

MADISON COUNTY
BOARD OF EDUCATION
DANIELSVILLE, GEORGIA

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

MADISON COUNTY BOARD OF EDUCATION

- TABLE OF CONTENTS -

Page

SECTION I

FINANCIAL

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

EXHIBITS

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

A	STATEMENT OF NET ASSETS	1
B	STATEMENT OF ACTIVITIES	2

FUND FINANCIAL STATEMENTS

C	BALANCE SHEET GOVERNMENTAL FUNDS	4
D	RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS	5
E	STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS	6
F	RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES	7
G	STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUNDS	8
H	STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS FIDUCIARY FUNDS	9
I	NOTES TO THE BASIC FINANCIAL STATEMENTS	10

SCHEDULES

REQUIRED SUPPLEMENTARY INFORMATION

1	SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL GENERAL FUND	31

SUPPLEMENTARY INFORMATION

2	SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	32
3	SCHEDULE OF STATE REVENUE	34

MADISON COUNTY BOARD OF EDUCATION

- TABLE OF CONTENTS -

Page

SECTION I

FINANCIAL

SCHEDULES

SUPPLEMENTARY INFORMATION

4 SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS 35
5 ALLOTMENTS AND EXPENDITURES
GENERAL FUND - QUALITY BASIC EDUCATION PROGRAMS (QBE)
BY PROGRAM 37

SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS

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

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

SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

SECTION IV

FINDINGS AND QUESTIONED COSTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MADISON COUNTY BOARD OF EDUCATION

- TABLE OF CONTENTS -

SECTION V

MANAGEMENT'S RESPONSES

SCHEDULE OF MANAGEMENT'S RESPONSES

SECTION I

FINANCIAL

DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

March 1, 2013

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

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

Ladies and Gentlemen:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information (Exhibits A through I) of the Madison County 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 Madison County Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Madison County 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 March 1, 2013, on our consideration of the Madison County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual, as presented on page 31 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 Madison County Board of Education's financial statements as a whole. The accompanying supplementary information consists of Schedules 2 through 5, which includes the Schedule of Expenditures of Federal Awards as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* are presented for purposes of additional analysis and are not a required part of the financial statements. The 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

MADISON COUNTY BOARD OF EDUCATION

MADISON COUNTY BOARD OF EDUCATION
STATEMENT OF NET ASSETS
JUNE 30, 2012

EXHIBIT "A"

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and Cash Equivalents	$ 15,940,455.75
Investments	12,787,746.24
Accounts Receivable, Net	
Taxes	2,054,483.30
State Government	3,196,306.64
Federal Government	501,563.58
Local	9,375.00
Other	20,526.11
Inventories	101,769.11
Capitalized Bond and Other Debt Issuance Costs	121,994.49
Capital Assets, Non-Depreciable	2,704,962.45
Capital Assets, Depreciable (Net of Accumulated Depreciation)	44,352,331.00
Total Assets	$ 81,791,513.67
LIABILITIES	
Accounts Payable	$ 5,020.37
Salaries and Benefits Payable	5,607,365.74
Payroll Withholdings Payable	63,911.15
Interest Payable	383,266.13
Contracts Payable	2,136.98
Retainages Payable	70,640.00
Compensated Absences Payable	64,461.63
Deposits and Deferred Revenues	24,320.66
Long-Term Liabilities	
Due Within One Year	1,758,516.47
Due in More Than One Year	28,605,333.83
Total Liabilities	$ 36,584,972.96
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	$ 35,519,896.04
Restricted for	
Continuation of Federal Programs	1,062,500.35
Debt Service	5,801,532.82
Capital Projects	806,476.94
Unrestricted	2,016,134.56
Total Net Assets	$ 45,206,540.71
Total Liabilities and Net Assets	$ 81,791,513.67

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

MADISON COUNTY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

	EXPENSES	CHARGES FOR SERVICES
GOVERNMENTAL ACTIVITIES		
Instruction	$ 31,659,756.26	$ 471,656.47
Support Services		
Pupil Services	1,544,773.53	
Improvement of Instructional Services	1,129,948.61	
Educational Media Services	885,205.08	
General Administration	601,552.17	
School Administration	2,837,707.51	
Business Administration	637,933.96	
Maintenance and Operation of Plant	5,412,074.81	
Student Transportation Services	2,432,679.11	
Central Support Services	135,518.48	
Other Support Services	457,645.20	
Operations of Non-Instructional Services		
Enterprise Operations	363,876.03	287,760.76
Food Services	2,531,964.30	598,141.46
Interest on Short-Term and Long-Term Debt	800,975.21	
Total Governmental Activities	$ 51,431,610.26	$ 1,357,558.69
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		
Special Items		
Gain on Sale of Assets		
Total General Revenues and Special Items		
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
$ 19,563,941.69		$ -11,624,158.10
503,306.85		-1,041,466.68
890,855.49		-239,093.12
564,819.63		-320,385.45
276,153.23		-325,398.94
1,249,509.53		-1,588,197.98
185,791.89		-452,142.07
1,452,373.27		-3,959,701.54
867,364.86	$ 152,439.00	-1,412,875.25
29,148.22		-106,370.26
94,891.63		-362,753.57
14,215.63		-61,899.64
1,836,942.08		-96,880.76
		-800,975.21
$ 27,529,314.00	$ 152,439.00	$ -22,392,298.57
		$ 11,400,534.46
		2,035,747.58
		108,926.12
		4,281,289.00
		118,540.49
		1,282,036.22
		43,483.00
		$ 19,270,556.87
		$ -3,121,741.70
		48,328,282.41
		$ 45,206,540.71

MADISON COUNTY BOARD OF EDUCATION
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	$ 7,638,489.85	$ 4,304,749.64	$ 3,997,216.26	$ 15,940,455.75
Investments		11,161,574.98	1,626,171.26	12,787,746.24
Accounts Receivable, Net				
Taxes	1,847,758.85		206,724.45	2,054,483.30
State Government	3,196,306.64			3,196,306.64
Federal Government	501,563.58			501,563.58
Local	9,375.00			9,375.00
Other	20,526.11			20,526.11
Inventories	101,769.11			101,769.11
Total Assets	$ 13,315,789.14	$ 15,466,324.62	$ 5,830,111.97	$ 34,612,225.73
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	$ 5,020.37			$ 5,020.37
Salaries and Benefits Payable	5,607,365.74			5,607,365.74
Payroll Withholdings Payable	63,911.15			63,911.15
Contracts Payable		$ 2,136.98		2,136.98
Retainages Payable		70,640.00		70,640.00
Deposits and Deferred Revenue	1,272,378.09		$ 28,579.15	1,300,957.24
Total Liabilities	$ 6,948,675.35	$ 72,776.98	$ 28,579.15	$ 7,050,031.48
FUND BALANCES				
Nonspendable	$ 101,769.11			$ 101,769.11
Restricted	1,579,197.45	$ 15,393,547.64	$ 5,801,532.82	22,774,277.91
Committed	257,011.66			257,011.66
Unassigned	4,429,135.57			4,429,135.57
Total Fund Balances	$ 6,367,113.79	$ 15,393,547.64	$ 5,801,532.82	$ 27,562,194.25
Total Liabilities and Fund Balances	$ 13,315,789.14	$ 15,466,324.62	$ 5,830,111.97	$ 34,612,225.73

