

MONROE COUNTY BOARD OF EDUCATION
FORSYTH, GEORGIA

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

MONROE COUNTY BOARD OF EDUCATION

- TABLE OF CONTENTS -

		Page
	SECTION I	
	FINANCIAL	
	INDEPENDENT AUDITOR'S REPORT	
	REQUIRED SUPPLEMENTARY INFORMATION	
	MANAGEMENT'S DISCUSSION AND ANALYSIS	i
	EXHIBITS	
	BASIC FINANCIAL STATEMENTS	
	DISTRICT-WIDE FINANCIAL STATEMENTS	
A	STATEMENT OF NET POSITION	1
B	STATEMENT OF ACTIVITIES	3
	FUND FINANCIAL STATEMENTS	
C	BALANCE SHEET GOVERNMENTAL FUNDS	4
D	RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	7
E	STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS	8
F	RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES	10
G	STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS	11
H	STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUNDS	12
I	NOTES TO THE BASIC FINANCIAL STATEMENTS	13
	SCHEDULES	
	REQUIRED SUPPLEMENTARY INFORMATION	
1	SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL GENERAL FUND	31

MONROE COUNTY BOARD OF EDUCATION

- TABLE OF CONTENTS -

Page

SECTION I

FINANCIAL

SCHEDULES

SUPPLEMENTARY INFORMATION

2	SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	32
3	SCHEDULE OF STATE REVENUE	33
4	SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS	34
5	ALLOTMENTS AND EXPENDITURES GENERAL FUND - QUALITY BASIC EDUCATION PROGRAMS (QBE) BY PROGRAM	35

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 FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY 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

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

August 8, 2014

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

INDEPENDENT AUDITOR'S REPORT

Ladies and Gentlemen:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Emphasis of Matter

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

As discussed in Note 2 to the financial statements, in 2013, the Monroe County Board of Education restated the prior period financial statements to correct misstatements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 8, 2014, on our consideration of the Monroe County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Monroe County Board of Education's internal control over financial reporting and compliance.

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

Respectfully submitted,



Greg S. Griffin
State Auditor

GSG:as
2013ARL-11

MONROE COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

The discussion and analysis of the Monroe County Board of Education's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2013 are as follows:

- In total, Net Position increased $1.03 million which represents a 2.0 percent increase from fiscal year 2012. This total increase is due to governmental activities since the School District has no business-type activities.

- General revenues accounted for $25.7 million in revenue or 57.5 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for $19.0 million or 42.5 percent of total revenues of $44.7 million.

- The School District had $43.7 million in expenses related to governmental activities; however, $19.0 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of $25.7 million were adequate to provide for these programs.

- Among major funds, the general fund had $39.9 million in revenues and $40.1 million in expenditures.

Using the Basic Financial Statements

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

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. *Fund financial statements* provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. The general fund is by far the most significant fund in the case of the Monroe County Board of Education.

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While these documents contain the large number of funds used by the School District to provide programs and activities, the view of the School System as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2013?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include *all assets and all liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Position and the Statement of Activities, the Board has one distinct type of activity:

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

Although the School District uses many funds to account for a multitude of transactions, the fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, the Capital Projects Fund, and the Debt Service Fund.

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

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

The School District as a Whole

The perspective of the Statement of Net Position is of the School District as a whole. Table 1 provides a summary of the School District's Net Position for fiscal year 2013.

Table 1
Net Position

	Governmental Activities	
	Fiscal Year 2013	Fiscal Year 2012
Assets		
Current and Other Assets	$ 20,845,063.36	$ 16,244,364.43
Capital Assets, Net	49,748,184.66	51,570,975.21
Total Assets	$ 70,593,248.02	$ 67,815,339.64
Liabilities		
Current and Other Liabilities	$ 5,688,673.87	$ 4,476,003.04
Long-Term Liabilities	12,006,383.63	10,079,317.06
Total Liabilities	$ 17,695,057.50	$ 14,555,320.10
Net Position		
Invested in Capital Assets, Net of Related Debt	$ 43,218,382.65	$ 41,491,658.15
Restricted	9,336,525.96	5,519,414.61
Unrestricted	343,281.91	6,248,946.78
Total Net Position	$ 52,898,190.52	$ 53,260,019.54

Total Net Position increased $1.03 million when combined with the restatement of beginning net position of $1.4 million as described in Note 2 to the financial statements.

Table 2 shows the changes in Net Position for fiscal year 2012 and 2013.

Table 2
Change in Net Position

	Governmental Activities	
	Fiscal Year 2013	Fiscal Year 2012
Revenues		
Program Revenues:		
Charges for Services and Sales	$ 1,037,015.73	$ 960,035.99
Operating Grants and Contributions	17,989,097.43	18,246,125.33
Capital Grants and Contributions		340,629.81
Total Program Revenues	$ 19,026,113.16	$ 19,546,791.13
General Revenues:		
Taxes		
Property Taxes		
For Maintenance and Operations	$ 19,999,852.07	$ 19,735,052.20
Railroad Cars	27,247.62	25,309.00
Other Taxes	210,909.26	150,931.83
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Capital Projects	4,848,026.78	4,327,193.71
Investment Earnings	12,516.04	12,093.39
Miscellaneous	617,242.14	600,728.33
Total General Revenues	$ 25,715,793.91	$ 24,851,308.46
Total Revenues	$ 44,741,907.07	$ 44,398,099.59
Program Expenses:		
Instruction	$ 25,920,991.01	$ 25,029,802.96
Support Services		
Pupil Services	1,077,329.69	1,042,495.46
Improvement of Instructional Services	1,576,329.01	1,602,115.09
Educational Media Services	686,392.20	686,961.30
General Administration	975,298.12	986,152.96
School Administration	1,935,596.11	2,119,760.77
Business Administration	488,374.42	380,706.36
Maintenance and Operation of Plant	4,466,743.41	3,824,491.38
Student Transportation Services	3,250,256.62	3,141,694.89
Central Support Services	25,091.90	23,755.24
Other Support Services	130,598.80	137,407.13
Operations of Non-Instructional Services		
Enterprise Services	805,140.01	705,026.76
Food Services	2,361,093.15	2,409,551.05
Interest on Short-Term and Long-Term Debt	10,977.04	322,424.40
Total Expenses	$ 43,710,211.49	$ 42,412,345.75
Increase in Net Position	$ 1,031,695.58	$ 1,985,753.84

Governmental Activities

Instruction comprises 59.3 percent of governmental program expenses. Interest expense comprises less than 1 percent of governmental program expenses. Interest expense was attributable to the outstanding bonds and capital leases used for capital projects. The net bond premium/discount incurred with the issuance of the 2013 General Obligation Bonds in the amount $182,323 was not amortized over the life of the bonds, but reflected as a reduction in current year interest expense. As described in the notes to the financial statements, the effect of this treatment is considered immaterial to the fair presentation of the basic financial statements.

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

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	Fiscal Year 2013	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2012
Instruction	$ 25,920,991.01	$ 25,029,802.96	$ 15,021,791.62	$ 11,898,991.45
Support Services:				
Pupil Services	1,077,329.69	1,042,495.46	821,649.37	832,557.21
Improvement of Instructional Services	1,576,329.01	1,602,115.09	789,566.71	806,322.82
Educational Media Services	686,392.20	686,961.30	124,335.77	396,984.43
General Administration	975,298.12	986,152.96	178,021.29	553,805.69
School Administration	1,935,596.11	2,119,760.77	756,578.66	1,501,268.62
Business Administration	488,374.42	380,706.36	463,810.29	378,382.06
Maintenance of Operation of Plant	4,466,743.41	3,824,491.38	3,154,053.56	3,020,006.48
Student Transportation Services	3,250,256.62	3,141,694.89	2,379,099.27	2,230,570.81
Central Support Services	25,091.90	23,755.24	25,091.90	23,610.18
Other Support Services	130,598.80	137,407.13	-3.47	
Operations of Non-Instructional Services:				
Enterprise Operations	805,140.01	705,026.76	799,933.39	705,025.49
Food Services	2,361,093.15	2,409,551.05	159,192.93	195,604.98
Interest on Long-Term Debt	10,977.04	322,424.40	10,977.04	322,424.40
Total Expenses	$ 43,710,211.49	$ 42,412,345.75	$ 24,684,098.33	$ 22,865,554.62

Although program revenues make up a majority of the revenues, the School District is still dependent upon tax revenues for governmental activities. Approximately 58 percent of instruction activities are supported through taxes and other general revenues; for all governmental activities general revenue support is 56 percent.

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues and other financing sources of $50.5 million and expenditures and other financing uses of $45.9 million. The capital projects fund had an overall increase of $3.3 million. The general fund had an overall decrease of $0.19 million and the debt service fund remained virtually the same.

General Fund Budgeting Highlights

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

During the course of fiscal year 2013, the School District amended its general fund budget as needed. The School District uses site-based budgeting. The budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, the final budgeted revenues of $35.4 million exceeded the original budgeted amount of $33.6 million by $1.8 million. The actual revenues of $39.9 million were above the final budgeted amount by $4.5 million.

