

CITY OF DUBLIN
BOARD OF EDUCATION
LAURENS COUNTY, GEORGIA

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

CITY OF DUBLIN BOARD OF EDUCATION - LAURENS COUNTY

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SECTION I

FINANCIAL

DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

November 19, 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 Dublin 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 Dublin Board of Education, 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 Dublin 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 Dublin 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.

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an

essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2013, on our consideration of the City of Dublin 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.

The Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual, as presented on page 27, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures 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 Dublin 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 DUBLIN BOARD OF EDUCATION - LAURENS COUNTY

CITY OF DUBLIN BOARD OF EDUCATION - LAURENS COUNTY
STATEMENT OF NET ASSETS
JUNE 30, 2012

EXHIBIT "A"

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and Cash Equivalents	$ 2,547,051.49
Investments	1,544,436.12
Accounts Receivable, Net	
Taxes	1,124,876.98
State Government	1,438,009.00
Federal Government	363,950.77
Other	188,900.19
Inventories	44,544.18
Prepaid Items	200,000.00
Deferred Charges	234,753.54
Capital Assets, Non-Depreciable	5,411,619.00
Capital Assets, Depreciable (Net of Accumulated Depreciation)	58,320,021.09
Total Assets	$ 71,418,162.36
LIABILITIES	
Accounts Payable	$ 319,244.50
Salaries and Benefits Payable	2,893,084.98
Short-Term Debt	3,050,916.66
Interest Payable	185,447.75
Contracts Payable	32,782.54
Deposits and Deferred Revenues	274,570.10
Long-Term Liabilities	
Due Within One Year	2,845,721.57
Due in More Than One Year	18,763,266.40
Total Liabilities	$ 28,365,034.50
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	$ 42,652,362.51
Restricted for	
Continuation of Federal and State Programs	848,249.48
Debt Service	1,875,785.61
Capital Projects	965,238.62
Unrestricted (Deficit)	-3,288,508.36
Total Net Assets	$ 43,053,127.86
Total Liabilities and Net Assets	$ 71,418,162.36

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

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

	EXPENSES	CHARGES FOR SERVICES
GOVERNMENTAL ACTIVITIES		
Instruction	$ 16,923,454.04	$ 173,302.43
Support Services		
Pupil Services	1,836,701.61	
Improvement of Instructional Services	1,886,603.78	
Educational Media Services	530,296.09	
General Administration	573,315.87	
School Administration	1,578,844.36	
Business Administration	549,991.95	
Maintenance and Operation of Plant	2,061,434.61	
Student Transportation Services	1,293,841.96	
Central Support Services	840,711.26	
Other Support Services	242,721.53	
Operations of Non-Instructional Services		
Enterprise Operations	21,524.49	
Community Services	8,868.42	621.29
Food Services	1,607,304.33	69,742.30
Interest on Short-Term and Long-Term Debt	704,340.46	
Total Governmental Activities	$ 30,659,954.76	$ 243,666.02
General Revenues		
Taxes		
Property Taxes		
For Maintenance and Operations		
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Debt Services		
Other Sales Tax		
Grants and Contributions not Restricted to Specific Programs		
Investment Earnings		
Miscellaneous		
Total General Revenues		
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
$ 11,479,997.37	$ 1,144,722.08	$ -4,125,432.16
245,664.38		-1,591,037.23
1,278,985.22		-607,618.56
291,287.75		-239,008.34
532,099.74	8,325.20	-32,890.93
832,569.72		-746,274.64
3,280.46		-546,711.49
783,158.23	8,325.20	-1,269,951.18
41,986.78	76,219.50	-1,175,635.68
2,274.56		-838,436.70
100,162.58		-142,558.95
1,007.13		-20,517.36
		-8,247.13
1,718,566.32	16,650.40	197,654.69
		-704,340.46
$ 17,311,040.24	$ 1,254,242.38	$ -11,851,006.12
		$ 8,126,549.35
		2,738,621.65
		11,545.87
		268,623.00
		9,598.66
		617,688.38
		$ 11,772,626.91
		$ -78,379.21
		43,131,507.07
		$ 43,053,127.86

CITY OF DUBLIN BOARD OF EDUCATION - LAURENS COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

EXHIBIT "C"

	GENERAL FUND	DISTRICT-WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
ASSETS				
Cash and Cash Equivalents	$ 1,782,578.62	$ 462,694.40	$ 301,778.47	$ 2,547,051.49
Investments	7,707.39	2,093.25	1,534,635.48	1,544,436.12
Accounts Receivable, Net				
Taxes	900,057.57		224,819.41	1,124,876.98
State Government	1,438,009.00			1,438,009.00
Federal Government	363,950.77			363,950.77
Other	188,900.19			188,900.19
Inventories	44,544.18			44,544.18
Prepaid Items		200,000.00		200,000.00
Due from Other Funds		458,746.17		458,746.17
Total Assets	$ 4,725,747.72	$ 1,123,533.82	$ 2,061,233.36	$ 7,910,514.90
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	$ 193,731.84	$ 125,512.66		$ 319,244.50
Salaries and Benefits Payable	2,893,084.98			2,893,084.98
Short-Term Debt	3,050,916.66			3,050,916.66
Due to Other Funds	458,746.17			458,746.17
Contracts Payable		32,782.54		32,782.54
Deposits and Deferred Revenue	964,663.19			964,663.19
Total Liabilities	$ 7,561,142.84	$ 158,295.20		$ 7,719,438.04
FUND BALANCES				
Nonspendable	$ 44,544.18	$ 200,000.00		$ 244,544.18
Restricted	803,705.30	765,238.62	$ 2,061,233.36	3,630,177.28
Unassigned (Deficit)	-3,683,644.60			-3,683,644.60
Total Fund Balances	$ -2,835,395.12	$ 965,238.62	$ 2,061,233.36	$ 191,076.86
Total Liabilities and Fund Balances	$ 4,725,747.72	$ 1,123,533.82	$ 2,061,233.36	$ 7,910,514.90

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

CITY OF DUBLIN BOARD OF EDUCATION - LAURENS 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")		$ 191,076.86
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	$ 1,590,732.00	
Construction in Progress	3,820,887.00	
Land Improvements	1,117,340.00	
Buildings	66,350,417.00	
Equipment	2,929,339.09	
Accumulated Depreciation	-12,077,075.00	
Total Capital Assets		63,731,640.09
Property Taxes that are not available to pay for current period expenditures are deferred in the funds.		690,093.09
Other Long-Term Assets are not available to pay for current period expenditures and therefore, are deferred on the Statement of Net Assets.		
Deferred Charges - Capitalized Bond Issuance Costs		234,753.54
Long-Term Liabilities, including Bonds Payable, 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:		
Bonds Payable	$ -16,640,000.00	
Accrued Interest	-185,447.75	
Intergovernmental Contract	-4,500,000.00	
Unamortized Bond Premiums	-468,987.97	
Total Long-Term Liabilities		-21,794,435.72
Net Assets of Governmental Activities (Exhibit "A")		$ 43,053,127.86

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

CITY OF DUBLIN BOARD OF EDUCATION - LAURENS 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	DEBT SERVICE FUND	TOTAL
REVENUES				
Property Taxes	$ 7,949,365.26			$ 7,949,365.26
Sales Taxes	11,545.87		$ 2,738,621.65	2,750,167.52
State Funds	11,612,533.20	$ 832,520.00		12,445,053.20
Federal Funds	6,043,349.54			6,043,349.54
Charges for Services	243,666.02			243,666.02
Investment Earnings	6,922.14	440.71	2,235.81	9,598.66
Miscellaneous	617,688.38			617,688.38
Total Revenues	$ 26,485,070.41	$ 832,960.71	2,740,857.46	$ 30,058,888.58
EXPENDITURES				
Current				
Instruction	$ 15,892,922.95	$ 21,175.55		$ 15,914,098.50
Support Services				
Pupil Services	1,836,701.61			1,836,701.61
Improvement of Instructional Services	1,892,533.95			1,892,533.95
Educational Media Services	530,296.09			530,296.09
General Administration	561,272.83			561,272.83
School Administration	1,574,792.37	4,051.99		1,578,844.36
Business Administration	483,249.49	111,063.41	$ 21,771.59	616,084.49
Maintenance and Operation of Plant	2,050,470.90	22,389.64		2,072,860.54
Student Transportation Services	1,261,674.07			1,261,674.07
Central Support Services	818,492.59	22,218.67		840,711.26
Other Support Services	242,721.53			242,721.53
Enterprise Operations	29,023.28			29,023.28
Community Services	1,369.63			1,369.63
Food Services Operation	1,682,565.19			1,682,565.19
Capital Outlay	125.00	2,835,128.72		2,835,253.72
Debt Services				
Principal		59,762.00	2,500,000.00	2,559,762.00
Interest		2,994.33	713,393.56	716,387.89
Total Expenditures	$ 28,858,211.48	$ 3,078,784.31	3,235,165.15	$ 35,172,160.94
Excess of Revenues over (under) Expenditures	$ -2,373,141.07	$ -2,245,823.60	$ -494,307.69	$ -5,113,272.36
OTHER FINANCING SOURCES (USES)				
Proceeds on Bonds		$ 3,061,863.24	$ 1,023,136.76	$ 4,085,000.00
Premiums on Bonds Sold		232,710.15		232,710.15
Transfers In		60,849.05	1,532,404.29	1,593,253.34
Transfers Out	$ -60,849.05	-1,532,404.29		-1,593,253.34
Total Other Financing Sources (Uses)	$ -60,849.05	$ 1,823,018.15	$ 2,555,541.05	$ 4,317,710.15
Net Change in Fund Balances	$ -2,433,990.12	$ -422,805.45	$ 2,061,233.36	$ -795,562.21
Fund Balances - Beginning	-401,405.00	1,388,044.07	0.00	986,639.07
Fund Balances - Ending	$ -2,835,395.12	$ 965,238.62	$ 2,061,233.36	$ 191,076.86

