a repeat finding (FS-7641-11-03, FS-7641-10-05, and FS-7641-09-06) from the fiscal years ended June 30, 2011, June 30, 2010, and June 30, 2009, respectively. The School District did not have adequate internal controls in place over the financial statement reporting process.

Criteria:
Chapter 22A *Annual Financial Reporting* of the Financial Management for Georgia Local Units of Administration provides that School Districts must prepare their financial statements in accordance with generally accepted accounting principles.

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) *Internal Control - Integrated Framework* states that an essential attribute to reliable financial reporting is the timely performance of procedures.

Questioned Cost:
N/A

Information:
The Governmental Accounting Standards Board (GASB) Statement 34 reporting model requires the preparation of both fund and entity-wide level statements in the School District's financial statements. The School District has not implemented an adequate level of internal control to ensure financial data is processed and reported. During the audit, the following significant correcting entries were proposed and accepted by the client to properly present the entity's financial statements:

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

- Transfers from City Government receivables of $483,333.53 were not recorded. An audit adjustment to record additional Accounts Receivable was proposed and accepted by the client to correct this misstatement.
- Deferred Revenue for Property Taxes was not recorded. An audit adjustment of $1,637,163.50 was proposed and accepted by the client to correct this misstatement.
- Intergovernmental Agreement receivables were overstated. An audit adjustment of $1,105,253.22 was proposed and accepted by the client to correct this misstatement.
- Debt Service - Principal payments were understated. An audit adjustment of $222,176.15 was proposed and accepted by the client to correct this misstatement.
- Overall misstatements were noted as a result of errors made during the conversion of the fund statements to the governmental activity statements. Audit adjustments were proposed and accepted by the client to correct these misstatements as follows:
    - Understatement of assets totaling $1,184,525.95,
    - Overstatement of liabilities totaling $4,010,978.92,
    - Overstatement of expense totaling $4,497,977.50, and
    - Understatement of net assets totaling $7,324,430.47.
- Numerous reclassification entries were made to improve financial statement presentation.

Various misstatements and misclassifications greater than one percent of materiality were also encountered throughout the course of the audit.

Cause:
The School District did not implement an adequate system of internal control over the financial statement reporting process.

Effect:
The School District does not have adequate internal controls in place to ensure the financial statements are properly prepared in accordance with generally accepted accounting principles.

Recommendation:
The School District should implement an adequate level of internal control to ensure all required financial data is processed timely and accurately included in the financial statements presented for audit.

CAPITAL ASSETS
Failure to Properly Maintain Capital Assets
Significant Deficiency
Finding Control Number: FS-7641-12-04

Condition:
This is a repeat finding (FS-7641-11-05, FS-7641-10-03, and FS-7641-09-04) from the fiscal years ended June 30, 2011, June 30, 2010, and June 30, 2009, respectively. Adequate policies and procedures are not in place to ensure capital assets inventory records are properly maintained.

Criteria:
Chapter 37 *Implementing a Capital Assets Management System* of the Financial Management for Georgia Local Units of Administration provides that School Districts must establish fixed asset policies, define system requirements, implement a fixed asset system, and maintain fixed asset inventory records.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Questioned Cost:
N/A

Information:
A review of the School District's capital assets inventory records noted deficiencies as discussed below:

- Failure to maintain an ongoing analysis of capital projects resulted in unrecorded assets in a prior year which required a restatement of beginning net assets in current year.
- Failure to ensure depreciation expense in the current year agreed with capital assets inventory records.
- Failure to capitalize items in accordance with the capital assets policy resulting in items capitalized in error and items not capitalized in error.
- Failure to perform a complete physical inventory for all capital assets during the fiscal year.

Cause:
The School District did not design internal controls to properly maintain capital assets activity.

Effect:
Failure to properly maintain capital assets inventory records could lead to inaccurate internal and external reporting, as well as noncompliance with generally accepted accounting principles.

Recommendation:
The School District should design and implement controls over capital assets to ensure (1) an ongoing analysis of capital projects is maintained and (2) capital assets inventory records are reviewed for accuracy and appropriate adjustments are made as necessary.

ACCOUNTING CONTROLS
Inadequate Internal Controls over Grants
Significant Deficiency
Finding Control Number: FS-7641-12-05

Condition:
This is a repeat finding (FS-7641-11-07) from the fiscal year ended June 30, 2011. The accounting procedures of the School District were insufficient to provide adequate internal controls over state and Federal program funds.

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

Questioned Cost:
N/A

Information:
The School District did not reconcile Federal programs on a yearly basis to ensure the appropriate reimbursement requests have been timely made for Federal expenditures. As a result, Federal programs went into a deficit in prior years and the entity thus had to cover Federal expenditures with local funds. In the current year, the entity transferred $292,842.58 of local funds to Federal

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

programs to cover deficit fund balances and Federal expenditures made in the current year which were either expenditures in excess of approved grant budgets or were expenditures for which a reimbursement request had not been made when grant funds were available for reimbursement. In the current year, the School District requested reimbursements for Title I in excess of actual expenditures incurred during the year in the amount of $95,676.17.

The School District did not reconcile state programs on a yearly basis to ensure the appropriate revenues have been recognized and accounts receivables have been recorded. As a result, revenues for state programs were improperly recognized in prior years and the entity had to correct beginning fund balance in the current year. The entity did so by taking prior year errors against current year activity, thus current year revenues are understated.

Cause:
This deficiency was a result of management's failure to ensure Federal or state programs were properly closed out at year end.

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

Recommendation:
The School District should implement internal controls to ensure all Federal and state programs are properly closed at year end.