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

MADISON COUNTY BOARD OF EDUCATION
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")		$ 27,562,194.25
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 as assets in governmental funds. These assets consist of:		
Land	$ 1,028,500.00	
Construction in Progress	1,676,462.45	
Land Improvements	1,316,996.00	
Buildings	52,435,655.00	
Equipment	6,408,501.00	
Accumulated Depreciation	-15,808,821.00	
Total Capital Assets		47,057,293.45
Taxes that are not available to pay for current period expenditures are deferred in the governmental funds.		
Property Taxes		1,276,636.58
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	$ -24,085,000.00	
Accrued Interest Payable	-383,266.13	
Capital Leases Payable	-3,968,370.46	
Deferred Charge for Bond Issuance Costs	121,994.49	
Compensated Absences Payable	-64,461.63	
Unamortized Bond Premiums	-1,844,859.84	
Installment Sales Payable	-465,620.00	
Total Long-Term Liabilities		-30,689,583.57
Net Assets of Governmental Activities (Exhibit "A")		$ 45,206,540.71

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

MADISON COUNTY BOARD OF EDUCATION
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	$ 11,257,565.13		$ 42,635.53	$ 11,300,200.66
Sales Taxes	108,926.12		2,035,747.58	2,144,673.70
State Funds	27,183,577.36			27,183,577.36
Federal Funds	4,779,464.64			4,779,464.64
Charges for Services	1,357,558.69			1,357,558.69
Investment Earnings	31,505.73	$ 6,616.46	80,418.30	118,540.49
Miscellaneous	1,282,036.22			1,282,036.22
Total Revenues	$ 46,000,633.89	$ 6,616.46	$ 2,158,801.41	$ 48,166,051.76
EXPENDITURES				
Current				
Instruction	$ 30,647,226.17			$ 30,647,226.17
Support Services				
Pupil Services	1,751,206.53			1,751,206.53
Improvement of Instructional Services	1,129,948.61			1,129,948.61
Educational Media Services	885,205.08			885,205.08
General Administration	573,651.36			573,651.36
School Administration	2,825,104.23			2,825,104.23
Business Administration	515,675.04	$ 178,906.14		694,581.18
Maintenance and Operation of Plant	2,622,956.81	2,756,425.00		5,379,381.81
Student Transportation Services	2,389,335.11			2,389,335.11
Central Support Services	135,518.48			135,518.48
Other Support Services	457,645.20			457,645.20
Enterprise Operations	366,712.74			366,712.74
Food Services Operation	2,509,752.30			2,509,752.30
Capital Outlay	3,450.00	1,753,484.76		1,756,934.76
Debt Services				
Principal		285,170.62	$ 1,845,000.00	2,130,170.62
Dues and Fees			2,083.36	2,083.36
Interest		77,200.26	512,314.74	589,515.00
Total Expenditures	$ 46,813,387.66	$ 5,051,186.78	$ 2,359,398.10	$ 54,223,972.54
Excess of Revenues over (under) Expenditures	$ -812,753.77	$ -5,044,570.32	$ -200,596.69	$ -6,057,920.78
OTHER FINANCING SOURCES (USES)				
Proceeds of Long-Term Capital Related Debt		$ 16,000,000.00		$ 16,000,000.00
Premiums on Bonds Sold		1,891,213.10		1,891,213.10
Sale of Capital Assets	$ 50,000.00			50,000.00
Capital Leases		2,756,425.00		2,756,425.00
Transfers In		412,370.88	$ 1,605,664.41	2,018,035.29
Transfers Out	-362,370.88	-1,605,664.41	-50,000.00	-2,018,035.29
Total Other Financing Sources (Uses)	$ -312,370.88	$ 19,454,344.57	$ 1,555,664.41	$ 20,697,638.10
Net Change in Fund Balances	$ -1,125,124.65	$ 14,409,774.25	$ 1,355,067.72	$ 14,639,717.32
Fund Balances - Beginning	7,492,238.44	983,773.39	4,446,465.10	12,922,476.93
Fund Balances - Ending	$ 6,367,113.79	$ 15,393,547.64	$ 5,801,532.82	$ 27,562,194.25

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

MADISON COUNTY BOARD OF EDUCATION
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")		$ 14,639,717.32
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	$ 2,096,455.45	
Depreciation Expense	-1,287,301.00	
Excess of Capital Outlay over Depreciation Expense		809,154.45
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, and disposals) is to decrease net assets.		-6,517.00
Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		100,333.80
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 $1,891,213.10		-17,891,213.10
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		56,647.22
Some of the Capital Assets acquired this year were financed with capital leases. In Governmental Funds, a capital lease arrangement is considered a source of financing, but in the Statement of Net Assets, the lease obligation is reported as a Long-Term Liability.		-2,756,425.00
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:		
Amortization of Bond Premium	$ 46,353.26	
Bond Principal Retirements	1,845,000.00	
Capital Lease Payments	238,515.81	
Installment Sales Payments	46,655.00	
Total Long-Term Debt Repayments		2,176,524.07
Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in Governmental Funds. These activities consist of:		
Net Increase in Accrued Interest on Issuance of Bonds	$ -255,730.30	
(Decrease) in Compensated Absences	5,766.84	
Total Additional Expenditures		-249,963.46
Change in Net Assets of Governmental Activities (Exhibit "B")		$ -3,121,741.70

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

MADISON COUNTY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012

EXHIBIT "G"

	PRIVATE PURPOSE TRUSTS	AGENCY FUNDS
ASSETS		
Cash and Cash Equivalents	$ 40,751.37	$ 225,490.28
Investments	2,000.00	
Total Assets	$ 42,751.37	$ 225,490.28
LIABILITIES		
Funds Held for Others		$ 225,490.28
NET ASSETS		
Held in Trust for Private Purposes	$ 42,751.37	
Total Liabilities and Net Assets	$ 42,751.37	$ 225,490.28

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

MADISON COUNTY BOARD OF EDUCATION
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2012

EXHIBIT "H"

	PRIVATE PURPOSE TRUSTS
ADDITIONS	
Contributions	
Donors	$ 50,612.00
Investment Earnings	
Interest	23.47
Total Additions	$ 50,635.47
DEDUCTIONS	
Scholarships	$ 36,906.00
Other Deductions	6,619.86
Total Deductions	$ 43,525.86
Change in Net Assets	$ 7,109.61
Net Assets - Beginning	35,641.76
Net Assets - Ending	$ 42,751.37

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

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 Madison County Board of Education.