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

CITY OF DUBLIN BOARD OF EDUCATION - LAURENS 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")		$ -795,562.21
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	$ 3,081,658.21	
Depreciation Expense	-1,156,606.00	
Excess of Capital Outlay over Depreciation Expense		1,925,052.21
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, and disposals) is to decrease net assets.		-50,748.00
Capital Assets purchased with Universal Service Fund (e-rate) proceeds are not reported in Governmental Funds. However, in the Statement of Activities, the e-rate proceeds are shown as Capital Grants and Contributions.		345,502.88
Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		177,184.09
Bond proceeds provide current financial resources to Governmental Funds; however, issuing debt increases Long-Term Liabilities in the Statement of Net Assets. In the current period, proceeds were received from:		
General Obligation Bonds Issued, Including a Premium of $232,710.15		-4,317,710.15
Bond issuance costs, deferred gains on refundings and similar items when debt is first issued are reported as an expenditure in Governmental Funds, but are reported as deferred charges on the Statement of Net Assets and amortized over the term of the debt, using the straight-line method. The details of this difference in the current period are as follows:		
Deferral of Bond Issuance Costs	$ 110,748.77	
Amortization of Bond Issuance Costs	-44,656.23	
Amortization of Bond Premium	29,855.18	
Total Bond Issuance Costs		95,947.72
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:		
Bond Principal Retirements	$ 2,500,000.00	
Capital Lease Payments	59,762.00	
Total Long-Term Debt Repayments		2,559,762.00
Interest expense reported in the Statement of Activities is recorded as incurred, whereas interest expense in the governmental fund statements is reported when paid.		-17,807.75
Change in Net Assets of Governmental Activities (Exhibit "B")		$ -78,379.21

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

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CITY OF DUBLIN BOARD OF EDUCATION - LAURENS COUNTY
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012

EXHIBIT "G"

	AGENCY FUNDS
ASSETS	
Cash and Cash Equivalents	$ 28,165.29
LIABILITIES	
Funds Held for Others	$ 28,165.29

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 Dublin Board of Education (School District) was established under the laws of the State of Georgia and operates under the guidance of a school board elected by the voters and a Superintendent appointed by the Board. The Board is organized as a separate legal entity and has the power to levy taxes and issue bonds. Its budget is not subject to approval by any other entity. Accordingly, the School District is a primary government and consists of all the organizations that compose its legal entity.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The School District's basic financial statements are collectively comprised of the District-wide financial statements, fund financial statements and notes to the basic financial statements of the City of Dublin 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. Eliminations have been made to minimize the double counting of internal activities. Separate statements for each category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds.

The School District reports the following major governmental funds:

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

The School District reports the following fiduciary fund type:

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

BASIS OF ACCOUNTING

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

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

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

The School District funds certain programs by a combination of specific cost-reimbursement grants, categorical grants, and general revenues. Thus, when program costs are incurred, 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.

CASH AND CASH EQUIVALENTS

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

INVESTMENTS

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

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

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

RECEIVABLES

Receivables consist of amounts due from property and sales taxes, grant reimbursements 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 Dublin fixed the property tax levy for the 2011 tax digest year (calendar year) on November 17, 2011 (levy date). Taxes were due on February 10, 2012 (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 Dublin City Clerk bills and collects the property taxes for the School District, withholds 2.5% of taxes collected as a fee for tax collection and remits the balance of taxes collected to the School District. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2012, for maintenance and operations amounted to $7,949,365.26.

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

School Operations	19.705 mills

SALES TAXES

Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to $2,738,621.65 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.

During 1994, the School District became a separate legal entity and the City of Dublin deeded all land and buildings in use by the School District to the School District. A stipulation in the agreement was made that if the property was no longer needed for educational purposes, the property would revert to the City of Dublin. During the year under review, the Johnson Street School was returned to the City of Dublin and removed from the School District's capital asset records. All other property transferred to the School District's possession at that time is being used for educational purposes, therefore these capital assets are considered to be the property of the City of Dublin Board of Education and will be reported on the School District's basic financial statements.

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

	Capitalization Policy	Estimated Useful Life
Land	Any Amount	N/A
Construction in Progress	$ 5,000.00	N/A
Land Improvements	$ 5,000.00	20 to 80 years
Buildings and Improvements	$ 5,000.00	10 to 80 years
Equipment	$ 5,000.00	5 to 50 years

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

GENERAL OBLIGATION BONDS

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

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

NET ASSETS

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

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

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

Unrestricted net 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	$ 44,544.18	
Prepaid Assets	200,000.00	$ 244,544.18
Restricted		
Continuation of Federal and State Programs	$ 803,705.30	
Capital Projects	765,238.62	
Debt Service	2,061,233.36	3,630,177.28
Unassigned (Deficit)		-3,683,644.60
Fund Balance, June 30, 2012		$ 191,076.86

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, net of any committed reserve balance for capital expenditures and assigned fund balances "to cover unanticipated deficiencies in revenue or unanticipated expenditures", in compliance with Official Code of Georgia Annotated Section 20-2-167(a)5. As a result, the fund balance amount will:

- provide adequate funding to cover approximately one (1) month or 8.3% of operating expenses,
- provide the liquidity necessary to accommodate the District's uneven cash flow, which is inherent in its periodic property tax collections,
- provide the liquidity to respond to contingent liabilities, and
- provide additional resources for other funds.

If the total of the unassigned, assigned and committed 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. Unbudgeted School Activity Funds shall be excluded from the calculation.

When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the School District's policy to use restricted amounts of fund balance first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the School District's policy to use fund balance in the following order:

(i) Committed

(ii) Assigned

(iii) Unassigned

DEFICIT FUND BALANCES

The fund reporting a deficit fund balance at June 30, 2012, is as follows:

Fund Type/Fund Name	Deficit Balance
General Fund	
Unassigned	$ 3,683,644.60

The School District plans to eliminate the deficit by implementing furloughs, staff reductions and reducing future expenditures.

USE OF ESTIMATES

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

NOTE 3: BUDGETARY DATA

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

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

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

NOTE 4: DEPOSITS AND INVESTMENTS

COLLATERALIZATION OF DEPOSITS

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

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

1. Surety bond signed by a surety company duly qualified and authorized to transact business within the State of Georgia,
2. Insurance on accounts provided by the Federal Deposit Insurance Corporation,
3. Bonds, bills, notes, certificates of indebtedness or other direct obligations of the United States or of the State of Georgia,
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 $4,458,108.09. The bank balances were entirely covered by Federal depository insurance or collateralized with securities held by the pledging financial institution in the School District's name.

CATEGORIZATION OF INVESTMENTS

At June 30, 2012, the carrying value of the School District's total investments was $1,544,436.12, which is materially the same as fair value. This investment consisted entirely of funds invested in the Georgia Fund 1, formerly referred to as LGIP, administered by the State of Georgia, Office of the State Treasurer which is not required to be categorized since the School District did not own any specific identifiable securities in the pool. The investment policy of the State of Georgia, Office of the State Treasurer for the Georgia Fund 1 (Primary Liquidity Portfolio) does not provide for investment in derivatives or similar investments. Additional information on the Georgia Fund 1 is disclosed in the *State of Georgia* Comprehensive Annual Financial Report. This audit can be obtained from the Georgia Department of Audits and Accounts at http://www.audits.ga.gov/SGD/cafr.html.

The Primary Liquidity Portfolio consists of Georgia Fund 1 which is not registered with the SEC as an investment company but does operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. The investment is valued at the pool's share price, $1.00 per share. The pool is an AAAm rated investment pool by Standard and Poor's. The weighted average maturity of Georgia Fund 1 may not exceed 60 days. The weighted average maturity for Georgia Fund 1 on June 30, 2012, was 48 days.