The final budgeted expenditures of $38.7 million exceeded the original budgeted amount of $37.4 million by $1.3 million. The actual expenditures of $40.1 million were above the final budgeted amount by $1.4 million.

General Fund revenues were virtually the same as the expenditures. The School District has made a concerted effort to raise fund balance in anticipation of future needs, and this result is evidence of their work.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2013, the School District had $49.7 million invested in capital assets, all in governmental activities. Table 4 indicates balances at June 30, 2013.

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities	
	Fiscal Year 2013	Fiscal Year 2012
Land	$ 2,319,362.00	$ 2,319,362.00
Building and Improvements	43,797,238.30	45,289,298.98
Equipment	3,304,408.00	3,593,163.28
Land Improvements	327,176.36	369,150.95
Total	$ 49,748,184.66	$ 51,570,975.21

Debt

At June 30, 2013, the Board had $11.5 million in bonds outstanding with $3.2 million due within one year.

Table 5
Debt at June 30

	Governmental Activities	
	Fiscal Year 2013	Fiscal Year 2012
General Obligation Bonds	$ 11,460,000	$ 9,510,000

Current Issues

The Monroe County School District has faced severe financial challenges in recent years but has remained relatively stable and financially sound. The financial challenges have included rising costs in employee benefits, the continued state formula allotment reductions, a slow decline in student enrollment (FTE), and a declining local tax digest.

The District's current millage rate increased .352 mills since 2012. The amount of taxes collected per mill has increased from $1,307,937 to $1,347,251 over the last two years due to the declining digest.

Student enrollment is a factor in the State's education funding formula. According to the State's funding formula, student enrollment is converted to a "Full Time Equivalent (FTE)" count. As student enrollment and FTE decrease so does State funding. The student enrollment for fiscal year 2013 and the three years prior is as follows:

Fiscal Year 2010	3,819
Fiscal Year 2011	3,767
Fiscal Year 2012	3,833
Fiscal Year 2013	3,884

The amended formula adjustment, the reduction in state funding, for fiscal year 2013 was $2.5 million. The school district has reduced the number of faculty and staff through normal attrition and non-tenured positions to help with the budget shortfall. Furlough days have also been added to the system calendar.

The Monroe County School District recognizes its responsibility to the taxpayers in overseeing the spending of federal, state and local funds. The School District is striving to maintain sound fiscal management while emphasizing student achievement.

Contacting the Board's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Board's finances and to show the Board's accountability for the money it receives. If you have questions about this report or need additional information, contact Jackson Daniel, Assistant Superintendent of Business Services/Chief Financial Officer at the Monroe County Board of Education, Forsyth, Georgia.

MONROE COUNTY BOARD OF EDUCATION

MONROE COUNTY BOARD OF EDUCATION
STATEMENT OF NET POSITION
JUNE 30, 2013

EXHIBIT "A"

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and Cash Equivalents	$ 1,486,843.70
Investments	15,163,741.06
Accounts Receivable, Net	
Taxes	1,907,520.04
State Government	1,819,150.37
Federal Government	283,537.02
Other	102,396.80
Inventories	81,874.37
Capital Assets, Non-Depreciable	2,319,362.00
Capital Assets, Depreciable (Net of Accumulated Depreciation)	47,428,822.66
Total Assets	$ 70,593,248.02
LIABILITIES	
Accounts Payable	$ 1,872,042.83
Salaries and Benefits Payable	3,747,560.54
Interest Payable	69,070.50
Long-Term Liabilities	
Due Within One Year	3,355,415.97
Due in More Than One Year	8,650,967.66
Total Liabilities	$ 17,695,057.50
NET POSITION	
Net Investment in Capital Assets	$ 43,218,382.65
Restricted for	
Bus Replacement	243,961.00
Continuation of Federal Programs	945,256.30
Debt Service	3,315,584.00
Capital Projects	4,813,847.32
Permanent Funds	17,877.34
Unrestricted	343,281.91
Total Net Position	$ 52,898,190.52

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

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MONROE COUNTY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

EXHIBIT "B"

	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS	NET (EXPENSES) REVENUES AND CHANGES IN NET POSITION
GOVERNMENTAL ACTIVITIES				
Instruction	$ 25,920,991.01	$ 404,371.77	$ 10,494,827.62	$ -15,021,791.62
Support Services				
Pupil Services	1,077,329.69		255,680.32	-821,649.37
Improvement of Instructional Services	1,576,329.01		786,762.30	-789,566.71
Educational Media Services	686,392.20		562,056.43	-124,335.77
General Administration	975,298.12		797,276.83	-178,021.29
School Administration	1,935,596.11		1,179,017.45	-756,578.66
Business Administration	488,374.42		24,564.13	-463,810.29
Maintenance and Operation of Plant	4,466,743.41	26,829.00	1,285,860.85	-3,154,053.56
Student Transportation Services	3,250,256.62		871,157.35	-2,379,099.27
Central Support Services	25,091.90			-25,091.90
Other Support Services	130,598.80		130,602.27	3.47
Operations of Non-Instructional Services				
Enterprise Operations	805,140.01		5,206.62	-799,933.39
Food Services	2,361,093.15	605,814.96	1,596,085.26	-159,192.93
Interest on Short-Term and Long-Term Debt	10,977.04			-10,977.04
Total Governmental Activities	$ 43,710,211.49	$ 1,037,015.73	$ 17,989,097.43	$ -24,684,098.33
General Revenues				
Taxes				
Property Taxes				
For Maintenance and Operations				$ 19,999,852.07
Railroad Cars				27,247.62
Other Taxes				210,909.26
Sales Taxes				
Special Purpose Local Option Sales Tax				
For Capital Projects				4,848,026.78
Investment Earnings				12,516.04
Miscellaneous				617,242.14
Total General Revenues				$ 25,715,793.91
Change in Net Position				$ 1,031,695.58
Net Position - Beginning of Year (Restated)				51,866,494.94
Net Position - End of Year				$ 52,898,190.52

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

MONROE COUNTY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	GENERAL FUND	DISTRICT-WIDE CAPITAL PROJECTS FUND
ASSETS		
Cash and Cash Equivalents	$ 1,206,858.48	$ 277,927.57
Investments	6,256,365.78	8,889,497.94
Accounts Receivable, Net		
Taxes	1,573,774.43	333,745.61
State Government	1,819,150.37	
Federal Government	283,537.02	
Other	102,396.80	
Inventories	81,874.37	
Total Assets	$ 11,323,957.25	$ 9,501,171.12
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts Payable	$ 567,315.88	$ 1,304,726.95
Salaries and Benefits Payable	3,747,560.54	
Deposits and Deferred Revenue	974,852.30	
Total Liabilities	$ 5,289,728.72	$ 1,304,726.95
FUND BALANCES		
Nonspendable	$ 81,874.37	
Restricted	1,107,342.93	$ 8,196,444.17
Committed	215,122.26	
Unassigned	4,629,888.97	
Total Fund Balances	$ 6,034,228.53	$ 8,196,444.17
Total Liabilities and Fund Balances	$ 11,323,957.25	$ 9,501,171.12

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

	DEBT SERVICE FUND	NONMAJOR GOVERNMENTAL FUND	TOTAL
	$ 2,057.65		$ 1,486,843.70
		$ 17,877.34	15,163,741.06
			1,907,520.04
			1,819,150.37
			283,537.02
			102,396.80
			81,874.37
	$ 2,057.65	$ 17,877.34	$ 20,845,063.36
			$ 1,872,042.83
			3,747,560.54
			974,852.30
			$ 6,594,455.67
		$ 10,000.00	$ 91,874.37
	$ 2,057.65	7,877.34	9,313,722.09
			215,122.26
			4,629,888.97
	$ 2,057.65	$ 17,877.34	$ 14,250,607.69
	$ 2,057.65	$ 17,877.34	$ 20,845,063.36

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MONROE COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2013

EXHIBIT "D"

Total Fund Balances - Governmental Funds (Exhibit "C")		$ 14,250,607.69
Amounts reported for Governmental Activities in the Statement of Net Position are different because:		
Capital Assets used in Governmental Activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Land	$ 2,319,362.00	
Land Improvements	3,575,474.93	
Buildings	62,263,587.32	
Equipment	8,903,404.70	
Accumulated Depreciation	-27,313,644.29	
Total Capital Assets		49,748,184.66
Taxes that are not available to pay for current period expenditures are deferred in the funds.		
Property Taxes		974,852.30
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	$ -11,460,000.00	
Accrued Interest Payable	-69,070.50	
Capital Leases Payable	-546,383.63	
Total Long-Term Liabilities		-12,075,454.13
Net Position of Governmental Activities (Exhibit "A")		$ 52,898,190.52