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

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

- Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expenses (expenses of the School District related to the administration and support of the School District's programs, such as office and maintenance personnel and accounting) are not allocated to programs.

- Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

The School District reports the following major governmental funds:

- General Fund is the School District's primary operating fund. It accounts for and reports all financial resources not accounted for and reported in another fund.

- District-wide Capital Projects Fund accounts for and reports financial resources including Special Purpose Local Option Sales Tax (SPLOST) and Bond Proceeds 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 (property and sales) legally restricted for the payment of general long-term principal and interest.

The School District reports the following fiduciary fund types:

- Private Purpose Trust funds report trust arrangements which provide funds for scholarships and the purchase of library books.

- Agency funds account for assets held by the School District as an agent for various school activities and medical reimbursements.

BASIS OF ACCOUNTING

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

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

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

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

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 Madison County Board of Commissioners fixed the property tax levy for the 2011 tax digest year (calendar year) on September 6, 2011 (levy date). Taxes were due on December 20, 2011 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2011 tax digest are reported as revenue in the governmental funds for fiscal year 2012. The Madison County Tax Commissioner bills and collects the property taxes for the School District, withholds 2.5% of taxes collected as a fee for tax collection and remits the balance of taxes collected to the School District. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2012, for maintenance and operations amounted to $11,241,441.85 and for school bonds amounted to $42,635.53.

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

School Operations	16.99 mills

SALES TAXES

Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to $2,033,829.43 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

Consumable Supplies Inventory
On the basic financial statements, inventories of consumable supplies are reported at weighted average cost. The School District uses the consumption method to account for inventories whereby supplies are recorded as an asset when purchased, and expenses/expenditures are recorded as the inventory items are used.

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.

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 2012, no events or changes in circumstances affecting a capital asset that may indicate impairment were known to the School District.

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

	Capitalization Policy	Estimated Useful Life
Land	All	N/A
Land Improvements	$ 20,000.00	10 to 20 years
Buildings and Improvements	$ 100,000.00	20 to 60 years
Equipment	$ 10,000.00	5 to 20 years
Capital Leases - Buildings	$ 100,000.00	20 to 60 years
Intangible Assets	$ 100,000.00	individually determined

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

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

COMPENSATED ABSENCES

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

Vacation leave of 10 days is awarded on a fiscal year basis to all full time personnel employed on a twelve month basis. No other employees are eligible to earn vacation leave. The School District has policies that restrict accumulated vacation leave to 20 days administrative employees and 40 days for the Superintendent.

Changes in the School District's liability for compensated absences for the last two fiscal years are presented in table below. Since fiscal year 2011 was the first fiscal year this liability was recognized in the Financial Statements, comparative data is not available for fiscal year 2010 and therefore that year is excluded from this schedule.

	Beginning of Year Liability	Increases	Decreases	End of Year Liability
2011	$ 82,639.43	$ 69,364.11	$ 81,775.07	$ 70,228.47
2012	$ 70,228.47	$ 59,921.76	$ 65,688.60	$ 64,461.63

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		$ 101,769.11
Restricted		
Continuation of Federal Programs	$ 1,002,347.80	
Continuation of Pre-K Program	4,763.76	
Continuation of Other Sponsored Programs	572,085.89	
Capital Projects	15,393,547.64	
Debt Service	5,801,532.82	22,774,277.91
Committed		
School Activity Accounts		257,011.66
Unassigned		4,429,135.57
Fund Balance, June 30, 2012		$ 27,562,194.25

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 15% of expenditures, not to exceed 15% of the total budget of the subsequent fiscal year, net of any Committed Reserve Balance for capital expenditures, in compliance with Official Code of Georgia Annotated Section 20-2-167(a) 5. If the unassigned fund balance at fiscal year end falls below the goal, the School District shall develop a restoration plan to achieve and maintain the minimum fund balance.

When multiple categories of fund balance are available for expenditure, the School District will start with the most restricted category and spend those funds first before moving down to the next category with available funds.

USE OF ESTIMATES

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

Note 3: 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 Fund. There is no statutory prohibition regarding over expenditure of the budget at any level. The budget for the General Fund, except the various school principal's accounts, is prepared and adopted by fund, function and object. The legal level of budgetary control was

established by the Board at the aggregate function level. The School District's formal budget was prepared in accordance with accounting principles permitted by the State of Georgia but not in accordance with generally accepted accounting principles 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 of no more than 5% of the amount budgeted for expenditures in any budget function for any fund. The Superintendent shall report any such adjustments to the Board. If expenditure of funds in any budget function for any fund is anticipated to be more than 5% percent of the budgeted amount, the Superintendent shall request Board approval for the budget amendment. Any position or expenditure not previously approved in the annual budget that exceeds $10,000.00 shall require Board approval unless the Superintendent deems the position or purchase an emergency. In such case, the expenditure shall be reported to the Board at its regularly scheduled meeting. Under no circumstance is the Superintendent or other staff person authorized to spend funds that exceed the total budget without approval by the Board.

See Schedule 1 – General Fund Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual for a detail of any over/under expenditures during the fiscal year 2012.

Budgetary/GAAP Basis Reconciliation

In the General Fund, accounting principles used in developing budgets on a budgetary basis differ from those used in preparing financial statements in conformity with generally accepted accounting principles (GAAP).

The primary differences between the budget basis and GAAP basis are:

1. State QBE revenue is recorded when received (budget) rather than when susceptible to accrual (GAAP).
2. Salaries and employee benefits paid to teachers under contract are recorded when paid (budget) rather than when the liability is incurred (GAAP).
3. Revenues and expenditures of School Principals' Accounts are omitted from the Budget.

Thus, there is an accounting basis difference between the budget and actual Statement of Revenues, Expenditures and Changes in Fund Balances in the General Fund that is reconciled as follows:

Actual Revenues, GAAP Basis	$ 46,000,633.89	
State QBE Revenues Increase/Decrease (Net)	20,760.00	
Revenues from School Principals' Accounts	-1,005,542.69	
Actual Revenues, Budgetary Basis		$ 45,015,851.20
Actual Expenditures, GAAP Basis	$ 46,813,387.66	
Accrued Salaries Increase/Decrease (Net)	-81,554.04	
Expenditures from School Principals' Accounts	-979,457.24	
Actual Expenditures, Budgetary Basis		45,752,376.38
Actual Revenues over Actual Expenditures Budgetary Basis		$ -736,525.18
Actual Revenues over Actual Expenditures and GAAP Basis		$ -812,753.77

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 $29,180,076.20. The bank balances were entirely covered by Federal depository insurance, Federal Letter of Credit, or collateralized with securities held by the pledging financial institution in the School District's name.

CATEGORIZATION OF INVESTMENTS

The School District's investments as of June 30, 2012, are presented below. All investments are presented by investment type and debt securities are presented by maturity. These amounts do not include certificates of deposit of $11,002,000.00 in banks which the School District has also classified as investments on the financial statements.