NOTE 5: NON-MONETARY TRANSACTIONS

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

NOTE 6: CAPITAL ASSETS

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

	Balances July 1, 2011	Increases	Decreases	Balances June 30, 2012
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	$ 1,600,732.00		$ 10,000.00	$ 1,590,732.00
Construction in Progress	40,256,985.00	$ 3,820,887.00	40,256,985.00	3,820,887.00
Total Capital Assets Not Being Depreciated	$ 41,857,717.00	$ 3,820,887.00	$ 40,266,985.00	$ 5,411,619.00
Capital Assets Being Depreciated				
Buildings and Improvements	$ 27,428,051.00	$ 39,180,312.00	$ 257,946.00	$ 66,350,417.00
Equipment	2,394,895.00	569,425.09	34,981.00	2,929,339.09
Land Improvements	1,080,634.00	113,522.00	76,816.00	1,117,340.00
Less Accumulated Depreciation for:				
Buildings and Improvements	9,221,616.00	947,819.00	219,771.00	9,949,664.00
Equipment	1,095,582.00	188,050.00	32,408.00	1,251,224.00
Land Improvements	932,266.00	20,737.00	76,816.00	876,187.00
Total Capital Assets, Being Depreciated, Net	$ 19,654,116.00	$ 38,706,653.09	$ 40,748.00	$ 58,320,021.09
Governmental Activity Capital Assets - Net	$ 61,511,833.00	$ 42,527,540.09	$ 40,307,733.00	$ 63,731,640.09

Current year depreciation expense by function is as follows:

Instruction		$ 1,006,220.00
Support Services		
General Administration	$ 10,961.00	
Maintenance and Operation of Plant	9,775.00	
Student Transportation Services	102,833.00	123,569.00
Food Services		26,817.00
		$ 1,156,606.00

NOTE 7: INTERFUND ASSETS AND LIABILITIES

Due to and due from other funds are recorded for interfund receivables and payables which arise from interfund transactions. Interfund balances at June 30, 2012, consisted of the following:

	Due From Other Funds	Due To Other Funds
General Fund		$ 458,746.17
District-wide Capital Projects	$ 458,746.17	
	$ 458,746.17	$ 458,746.17

Amounts due from the General Fund to the District-wide Capital Projects Fund represent monies deposited into the General Fund which more accurately represent revenues of the District-wide Capital Projects Fund.

NOTE 8: INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2012, consisted of the following:

	Transfers From	
Transfer to	General Fund	District-wide Capital Projects
District-wide Capital Projects	$ 60,849.05	
Debt Service Fund		$ 1,532,404.29
Total	$ 60,849.05	$ 1,532,404.29

Transfers were used to (1) move revenues collected by the General Fund to provide supplemental funding for capital construction projects, and (2) to move Bond Proceeds and Special Purpose Local Option Sales tax revenues collected by the District-wide Capital Projects Fund to the Debt Service Fund to pay principal and interest on bonds.

NOTE 9: RISK MANAGEMENT

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

The School District has obtained commercial insurance for risk of loss associated with torts, assets, errors or omissions, and 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. A premium is charged when needed by the General Fund to each user program on the basis of the percentage of that fund's payroll to total payroll in order to cover estimated claims budgeted by management based on known claims and prior experience. The School District accounts for claims 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	$ 41,101.00	$ 1,056.00	$ 40,045.00
2012	$ 40,045.00	$ 36,688.88	$ 34,542.88	$ 42,191.00

The School District participates in the Georgia Education Workers' Compensation Trust, a public entity risk pool organized on December 1, 1991, to develop, implement and administer a program of workers' compensation self-insurance for its member organizations. The School District pays an annual premium to the Trust for its general worker's compensation insurance coverage. Specific excess of loss insurance coverage is provided through an agreement by the Trust with the Safety National Casualty Company to provide coverage for potential losses sustained by the Trust in excess of $1 million loss per occurrence, up to the statutory limit. Employers' Liability insurance coverage is also provided with limits of $2 million. The Trust covers the first $1 million of each Employers liability claim with Safety National providing additional Employers Liability limits up to a $2 million per occurrence maximum. Safety National Casualty Company also provides aggregate cover to the Trust with a loss fund percentage of 100%, based on the Fund's annual normal premium, up to a maximum limit of indemnity of aggregate limit of $2 million.

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

Position Covered	Amount
Superintendent	$ 50,000.00
Drivers Education	$ 2,500.00
All Employees	$ 100,000.00

NOTE 10: SHORT-TERM DEBT

The School District issues tax anticipation notes in advance of property tax collections, depositing the proceeds in its General Fund. This short-term debt is to provide cash for operations until property tax revenues are received by the School District. Article IX, Section V, Paragraph V of the Constitution of the State of Georgia limits the aggregate amount of short-term debt to 75 percent of the total gross income from taxes collected in the preceding year and requires all short-term debt to be repaid no later than December 31 of the calendar year in which the debt was incurred.

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

	Beginning Balance	Issued	Redeemed	Ending Balance
Tax Anticipation Notes	$ 2,535,874.44	$ 3,515,042.22	$ 3,000,000.00	$ 3,050,916.66

NOTE 11: LONG-TERM DEBT

CAPITAL LEASES

The City of Dublin Board of Education entered into various lease agreements for equipment. These lease agreements qualify as capital leases for accounting purposes, and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

INTERGOVERNMENTAL CONTRACT

The City of Dublin Board of Education entered into a contract with the Laurens County Public Facilities Authority dated April 1, 2008, for the issuance of revenue bonds to provide funds to acquire, construct, and equip capital outlay projects of the School District. Under the terms of the contract, the Laurens County Public Facilities Authority issued $4,500,000.00 (less issuance costs of $83,500.00) in revenue bonds on behalf of the School District. The obligation of the School District is absolute and unconditional so long as any of the bonds remain outstanding. Under the contract, the School District will recommend to the Mayor and the Council of the City of Dublin, Georgia, to exercise its power of taxation on behalf of the School District, to the extent necessary to pay the amounts required to be paid by the contract.

GENERAL OBLIGATION DEBT OUTSTANDING

General Obligation Bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
General Government - Series 2007	2.905%	$ 1,100,000.00
General Government - Series 2008	2.408%	1,700,000.00
General Government - Series 2010	3.0% - 4.0%	9,755,000.00
General Government - Series 2011	2.5% - 4.0%	4,085,000.00
		$ 16,640,000.00

Voters have authorized $3,910,000.00 in general obligation debt for various construction projects which was not issued as of June 30, 2012.

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
G.O. Bonds	$ 15,055,000.00	$ 4,085,000.00	$ 2,500,000.00	$ 16,640,000.00	$ 2,800,000.00
Capital Leases	59,762.00		59,762.00	0.00	
Intergovernmental Agreement	4,500,000.00			4,500,000.00	
Bond Premiums Amortized	266,133.00	232,710.15	29,855.18	468,987.97	45,721.57
	$ 19,880,895.00	$ 4,317,710.15	$ 2,589,617.18	$ 21,608,987.97	$ 2,845,721.57

At June 30, 2012, payments due by fiscal year which includes principal and interest for these items are as follows:

	Intergovernmental Agreement	
	Principal	Interest
Fiscal Year Ended June 30:		
2013		$ 177,300.00
2014	$ 500,000.00	177,300.00
2015	700,000.00	157,600.00
2016	1,000,000.00	130,020.00
2017	1,100,000.00	90,620.00
2018	1,200,000.00	47,280.00
Total Principal and Interest	$ 4,500,000.00	$ 780,120.00

	General Obligation Debt		Unamortized
	Principal	Interest	Bond Premium
Fiscal Year Ended June 30:			
2013	$ 2,800,000.00	$ 564,491.00	$ 45,721.57
2014	500,000.00	491,600.00	45,721.57
2015	750,000.00	476,600.00	45,721.57
2016	1,000,000.00	454,100.00	45,721.57
2017	1,250,000.00	424,100.00	45,721.57
2018 - 2022	8,805,000.00	1,253,550.00	224,513.51
2023	1,535,000.00	61,400.00	15,866.61
Total Principal and Interest	$ 16,640,000.00	$ 3,725,841.00	$ 468,987.97

NOTE 12: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of $1,778,905.04 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 $1,744,173.00

Paid to the Teachers' Retirement System of Georgia
For Teachers' Retirement System (TRS) Employer's Cost
In the amount of $14,378.04

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 $20,354.00

NOTE 13: SIGNIFICANT COMMITMENTS

The following is an analysis of significant outstanding construction or renovation contracts executed by the School District as of June 30, 2012:

Project	Unearned Executed Contracts
Athletic Fields Upgrades	$ 833,894.00

The amount described in this note is not reflected in the basic financial statements.