CASH AND CASH EQUIVALENTS
REVENUES/RECEIVABLES/RECEIPTS
EXPENDITURES/LIABILITIES/DISBURSEMENTS
Inadequate Internal Controls over School Activity Accounts
Significant Deficiency
Finding Control Number: FS-7641-12-06

Condition:
This is a repeat finding (FS-7641-11-04, FS-7641-10-02, and FS-7641-09-02) from the fiscal years ended June 30, 2011, June 30, 2010, and June 30, 2009, respectively. The accounting procedures of the School District were insufficient to provide adequate internal controls school activity accounts.

Criteria:
The School District's management is responsible for designing and maintaining internal controls that provide reasonable assurance transactions are processed according to established procedures and provide assurance of proper separation of duties, which would limit any one individual's access to both physical assets and the related accounting records.

Questioned Cost:
N/A

Information:
Cash and Cash Equivalents

- The bank reconciliation function was not separated from record keeping and voucher payment function.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Revenues/Receivables/Receipts

- The deposit preparation function was not separated from record keeping and cash custody.
- Controls in place over the receipt process were not consistently applied. The club sponsors and bookkeeper did not consistently complete funds collected forms and include signature certifying the funds were properly accounted.

Expenditures/Liabilities/Disbursements

- The check writing functions were not separated from record keeping or processing of signed checks.

Cause:
The deficiencies were a result of management's failure to ensure internal controls were established, implemented, and functioning at the school level. The School District also has not assigned responsibilities to achieve appropriate separation of duties.

Effect:
Failure to maintain adequate internal controls over school activity accounts increases the risk misstatements could occur in the financial statements due to error or fraud.

Recommendation:
The School District should revise and implement internal controls to ensure proper separation of duties is established, account processes are adequately monitored, and the central office ledger is reconciled to any subsidiary school ledgers.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

REPORTING
Failure to File Accurate Completion Reports
Material Weakness
Material Noncompliance
U. S. Department of Education
Through Georgia Department of Education
Special Education Cluster (CFDA 84.027)
Finding Control Number: FA-7641-12-01

Condition:
The School District failed to file an accurate completion report for the Special Education Cluster (CFDA 84.027).

Criteria:
In accordance with provisions of OMB Circular A-133, Part 3 Compliance Supplement, Subpart L - *Reporting*, states in part, "Each recipient must report program outlays and program income...as prescribed by the Federal awarding agency. The reporting requirements for sub recipients are as specified by the pass-through entity."

Chapter 41, *State and Federal Fiscal Rules and Procedures* of the Financial Management for Georgia Local Units of Administration states, "This chapter sets forth the principal requirements that a School District must meet to account for and externally report its budget and financial operations relating to state and Federally funded programs administered by the Georgia Department of Education."

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Questioned Cost:
N/A

Information:
A review of the School District's accounting records revealed that actual Special Education Flowthrough expenditures for the Special Education Cluster ending June 30, 2012, were $556,744.19, while expenditures were reported on the completion report as $529,853.28, resulting in a variance of $26,890.91.

No fund balances resulted due to the reporting errors.

Cause:
Management failed to implement procedures to ensure amounts on the completion reports agreed with actual expenditures and/or that a completion report was completed for all applicable grants.

Effect:
Failure to accurately report Federal expenditures can result in inaccurate and incomplete disclosures for Federal grant reporting purposes and can result in excessive claims for reimbursement.

Recommendation:
Management should implement procedures to ensure completion reports, submitted to the Georgia Department of Education, (1) include all activity of the reporting period, (2) are supported by applicable accounting records, and (3) are properly presented in accordance with program requirements.

SECTION V

MANAGEMENT'S RESPONSES

CITY OF BUFORD BOARD OF EDUCATION - GWINNETT COUNTY
SCHEDULE OF MANAGEMENT'S RESPONSES
YEAR ENDED JUNE 30, 2012

Finding Control Number: FS-7641-12-01

We concur with this finding. The Board has implemented steps to ensure adequate documentation and approvals of journal entries occur. These steps include utilizing journal entry forms and attaching backup documentation and utilizing current staff for preparation of journal entries. Each Journal entry form has a place for preparer, entry and approval signatures. The Board anticipates correcting this significant deficiency by September 2013.

Finding Control Number: FS-7641-12-02

We concur with this finding. Due to budgetary constraints, no additional staff can be added at this time. However, the Board will have an administrator independent of the general ledger review the bank statements on a monthly basis. The Board anticipates correcting this significant deficiency by September 2013.

Finding Control Number: FS-7641-12-03

We concur with this finding. The Board will complete the financial statements for the Department of Audits no later than December 2013 to ensure there is adequate time to review and revise statements before the arrival of the audit team. The finance department will review all points and findings from prior year to ensure that issues are resolved.

Finding Control Number: FS-7641-12-04

We concur with this finding. The Board has implemented steps to ensure that capital assets are adequately maintained. These steps include a more in depth review of possible capital assets items from the fiscal year expenditure records. The Board anticipates correcting this failure to adequately maintain capital assets by September 2013.

Finding Control Number: FS-7641-12-05

We concur with this finding. The Board has implemented internal controls to ensure that all Federal programs are properly closed at year end. The Board anticipates correcting this significant deficiency by September 2013.

Finding Control Number: FS-7641-12-06

We concur with this finding. Due to budgetary constraints, no additional staff can be added at this time. However, the Board has implemented steps to ensure that internal controls and adequate separation of duties exist. These steps include meetings with individual school administration staffs to review the procedures necessary to ensure separation of duties exist. The Board anticipates correcting this inadequate separation of duties by November 2013.

Finding Control Number: FA-7641-12-01

We concur with this finding. The Board has implemented internal controls to ensure that completion reports, submitted to the Georgia Department of Education, (1) include all activity of the reporting period, (2) are supported by applicable accounting records, and (3) are properly presented in accordance with program requirements. The Board corrected this significant deficiency September 2013.

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