Investment Type	Fair Value	Investment Maturity Less than 1 Year
Debt Securities		
U. S. Agencies	$ 1,626,171.26	$ 1,626,171.26
Other Investments		
U. S. Treasury		
Money Market Funds	161,573.58	
Investment Pools		
Office of State Treasurer		
Georgia Fund 1	1.40	
Total Investments	$ 1,787,746.24	

The Georgia Fund 1, formerly referred to as LGIP, administered by the State of Georgia, Office of the State Treasurer is not required to be categorized since the School District did not own any specific identifiable securities in the pool. The investment policy of the State of Georgia, Office of the State Treasurer for the Georgia Fund 1 (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 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.

The investments in Debt Securities held for retirement of QZAB bonds are invested in an institutional portfolio managed by First American Funds, Inc. Specifically, $1,236.26 was invested in United States Treasury Obligations and $1,624,935.00 was invested in Federal National Mortgage Association (FNMA) Discount Notes.

The U. S. Treasury Money Market Funds are invested in an Institutional Treasury Portfolio Fund managed by Fidelity Investments. The weighted average maturity of the fund is approximately 56 days. The fund is rated AAAm by Standard and Poor's and AAA-mf by Moody's.

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

Custodial Credit Risk
Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the School District will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The School District does not have a formal policy for managing custodial credit risk.

At June 30, 2012, $1,626,171.26 of the School District's applicable investments were uninsured and unregistered, with securities held by the counterparty's trust department or agent in the name of the School District and $161,573.58 of investments were uninsured, or unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the School District's name.

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

The U. S. Agency Debt Securities are invested in the Federal National Mortgage Association (FNMA) Discount Notes. These risks are guaranteed obligations of the U. S. Government and are unrated for credit quality risks.

Concentration of Credit Risk
Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The School District does not have a formal policy for managing concentration of credit risk. More than 5% of the School District's investments are in Federal National Mortgage Association (FNMA) Discount Notes. This investment is over 90% of the School District's total investments.

Note 5: NON-MONETARY TRANSACTIONS

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

Note 6: CAPITAL ASSETS

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	$ 1,030,726.00		$ 2,226.00	$ 1,028,500.00
Construction Work In Progress	0.00	$ 1,676,462.45		1,676,462.45
Total Capital Assets, Not Being Depreciated	$ 1,030,726.00	$ 1,676,462.45	$ 2,226.00	$ 2,704,962.45
Capital Assets, Being Depreciated:				
Buildings and Improvements	$ 52,435,655.00			$ 52,435,655.00
Equipment	6,310,398.00	$ 261,613.00	$ 163,510.00	6,408,501.00
Land Improvements	1,158,616.00	158,380.00		1,316,996.00
Less: Accumulated Depreciation:				
Buildings and Improvements	10,416,620.00	919,460.00		11,336,080.00
Equipment	3,553,617.00	266,244.00	159,219.00	3,660,642.00
Land Improvements	710,502.00	101,597.00		812,099.00
Total Capital Assets, Being Depreciated, Net	$ 45,223,930.00	$ -867,308.00	$ 4,291.00	$ 44,352,331.00
Governmental Activity Capital Assets - Net	$ 46,254,656.00	$ 809,154.45	$ 6,517.00	$ 47,057,293.45

Capital assets being acquired under capital leases as of June 30, 2012, are as follows:

	Governmental Funds
Buildings and Improvements	$ 3,215,193.00
Less: Accumulated Depreciation	763,402.00
	$ 2,451,791.00

Current year depreciation expense by function is as follows:

Instruction		$ 927,331.00
Support Services		
General Administration	$ 21,962.00	
School Administration	26,199.00	
Maintenance and Operation of Plant	32,693.00	
Student Transportation Services	208,283.00	289,137.00
Food Services		70,833.00
		$ 1,287,301.00

Note 7: 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	Debt Service Fund
District-wide Capital Projects	$ 362,370.88		$ 50,000.00
Debt Service Fund		$ 1,605,664.41	
Total	$ 362,370.88	$ 1,605,664.41	$ 50,000.00

Transfers were used to move property tax revenues collected by the General Fund in the amount of $362,370.88 to the District-wide Capital Projects Fund as a supplemental funding source for capital construction projects. Additionally, $1,605,664.41 was transferred from the Capital Projects Fund to the Debt Service Fund to move accrued interest received on the 2012 Series Bond Issue to the fund where debt service payments will be made. Excess SPLOST revenue, in the amount of $50,000.00, was transferred from the Debt Service Fund to the Capital Projects Fund.

Note 8: RISK MANAGEMENT

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

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

Although the Madison County Board of Education has commercial insurance for job related injuries, the Board is self insured for one claim which occurred in a prior year. This claim occurred at a time period the School District was insured by a former insurance company which since has liquidated and is no longer in business. Upon legal advice of its attorneys, the School District assumed liability for this one claimant and since November 2010 has been paying both indemnity benefits and medical benefits for the claimant. Thus far, the School District has been able to secure reimbursements for what has been paid to the claimant from the Subsequent Injury Trust Fund for the State of Georgia. The School District's attorneys are currently in the process of working on the claim for a settlement. Legal counsel has advised their expectation is the School District will be reimbursed the full amount of any settlement reached by the Subsequent Injury Trust Fund of Georgia.

The School District is self-insured with regard to unemployment compensation claims. The School District accounts for claims within the General Fund with expenses/expenditures and liability being reported when it is probable that a loss has occurred and the amount of 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	$ 7,755.00	$ 7,755.00	$ 0.00
2012	$ 0.00	$ 7,377.00	$ 7,377.00	$ 0.00

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

Position Covered	Amount
Superintendent	$ 1,000,000.00

Note 9: OPERATING LEASES

The Madison County Board of Education has entered into various leases as lessee for various copiers. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the year ended June 30, 2012, for governmental funds amounted to $73,771.44. Future minimum lease payments for these leases are as follows:

Year Ending	Governmental Fund
2013	$ 73,771.44

Note 10: LONG-TERM DEBT

CAPITAL LEASES

The Madison County Board of Education entered into multiple lease agreements for energy systems. 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.

INSTALLMENT SALES AGREEMENT

The Madison County Board of Education entered into an agreement dated June 1, 2006, with the Northeast Georgia Regional Educational Service Agency for the construction and subsequent lease of the Rutland Center. Under terms of the agreement, the School District will make annual payments through July 15, 2020.