NOTE 14: 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 15: SUBSEQUENT EVENTS

On August 9, 2012, the Board obtained a line of credit up to $6,000,000.00 which carries an interest rate of 6%. This loan had a maturity date of December 31, 2012. Proceeds were drawn to pay off the $3,050,916.66 commercial loan. The remaining balance was to be used for payroll in anticipation of November 2012 and December 2012 property tax receipts. The School District repaid this loan in February, 2013, after the due date. A new commercial line of credit was obtained from Morris State Bank on March 19, 2013, up to $6,000,520.00 which carries an interest rate of 1.49% and has a maturity date of December 31, 2013. Proceeds of $2,500,000.00 were disbursed to the School District on the date of origination.

On January 29, 2013, the School District entered into a sublease agreement with the Laurens County Public Facilities Authority for the development, installation and integration of a 1.08 megawatt solar photovoltaic array electricity generation system at Dublin High School. Total principal payments on the lease amount to $3,585,000.00 and are payable through fiscal year 2037. A pre-paid item of $200,000.00 was disbursed during the year under review and will be applied to lease payments in future periods.

NOTE 16: 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%	$ 2,204,412.65
2011	100%	$ 2,285,969.00
2010	100%	$ 2,087,957.00

NOTE 17: 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%	$ 1,549,293.65
2011	100%	$ 1,609,593.00
2010	100%	$ 1,569,705.60

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 DUBLIN BOARD OF EDUCATION - LAURENS COUNTY SCHEDULE "1"
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2012

	NONAPPROPRIATED BUDGETS		ACTUAL	VARIANCE
	ORIGINAL (1)	FINAL (1)	AMOUNTS	OVER/UNDER
REVENUES				
Property Taxes	$ 7,969,231.00	$ 7,969,231.00	$ 7,949,365.26	$ -19,865.74
Sales Taxes			11,545.87	11,545.87
State Funds	11,831,574.00	11,892,612.10	11,612,533.20	-280,078.90
Federal Funds	6,376,316.20	6,371,786.87	6,043,349.54	-328,437.33
Charges for Services	96,790.00	95,370.00	243,666.02	148,296.02
Investment Earnings	7,500.00	7,500.00	6,922.14	-577.86
Miscellaneous	103,971.00	103,671.00	617,688.38	514,017.38
Total Revenues	$ 26,385,382.20	$ 26,440,170.97	$ 26,485,070.41	$ 44,899.44
EXPENDITURES				
Current				
Instruction	$ 15,921,742.69	$ 16,056,031.57	$ 15,892,922.95	$ 163,108.62
Support Services				
Pupil Services	959,278.83	1,002,755.30	1,836,701.61	-833,946.31
Improvement of Instructional Services	1,554,541.40	2,033,664.82	1,892,533.95	141,130.87
Educational Media Services	440,282.32	440,282.32	530,296.09	-90,013.77
General Administration	661,468.00	422,217.96	561,272.83	-139,054.87
School Administration	1,536,940.57	1,536,940.57	1,574,792.37	-37,851.80
Business Administration	341,118.80	342,548.80	483,249.49	-140,700.69
Maintenance and Operation of Plant	2,031,705.84	2,031,705.84	2,050,470.90	-18,765.06
Student Transportation Services	501,423.79	511,268.79	1,261,674.07	-750,405.28
Central Support Services	262,480.00	262,380.00	818,492.59	-556,112.59
Other Support Services	113,509.00	99,986.00	242,721.53	-142,735.53
Enterprise Operations			29,023.28	-29,023.28
Community Services Operations			1,369.63	-1,369.63
Food Services Operation	2,112,177.78	1,398,620.00	1,682,565.19	-283,945.19
Capital Outlay			125.00	-125.00
Total Expenditures	$ 26,436,669.02	$ 26,138,401.97	$ 28,858,211.48	$ -2,719,809.51
Excess of Revenues over (under) Expenditures	$ -51,286.82	$ 301,769.00	$ -2,373,141.07	$ -2,674,910.07
OTHER FINANCING SOURCES (USES)				
Operating Transfers From Other Funds	$ 704,780.00	$ 704,780.00		$ -704,780.00
Operating Transfers To Other Funds	-704,780.00	-704,780.00	$ -60,849.05	643,930.95
Total Other Financing Sources (Uses)	$ 0.00	$ 0.00	$ -60,849.05	$ -60,849.05
Net Change in Fund Balances	$ -51,286.82	$ 301,769.00	$ -2,433,990.12	$ -2,735,759.12
Fund Balances - Beginning	-492,800.90	-486,435.63	-401,405.00	85,030.63
Adjustments	32,238.31	590,872.96		-590,872.96
Fund Balances - Ending	$ -511,849.41	$ 406,206.33	$ -2,835,395.12	$ -3,241,601.45

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

(1) Original and Final Budget amounts do not include actual revenues ($446,874.94) or expenditures ($481,435.71) 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 DUBLIN BOARD OF EDUCATION - LAURENS 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	$ 1,714,459.34	(1)
Total Child Nutrition Cluster				$ 1,714,459.34	
Other Programs					
Pass-Through From Georgia Department of Education					
Food Services					
Fresh Fruit and Vegetable Program		10.582	N/A	45,363.31	
Total U. S. Department of Agriculture				$ 1,759,822.65	
Education, U. S. Department of					
Educational Technology State Grants Cluster					
Pass-Through From Georgia Department of Education					
Education Technology State Grants		84.318	N/A	$ 3,229.00	
Special Education Cluster					
Pass-Through From Georgia Department of Education					
Special Education					
ARRA - Grants to States		84.391	N/A	$ 11,145.34	
ARRA - Preschool Grants		84.392	N/A	1,809.51	
Grants to States		84.027	N/A	742,691.00	
Preschool Grants		84.173	N/A	19,165.00	
Total Special Education Cluster				$ 774,810.85	
Title I, Part A Cluster					
Pass-Through From Georgia Department of Education					
ARRA - Title I Grants to Local Educational Agencies	*	84.389	N/A	$ 9,756.71	
Title I Grants to Local Educational Agencies	*	84.010	N/A	2,306,492.06	
Total Title I, Part A Cluster				$ 2,316,248.77	
Other Programs					
Pass-Through From Georgia Department of Education					
Career and Technical Education - Basic Grants to States		84.048	N/A	$ 43,878.00	
Education Jobs Fund		84.410	N/A	6,510.00	
Improving Teacher Quality State Grants		84.367	N/A	224,508.03	
Rural Education		84.358	N/A	67,798.00	
Twenty-First Century Community Learning Centers		84.287	N/A	632,882.48	
Total Other Programs				$ 975,576.51	
Total U. S. Department of Education				$ 4,069,865.13	
Health and Human Services, U. S. Department of					
Child Care and Development Fund Cluster					
Pass-Through From Bright From the Start					
Georgia Department of Early Care and Learning					
Child Care and Development Block Grant		93.575	N/A	$ 14,133.34	
Defense, U. S. Department of					
Direct					
Department of the Air Force					
J.R.O.T.C. Program				$ 59,450.93	
Total Expenditures of Federal Awards				$ 5,903,272.05	

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 $133,135.02.
(2) Expenditures for the funds earned on the School Breakfast Program ($473,457.51) 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 Dublin 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 DUBLIN BOARD OF EDUCATION - LAURENS COUNTY
SCHEDULE OF STATE REVENUE
YEAR ENDED JUNE 30, 2012

SCHEDULE "3"

AGENCY/FUNDING	GOVERNMENTAL FUND TYPES GENERAL FUND	CAPITAL PROJECTS FUND	TOTAL
GRANTS			
Bright From the Start:			
Georgia Department of Early Care and Learning			
Pre-Kindergarten Program	$ 540,497.15		$ 540,497.15
Education, Georgia Department of			
Quality Basic Education			
Direct Instructional Cost			
Kindergarten Program	829,991.00		829,991.00
Kindergarten Program - Early Intervention Program	105,754.00		105,754.00
Primary Grades (1-3) Program	1,605,179.00		1,605,179.00
Primary Grades - Early Intervention (1-3) Program	197,695.00		197,695.00
Upper Elementary Grades (4-5) Program	963,019.00		963,019.00
Upper Elementary Grades - Early Intervention (4-5) Program	143,568.00		143,568.00
Middle Grades (6-8) Program	26,322.00		26,322.00
Middle School (6-8) Program	1,153,432.00		1,153,432.00
High School General Education (9-12) Program	1,050,003.00		1,050,003.00
Vocational Laboratory (9-12) Program	340,683.00		340,683.00
Students with Disabilities	1,230,089.00		1,230,089.00
Gifted Student - Category VI	315,629.00		315,629.00
Remedial Education Program	186,072.00		186,072.00
Alternative Education Program	96,525.00		96,525.00
English Speakers of Other Languages (ESOL)	13,883.00		13,883.00
Media Center Program	242,002.00		242,002.00
20 Days Additional Instruction	73,173.00		73,173.00
Staff and Professional Development	47,704.00		47,704.00
Indirect Cost			
Central Administration	384,642.00		384,642.00
School Administration	666,785.00		666,785.00
Facility Maintenance and Operations	608,035.00		608,035.00
Mid-term Adjustment Hold-Harmless	78,173.00		78,173.00
Amended Formula Adjustment	-1,997,049.00		-1,997,049.00
Charter System Adjustment	224,823.00		224,823.00
Categorical Grants			
Pupil Transportation			
Regular	152,799.00		152,799.00
Nursing Services	55,099.00		55,099.00
Education Equalization Funding Grant	268,623.00		268,623.00
Food Services	45,204.00		45,204.00
Other State Programs			
Dual Enrollment	5,450.00		5,450.00
Health Insurance	1,744,173.00		1,744,173.00
Math and Science Supplements	5,329.10		5,329.10
Preschool Handicapped Program	33,128.00		33,128.00
Pupil Transportation - State Bonds	76,219.50		76,219.50
Resident Treatment Centers	56,370.00		56,370.00
Teachers' Retirement	14,378.04		14,378.04
Virtual Schools Grant	175.00		175.00
Vocational Education	8,602.41		8,602.41
Georgia State Financing and Investment Commission			
Reimbursement on Construction Projects		$ 832,520.00	832,520.00
Office of the State Treasurer			
Public School Employees' Retirement	20,354.00		20,354.00
	$ 11,612,533.20	$ 832,520.00	$ 12,445,053.20

See notes to the basic financial statements.