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

MONROE COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	GENERAL FUND	DISTRICT-WIDE CAPITAL PROJECTS FUND
REVENUES		
Property Taxes	$ 20,166,266.34	
Sales Taxes	210,909.26	$ 4,637,117.52
State Funds	14,299,528.62	
Federal Funds	3,689,568.81	
Charges for Services	1,037,015.73	
Investment Earnings	8,396.83	4,083.49
Miscellaneous	498,446.20	28,360.60
Total Revenues	$ 39,910,131.79	$ 4,669,561.61
EXPENDITURES		
Current		
Instruction	$ 23,402,942.40	$ 922,684.82
Support Services		
Pupil Services	1,077,329.69	
Improvement of Instructional Services	1,576,329.01	
Educational Media Services	686,392.20	
General Administration	927,052.72	
School Administration	1,935,596.11	
Business Administration	427,882.19	
Maintenance and Operation of Plant	3,958,600.22	111,164.28
Student Transportation Services	2,852,783.47	
Central Support Services	25,091.90	
Other Support Services	130,598.80	
Enterprise Operations	805,140.01	
Food Services Operation	2,298,863.35	
Capital Outlay		598,173.74
Debt Services		
Principal		754,733.03
Interest		5,864.06
Total Expenditures	$ 40,104,602.07	$ 2,392,619.93
Excess of Revenues over (under) Expenditures	$ -194,470.28	$ 2,276,941.68
OTHER FINANCING SOURCES (USES)		
Proceeds of Bonds		$ 5,005,000.00
Premiums on Bonds Sold		219,860.60
Discounts on Bonds Sold		-37,537.50
Bond Issuance Cost		-57,011.15
Sale of Equipment	$ 7,627.50	
Capital Leases		731,799.60
Transfers In		
Transfers Out		-3,290,957.12
Total Other Financing Sources (Uses)	$ 7,627.50	$ 2,571,154.43
Net Change in Fund Balances	$ -186,842.78	$ 4,848,096.11
Fund Balances - Beginning (Restated)	6,221,071.31	3,348,348.06
Fund Balances - Ending	$ 6,034,228.53	$ 8,196,444.17

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

DEBT SERVICE FUND	NONMAJOR GOVERNMENTAL FUND	TOTAL
$ 0.00		$ 20,166,266.34
		4,848,026.78
		14,299,528.62
		3,689,568.81
		1,037,015.73
	$ 35.72	12,516.04
		526,806.80
$ 0.00	$ 35.72	$ 44,579,729.12
	$ 0.00	$ 24,325,627.22
		1,077,329.69
		1,576,329.01
		686,392.20
		927,052.72
		1,935,596.11
		427,882.19
		4,069,764.50
		2,852,783.47
		25,091.90
		130,598.80
		805,140.01
		2,298,863.35
		598,173.74
$ 3,055,000.00		3,809,733.03
235,064.16		240,928.22
$ 3,290,064.16	$ 0.00	$ 45,787,286.16
$ -3,290,064.16	$ 35.72	$ -1,207,557.04
		$ 5,005,000.00
		219,860.60
		-37,537.50
		-57,011.15
		7,627.50
		731,799.60
$ 3,290,957.12		3,290,957.12
		-3,290,957.12
$ 3,290,957.12		$ 5,869,739.05
$ 892.96	$ 35.72	$ 4,662,182.01
1,164.69	17,841.62	9,588,425.68
$ 2,057.65	$ 17,877.34	$ 14,250,607.69

MONROE 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, 2013

EXHIBIT "F"

Total Net Change in Fund Balances - Governmental Funds (Exhibit "E")		$ 4,662,182.01
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	$ 489,280.03	
Depreciation Expense	-2,312,070.58	
Excess of Capital Outlay over Depreciation Expense		-1,822,790.55
Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		71,742.61
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		-5,005,000.00
Some of the 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 Position, the lease obligation is reported as a Long-Term Liability.		-731,799.60
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 Position. In the current year, these amounts consist of:		
Bond Principal Retirements	$ 3,055,000.00	
Capital Lease Payments	185,415.97	
Payments to Installment Sales Agreement	569,317.06	
Total Long-Term Debt Repayments		3,809,733.03
Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in Governmental Funds. These activities consist of:		
Net Decrease in Accrued Interest		47,628.08
Change in Net Position of Governmental Activities (Exhibit "B")		$ 1,031,695.58

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

MONROE COUNTY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013

EXHIBIT "G"

	PRIVATE PURPOSE TRUSTS	AGENCY FUNDS
ASSETS		
Cash and Cash Equivalents	$ 23,284.69	$ 84,918.16
LIABILITIES		
Funds Held for Others		$ 84,918.16
NET POSITION		
Held in Trust for Private Purposes	$ 23,284.69	

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

MONROE COUNTY BOARD OF EDUCATION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2013

EXHIBIT "H"

	PRIVATE PURPOSE TRUSTS
ADDITIONS	
Investment Earnings	
Interest	$ 8.58
DEDUCTIONS	
Total Deductions	$ 0.00
Change in Net Position	$ 8.58
Net Position - Beginning	23,276.11
Net Position - Ending	$ 23,284.69

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 Monroe 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 Monroe County Board of Education.

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

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

- Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expenses (expenses of the School District related to the administration and support of the School District's programs, such as office and maintenance personnel and accounting) are not allocated to programs.
- Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:
The fund financial statements provide information about the School District's funds. Eliminations have been made to minimize the double counting of internal activities. Separate statements for each category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds.

The School District reports the following major governmental funds:

- General Fund is the School District's primary operating fund. It accounts for and reports all financial resources not accounted for and reported in another fund.
- District-wide Capital Projects Fund accounts for and reports financial resources including Education Special Purpose Local Option Sales Tax (ESPLOST) 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 (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 fund(s) report(s) trust arrangements under which principal and income may be extended to provide scholarships for students who attended Mary Persons High School.
- Agency funds account for assets held by the School District as an agent for various funds, governments or individuals.

BASIS OF ACCOUNTING

The basis of accounting determines when transactions are reported on the financial statements. The District-wide governmental and fiduciary financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the School District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, sales taxes, and grants. 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 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. The School District considers all intergovernmental revenues to be available if they are collected within 120 days after year-end. Property taxes, sales taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, 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 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, both restricted and unrestricted resources are available to finance the program. It is the School District's policy to first apply grant resources to such programs, followed by cost-reimbursement grants, then general revenues.

RESTATEMENT OF PRIOR YEAR NET POSITION/FUND BALANCE

For fiscal year 2013, the School District made a variety of prior period adjustments due to various errors or omissions, which require the restatement of the June 30, 2012, net position in Governmental Activities and fund balance in the General Fund and Capital Projects Fund. The result is a decrease in Net Position and Fund Balance at July 1, 2012, of $1,393,524.60. These changes are in accordance with generally accepted accounting principles.

Net position, July 1, 2012 as previously reported	$	53,260,019.54
Recognition of Liability to the Department of Revenue for SPLOST overpayment		-1,195,833.24
Write off Prior Year balance in Interfund Cash (109) account		-225,746.41
Write off old invalid Accounts Payable		28,055.05
Net position, July 1, 2012, as restated	$	51,866,494.94
Fund Balance, July 1, 2012, as previously reported	$	10,981,950.28
Recognition of Liability to the Department of Revenue for SPLOST overpayment		-1,195,833.24
Write off Prior Year balance in Interfund Cash (109) account		-225,746.41
Write off old invalid Accounts Payable		28,055.05
Fund Balance, July 1, 2012, as restated	$	9,588,425.68

NEW ACCOUNTING PRONOUNCEMENTS

In fiscal year 2013, the School District adopted the Governmental Accounting Standards Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The provisions of this Statement establish accounting and financial reporting standards for governments who enter into Service Concession Arrangements (SCA) with other governmental or nongovernmental entities. As of June 30, 2013, the School District has not entered into any arrangements that meet the qualifications to be reported as a SCA in accordance with this standard.

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

In fiscal year 2013, the School District adopted the Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. The provisions of this Statement establish financial reporting standards for the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. The School District changed its presentation of net assets to net position for fiscal year 2013. There were no other applicable reporting changes for the School District.

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 risk, 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 Monroe County Board of Commissioners adopted the property tax levy for the 2012 tax digest year (calendar year) on October 15, 2012 (levy date) based on property values as of January 1, 2012. Taxes were due on December 20, 2012 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2012 tax digest are reported as revenue in the governmental funds for fiscal year 2013. The Monroe County Tax Commissioner bills and collects the property taxes for the School District, withholds 2.5% of taxes collected as a fee for tax collection and remits the balance of taxes collected to the School District. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2013, for maintenance and operations amounted to $19,904,984.53.

The tax millage rate levied for the 2012 tax year (calendar year) for the Monroe County Board of Education was as follows (a mill equals $1 per thousand dollars of assessed value):

School Operations	15.342 mills

Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to $234,034.19 during fiscal year ended June 30, 2013.

SALES TAXES

Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to $4,637,117.52 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

INVENTORIES

Food Inventories

On the basic financial statements, inventories of donated food commodities used in the preparation of meals are reported at their Federally assigned value and purchased foods inventories are reported at cost (first-in, first-out). The School District uses the consumption method to account for inventories whereby donated food commodities are recorded as an asset and as revenue when received, and expenses/expenditures are recorded as the inventory items are used. Purchased foods are recorded as an asset when purchased and expenses/expenditures are recorded as the inventory items are used.