COMPENSATED ABSENCES

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

GENERAL OBLIGATION DEBT OUTSTANDING

General Obligation Bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
General Government - QZAB - Series 2003B	0.00%	$ 2,000,000.00
General Government - Series 2006	3.74%	6,085,000.00
General Government - Series 2011	3.0259%	16,000,000.00
		$ 24,085,000.00

In fiscal year 2011, voters authorized $18,000,000.00 in general obligation debt for paying a portion of certain capital costs at Madison County High School, Madison County Middle School, Comer Elementary School and possibly certain other capital projects. During fiscal year 2012, the School District issued $16,000,000.00 in new general obligation debt as authorized. The School District has no plans to issue the remaining $2,000,000.00 of debt authorized but not issued as of June 30, 2012, at this time.

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	$ 9,930,000.00	$ 16,000,000.00	$ 1,845,000.00	$ 24,085,000.00	$ 1,350,000.00
Capital Leases	1,450,461.27	2,756,425.00	238,515.81	3,968,370.46	248,753.64
Compensated Absences (1)	70,228.47	59,921.76	65,688.60	64,461.63	
Installment Sales Agreement	512,275.00		46,655.00	465,620.00	48,515.00
Unamortized Bond Premiums	0.00	1,891,213.10	46,353.26	1,844,859.84	111,247.83
	$ 11,962,964.74	$ 20,707,559.86	$ 2,242,212.67	$ 30,428,311.93	$ 1,758,516.47

(1) The portion of Compensated Absences due within one year has been determined to be immaterial to the basic financial statements.

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

	Capital Leases		Installment Sales Agreement	
	Principal	Interest	Principal	Interest
Fiscal Year Ended June 30:				
2013	$ 248,753.64	$ 126,501.36	$ 48,515.00	$ 19,370.00
2014	370,551.20	173,975.72	50,375.00	17,352.00
2015	226,745.03	140,787.71	52,700.00	15,256.00
2016	274,889.66	114,541.93	54,715.00	13,064.00
2017	288,861.06	103,634.82	57,040.00	10,788.00
2018 - 2022	1,684,236.95	334,803.72	202,275.00	18,390.00
2023 - 2027	874,332.92	41,939.91		
Total Principal and Interest	$ 3,968,370.46	$ 1,036,185.17	$ 465,620.00	$ 94,220.00

	General Obligation Debt		Unamortized
	Principal	Interest	Bond Premium
Fiscal Year Ended June 30:			
2013	$ 1,350,000.00	$ 919,841.50	$ 111,247.83
2014	1,400,000.00	869,351.50	111,247.83
2015	960,000.00	816,991.50	111,247.83
2016	995,000.00	788,703.50	111,247.83
2017	1,030,000.00	754,117.50	111,247.83
2018 - 2022	7,735,000.00	3,233,274.50	556,239.15
2023 - 2027	7,030,000.00	1,850,287.50	556,239.15
2028 - 2029	3,585,000.00	236,462.50	176,142.39
Total Principal and Interest	$ 24,085,000.00	$ 9,469,030.00	$ 1,844,859.84

Note 11: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of $3,460,780.78 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 $3,367,746.00

Paid to the Teachers' Retirement System of Georgia
For Teachers' Retirement System (TRS) Employer's Cost
In the amount of $28,451.78

Office of State Treasurer
Paid to the Public School Employees' Retirement System
For Public School Employees' Retirement (PSERS) Employer's Cost
In the amount of $64,583.00

Note 12: SIGNIFICANT COMMITMENTS

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

Project	Unearned Executed Contracts	Funding Available From State
Comer Elementary School Addition and Renovation	$ 174,093.88	
13LW-695-002	17,879,482.57	$ 9,735,821.00
	$ 18,053,576.45	$ 9,735,821.00

The amounts described in this note are not reflected in the basic financial statements.

Note 13: 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 14: 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%	$ 4,730,679.34
2011	100%	$ 4,341,307.92
2010	100%	$ 3,985,404.45

Note 15: 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:

Percentage Contributed		Required Contribution
100%	$	2,631,750.52
100%	$	2,650,270.70
100%	$	2,492,597.02

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.

DEFINED CONTRIBUTION PLAN

In 2001, the Madison County Board of Education began an employer paid 403(b) annuity plan for the group of employees covered under the Public School Employees' Retirement System (PSERS). Recognizing that PSERS was a limited defined contribution and defined benefit plan which did not provide for an adequate retirement for this group of employees, it was the Board's desire to supplement the retirement for this group.

The Board selected Horace Mann, Inc. as the provider of this plan. For each employee covered under PSERS, the Board contributes to the plan, an amount equal to the employees' contribution up to an amount of $25.00 per pay period.

The employee becomes vested in the plan with 3 years of experience. Employees who had already achieved 3 years of experience at the time the plan was implemented were vested upon enrollment.

Funds accumulated in the employer paid accounts are only available to the employee upon termination of employment and 3 years of service to Madison County Board of Education. If an employee terminates employment prior to achieving 3 years of service, funds paid on behalf of the non-vested employee are credited back to the Board.

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

Fiscal Year	Percentage Contributed		Required Contribution
2012	100%	$	28,650.00
2011	100%	$	32,275.00
2010	100%	$	31,775.00

(This page left intentionally blank)

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

SCHEDULE "1"

	NONAPPROPRIATED BUDGETS		ACTUAL	VARIANCE
	ORIGINAL (1)	FINAL (1)	AMOUNTS	OVER/UNDER
REVENUES				
Property Taxes	$ 10,870,236.00	$ 10,870,236.00	$ 11,257,565.13	$ 387,329.13
Sales Taxes	155,000.00	110,390.00	108,926.12	-1,463.88
State Funds	27,028,839.43	27,103,568.29	27,183,577.36	80,009.07
Federal Funds	4,383,716.00	5,042,923.00	4,779,464.64	-263,458.36
Charges for Services	719,000.00	719,000.00	1,357,558.69	638,558.69
Investment Earnings	10,000.00	28,437.00	31,505.73	3,068.73
Miscellaneous	327,790.00	805,977.83	1,282,036.22	476,058.39
Total Revenues	$ 43,494,581.43	$ 44,680,532.12	$ 46,000,633.89	$ 1,320,101.77
EXPENDITURES				
Current				
Instruction	$ 29,674,859.93	$ 30,290,900.14	$ 30,647,226.17	$ -356,326.03
Support Services				
Pupil Services	1,840,295.00	1,941,811.62	1,751,206.53	190,605.09
Improvement of Instructional Services	1,214,365.38	1,232,794.87	1,129,948.61	102,846.26
Educational Media Services	867,261.00	867,261.00	885,205.08	-17,944.08
General Administration	737,811.00	642,854.80	573,651.36	69,203.44
School Administration	2,775,806.50	2,803,670.50	2,825,104.23	-21,433.73
Business Administration	580,237.00	584,342.00	515,675.04	68,666.96
Maintenance and Operation of Plant	2,644,674.00	2,645,088.00	2,622,956.81	22,131.19
Student Transportation Services	2,376,341.00	2,370,023.00	2,389,335.11	-19,312.11
Central Support Services	62,090.00	127,490.20	135,518.48	-8,028.28
Other Support Services	366,718.00	452,425.00	457,645.20	-5,220.20
Enterprise Operations			366,712.74	-366,712.74
Food Services Operation	2,698,966.00	2,698,966.00	2,509,752.30	189,213.70
Capital Outlay		127,555.00	3,450.00	124,105.00
Total Expenditures	$ 45,839,424.81	$ 46,785,182.13	$ 46,813,387.66	$ -28,205.53
Excess of Revenues over (under) Expenditures	$ -2,344,843.38	$ -2,104,650.01	$ -812,753.77	$ 1,291,896.24
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets		$ 50,000.00	$ 50,000.00	$ 0.00
Transfers to Other Funds	$ -362,161.00	-362,161.00	-362,370.88	-209.88
Total Other Financing Sources (Uses)	$ -362,161.00	$ -312,161.00	$ -312,370.88	$ -209.88
Net Change in Fund Balances	$ -2,707,004.38	$ -2,416,811.01	$ -1,125,124.65	$ 1,291,686.36
Fund Balances - Beginning	7,497,787.68	7,511,943.66	7,492,238.44	-19,705.22
Adjustments	62,268.05	-6,265.69		6,265.69
Fund Balances - Ending	$ 4,853,051.35	$ 5,088,866.96	$ 6,367,113.79	$ 1,278,246.83