CITY OF DUBLIN BOARD OF EDUCATION - LAURENS 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) (4)	AMOUNT EXPENDED IN PRIOR YEARS (3) (4)	TOTAL COMPLETION COST	EXCESS PROCEEDS NOT EXPENDED	ESTIMATED COMPLETION DATE
Acquiring, constructing, and equipping renovations and improvements to the Dublin Junior High School Auditorium, including partial demolition of Dublin Junior High School, renovations and additions at Dublin High School, the purchase of school buses, the installation of computer cabling on a system-wide basis and technology upgrades, the acquisition of certain property and equipment, including any heating and air conditioning equipment, which may be subject to lease by the Dublin School District, and additions, renovations, and improvements to Central Elementary School, Susie Dasher Elementary School, Saxon Heights Elementary School, Hillcrest Elementary School, Moore Street Elementary School, and Dublin Middle School.	$ 14,850,000.00	$ 12,973,018.00	$ 62,756.33	$ 7,409,235.00			6/30/2014
Acquisition of real property and construction, equipping and furnishing of new school buildings and facilities, including, but not limited to, a new elementary school including physical education and athletic facilities, and the completion of the new Dublin High School and auditorium; additions, renovations, repairs and improvements to existing school buildings and facilities, including, but not limited to Moore Street Elementary, Susie Dasher Elementary, Saxon Heights Elementary, Dublin Middle School, and Hillcrest Center; new physical education and athletic facilities for Dublin High School and Dublin Middle School, including, but not limited to, a tennis court complex at Dublin High School; technology equipment, school nutrition program equipment, and improvements throughout the Dublin School District; the acquisition of school vehicles, including, but not limited to, school buses and equipment; additions renovations, repairs and improvements to the central office building including, but not limited to, HVAC; and to retire previously incurred general obligation debt.	17,750,000.00	17,750,000.00	5,516,027.98	8,023,599.00			6/30/2015
	$ 32,600,000.00	$ 30,723,018.00	$ 5,578,784.31	$ 15,432,834.00			

(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 projects. Includes all cost from project inception to completion.

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

(4) In addition to the expenditures shown above, the School District has incurred interest to provide advance funding for the above projects as follows:

Prior Years	$ 1,603,678.00
Current Year	536,093.62
Total	$ 2,139,771.62

See notes to the basic financial statements.

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CITY OF DUBLIN BOARD OF EDUCATION - LAURENS 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	$ 1,024,917.00	$ 1,170,459.53	$ 21,536.58	$ 1,191,996.11
Kindergarten Program-Early Intervention Program	133,859.00	133,338.44		133,338.44
Primary Grades (1-3) Program	2,043,129.00	2,341,227.17	39,023.64	2,380,250.81
Primary Grades-Early Intervention (1-3) Program	228,208.00			
Upper Elementary Grades (4-5) Program	1,193,146.00	1,247,744.82	38,972.94	1,286,717.76
Upper Elementary Grades-Early Intervention (4-5) Program	151,736.00	72,054.81	659.44	72,714.25
Middle Grades (6-8) Program	32,692.00		24,663.90	24,663.90
Middle School (6-8) Program	1,435,238.00	1,940,759.53	41,056.88	1,981,816.41
High School General Education (9-12) Program	1,366,703.00	2,283,752.56	110,371.11	2,394,123.67
Vocational Laboratory (9-12) Program	412,924.00	385,681.69	16,252.85	401,934.54
Students with Disabilities	1,517,256.00			
Category I		27,621.74	1,168.35	28,790.09
Category II		372,064.75	534.04	372,598.79
Category III		706,207.56	3,655.10	709,862.66
Category IV		112,275.30	478.31	112,753.61
Category V		501,733.16	858.97	502,592.13
Gifted Student - Category VI	393,679.00	264,493.50	7,090.47	271,583.97
Remedial Education Program	199,657.00	43,942.16	32.86	43,975.02
Alternative Education Program	121,733.00	312,021.69	618.89	312,640.58
English Speakers of Other Languages (ESOL)	17,243.00		10.00	10.00
TOTAL DIRECT INSTRUCTIONAL PROGRAMS	$ 10,272,120.00	$ 11,915,378.41	$ 306,984.33	$ 12,222,362.74
Media Center Program	301,467.00	444,129.87	63,845.23	507,975.10
Staff and Professional Development	59,198.00	9,622.93	6,611.14	16,234.07
TOTAL QBE FORMULA FUNDS	$ 10,632,785.00	$ 12,369,131.21	$ 377,440.70	$ 12,746,571.91

(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

November 19, 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 Dublin 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 Dublin Board of Education as of and for the year ended June 30, 2012, which collectively comprise City of Dublin Board of Education's basic financial statements and have issued our report thereon dated November 19, 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 Dublin 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 Dublin 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 Dublin Board of Education's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Dublin 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 preceding paragraph 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 certain deficiencies in internal control over financial reporting that we consider to be material weaknesses 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 items FS-7741-12-01, FS-7741-12-02, FS-7741-12-03 and FS-7741-12-05 in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Dublin 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item FS-7741-12-04.

We also noted certain matters that we have reported to management of City of Dublin Board of Education in a separate letter dated November 19, 2013.

City of Dublin 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 Dublin 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 Dublin 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-60

DEPARTMENT OF AUDITS AND ACCOUNTS

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

Greg S. Griffin
STATE AUDITOR
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November 19, 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 Dublin 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 Dublin 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 Dublin 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 Dublin Board of Education's management. Our responsibility is to express an opinion on City of Dublin 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 Dublin 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 Dublin Board of Education's compliance with those requirements.

In our opinion, the City of Dublin 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. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are described in the accompanying Schedule of Findings and Questioned Costs as items FA-7741-12-01 and FA-7741-12-02.

Internal Control Over Compliance

Management of City of Dublin 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 Dublin 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 Dublin Board of Education's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying Schedule of Findings and Questioned Costs as item FA-7741-12-01. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report is intended solely for the information and use of management, members of the City of Dublin 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-40

SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

CITY OF DUBLIN BOARD OF EDUCATION - LAURENS 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-7741-10-01	Further Action Not Warranted
FS-7741-10-02	Further Action Not Warranted
FS-7741-10-04	Further Action Not Warranted
FS-7741-11-01	Unresolved - See Corrective Action/Responses
FS-7741-11-02	Unresolved - See Corrective Action/Responses
FS-7741-11-03	Unresolved - See Corrective Action/Responses
FS-7741-11-04	Unresolved - See Corrective Action/Responses

CORRECTIVE ACTION/RESPONSES

FINANCIAL REPORTING
Inadequate Controls over Financial Reporting
Finding Control Number: FS-7741-11-01

The Board has begun the process of ensuring proper presentation of financial statements and its reporting process including note disclosures. Procedures will be reviewed and implemented to ensure that all activity is properly recorded in the general ledger. A monitoring process will also be implemented to evaluate the accuracy of the financial statements presented for audit.

CASH AND CASH EQUIVALENTS
EXPENDITURES/LIABILITIES/DISBURSEMENTS
EMPLOYEE COMPENSATION
REVENUES/RECEIVABLES/RECEIPTS
GENERAL LEDGER
Inadequate Internal Controls at the Central Office
Finding Control Number: FS-7741-11-02

The Board will establish, revise and/or monitor procedures to ensure that bank accounts are properly reconciled to the general ledger and that the Inter-fund Cash account is accurate. In addition, management will review current policies regarding expenditures and implement controls to ensure that expenditures are properly documented, approved and recorded correctly. Also, the Board will establish sufficient internal control procedures to require that all journal entries are documented and approved prior to posting.