CAPITAL ASSETS

Capital assets purchased, including capital outlay costs, are recorded as expenditures in the fund financial statements at the time of purchase (including ancillary charges). On the District-wide financial statements, all purchased capital assets are valued at cost where historical records are available and at estimated historical cost based on appraisals or deflated current replacement cost where no historical records exist. Donated capital assets are recorded at estimated fair market value on the date donated. Disposals are deleted at depreciated recorded cost. The cost of normal maintenance and repairs that do not add to the value of assets or materially extend the useful lives of the assets is not capitalized. Depreciation is computed using the straight-line method. The School District does not capitalize book collections or works of art. During the fiscal year under review, no events or changes in circumstances affecting a capital asset that may indicate impairment were known to the School District.

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

		Capitalization Policy	Estimated Useful Life
Land		All	N/A
Land Improvements		All	15 years
Buildings and Improvements		All	10 to 40 years
Equipment, Excluding Vehicles and Kitchen Equipment	$	10,000.00	5 to 15 years
Vehicles		All	5 to 14 years
Kitchen Equipment	$	5,000.00	4 to 12 years
Intangible Assets	$	50,000.00	5 to 50 years

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

Amortization of intangible assets such as water, timber, and mineral rights, easements, patents, trademarks, copyrights and internally generated software is computed using the straight-line method over the estimated useful lives of the assets, generally 5 to 50 years.

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 and 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. To conform to generally accepted accounting principles, bond premiums and discounts, as well as bond issuance costs should be amortized over the life of the bonds on the District-wide statements. General obligation bonds are direct obligations and pledge the full faith and credit of the government. The outstanding amount of these bonds is recorded in the Statement of Net Position.

NET POSITION

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

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

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

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

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 have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the General Fund.

Fund Balances of the Governmental Funds at June 30, 2013, are as follows:

Nonspendable		
Inventories	$ 81,874.37	
Permanent Funds Principal	10,000.00	$ 91,874.37
Restricted		
Bus Replacement	$ 243,961.00	
Continuation of Federal Programs	863,381.93	
Capital Projects	4,813,847.32	
Debt Service	3,384,654.50	
Permanent Funds	7,877.34	9,313,722.09
Committed		
School Activity Accounts		215,122.26
Unassigned		4,629,888.97
Fund Balance, June 30, 2013		$ 14,250,607.69

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 all governmental funds is prepared and adopted by fund, function and object. The legal level of budgetary control was established by the Board at the aggregate fund level. The budget for the General Fund was prepared in accordance with accounting principles generally accepted in the United States of America.

The budgetary process begins with the School District's administration presenting an initial budget for the Board's review. The administration makes revisions as necessary based on the Board's guidelines and a tentative budget is approved. After approval of this tentative budget by the Board, such budget is advertised at least once in a newspaper of general circulation in the locality, 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.

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

NOTE 4: DEPOSITS AND INVESTMENTS

COLLATERALIZATION OF DEPOSITS

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

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

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

CATEGORIZATION OF DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At June 30, 2013, the bank balances were $2,387,813.16. The amounts exposed to custodial credit risk are classified into three categories as follows:

Category 1 - Uncollateralized,
Category 2 - Cash collateralized with securities held by the pledging financial institution, or
Category 3 - Cash collateralized with securities held by the pledging financial institution's trust department or agent but not in the School District's name.

The School District's deposits by custodial risk category at June 30, 2013, are as follows:

Custodial Credit Risk Category	Bank Balance
1	$ 0.00
2	0.00
3	1,768,369.95
Total	$ 1,768,369.95

CATEGORIZATION OF INVESTMENTS

At June 30, 2013, the carrying value of the School District's total investments was $15,071,571.53, which is materially the same as fair value. This investment consisted entirely of funds invested in the Georgia Fund 1, formerly referred to as LGIP, administered by the State of Georgia, Office of the State Treasurer which is not required to be categorized since the School District did not own any specific identifiable securities in the pool. The investment policy of the State of Georgia, Office of the State Treasurer for the Georgia Fund 1 (Primary Liquidity Portfolio) does not provide for investment in derivatives or similar investments. Additional information on the Georgia Fund 1 is disclosed in the *State of Georgia* Comprehensive Annual Financial Report. This audit can be obtained from the Georgia Department of Audits and Accounts at http://www.audits.ga.gov/SGD/cafr.html.

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

NOTE 5: NON-MONETARY TRANSACTIONS

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

NOTE 6: CAPITAL ASSETS

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

	Balances July 1, 2012	Increases	Decreases	Balances June 30, 2013
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	$ 2,319,362.00	$ 0.00	$ 0.00	$ 2,319,362.00
Capital Assets, Being Depreciated:				
Buildings and Improvements	$ 62,227,778.32	$ 35,809.00		$ 62,263,587.32
Equipment	8,651,429.34	422,581.03	$ 170,605.67	8,903,404.70
Land Improvements	3,544,584.93	30,890.00		3,575,474.93
Less: Accumulated Depreciation:				
Buildings and Improvements	16,938,479.34	1,527,869.68		18,466,349.02
Equipment	5,058,266.06	711,336.31	170,605.67	5,598,996.70
Land Improvements	3,175,433.98	72,864.59		3,248,298.57
Total Capital Assets, Being Depreciated, Net	$ 49,251,613.21	$ -1,822,790.55	$ 0.00	$ 47,428,822.66
Governmental Activity Capital Assets - Net	$ 51,570,975.21	$ -1,822,790.55	$ 0.00	$ 49,748,184.66

Current year depreciation expense by function is as follows:

Instruction		$ 1,595,363.79
Support Services		
General Administration	$ 48,245.40	
Business Administration	3,481.08	
Maintenance and Operation of Plant	205,277.36	
Student Transportation Services	397,473.15	654,476.99
Food Services		62,229.80
		$ 2,312,070.58

NOTE 7: INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2013, consisted of the following:

Transfer to	Transfers From District-wide Capital Projects
Debt Service Fund	$ 3,290,957.12

Transfers are used to move Special Purpose Local Option Sales Tax (SPLOST) revenue collected by the District-wide Capital Projects Fund to the Debt Service Fund as needed for repayment of bond principal and interest.

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 assets. The School District has neither significantly reduced coverage for these risks nor incurred losses (settlements) which exceeded the School District's insurance coverage in any of the past three years.

The School District participates in the Georgia School Boards Association Risk and Insurance Management System, a public entity risk pool organized on July 1, 1994, to develop and administer a plan to reduce risk of loss on account of general liability, motor vehicle liability, or property damage, including safety engineering and other loss prevention and control techniques, and to administer one or more groups of self-insurance funds, including the processing and defense of claims brought against members of the system. The School District pays an annual premium to the system for its general insurance coverage. Additional coverage is provided through agreements by the system with other companies according to their specialty for property, boiler and machinery (including coverage for flood and earthquake), general liability (including coverage for sexual harassment, molestation and abuse), errors and omissions, crime and automobile risks. Payment of excess insurance for the system varies by line of coverage.

The School District is self-insured with regard to unemployment compensation claims. A premium is charged when needed by the General Fund to each user program on the basis of the percentage of that fund's payroll to total payroll in order to cover estimated claims budgeted by management based on known claims and prior experience. The School District accounts for claims with expenses/expenditures and liability being reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated.

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

	Beginning of Year Liability	Claims and Changes in Estimates	Claims Paid	End of Year Liability
2012	$ 0.00	$ 26,757.00	$ 26,757.00	$ 0.00
2013	$ 0.00	$ 18,952.00	$ 18,952.00	$ 0.00

The School District participates in the Georgia Education Workers' Compensation Trust, a public entity risk pool organized on December 1, 1991, to develop, implement and administer a program of workers' compensation self-insurance for its member organizations. The School District pays an annual premium to the Trust for its general worker's compensation insurance coverage. Specific excess of loss insurance coverage is provided through an agreement by the Trust with the Safety National Casualty Company to provide coverage for potential losses sustained by the Trust in excess of $1 million loss per occurrence, up to the statutory limit. Employers' Liability insurance coverage is also provided with limits of $2 million. The Trust covers the first $1 million of each Employers liability claim with Safety National providing additional Employers Liability limits up to a $2 million per occurrence maximum. Safety National Casualty Company also provides $2 million in aggregate coverage to the Trust, attaching at 110% of the loss fund and based on the Fund's annual normal premium.

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

Position Covered	Amount
Superintendent	$ 50,000.00
All Employees	$ 100,000.00

NOTE 9: SHORT-TERM DEBT

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

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

	Beginning Balance	Issued	Redeemed	Ending Balance
Tax Anticipation Notes	$ 0.00	$ 3,000,000.00	$ 3,000,000.00	$ 0.00

NOTE 10: LONG-TERM DEBT

CAPITAL LEASES

The Monroe County Board of Education entered into a lease agreement for the purchase of computer equipment. The lease agreement qualifies as a capital lease for accounting purposes, and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception.

INSTALLMENT SALES AGREEMENT

The Monroe County Board of Education entered into an agreement dated October 27, 2009, with the Georgia School Boards Association, Inc. for the acquisition of certain land, school buildings, and facilities of Monroe Academy, Inc. Under the terms of the agreement, the School District made monthly payments through October 27, 2013.