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

(1) Original and Final Budget amounts do not include budgeted revenues or expenditures of the various principal accounts. Actual amounts of revenues ($1,005,542.69) and expenditures ($979,457.24) of the various principal accounts are not included.

The accompanying schedule of revenues, expenditures and changes in fund balances budget and actual is not 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.

MADISON COUNTY BOARD OF EDUCATION
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	$ 2,441,295.20	(1)
Total Child Nutrition Cluster				$ 2,441,295.20	
Other Programs					
Pass-Through From Georgia Department of Education					
Food Services					
ARRA - Child Nutrition Discretionary Grants Limited Availability		10.579	N/A	$ 8,800.00	
Fresh Fruit and Vegetable Program		10.582	N/A	24,476.27	
Total Other Programs				$ 33,276.27	
Total U. S. Department of Agriculture				$ 2,474,571.47	
Education, U. S. Department of					
Educational Technology State Grants Cluster					
Pass-Through From Georgia Department of Education					
ARRA - Education Technology State Grants	*	84.386	N/A	$ 132,436.12	
Special Education Cluster					
Pass-Through From Georgia Department of Education					
Special Education					
ARRA - Grants to States		84.391	N/A	$ 9,297.57	
Grants to States		84.027	N/A	1,244,224.52	
Preschool Grants		84.173	N/A	65,067.19	
Total Special Education Cluster				$ 1,318,589.28	
Title I, Part A Cluster					
Pass-Through From Georgia Department of Education					
Title I Grants to Local Educational Agencies		84.010	N/A	$ 1,142,790.31	
Other Programs					
Pass-Through From Georgia Department of Education					
Career and Technical Education - Basic Grants to States		84.048	N/A	$ 38,756.25	
Education Jobs Fund		84.410	N/A	12,494.00	
English Language Acquisition Grants		84.365	N/A	14,145.35	
Improving Teacher Quality State Grants		84.367	N/A	205,719.15	
Migrant Education - State Grant Program		84.011	N/A	4,919.25	
Rural Education		84.358	N/A	109,121.00	
Safe and Drug-Free Schools and Communities - State Grants		84.186	N/A	429.00	
Total Other Programs				$ 385,584.00	
Total U. S. Department of Education				$ 2,979,399.71	
Total Expenditures of Federal Awards				$ 5,453,971.18	

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 $84,876.68.
(2) Expenditures for the funds earned on the School Breakfast Program ($433,901.41) 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 Madison County 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.

MADISON COUNTY BOARD OF EDUCATION
SCHEDULE OF STATE REVENUE
YEAR ENDED JUNE 30, 2012

SCHEDULE "3"

AGENCY/FUNDING	GOVERNMENTAL FUND TYPE GENERAL FUND
GRANTS	
Bright From the Start:	
Georgia Department of Early Care and Learning	
Pre-Kindergarten Program	$ 206,192.60
Education, Georgia Department of	
Quality Basic Education	
Direct Instructional Cost	
Kindergarten Program	912,960.00
Kindergarten Program - Early Intervention Program	502,656.00
Primary Grades (1-3) Program	2,568,983.00
Primary Grades - Early Intervention (1-3) Program	767,947.00
Upper Elementary Grades (4-5) Program	1,289,214.00
Upper Elementary Grades - Early Intervention (4-5) Program	481,562.00
Middle School (6-8) Program	2,378,673.00
High School General Education (9-12) Program	2,133,627.00
Vocational Laboratory (9-12) Program	776,806.00
Students with Disabilities	4,742,021.00
Gifted Student - Category VI	1,055,927.00
Remedial Education Program	343,231.00
Alternative Education Program	195,755.00
English Speakers of Other Languages (ESOL)	134,809.00
Media Center Program	459,290.00
20 Days Additional Instruction	132,290.00
Staff and Professional Development	107,895.00
Indirect Cost	
Central Administration	649,756.00
School Administration	959,153.00
Facility Maintenance and Operations	1,216,858.00
Amended Formula Adjustment	-3,976,241.00
Categorical Grants	
Pupil Transportation	
Regular	711,777.00
State Bonds	152,439.00
Vocational Supervisors	14,094.00
Education Equalization Funding Grant	4,281,289.00
Food Services	67,792.00
Nursing Services	83,875.00
State Health Reimbursement	3,367,746.00
Other State Programs	
Dual Enrollment Funding	14,080.00
Math and Science Supplements	14,994.69
Preschool Handicapped Program	157,933.00
Teachers' Retirement	28,451.78
Virtual Schools Grant	2,275.00
Vocational Education	142,821.02
Office of the State Treasurer	
Public School Employees Retirement	64,583.00
CONTRACT	
Human Resources, Georgia Department of	
Family Connection	44,031.13
OTHER	
North Georgia College and State University	
Student Assessment Grant	-3,968.86
	$ 27,183,577.36

See notes to the basic financial statements.