CAPITAL ASSETS
Failure to Adequately Maintain Capital Assets
Finding Control Number: FS-7741-11-03

The School District will review its capital assets activity and make appropriate adjustments to ensure that the capital assets activity conforms to the Board's approved capital assets policy and generally accepted accounting principles.

CITY OF DUBLIN BOARD OF EDUCATION - LAURENS 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

BUDGET PREPARATION/EXECUTION
Deficit Fund Balance
Finding Control Number: FS-7741-11-04

The Board has implemented a three year plan to reduce deficit fund balances.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING CONTROL NUMBER	AUDITEE'S RESPONSE/STATUS	SEE AUDITOR'S COMMENTS
FA-7741-08-02	Unresolved - See Corrective Action/Responses	
FA-7741-09-01	Previously Reported Corrective Action Implemented	
FA-7741-09-02	Unresolved - See Corrective Action/Responses	(1)
FA-7741-10-01	Partially Resolved - See Corrective Action/Responses	(1)
FA-7741-10-02	Unresolved - See Corrective Action/Responses	
FA-7741-11-01	Unresolved - See Corrective Action/Responses	

CORRECTIVE ACTION/RESPONSES

SPECIAL TESTS AND PROVISIONS
Failure to Transfer Funds Timely
U. S. Department of Agriculture
Through Georgia Department of Education
Child Nutrition Cluster (CFDA 10.553, 10.555)
Questioned Cost: $10,660.02
Finding Control Number: FA-7741-08-02

Management will review control procedures in place and implement procedures to ensure that Child Nutrition Cluster Funds are transferred in a timely manner. The School District will follow up with Georgia Department of Education and provide the requested information.

ALLOWABLE COSTS/COST PRINCIPLES
Time and Attendance Records Not Utilized
U. S. Department of Education
Through Georgia Department of Education
Title I, Part A Cluster (84.010)
Special Education Cluster (CFDA 84.027, 84.173)
Questioned Cost: $33,971.67 (CFDA 84.010), $33,971.67 (CFDA 84.027, 84.173)
Finding Control Number: FA-7741-09-02

The School District will contact the Georgia Department of Education to determine if a refund is appropriate.

CITY OF DUBLIN BOARD OF EDUCATION - LAURENS 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

ALLOWABLE COSTS/COST PRINCIPLES
PERIOD OF AVAILABILITY OF FEDERAL FUNDS
Inadequate Internal Control Procedures
U. S. Department of Education
Through Georgia Department of Education
Special Education Cluster (CFDA 84.027, 84.173, CFDA 84.391, CFDA 84.392)
Title I, Part A Cluster (CFDA 84.010, CFDA 84.389)
Improving Teacher Quality State Grants (CFDA 84.367)
Questioned Cost: $3,051.97 (CFDA 84.367), $947.00 (CFDA 84.027)
Finding Control Number: FA-7741-10-01

The Board will review control procedures in place and implement procedures to ensure that costs are allowable under OMB Circular A-87 and properly approved by management. The School District will follow up with the Georgia Department of Education and provide the requested information.

SPECIAL TESTS AND PROVISIONS
Failure to Transfer Funds Timely
U. S. Department of Agriculture
Through Georgia Department of Education
Child Nutrition Cluster (CFDA 10.553, 10.555)
Questioned Cost: $667.02
Finding Control Number: FA-7741-10-02

Management will review control procedures in place and implement procedures to ensure that Child Nutrition Cluster Funds are transferred in a timely manner. The School District will follow up with the Georgia Department of Education and provide the requested information.

SPECIAL TESTS AND PROVISIONS
Failure to Transfer Funds Timely
U. S. Department of Agriculture
Through Georgia Department of Education
Child Nutrition Cluster (CFDA 10.553, 10.555)
Finding Control Number: FA-7741-11-01

Management will review control procedures in place and implement procedures to ensure that Child Nutrition Cluster Funds are transferred in a timely manner.

AUDITOR'S COMMENTS

(1) This finding is pending review by the Georgia Department of Education to determine if a refund is appropriate.

SECTION IV

FINDINGS AND QUESTIONED COSTS

CITY OF DUBLIN BOARD OF EDUCATION - LAURENS 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; Debt Service Fund; Aggregate Remaining Fund Information — Unqualified

Internal control over financial reporting:
- Material weaknesses identified? — Yes
- Significant deficiency identified? — No

Noncompliance material to financial statements noted: — Yes

Federal Awards

Internal Control over major programs:
- Material weakness identified? — No
- Significant deficiencies identified? — Yes

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

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

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
10.553, 10.555	Child Nutrition Cluster
84.010, 84.389	Title I, Part A 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

CASH AND CASH EQUIVALENTS
EMPLOYEE COMPENSATION
EXPENDITURES/LIABILITIES/DISBURSEMENTS
REVENUES/RECEIVABLES/RECEIPTS
GENERAL LEDGER
Inadequate Internal Controls at the Central Office
Material Weakness
Finding Control Number: FS-7741-12-01

Condition:
This is a repeat finding (FS-7741-11-02, FS-7741-10-02 and FS-7741-09-02) from the years ended June 30, 2011, June 30, 2010, and June 30, 2009, respectively. The accounting procedures of the School District were insufficient to provide for adequate internal controls at the Central Office.

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

Questioned Cost:
N/A

Information:
Cash and Cash Equivalents

- Several bank accounts were not properly reconciled to the General Ledger.
- Reconciling items were not investigated and adjusted timely.
- The School District's general ledger reflected an overall balance in the Interfund Cash account of $240,419.87. This account should always carry an overall balance of zero.
- The School District failed to reconcile four bank accounts at year end.
- Only two of the School District's twenty-two bank accounts contained evidence of management's review and approval of the bank reconciliations.
- Auditor was unable to determine if bank accounts were reconciled in a timely manner.
- Original bank statements for school activity accounts were not included with reconciliations reviewed by the Central Office.
- Reconciliation and reimbursements of petty cash accounts were not performed timely. Petty cash maintained a negative cash balance of $2,120.81 at year end.
- Two bank accounts were omitted from the School District's general ledger.
- One bank account was reported under the School District's Federal Identification Number that was not owned by the School District.

Employee Compensation

- Based on a review of payroll records for ten employees, the following deficiencies were noted:
  - One employee was underpaid $569.26 due to an incorrect calculation for extended year pay and an error in supplement pay.
  - Two employees were overpaid $132.00 and $187.09, respectively due to data entry and calculation errors.
- The salaries and benefits payable listing contained $116,239.06 in invalid salaries payables at year end.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

- The detailed listing of salary and travel paid to employees as submitted to the Georgia Department of Audits and Accounts was not reconciled to the financial statements. Unidentified variances in salaries and travel were noted in the amount of $731,369.77 and $1,200.96, respectively.

Expenditures/Liabilities/Disbursements

- A subsidiary listing of accounts payable was not maintained.
- The general ledger contained $53,675.42 in invalid accounts payables over one year old.
- A review of voucher packages revealed the following deficiencies:
  - Several voucher packages were missing adequate documentation and/or proper approval.
  - Several transactions were not recorded on the general ledger in a timely manner, were charged to the incorrect account codes and/or had invoices that did not support the amounts paid.
- A review of credit card transactions revealed the following deficiencies:
  - Several credit card transactions were missing adequate documentation and proper approval.
  - The auditor could not determine if the School District complied with travel regulations due to lack of supporting documentation related to meal purchases.
  - The School District incurred late fees for failure to make timely payments on credit cards.
  - Procedures were not in place to adequately monitor fuel card purchases. Large, irregular fluctuations from month-to-month were noted on fuel card purchases. Additionally, several non-fuel purchases were made on fleet cards that circumvent travel regulations. Supporting documentation was not available to determine the actual amount of allowable and unallowable charges made on the fuel cards.

Revenues/Receivables/Receipts

- A subsidiary listing of Accounts Receivable was not maintained.
- The general ledger contained $37,399.81 of invalid accounts receivables over one year old.

General Ledger

- The Capital Projects Fund was not adequately maintained by funding source or project.
- A review of journal entries revealed the following deficiencies:
  - Journal entries were not reviewed by someone independent of the General Ledger posting function.
  - Numerous journal entries lacked sufficient supporting documentation and/or approval. Due to this lack of documentation, several journal entries could not be determined to be valid or appropriate.
- During fiscal year 2012, the School District reopened prior year accounting periods and made over $15.9 million in adjusting entries in an attempt to correct erroneous information.

Cause:

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

Effect:

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

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Recommendation:

The School District should establish, revise and/or monitor procedures to ensure bank accounts are properly reconciled to the general ledger; the Interfund Cash account is accurate; the Petty Cash account is accurate; all School District bank accounts are recorded on the general ledger; subsidiary listings are maintained for Accounts Receivable and Accounts Payable accounts; expenditures and journal entries are properly documented, approved, processed timely and recorded accurately; and the Capital Projects Fund is maintained by funding source and/or project. Management should also review current policies and implement controls to ensure prior accounting periods are not reopened.