GENERAL OBLIGATION DEBT OUTSTANDING

General Obligation Bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
General Government - Series 2007	2.87%	$ 6,455,000.00
General Government - Series 2013	2.00%	5,005,000.00
		$ 11,460,000.00

Voters have authorized $7,495,000.00 in general obligation debt for the purpose of providing funds to the Board to pay or to be applied toward the cost of (i) acquiring miscellaneous new equipment, fixtures and furnishings for the school system, including technology equipment and safety and security equipment, (ii) adding to, renovating, repairing, improving, and equipping existing school buildings and school system facilities, (iii) acquiring band instruments and equipment, text books and library books for the school system, (iv) acquiring school buses, vehicles, and transportation and

maintenance equipment, (v) constructing and equipping new instructional, arts and athletic facilities including a new fine arts center, (vi) constructing and equipping new school facilities, and (vii) acquiring land for future schools and facilities, and for the purposes of payment of a portion of the interest on such debt and the expenses incident to accomplishing the foregoing, which was not issued as of June 30, 2013.

The changes in Long-Term Debt during the fiscal year ended June 30, 2013, were as follows:

	Governmental Activities				
	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013	Due Within One Year
G. O. Bonds	$ 9,510,000.00	$ 5,005,000.00	$ 3,055,000.00	$ 11,460,000.00	$ 3,170,000.00
Capital Leases (1)	0.00	731,799.60	185,415.97	546,383.63	185,415.97
Installment Sales Agreement	569,317.06		569,317.06	0.00	
	$ 10,079,317.06	$ 5,736,799.60	$ 3,809,733.03	$ 12,006,383.63	$ 3,355,415.97

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

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

	Capital Leases	
	Principal	Interest
Fiscal Year Ended June 30:		
2014	$ 185,415.97	$ 4,917.45
2015	182,123.00	3,292.97
2016	178,844.66	1,653.86
Total Principal and Interest	$ 546,383.63	$ 9,864.28

	General Obligation Debt	
	Principal	Interest
Fiscal Year Ended June 30:		
2014	$ 3,170,000.00	$ 228,756.00
2015	3,285,000.00	104,152.00
2016	965,000.00	82,446.00
2017	980,000.00	62,865.00
2018	1,000,000.00	42,899.00
2019 - 2023	2,060,000.00	24,299.00
Total Principal and Interest	$ 11,460,000.00	$ 545,417.00

NOTE 11: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of $2,367,217.43 for health insurance and retirement contributions paid on the School District's behalf by the following State Agencies.

Georgia Department of Education
Paid to the Georgia Department of Community Health
For Health Insurance of Certificated Personnel
In the amount of $2,244,456.00

Paid to the Teachers' Retirement System of Georgia
For Teachers' Retirement System (TRS) Employer's Cost
In the amount of $28,321.43

Office of the State Treasurer
Paid to the Public School Employees' Retirement System
For Public School Employees' Retirement (PSERS) Employer's Cost
In the amount of $94,440.00

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

NOTE 12: SIGNIFICANT COMMITMENTS

The following is an analysis of significant outstanding construction or renovation contracts executed by the School District as of June 30, 2013:

Project	Unearned Executed Contracts
Mary Persons High School Gym Renovation	$ 576,800.00

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: RELATED PARTY TRANSACTIONS

None identified.

NOTE 15: 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, 2013:

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

July 2012 - February 2013	$912.34 per member per month
March 2013 - June 2013	$937.34 per member per month

For non-certificated school personnel:

July 2012 - June 2013	$446.20 per member per month

No additional contribution was required by the Board for fiscal year 2013 nor contributed to the School OPEB Fund to prefund retiree benefits. Such additional contribution amounts are determined annually by the Board in accordance with the School plan for other 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
2013	100%	$ 3,891,672.82
2012	100%	$ 3,594,822.53
2011	100%	$ 3,390,683.79

NOTE 16: 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, 2013, were 6.00% of annual salary. Employer contributions required for fiscal year 2013 were 11.41% of annual salary as required by the June 30, 2010, actuarial valuation. The employer contribution rate will increase to 12.28% effective July 1, 2013.

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

Fiscal Year	Percentage Contributed	Required Contribution
2013	100%	$ 2,372,775.35
2012	100%	$ 2,149,563.22
2011	100%	$ 2,114,589.55

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.

NOTE 17: SUBSEQUENT EVENT

Tax Anticipation Note

On October 15, 2013, the Monroe County Board of Education issued a $3,000,000.00 temporary loan in advance of property tax collections. Proceeds from this short-term loan were used to provide cash for operations until property tax collections were received by the School District. The maturity date of the loan was December 31, 2013. The note was repaid on December 24, 2013.

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MONROE COUNTY BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2013

SCHEDULE "1"

	NONAPPROPRIATED BUDGETS		ACTUAL	VARIANCE
	ORIGINAL (1)	FINAL (1)	AMOUNTS	OVER/UNDER
REVENUES				
Property Taxes	$ 18,848,368.00	$ 18,848,368.00	$ 20,166,266.34	$ 1,317,898.34
Sales Taxes	120,000.00	120,000.00	210,909.26	90,909.26
State Funds	11,112,664.00	11,821,264.00	14,299,528.62	2,478,264.62
Federal Funds	2,594,557.00	3,758,239.00	3,689,568.81	-68,670.19
Charges for Services	711,003.00	711,003.00	1,037,015.73	326,012.73
Investment Earnings	6,300.00	6,300.00	8,396.83	2,096.83
Miscellaneous	165,000.00	165,000.00	498,446.20	333,446.20
Total Revenues	$ 33,557,892.00	$ 35,430,174.00	$ 39,910,131.79	$ 4,479,957.79
EXPENDITURES				
Current				
Instruction	$ 22,727,150.00	$ 23,320,949.00	$ 23,402,942.40	$ -81,993.40
Support Services				
Pupil Services	1,061,124.00	1,106,055.00	1,077,329.69	28,725.31
Improvement of Instructional Services	1,080,691.00	1,500,185.00	1,576,329.01	-76,144.01
Educational Media Services	733,237.00	733,927.00	686,392.20	47,534.80
General Administration	758,650.00	769,313.00	927,052.72	-157,739.72
School Administration	2,046,347.00	2,050,492.00	1,935,596.11	114,895.89
Business Administration	479,388.00	479,388.00	427,882.19	51,505.81
Maintenance and Operation of Plant	3,552,218.00	3,556,133.00	3,958,600.22	-402,467.22
Student Transportation Services	2,605,825.00	2,692,157.00	2,852,783.47	-160,626.47
Central Support Services	33,000.00	33,000.00	25,091.90	7,908.10
Other Support Services		135,151.00	130,598.80	4,552.20
Enterprise Operations			805,140.01	-805,140.01
Food Services Operation	2,371,183.00	2,371,183.00	2,298,863.35	72,319.65
Total Expenditures	$ 37,448,813.00	$ 38,747,933.00	$ 40,104,602.07	$ -1,356,669.07
Excess of Revenues over (under) Expenditures	$ -3,890,921.00	$ -3,317,759.00	$ -194,470.28	$ 3,123,288.72
OTHER FINANCING SOURCES				
Other Sources			7,627.50	7,627.50
Net Change in Fund Balances	$ -3,890,921.00	$ -3,317,759.00	$ -186,842.78	$ 3,130,916.22
Fund Balances - Beginning (Restated)	5,094,157.49	5,218,530.12	6,221,071.31	1,002,541.19
Adjustments	32,145.84	7,385.20		-7,385.20
Fund Balances - Ending	$ 1,235,382.33	$ 1,908,156.32	$ 6,034,228.53	$ 4,126,072.21

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

(1) Original and Final Budget amounts do not include budgeted revenues or expenditures of the various principal accounts. The principal accounts had actual revenues of $734,293.50 and actual expenditures of $713,271.99.

The accompanying schedule of revenues, expenditures and changes in fund balances budget and actual is presented on the modified accrual basis of accounting which is the basis of accounting used in the presentation of the fund financial statements.

See notes to the basic financial statements.

MONROE COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

SCHEDULE "2"

FUNDING AGENCY PROGRAM/GRANT		CFDA NUMBER	PASS-THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD	
Agriculture, U. S. Department of					
Child Nutrition Cluster					
Pass-Through From Georgia Department of Education					
Food Services					
School Breakfast Program	*	10.553	N/A	(2)	
National School Lunch Program	*	10.555	N/A	$ 2,242,918.02	(1)
Total U. S. Department of Agriculture				$ 2,242,918.02	
Education, U. S. Department of					
Special Education Cluster					
Pass-Through From Georgia Department of Education					
Special Education					
Grants to States		84.027	N/A	$ 870,902.85	
Preschool Grants		84.173	N/A	29,978.00	
Total Special Education Cluster				$ 900,880.85	
Title I, Part A Cluster					
Pass-Through From Georgia Department of Education					
Title I Grants to Local Educational Agencies		84.010	N/A	$ 769,388.97	
Other Programs					
Pass-Through From Georgia Department of Education					
Career and Technical Education - Basic Grants to States		84.048	N/A	35,764.00	
Education Jobs Fund		84.410	N/A	1,533.00	
Improving Teacher Quality State Grants		84.367	N/A	170,567.00	
Twenty-First Century Community Learning Centers		84.287	N/A	264,994.89	
Total Other Programs				$ 472,858.89	
Total U. S. Department of Education				$ 2,143,128.71	
Total Expenditures of Federal Awards				$ 4,386,046.73	

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 $144,327.23.