MADISON COUNTY BOARD OF EDUCATION
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)	ESTIMATED COMPLETION DATE
Retiring a portion of the previously incurred 1993 general obligation debt of the School District.	$ 1,625,000.00	$ 4,992,077.00	$ 554,850.00	$ 4,437,227.00	8/1/2012
Adding to, renovating, improving and equipping existing school buildings and facilities; making certain safety, technology and transportation improvements; purchasing textbooks, acquiring land for future schools and acquiring any property necessary or desirable therefor, both real and personal.	7,675,000.00	9,163,605.98	62,916.00	9,100,689.98	Ongoing
Acquiring, construction, equipping and furnishing of new school building and facilities, including, but not limited to, a new middle school; the addition, renovation, repair and improvement to existing school buildings and facilities, including, but not limited to, the existing middle school, other schools, transportation facilities and administrative offices; the acquisition and purchase of system-wide technology and safety equipment, including, but not limited to, computer hardware and software and security and safety equipment; the acquisition and purchase of school vehicles, including, but not limited to, school buses and maintenance vehicles; and the acquisition and purchase of any property necessary and desirable therefore, both real and personal; capitalized interest on the Bonds through and including August 1, 2008; the cost of issuing the Bonds; paying a portion of the principal and interest on the Bonds; and a portion of the costs of the Projects.	10,000,000.00	20,841,268.00		19,223,782.16	Ongoing
Acquiring, constructing and equipping new schools and facilities, including physical education/athletic facilities; adding to, renovating, repairing, improving and equipping existing school buildings and school facilities (including physical education/athletic facilities and parking lots), including but not limited to construction and renovation of facilities at Madison County High School and Comer Elementary School; acquiring miscellaneous new equipment, fixtures and furnishings for the school system, including technology equipment and safety and security equipment; acquiring school buses and transportation and maintenance equipment; acquiring textbooks for the school system; acquiring a portion of a psycho-educational facility; paying portion of principal and interest due on the School District's Series 2006 G.O. Bonds, the maximum amount not to exceed $3,718,537.00; paying a portion of the debt service on the General Obligation Debt of the School District hereafter described, the maximum amount of such payments not to exceed $10,000,000.00; paying expenses incident to accomplishing the foregoing.	14,300,000.00	1,832,451.19	1,832,451.19		Ongoing
	$ 33,600,000.00	$ 36,829,402.17	$ 2,450,217.19	$ 32,761,699.14	

(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 Madison 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	$	1,736,802.34
Current Year		276,352.34
Total	$	2,013,154.68

See notes to the basic financial statements.

MADISON COUNTY BOARD OF EDUCATION
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	$ 1,042,553.00	$ 2,217,511.58	$ 37,408.01	$ 2,254,919.59
Kindergarten Program-Early Intervention Program	580,163.00	187,321.32	6,129.86	193,451.18
Primary Grades (1-3) Program	2,993,673.00	4,083,822.31	99,632.01	4,183,454.32
Primary Grades-Early Intervention (1-3) Program	816,726.00	511,781.96	6,000.03	517,781.99
Upper Elementary Grades (4-5) Program	1,487,488.00	2,360,481.75	57,854.95	2,418,336.70
Upper Elementary Grades-Early Intervention (4-5) Program	529,718.00	414,810.93	4,272.21	419,083.14
Middle School (6-8) Program	2,733,145.00	3,507,683.98	58,433.45	3,566,117.43
High School General Education (9-12) Program	2,434,704.00	3,791,029.61	102,432.41	3,893,462.02
Vocational Laboratory (9-12) Program	893,177.00	924,893.60	86,945.00	1,011,838.60
Students with Disabilities	5,291,743.00			
Category I		97,283.06	1,748.44	99,031.50
Category II		413,625.57	92.00	413,717.57
Category III		4,086,769.98	55,064.42	4,141,834.40
Category IV		48,714.60	10,951.65	59,666.25
Category V		6,134.93	24,356.83	30,491.76
Gifted Student - Category VI	1,177,849.00	1,720,427.59	8,403.10	1,728,830.69
Remedial Education Program	377,806.00		776.03	776.03
Alternative Education Program	223,926.00	251,874.60	414.29	252,288.89
English Speakers of Other Languages (ESOL)	143,031.00	152,322.00	139.93	152,461.93
TOTAL DIRECT INSTRUCTIONAL PROGRAMS	$ 20,725,702.00	$ 24,776,489.37	$ 561,054.62	$ 25,337,543.99
Media Center Program	523,684.00	824,141.23	58,942.00	883,083.23
Staff and Professional Development	122,390.00	50,491.63	36,307.17	86,798.80
TOTAL QBE FORMULA FUNDS	$ 21,371,776.00	$ 25,651,122.23	$ 656,303.79	$ 26,307,426.02

(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

March 1, 2013

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

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

Ladies and Gentlemen:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Madison County Board of Education as of and for the year ended June 30, 2012, which collectively comprise Madison County Board of Education's basic financial statements and have issued our report thereon dated March 1, 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 Madison County Board of Education is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Madison County Board of Education's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Madison County Board of Education's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Madison County Board of Education's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we consider items FS-6951-12-01 and FS-6951-12-02, described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

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

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

Respectfully submitted,



Greg S. Griffin
State Auditor

GSG:as
2012YB-30

DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

March 1, 2013

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

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

Ladies and Gentlemen:

Compliance

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

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

In our opinion, the Madison County Board of Education complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items FA-6951-12-01 and FA-6951-12-02.

Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider significant deficiencies as described in the accompanying Schedule of Findings and Questioned Costs as items FA-6951-12-01 and FA-6951-12-02. 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.

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

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

Respectfully submitted,



Greg S. Griffin
State Auditor

GSG:as
2012SA-40

SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

MADISON COUNTY BOARD OF EDUCATION
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-6951-10-01	Further Action Not Warranted
FS-6951-10-02	Further Action Not Warranted
FS-6951-11-01	Unresolved - See Corrective Action/Responses
FS-6951-11-02	Unresolved - See Corrective Action/Responses

CORRECTIVE ACTION/RESPONSES

REVENUES/RECEIVABLES/RECEIPTS
EXPENDITURES/LIABILITIES/DISBURSEMENTS
Inadequate Controls over School Activity Expenditures and Revenue
Finding Control Number: FS-6951-11-01

The system has school financial guidelines that we continue to work with the school bookkeepers on understanding and following. School bookkeeper staff development will continue. We will also continue to have bookkeepers routinely review the school activity accounts to help ensure they are in compliance with the internal controls listed in our financial guidelines. There has also been a personnel change in a school bookkeeper that we believe will help resolve this finding.

CAPITAL ASSETS
Failure to Adequately Maintain Capital Assets
Finding Control Number: FS-6951-11-02

The system bookkeeper will implement new internal controls and procedures to better assure that the capital assets can be tracked with 100% accuracy. We will make sure serial numbers and bar code tags, where appropriate, are added to all capital asset listings and will have personnel responsible for the capital assets listed on the inventory verify the capital asset information is correct at least annually.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV

FINDINGS AND QUESTIONED COSTS

MADISON COUNTY BOARD OF EDUCATION
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 weakness identified? — No
- Significant deficiencies identified? — Yes

Noncompliance material to financial statements noted: — No

Federal Awards

Internal Control over major programs:
- Material weakness identified? — No
- Significant 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
84.386	Education Technology State Grants Cluster

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

Auditee qualified as low-risk auditee? — Yes

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

REVENUES/RECEIVABLES/RECEIPTS
EXPENDITURES/LIABILITIES/DISBURSEMENTS
Inadequate Controls over School Activity Accounts
Significant Deficiency
Finding Control Number: FS-6951-12-01

Condition:
This is a repeat finding (FS-6951-11-01, FS-6951-10-01 and FS-6951-09-01) for the fiscal years ended June 30, 2011, June 30, 2010 and June 30, 2009, respectively. The accounting procedures of the School District were insufficient to provide adequate internal controls over the school activity accounts.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Criteria:
The School District's management is responsible for designing and maintaining internal controls that provide reasonable assurance transactions are properly processed and reported in accordance with State law, procedures established by the Georgia Department of Education and School District policies and procedures.