BUDGET PREPARATION/EXECUTION
Deficit Fund Balance
Failure to Adopt a Balanced Budget
Material Weakness
Finding Control Number: FS-7741-12-02

Condition:

This is a repeat finding (FS-7741-11-04) from the year ended June 30, 2011. At June 30, 2012, the General Fund of the City of Dublin Board of Education reported a deficit fund balance and failed to abide by reporting regulations related to the June 30, 2011, deficit. In addition, the School district also failed to adopt a balanced General Fund budget for fiscal year 2012.

Criteria:

Chapter 25, *Governmental Fund Deficits* of the Financial Management for Georgia Local Units of Administration states in part: "The seriousness of fund balance deficits cannot be overstated. The Georgia Department of Education requires those LUAs with deficit governmental fund balances to meet certain reporting requirements."

The Official Code of Georgia Annotated (O.C.G.A.) §20-2-67 *Local school system or school subject to corrective action plan for budget deficit; financial operations form; publication; mailing to Department of Education and local governing body,* states in part, "(b)..From the time such irregularity or budget deficit is discovered until the time it is eliminated, the local school superintendent shall present to each member of the local board of education for his or her review and written acknowledgement a monthly report containing all anticipated expenditures by budget function for such school or school system during the current month...(c) Not later than September 30 of the year, each local board of education shall cause to be published in the official county organ wherein the local school system is located once a week for two weeks a statement of the actual financial operations for such schools or school system identified by the Department of Audits and Accounts as having financial irregularities...(d) A copy of the actual financial operations form required to be published by subsection (c) of this code section shall be mailed by each local board of education to the Department of Education and the local county board of commissioners or local municipal governing authority..."

Chapter 32, *Preparing Operating Budgets* of the Financial Management for Georgia Local Units of Administration states in part: "The budget must be balanced for all budgeted funds. Total anticipated revenues should equal total estimated expenditures. In the event anticipated revenues are insufficient to fund anticipated essential expenditures, a portion of unreserved fund balance from previous years must be used to fund the short fall. In the event there is insufficient unreserved fund balance from previous years to fund anticipated expenditures, then such expenditures must be reduced to equal anticipated revenues plus available unreserved fund balance".

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Questioned Cost:
N/A

Information:
The School District's General Fund reported an unassigned deficit fund balance of $3,683,644.60 and failed to abide by reporting regulations related to the prior year deficit fund balance. In addition, the School District's original budget for the General Fund reflected a deficit fund balance in the amount of $511,849.41.

Cause:
The School District's General Fund incurred expenditures in excess of revenues during the year under review. Management did not properly monitor the financial situation during the fiscal year and make necessary adjustments to decrease expenditures. The School District failed to follow deficit reporting regulations. Management adopted an unbalanced original budget for the General Fund.

Effect:
A financial statement irregularity and failure to follow reporting requirements in accordance with the Official Code of Georgia Annotated (O.C.G.A.) §20-2-67.

Recommendation:
The School District should establish policies and procedures designed to ensure that expenditures do not exceed available resources, so that in future periods the School District does not report deficit fund balances. Management should monitor these procedures and always adopt balanced budgets. In addition, the School District should comply with reporting requirements applicable for deficit fund balances.

FINANCIAL REPORTING
Inadequate Controls over Financial Reporting
Material Weakness
Finding Control Number: FS-7741-12-03

Condition:
This is a repeat finding (FS-7741-11-01, FS-7741-10-01 and FS-7741-09-01) from the years ended June 30, 2011, June 30, 2010, and June 30, 2009, respectively. The School District did not have adequate controls in place over the financial statement reporting process.

Criteria:
Management is responsible for having adequate controls over the financial reporting process, which not only includes proper recording of transactions to the general ledger, but extends to accurate preparation and presentation of the financial statements, including note disclosures and Special Purpose Local Option Sales Tax (SPLOST) reporting requirement set forth in O.C.G.A. §48-8-122.

Questioned Cost:
N/A

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Information:

During the audit, numerous errors and misclassifications (both material and nonmaterial) were noted with the financial statements presented for audit. These errors are summarized as follows:

- The School District failed to record SPLOST and property tax accounts receivable and the related tax revenue at year end in the amount of $224,819.41 and $11,388.16, respectively. In addition, Federal accounts receivable and the related Federal revenue in the amount of $312,970.92 was not recorded. Audit adjustments were proposed and accepted by the School District to record this activity on the District-wide and Governmental Fund financial statements.
- The School District did not correctly record delinquent property taxes and the related deferred revenue of $690,093.09 in the General Fund. In addition, the amount of delinquent taxes reported on the District-wide financial statements were overstated by $58,584.09. Audit adjustments were proposed and accepted by the School District to properly record this activity.
- The School District failed to report prepaid assets in the amount of $200,000.00. An audit adjustment was proposed and accepted by the School District to properly report the activity on the District-wide and Governmental Fund financial statements.
- The School District failed to properly record a Capital Asset and the associated E-rate revenue. An audit adjustment for $383,892.09 was proposed and accepted by the School District to properly record this Capital Asset on the District-wide financial statements.
- Items that did not meet the School District's capitalization policy were erroneously reported as capital assets. An audit adjustment of $2,240,737.09 was proposed and accepted by the School District to properly reflect Capital Assets on the District-wide financial statements.
- Deferred revenue related to Federal grants was omitted from the financial statements. Audit adjustments in the amount of $274,570.10 were proposed and accepted by the School District to properly record deferred revenue on the District-wide and Governmental Fund financial statements.
- The School District incorrectly recorded proceeds on bonds. Audit adjustments were proposed and accepted by the School District to properly record issuance costs of $110,748.77 and the bond premium of $232,710.15 in the Capital Projects Fund. In addition, audit adjustments were proposed and accepted to properly record the transfer of capitalized interest of $179,214.44 and bond proceeds of $1,023,136.76 in the Debt Service Fund.
- Long-Term Liabilities were not properly recorded on the District-wide financial statements. The School District does not maintain a long-term debt fund on the general ledger as required by the Georgia Department of Education. Audit adjustments totaling $1,528,821.15 were proposed and accepted by the School District to properly state Long-Term Liabilities.
- The School District failed to properly record GSFIC revenue in the amount of $832,520.00. An audit adjustment was proposed and accepted to properly record this revenue on the District-wide financial statements and in the Capital Projects Fund.
- Beginning net assets reported on the Statement of Activities presented for audit did not agree to the prior year ending net assets. Numerous audit adjustments totaling $699,634.00 were proposed and accepted by the School District to tie beginning net assets to the prior year audited financial statements.
- Several school activity accounts which were custodial in nature were recorded in the General Fund in error. An audit adjustment of $12,433.59 was proposed and accepted by the School District to properly report funds held for others in Fiduciary Funds.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

- Numerous reclassification entries were proposed by the auditors and accepted by the School District to improve financial statement presentation of Cash, Investments, Accounts Receivable, Capital Assets, Contracts Payable, Short-Term Debt Liability, Long-Term Liabilities, State Revenues, Federal Revenues, Sales Tax Revenues, Miscellaneous Revenues and Fund Balance Reserves.
- The School District failed to provide all of the required Exhibits to the financial statements. Specifically, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets, Reconciliation of the Governmental Funds Statements of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities and the Notes to the Financial Statements were not completed and presented for audit by the School District.
- The School District's SPLOST schedule as submitted to the Georgia Department of Audits and Accounts was inaccurate. Corrections were proposed the auditors and accepted by the School District.

Cause:
The School District did not implement an adequate system of internal control over the financial statement reporting process. Management failed to properly review the year-end financial statements to ensure that the financial statements as presented for audit were accurate.

Effect:
The School District's lack of adequate controls over the financial statement reporting process could place the School District in a situation where incorrect reporting of financial position could occur. Numerous audit adjustments were necessary in order for the School Districts financial statements to be materially correct and in conformity with generally accepted accounting principles.

Recommendation:
The School District should develop and implement internal controls over the financial statement reporting process to ensure that all activity is properly recorded in the general ledger; to verify that financial statements (including note disclosures) properly reflect activity reported in the general ledger; and to include a monitoring process to evaluate the accuracy of the financials presented for audit. In addition, the School District should ensure the SPLOST projects collections and expenditures are reported based on the requirements set forth in O.C.G.A. Code §48-8-122.