(2) Expenditures for the funds earned on the School Breakfast Program ($349,233.17) were not maintained separately and are included in the 2013 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 Monroe 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.

MONROE COUNTY BOARD OF EDUCATION
SCHEDULE OF STATE REVENUE
YEAR ENDED JUNE 30, 2013

SCHEDULE "3"

AGENCY/FUNDING	GOVERNMENTAL FUND TYPE GENERAL FUND
GRANTS	
Bright From the Start:	
Georgia Department of Early Care and Learning	
Pre-Kindergarten Program	$ 708,622.79
Education, Georgia Department of	
Quality Basic Education (1)	
Direct Instructional Cost	
Kindergarten Program	923,733.00
Kindergarten Program - Early Intervention Program	100,816.00
Primary Grades (1-3) Program	2,303,625.00
Primary Grades - Early Intervention (1-3) Program	316,074.00
Upper Elementary Grades (4-5) Program	1,124,623.00
Upper Elementary Grades - Early Intervention (4-5) Program	200,323.00
Middle Grades (6-8) Program	2,072,801.00
High School General Education (9-12) Program	2,035,150.00
Vocational Laboratory (9-12) Program	381,065.00
Students with Disabilities	1,964,475.00
Gifted Student - Category VI	837,256.00
Remedial Education Program	76,033.00
Alternative Education Program	169,890.00
English Speakers of Other Languages (ESOL)	25,887.00
Media Center Program	350,392.00
20 Days Additional Instruction	108,224.00
Staff and Professional Development	63,676.00
Indirect Cost	
Central Administration	485,175.00
School Administration	679,918.00
Facility Maintenance and Operations	802,435.00
Categorical Grants	
Pupil Transportation	
Regular	622,516.00
Nursing Services	71,989.00
Vocational Supervisors	14,062.00
Food Services	52,445.00
Vocational Education	68,459.00
Amended Formula Adjustment	-2,475,873.00
Other State Programs	
Math and Science Supplements	47,986.40
Preschool Handicapped Program	44,989.00
Teachers' Retirement	28,321.43
Office of the State Treasurer	
Public School Employees' Retirement	94,440.00
	$ 14,299,528.62

(1) Payments to the Georgia Department of Community Health by the Georgia Department of Education on behalf of the School District in the amount of $2,244,456 are included as part of the Quality Basic Education revenue allotments above.

See notes to the basic financial statements.

MONROE COUNTY BOARD OF EDUCATION
SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS
YEAR ENDED JUNE 30, 2013

SCHEDULE "4"

PROJECT	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3)	AMOUNT EXPENDED IN PRIOR YEARS (3)	TOTAL COMPLETION COST	EXCESS PROCEEDS NOT EXPENDED	ESTIMATED COMPLETION DATE
SPLOST III							
i) Constructing and equipping new schools and facilities, including one new elementary school	$ 11,000,000.00	$ 14,092,741.24		$ 14,092,741.24	$ 14,092,741.24	$ 0.00	Completed September 2010
ii) Constructing and equipping new fine arts and athletic facilities including a new performing arts center	3,500,000.00	23,470.00	$ 3,470.00	20,000.00	0.00	0.00	Delayed (5)
iii) Adding to, renovating, repairing, improving and equipping existing school buildings and school system facilities	4,917,480.00	4,630,905.74	138,970.69	1,001,289.55	0.00	0.00	Ongoing (6)
iv) Acquiring miscellaneous new equipment, fixtures, and furnishings for the school system, including technology equipment and safety and security equipment	2,000,000.00	1,750,000.00	182,626.35	1,368,823.33	0.00	0.00	Ongoing (7)
v) Acquiring school buses, vehicles and transportation and maintenance equipment	1,750,000.00	1,250,000.00	255,218.00	471,259.00	0.00	0.00	June 2013
vi) Acquiring band instruments and equipment, text books and library books for the school system	1,250,000.00	1,250,000.00	158,756.09	295,922.96	0.00	0.00	June 2013
vii) Acquiring land for future schools and facilities	750,000.00	2,590,576.12	575,181.12	2,015,395.00	2,590,576.12	0.00	2013 (8)
viii) Paying any general obligation debt of the School District issued in conjunction with the continuation of such sales and use tax	1,800,000.00	2,062,082.00	235,064.16	1,634,320.27	0.00	0.00	Ongoing (9)
ix) Paying expenses incident to accomplishing the foregoing	832,520.00	650,000.00	982.26				Ongoing (10)
Total SPLOST III	$ 27,800,000.00	$ 28,299,775.10	$ 1,550,268.67	$ 20,899,751.35	$ 16,683,317.36	$ 0.00	

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

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

(3) The voters of Monroe 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) The construction of K. B. Sutton Elementary School was complete and occupied in August 2009. Final payment on this project was issued in September 2010. Advance funding for this project came from the issuance of General Obligation Bonds in 2007 and 2008. Debt service on those bonds is continuing with payments made from Sales Tax revenues collected.

(5) Due to the uncertainty of ELOST revenues and economic conditions early in the current ELOST cycle, the Board of Education voted to delay the planning and construction of the planned fine arts center.

(6) Renovations and additions to existing school facilities are ongoing. These projects include press box additions to the baseball, soccer, and softball fields (projects are co-funded by the respective booster clubs). replacement of HVAC units on all buildings, and paint and carpet at all campuses.

(7) Includes furniture, technology equipment, and other items essential to furnish K.B. Sutton Elementary School.

(8) All costs associated with the purchase of the Monroe County Education Center campus (formerly Monroe Academy) including principal and interest on debt are included in the acquisition of land. This project is due to be retired in February of 2013.

(9) Interest paid on the retirement of the 2007 and 2008 General Obligation Bonds is the debt service reported. Principal paid is reflected in the expenditures on K.B. Sutton Elementary School.

(10) All architect's fees for SPLOST projects are reported in the expenses for accomplishing the foregoing.

See notes to the basic financial statements.

MONROE COUNTY BOARD OF EDUCATION
GENERAL FUND - QUALITY BASIC EDUCATION PROGRAMS (QBE)
ALLOTMENTS AND EXPENDITURES BY PROGRAM
YEAR ENDED JUNE 30, 2013

SCHEDULE "5"

DESCRIPTION	ALLOTMENTS FROM GEORGIA DEPARTMENT OF EDUCATION (1) (2) (3)	ELIGIBLE QBE PROGRAM COSTS SALARIES	OPERATIONS	TOTAL
Direct Instructional Programs				
Kindergarten Program	$ 1,354,322.00	$ 1,561,495.61	$ 8,790.92	$ 1,570,286.53
Kindergarten Program-Early Intervention Program	153,286.00	218,407.70	1,018.51	219,426.21
Primary Grades (1-3) Program	3,363,649.00	3,602,996.99	87,918.78	3,690,915.77
Primary Grades-Early Intervention (1-3) Program	461,545.00	413,329.39	3,479.17	416,808.56
Upper Elementary Grades (4-5) Program	1,637,510.00	1,703,234.47	24,348.93	1,727,583.40
Upper Elementary Grades-Early Intervention (4-5) Program	293,637.00	221,185.33	1,369.71	222,555.04
Middle Grades (6-8) Program	3,003,090.00	2,233,447.16	36,940.08	2,270,387.24
High School General Education (9-12) Program	2,941,115.00	3,698,655.15	104,478.85	3,803,134.00
Vocational Laboratory (9-12) Program	578,322.00	636,172.49	41,261.60	677,434.09
Students with Disabilities Category II	2,860,821.00	2,613,429.57	193,053.35	2,806,482.92
Gifted Student - Category VI	1,209,094.00	1,139,591.03	12,315.20	1,151,906.23
Remedial Education Program	116,471.00			
Alternative Education Program	246,226.00	436,607.59	53,147.38	489,754.97
English Speakers of Other Languages (ESOL)	39,458.00	83,398.15		83,398.15
TOTAL DIRECT INSTRUCTIONAL PROGRAMS	$ 18,258,546.00	$ 18,561,950.63	$ 568,122.48	$ 19,130,073.11
Media Center Program	509,209.00	632,100.92	51,617.98	683,718.90
Staff and Professional Development	92,626.00			129,023.81
TOTAL QBE FORMULA FUNDS	$ 18,860,381.00	$ 19,194,051.55	$ 619,740.46	$ 19,942,815.82

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

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

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

See notes to the basic financial statements.

SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS

DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

August 8, 2014

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

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

Ladies and Gentlemen:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Monroe County Board of Education as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Monroe County Board of Education's basic financial statements, and have issued our report thereon dated August 8, 2014.

Internal Control Over Financial Reporting

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

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items FS-7021-13-01, FS-7021-13-02, FS-7021-13-03, FS-7021-13-04 and FS-7021-13-05 that we consider to be significant deficiencies.