Questioned Cost:
N/A

Information:
Revenues/Receivables/Receipts

- Based on a review of deposit transactions at Madison County Middle School, a receipt was not submitted timely to the school bookkeeper for deposit. The funds were held for over a month prior to receipt by the school bookkeeper.

Expenditures/Liabilities/Disbursements

- Based on a review of expenditure vouchers at Madison County Middle School, the following deficiencies were noted:
  1. Procedures were not in place to properly document the receipt of goods prior to processing of payments for several expenditures.
  2. Several vouchers did not contain a receipt, invoice or other appropriate documentation.

Cause:
These deficiencies were a result of management's failure to ensure that internal controls were established, implemented and functioning at the school level.

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

Recommendation:
Management should establish adequate internal controls and accounting procedures at all schools to ensure that assets are adequately safeguarded. These controls should take into consideration collection procedures and verification of goods/services received prior to vendor payment. Additionally, monitoring procedures should be implemented to provide reasonable assurance that transactions are processed according to established procedures.

CAPITAL ASSETS
Failure to Adequately Maintain Capital Assets
Significant Deficiency
Finding Control Number: FS-6951-12-02

Condition:
This is a repeat finding (FS-6951-11-02 and FS-6951-10-03) for the fiscal years ended June 30, 2011, and June 30, 2010, respectively. The School District failed to adequately maintain the capital assets records.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

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

Questioned Costs:
N/A

Information:
A review of the School District's capital asset records and a physical inspection of inventory items revealed several assets were not tagged and could not be accurately traced back to the capital assets listing because the serial number on the assets did not agree to the serial numbers included in the listing. In addition, the capital assets listing failed to provide all elements of information as required by Chapter 37 of the Financial Management for Georgia Local Units of Administration, such as source of funding, percent of Federal participation and condition of items.

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

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

Recommendation:
The School District should strengthen internal control procedures related to capital assets to ensure that they are in place and operating effectively. An administrative review should be performed to ensure the accuracy and completeness of capital assets records as required by Chapter 37 of the Financial Management for Georgia Local Units of Administration.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

ALLOWABLE COSTS/COST PRINCIPLES
Time and Attendance Records Not Utilized
Significant Deficiency
U. S. Department of Agriculture
Through Georgia Department of Education
Child Nutrition Cluster (CFDA 10.553 and 10.555)
Finding Control Number: FA-6951-12-01

Condition:
Personnel activity reports were not completed in support of the Child Nutrition Cluster distribution of salaries and wages as required by OMB Circular A-87.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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

- Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports (PARs) or equivalent documentation. Such documentary support will be required where employees work on more than one Federal award, or a Federal award and a non-Federal award. PARs must reflect an after-the-fact distribution of the actual activity of each employee, account for the total activity for which the employee is compensated, be prepared at least monthly and must coincide with one or more pay periods, and be signed by the employee.

- Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards.

Questioned Cost:
$11,536.12

Information:
Based on a review of employee's payroll records, it was noted that an employee's distribution of salary charged to the Child Nutrition Program was not supported with the required personnel activity reports or equivalent documentation.

Cause:
Management failed to implement appropriate procedures to ensure compliance with Federal guidelines regarding charges for salaries and wages being supported by personnel activity reports.

Effect:
Noncompliance with applicable provisions of OMB Circular A-87.

Recommendation:
The School District should implement procedures to ensure that salaries and wages paid from Federal award programs are allowable and properly documented in accordance with OMB Circular A-87.

EQUIPMENT AND REAL PROPERTY MANAGEMENT
Inadequate Internal Control Procedures
Significant Deficiency
U. S. Department of Agriculture
Through Georgia Department of Education
Child Nutrition Cluster (CFDA 10.553 and 10.555)
Finding Control Number: FA-6951-12-02

Condition:
The policies and procedures of the School District were insufficient to provide adequate internal controls over equipment and real property management as it relates to the Child Nutrition Cluster.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Criteria:
7 CFR §3016.32 states, "Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property."

Questioned Cost:
N/A

Information:
The School District failed to maintain an adequate equipment listing for the Child Nutrition Cluster including information regarding the equipment's cost, acquisition date, serial number or other identification number, percentage of Federal participation in regards to cost, who holds title, use and condition of the property, and ultimate disposal date.

Cause:
Management failed to effectively implement Federal guidelines as they pertain to equipment and real property management.

Effect:
Failure to maintain a proper equipment listing could lead to noncompliance of the Federal grant.

Recommendation:
The School District should develop and maintain an equipment listing including information on each piece of equipment's cost, acquisition date, location, serial number or other identification number, percentage of Federal participation, who holds title, use and condition of the property, and ultimate disposal date. In addition, an inventory of equipment items on this listing should be conducted at least once every two fiscal years in order to ensure that information on the listing remains valid.

SECTION V

MANAGEMENT'S RESPONSES

MADISON COUNTY BOARD OF EDUCATION
SCHEDULE OF MANAGEMENT'S RESPONSES
YEAR ENDED JUNE 30, 2012

Finding Control Number: FS-6951-12-01

The school system has made a second personnel change in the middle school bookkeeper position in two years and will continue to work with all bookkeepers on understanding and following our financial guidelines. Since the middle school has caused this finding over multiple years, we will have the system staff review documentation and receipting at the school level prior to the 2013 year end.

Finding Control Number: FS-6951-12-02

The system bookkeeper will implement new internal controls and procedures to better ensure that the capital assets can be tracked with 100% accuracy. We will make sure serial numbers and bar code tags, where appropriate, are added to all capital asset listings and will have personnel responsible for the capital assets listed on the inventory verify the capital asset information is correct at least annually.

Finding Control Number: FA-6951-12-01

A time and attendance report for the position shared between school nutrition and accounts payable will be done from this point forward. The report will clearly show dates and times spent working in school nutrition.

Finding Control Number: FA-6951-12-02

The school nutrition director will implement new internal controls and procedures to better ensure that the capital assets can be tracked with 100% accuracy. We will make sure serial numbers and bar code tags, where appropriate, are added to all capital asset listings and will have personnel responsible for the capital assets listed on the inventory verify the capital asset information is correct at least annually.

Contact Person: Bonnie KNIGHT
Title: Assistant Superintendent
Telephone: 706-795-2191 x 1031
Fax: 706-796-5104
Email: bknight@madison.k12.ga.us