EXPENDITURES/LIABILITIES/DISBURSEMENTS
Improper Use of SPLOST Proceeds
Material Noncompliance
Finding Control Number: FS-7741-12-04

Condition:
The School District expended Special Purpose Local Option Sales Tax (SPLOST) proceeds on items which were not specifically identified in the SPLOST project referendum and do not appear to meet the definition of "capital outlay projects for educational purposes" in State laws regarding imposition and use of sales taxes for educational purposes.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Criteria:
According to Paragraph IV, Section VI, Article VIII of the Constitution of the State of Georgia, "the purpose or purposes for which the proceeds of the tax are to be used and may be expended include" (1) Capital Outlay projects for educational purposes; (2) the retirement of previously incurred general obligation debt with respect only to capital outlay projects of the school system..."Official Code of Georgia Annotated (O.C.G.A.) §48-8-121 states, "The proceeds received from the tax authorized by this part shall be used...exclusively for the purpose or purposes specified in the resolution or ordinance calling for imposition of the tax".

Questioned Cost:
$206,579.95

Information:
During the year under review, the School District expended $206,579.95 of SPLOST proceeds for routine cleaning services, consulting fees and office supplies. These expenditures were not part of an approved SPLOST Capital Outlay project.

Cause:
The School District failed to ensure that all SPLOST expenditures were allowable.

Effect:
Improper use of the Special Purpose Local Option Sales Tax (SPLOST) proceeds and violation of State law.

Recommendation:
The School District's General Fund should reimburse the SPLOST Capital Project Fund for the total cost of these unallowable expenditures. In addition, management should establish appropriate procedures to ensure that all future expenditures paid for with SPLOST proceeds are an appropriate use of SPLOST funds in accordance with State law and the SPLOST referendum as approved by the voters of Laurens County.

CAPITAL ASSETS
Failure to Adequately Maintain Capital Assets
Material Weakness
Finding Control Number: FS-7741-12-05

Condition:
This is a repeat finding (FS-7741-11-03, FS-7741-10-04 and FS-7741-09-04) from the years ended June 30, 2011, June 30, 2010, and June 30, 2009, respectively. The School District did not adequately maintain capital assets inventory records.

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 policies, procedures and the related capital assets records revealed the following deficiencies:

- Twelve buses with individual values ranging from $2,000.00 to $4,500.00 (combined value of $42,000.00) were capitalized even though they did not meet the $5,000.00 capitalization threshold.
- Valuation documentation revealed that twelve additional buses were undervalued by a combined $92,578.52 when capitalized and added to the capital assets listing.
- Six current year equipment purchases were undervalued by a combined $8,712.00 when capitalized and added to the capital assets listing.
- Current year kitchen equipment purchases that met the $5,000.00 capitalization threshold (combined value of $60,618.98) were not capitalized nor included on the capital assets listing.
- Shelving (combined value of $41,864.00), a $6,823.00 fryer that no longer exists and two kitchen equipment items that did not meet the capitalization threshold (combined value of $9,733.00) were erroneously capitalized and added to the capital assets listing.
- Thirty-one food service equipment items (combined value of $347,965.11) were erroneously omitted from the District-wide capital assets listing.
- Construction in-progress additions and deletions were not calculated properly resulting in a likely net overstatement at year-end of $420,337.51.
- Depreciation expense was overstated by $25,789.51 and Accumulated Depreciation was overstated by $73,462.39 as a result of errors to Capital Assets.
- A sample of thirty-six capital assets revealed that ten assets could not be located.
- The School District has not updated their capitalization policy to include the adoption of Governmental Accounting Standards Board (GASB) Statement No. 51, *Accounting and Reporting for Intangible Assets.*
- The subsidiary ledger did not agree to the Financial Statements.
- A physical inventory of capital assets has not been performed in several years.

Cause:
The School District failed to properly maintain its capital assets records in accordance with the School District's approved capital assets policy and requirements set-forth in Chapter 37 *Implementing a Capital Assets Management System* of the Financial Management for Georgia Local Units of Administration.

Effect:
The failure of the School District to properly account for capital assets activity can lead to inaccurate internal and external reporting, as well as noncompliance with generally accepted accounting principles.

Recommendation:
The School District should develop and implement controls over the Capital Asset function to ensure that capital assets are accurate and conform to the School District's approved capital assets policy and generally accepted accounting principles. In addition, appropriate adjustments should be made to correct the errors listed.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

CASH MANAGEMENT
Excessive Cash Balances
Failure to Refund Interest
Significant Deficiency
Nonmaterial Noncompliance
U. S. Department of Education
Through Georgia Department of Education
Title I, Part A Cluster (CFDA 84.010, 84.389)
Finding Control Number: FA-7741-12-01

Condition:
A review of the cash management procedures for the Title I, Part A Cluster disclosed that cash draws were made in advance of immediate cash needs, resulting in the accumulation of excessive cash balances.

Criteria:
In accordance with 34 CFR 80.21 when funds are advanced, local education agencies must follow procedures to minimize the time elapsing between the transfer of funds from the grantor agency and disbursement of such funds by the local government grantees. Interest earned in excess of $100.00 on advances by local government grantees is required to be submitted promptly to the Federal grantor agency.

Questioned Cost:
$990.59

Information:
The Title I, Part A Cluster had an average cash balance of $529,558.04. The School District made cash draws in advance of cash needs resulting in excessive ending monthly cash balances for eight months. An estimated $1,990.59 in interest was earned on these advances.

Cause:
Management failed to base cash draws on an accurate forecast of the actual cash needs of the Title I, Part A Cluster program.

Effect:
Failure to ensure cash draws were based on an accurate forecast of cash needs resulted in excessive cash balances on hand, noncompliance with the requirements of the Federal grant and questioned cost.

Recommendation:
The School District should implement procedures to accurately forecast the cash needs of the program, base cash draws on this forecast and minimize the time elapsing between the transfer of funds from the Georgia Department of Education and disbursement of such funds by the School District. In addition, the Georgia Department of Education should review this matter to determine if a reclaim of grant funds is appropriate.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

SPECIAL TESTS AND PROVISIONS
Failure to Transfer Funds Timely
Nonmaterial Noncompliance
U. S. Department of Agriculture
Through Georgia Department of Education
Food Services – School Breakfast Program (CFDA 10.553)
Food Services – National School Lunch Program (CFDA 10.555)
Finding Control Number: FA-7741-12-02

Condition:
This is a repeat finding (FA-7741-11-01, FA-7741-10-02 and FA-7741-09-03) from the years ended June 30, 2011, June 30, 2010, and June 30, 2009, respectively. The School District failed to transfer School Breakfast Program (CFDA 10.553) and National School Lunch Program (CFDA 10.555) funds to the School Food Service account in a timely manner.

Criteria:
U. S. Department of Agriculture (USDA) Policy 210.14-06 states that USDA funds should be entered into the School Food Service account as soon as possible on receipt and that any interest on these funds must also be credited to the school food service account.

Questioned Cost:
N/A

Information:
Two months of receipts reviewed were not transferred to the School Food Service account in a timely manner.

Cause:
The School District failed to implement appropriate procedures to ensure compliance in accordance with Federal guidelines.

Effect:
Failure to ensure appropriate transfers resulted in noncompliance with the requirements of the Federal grant.

Recommendation:
The School District should ensure that funds are transferred promptly in compliance with Federal guidelines.

SECTION V

MANAGEMENT'S RESPONSES

CITY OF DUBLIN BOARD OF EDUCATION
SCHEDULE OF MANAGEMENT'S RESPONSES
YEAR ENDED JUNE 30, 2012

Finding Control Number: FS-7741-12-01

We concur with this finding. The Board has implemented procedures to reconcile all bank accounts on a monthly basis to the general ledger and to have documented management review and approval. The Interfund Cash account is also being reconciled to maintain an overall zero balance. Additionally, all journal entries are properly documented, reviewed and approved by management. Subsidiary listings for accounts payable and accounts receivable are being maintained. State travel regulations are being followed with credit card usage being controlled as well as being paid on a timely basis.

Finding Control Number: FS-7741-12-02

We concur with this finding. The Board has implemented a three year plan to reduce our negative fund balance, which includes staff reductions and reduction in days for staff. Properly tax revenue is anticipated to increase during this three year period as property is re-assessed and taxes are levied accordingly. Reporting requirements applicable for deficit fund balances with the Georgia Department of Education are being followed.

Finding Control Number: FS-7741-12-03

We concur with this finding. The Board will develop and implement internal controls over financial statement reporting and ensure that activity is properly recorded in the general ledger. We will verify that financial statements (including note disclosures) properly reflect the activity reported in the general ledger and that the financial information presented for audit will be accurate. The Board hired a new Director of Finance in fiscal year 2013.

Finding Control Number: FS-7741-12-04

We concur with the finding. The School District will review with legal counsel SPLOST referendums prior to the obligation of funds.

Finding Control Number: FS-7741-12-05

We concur with this finding. The School District will review its capital assets activity and ensure that activity conforms to the approved capital assets policy and generally accepted accounting principles.

Finding Control Number: FA-7741-12-01

We concur with the finding. Management will implement procedures to more accurately forecast the cash needs and base quarterly cash draws on the forecast.

Finding Control Number: FA-7741-12-02

We concur with this finding. The Board has implemented a procedure to transfer School Food Service USDA funds promptly in compliance with Federal guidelines.

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