Compliance and Other Matters

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

We noted certain matters that we have reported to management of Monroe County Board of Education in a separate letter dated August 8, 2014.

Monroe County Board of Education's Response to Findings

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

Purpose of this Report

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

Respectfully submitted,



Greg S. Griffin
State Auditor

GSG:as
2013YB-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

August 8, 2014

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

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

Ladies and Gentlemen:

Report on Compliance for Each Major Federal Program

We have audited Monroe County Board of Education's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2013. Monroe County Board of Education's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Monroe County Board of Education's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the Monroe County Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of Monroe County Board of Education's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item FA-7021-13-01, that we consider to be a significant deficiency.

Monroe County Board of Education's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Monroe County Board of Education's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Respectfully submitted,



Greg S. Griffin
State Auditor

GSG:as
2013SA-30

SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

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

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FINDING CONTROL NUMBER	AUDITEE'S RESPONSE/STATUS	SEE AUDITOR'S COMMENTS
FS-7021-11-01	Further Action Not Warranted	(1)
FS-7021-11-02	Further Action Not Warranted	(1)
FS-7021-11-03	Further Action Not Warranted	(1)
FS-7021-11-05	Further Action Not Warranted	(1)
FS-7021-11-06	Further Action Not Warranted	(1)
FS-7021-12-01	Partially Resolved-See Corrective Action/Responses	
FS-7021-12-02	Partially Resolved-See Corrective Action/Responses	
FS-7021-12-03	Partially Resolved-See Corrective Action/Responses	
FS-7021-12-04	Unresolved - See Corrective Action/Responses	
FS-7021-12-05	Partially Resolved-See Corrective Action/Responses	
FS-7021-12-06	Partially Resolved-See Corrective Action/Responses	

AUDITOR'S COMMENTS

(1) Findings of this nature have been repeated in both fiscal year 2012 and fiscal year 2013.

CORRECTIVE ACTION/RESPONSES

CASH AND CASH EQUIVALENTS
Inadequate Internal Control Procedures
Significant Deficiency
Finding Control Number: FS-7021-12-01

Monroe County Board of Education and its management continue to work diligently on the policies and procedures and training of staff members to ensure that bank reconciliations are being performed accurately.

CAPITAL ASSETS
Failure to Adequately Maintain Capital Assets
Significant Deficiency
Finding Control Number: FS-7021-12-02

Monroe County Board of Education continues to improve on this issue, and is committed to continue until this finding is resolved.

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

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

CORRECTIVE ACTION/RESPONSES

CASH AND CASH EQUIVALENTS
REVENUES/RECEIVABLES/RECEIPTS
EXPENDITURES/LIABILITIES/DISBURSEMENTS
Inadequate Internal Controls over School Activity Accounts
Significant Deficiency
Finding Control Number: FS-7021-12-03

Monroe County Board of Education feels it has made substantial effort to correct the deficiencies over School Activity Accounts. The Central Office Business Staff now more closely oversees the school level accounting processes, reviewed bank statements and reconciliations, and provides other oversight. The Board also has adopted and follows a system-wide financial guideline handbook for all personnel. Management will continue its efforts to implement separation of duties given its staffing constraints.

EXPENDITURES/LIABILITIES/DISBURSEMENTS
Inadequate Internal Controls
Significant Deficiency
Finding Control Number: FS-7021-12-04

Changes to Monroe County Board of Education's purchasing policy are currently underway. Monroe County Board of Education will provide training to staff to ensure that the appropriate documentation is obtained and kept on file for those transactions requiring competitive bidding.

EXPENDITURES/LIABILITIES/DISBURSEMENTS
Inadequate Internal Controls
Significant Deficiency
Finding Control Number: FS-7021-12-05

Management is working to make the necessary revisions and will review them in detail to ensure the current accounts payable balances are valid for the district.

FINANCIAL REPORTING
Inadequate Internal Controls over Financial Reporting
Material Weakness
Finding Control Number: FS-7021-12-06

Monroe County Board of Education has made significant progress in the preparation of its Financial Statements, including the training of the business and accounting staff. The Board has also hired a financial statement preparer.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV

FINDINGS AND QUESTIONED COSTS

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

I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

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

Noncompliance material to financial statements noted: — No

Federal Awards

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

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

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

Identification of major programs:

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

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

Auditee qualified as low-risk auditee? — No

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Finding Control Number: FS-7021-13-01 Inadequate Internal Control Procedures
Control Category: Cash and Cash Equivalents
Internal Control Impact: Significant Deficiency
Compliance Impact: N/A

Description:
This is a repeat finding (FS-7021-12-01, FS-7021-11-01, and FS-7021-10-01) from the years ended June 30, 2012, June 30, 2011, and June 30, 2010, respectively. The accounting procedures were insufficient to provide adequate internal controls over the Cash and Cash Equivalents function.

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

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

- Eleven of twenty-seven bank reconciliations were not documented as being approved by appropriate personnel.
- Numerous financial statement preparation entries were required to accurately report cash at the balance sheet date.
- The School District did not reconcile interfund activity of $225,746.41. This amount dated back to prior years and was written off with a financial statement journal entry in the year under audit.
- Cash balances were misclassified between the General Fund and Capital Projects Fund by $15,113.42 as a result of the system's Interfund Cash default setting. Adequate controls are not in place over day-to-day usage of this account to ensure that cash is reported in the correct fund.

Cause:
In discussing these issues with management, it appears that these deficiencies were largely the result of problems with the accounting system's interfund cash balancing account.

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

Recommendation:
The School District should establish policies and procedures to ensure that administrative reviews are performed to determine that bank reconciliations are correct and Cash and Cash Equivalents is accurately stated on the financial statements.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Views of Responsible Officials and Corrective Action Plans:
We concur with this finding. The Board implemented or is in the process of implementing the following steps designed to correct issues pertaining to cash activities and balances at June 30, 2014:

- The Board employed a CPA on a part-time basis to prepare its annual financial statements and to design, ensure implementation, and monitor procedures related to internal control over financial activities (including cash) upon which the financial statements are based.
- The Board is in the process of reviewing and acquiring new financial software. As part of this process, default settings pertaining to the use of interfund cash accounts will be changed to facilitate cash transactions being charged directly to the appropriate fund/account.

Contact Person:	Janet Howard
Title:	Business Specialist – Accounting and Audit Manager
Telephone:	(478) 994-2031
Fax:	(478) 994-3364
E-mail:	janet.howard@monroe.k12.ga.us

Finding Control Number:	FS-7021-13-02
	Inadequate Internal Controls over School Activity Accounts
Control Category:	Cash and Cash Equivalents
	Revenues/Receivables/Receipts
	Expenditures/Liabilities/Disbursements
	General Ledger
Internal Control Impact:	Significant Deficiency
Compliance Impact:	N/A

Description:
This is a repeat finding (FS-7021-12-03, FS-7021-11-05, and FS-7021-10-05) from the years ended June 30, 2012, June 30, 2011, and June 30, 2010, respectively. The accounting procedures of the School District were insufficient to provide adequate separation of duties and internal controls over school activity accounts.

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

Condition:
In obtaining an understanding of internal controls over school activity accounts, it was noted that external reviews were not performed to monitor activity in these accounts.

Based on a review of the school activity account records, the following deficiencies were noted:

Cash and Cash Equivalents

- Inadequate separation of duties existed over the bank reconciliation function.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Revenues/Receivables/Receipts

- Deposit preparation was not separated from record keeping function.
- Funds received that are custodial in nature were not properly separated between Agency Funds and Governmental Activities.

Expenditures/Liabilities/Disbursements

- Adequate documentation was not maintained to ensure receipt of goods or services prior to payment.
- All school activity expenditures were reported in Function 3200, Enterprise Operations, instead of being allocated to the various functions to which they apply.

General Ledger

- Adequate approvals over journal entries were not in place, and two journal entries reviewed did not have adequate documentation to ensure validity.
- The journal entry function is not adequately separated from the bank reconciliation function.

Cause:

In discussing these issues with management, it appears that these deficiencies were the result of inadequate implementation of internal control procedures and inadequate monitoring of school activity accounts.

Effect:

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

Recommendation:

The School District should implement procedures to ensure that key accounting functions of custody, record keeping and authorization are separated and/or utilize management oversight of these incompatible activities, implement procedures to ensure that expenditures of school activity accounts are properly documented prior to payment, and implement an approval process for journal entries of school activity accounts.

Views of Responsible Officials and Corrective Action Plans:

We concur with this finding. The Board implemented or is in the process of implementing the following steps designed to correct issues pertaining to inadequate internal control over School Activity Account activities and balances at June 30, 2014:

- The Board employed a CPA on a part-time basis to prepare its annual financial statements and to design, ensure implementation, and monitor procedures related to internal control over financial activities (cash, revenue, expenditures and general ledger) upon which the financial statements are based.
- A Monthly/Quarterly Financial Checklist (Report) for School Activity Accounts/Activity has been implemented which Schools are required to prepare. The report must be approved and initialed by the Principal and submitted to Finance Department with bank reconciliations and Fund/Activity Level Financial Reports on a quarterly basis.
- The Finance Department/CPA is responsible for reviewing (monitoring) and reporting concerns related to the Monthly/Quarterly Report, bank reconciliations and supporting documentation submitted by each school. When deemed necessary, provisions were made to audit specific activities at individual schools.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

- Procedures were implemented to identify school activity by function and adjustments were made to properly classify school activity by function in fiscal year 2014.

Contact Person:	Janet Howard
Title:	Business Specialist – Accounting and Audit Manager
Telephone:	(478) 994-2031
Fax:	(478) 994-3364
E-mail:	janet.howard@monroe.k12.ga.us

Finding Control Number:	FS-7021-13-03 Inadequate Internal Controls
Control Category:	Expenditures/Liabilities/Disbursements
Internal Control Impact:	Significant Deficiency
Compliance Impact:	N/A

Description:
This is a repeat finding (FS-7021-12-05) from the year ended June 30, 2012. The School District does not have controls and monitoring procedures in place to ensure that accounts payable are accurately recorded in the financial accounting system.

Criteria:
The School District's management is responsible for designing and maintaining internal controls to provide reasonable assurance that accounts payable is recorded and reported accurately.

Condition:
A review of the School District's accounts payable process revealed weaknesses in the design of processing of accounts payable transactions in the financial accounting system. The system allows for the recording of expenditures in one fund and the corresponding accounts payable to be recorded in a different fund. The offset in the system to these types of transactions is to an interfund cash account. These interfund cash accounts were not reconciled in a timely manner.

Cause:
In discussing this matter with management, it appears that these deficiencies were the result of management's lack of monitoring to ensure the validity of the reported accounts payable balance.

Effect:
Misclassifications of accounts payable occurred between opinion units due to the day-to-day usage of the interfund cash account in balancing the recording of payables and the related expenses in different funds.

Recommendation:
We recommend that management implement a system of monitoring controls and reconciliations to ensure that accounts payable balances are accurately recorded in the correct funds.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Views of Responsible Officials and Corrective Action Plans:
We concur with this finding. The Board implemented or is in the process of implementing the following steps designed to correct issues pertaining to Expenditures/Liabilities/Disbursements for the fiscal year ended June 30, 2014:

- The Board employed a CPA on a part-time basis to prepare its annual financial statements and to design, ensure implementation, and monitor procedures related to internal control over financial activities (including accounts payable subsidiary records) upon which the financial statements are based.

Contact Person:	Janet Howard
Title:	Business Specialist – Accounting and Audit Manager
Telephone:	(478) 994-2031
Fax:	(478) 994-3364
E-mail:	janet.howard@monroe.k12.ga.us

Finding Control Number:	FS-7021-13-04 Inadequate Internal Controls
Control Category:	Expenditures/Liabilities/Disbursements
Internal Control Impact:	Significant Deficiency
Compliance Impact:	N/A

Description:
This is a repeat finding (FS-7021-12-04, FS-7021-11-06, and FS-7021-10-06) from the years ended June 30, 2012, June 30, 2011, and June 30, 2010, respectively. The School District does not have controls and monitoring procedures in place to ensure that all Board purchasing policies are being followed.

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

Condition:
During our review of expenditures, instances were noted in which established Board policies over purchasing were not followed.

- Inadequate separation of duties was noted in that the same employee was allowed to initiate, approve, and enter expenditures and cut checks.
- In gaining an understanding of the entity's controls over the expenditure process, it was noted that all expenditures were not properly approved prior to payment. Expenditure testing also revealed that documentation of receipt of goods or services was not always obtained prior to payment.
- Problems were noted with cutoff procedures, including fiscal year 2012 expenditures being reported in fiscal year 2013, and fiscal year 2013 expenditures being reported in fiscal year 2014.
- Board Policy "Purchasing Authority" (DJEA) establishes guidelines requiring competitive bidding for purchases which exceed $10,000.00. A review of bid documentation revealed purchases exceeding this threshold for which formal bids were not obtained as required by this policy.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Cause:
In discussing these issues with management, it appears that they are the result of failure of personnel to follow existing policies and procedures over purchasing.

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

Recommendation:
We recommend that management train staff on the proper implementation of the Board's policies and procedures and consider revisions to any policy or procedure that is unclear or does not meet the intent of the Board in the functioning of its operations.

Views of Responsible Officials and Corrective Action Plans:
We concur with this finding. The Board implemented or is in the process of implementing the following steps designed to correct issues pertaining to Expenditures/Liabilities/Disbursements for the fiscal year ended June 30, 2014:

- The Board employed a CPA on a part-time basis to prepare its annual financial statements and to design, ensure implementation, and monitor procedures related to internal control over financial activities (including purchasing and accounts payable procedures) upon which the financial statements are based.
- The Board is in the process of amending its Purchasing Authority Policy – DJEA to address issues raised in the audit. Upon approval by the Board, the policy will be communicated to staff with appropriate instructions for compliance.

Contact Person:	Janet Howard
Title:	Business Specialist – Accounting and Audit Manager
Telephone:	(478) 994-2031
Fax:	(478) 994-3364
E-mail:	janet.howard@monroe.k12.ga.us

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Finding Control Number:	FS-7021-13-05 Failure to Adequately Maintain Capital Assets
Control Category:	Capital Assets
Internal Control Impact:	Significant Deficiency
Compliance Impact:	N/A

Description:
This is a repeat finding (FS-7021-12-02, FS-7021-11-02, and FS-7021-10-02) from the years ended June 30, 2012, June 30, 2011, and June 30, 2010, respectively. The School District did not adequately record and report its capital assets.

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

Condition:
A review of the School District's capital assets records revealed the following errors and misstatements:

- Forty-six assets related to school nutrition were omitted from the capital assets listing.
- One asset with a useful life of less than one year was added to the capital asset listing. Also, one asset with a useful life greater than one year was not added to the capital asset listing.
- Four assets' existence could not be verified by the entity, the net book value of these assets was $0.
- Two assets were not depreciated in line with Board policy.
- One construction project was not recorded as Construction Work-in-Progress at fiscal year end, one completed construction project was not capitalized, and one signed construction contract was not disclosed as a significant commitment at fiscal year end.

Cause:
In discussing these issues with management, it appears that they are the result of the School District lacking proper internal controls to detect significant errors in a timely manner, as well as limited staffing to perform a physical inventory count.

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

Recommendation:
The School District should review its capital assets records and make appropriate adjustments to ensure that the capital assets are properly maintained and correctly reported.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Views of Responsible Officials and Corrective Action Plans:
We concur with this finding. The Board implemented or is in the process of implementing the following steps designed to correct issues pertaining to Capital Assets, for the fiscal year ended June 30, 2014:

- The Board employed a CPA on a part-time basis to prepare its annual financial statements and to design, ensure implementation, and monitor procedures related to internal control over financial activities (including capital assets and underlying subsidiary records) upon which the financial statements are based.
- The Board is in the process of amending its Financial Reports Policy – DIB (Includes Capitalization Policy for Fixed Assets) to address issues raised in the audit. Upon approval by the Board, the policy will be communicated to staff with appropriate instructions for compliance.

Contact Person:	Janet Howard
Title:	Business Specialist – Accounting and Audit Manager
Telephone:	(478) 994-2031
Fax:	(478) 994-3364
E-mail:	janet.howard@monroe.k12.ga.us

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FA-7021-13-01 Inadequate Controls over Eligibility Determinations

Compliance Requirement:	Eligibility
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Nonmaterial Noncompliance
Federal Awarding Agency:	U.S. Department of Agriculture
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	Child Nutrition Cluster (CFDA 10.553 and 10.555)

Description:
The School District did not maintain adequate documentation to support Free and Reduced Price Eligibility determinations.

Criteria:
7 CFR 245.6(c)(1) states, in part, "eligibility for free or reduced price meals, as determined through an approved application or by direct certification…The local educational agency must determine household eligibility for free or reduced price meals either through direct certification or the application process at or about the beginning of the school year."

7 CFR 210.7(c)(1) states, in part, "To ensure that the Claim for Reimbursement accurately reflects the number of lunches and meal supplements served to eligible children, the school food authority shall, at a minimum: (i) Correctly approve each child's eligibility for free and reduced price lunches and meal supplements based on the requirements prescribed under 7 CFR part 245; (ii) Maintain a system to issue benefits and to update the eligibility of children approved for free or reduced price lunches and meal supplements."

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Provisions in the U. S. Department of Agriculture Eligibility Manual for School Meals requires LEA officials, for approved applications, to indicate the approval date, indicate the level of benefit for which each child is approved and sign or initial the application.

Condition:

Testing of applications for free and reduced priced meals revealed the following deficiency:

- One application was on the master list as approved for reduced priced meals; however there was no application on file.

Questioned Cost:

Questioned costs of $663.25, with likely questioned costs of $10,160.99 were identified for the missing application.

Cause:

In discussing this condition with management, it appears that this deficiency is the result of management's failure to adequately lock down prior year documentation to ensure its availability for audit.

Effect:

The failure of the School District to maintain adequate documentation of eligibility determinations resulted in a noncompliance with Federal Regulations.

Recommendation:

The School District should establish and implement appropriate monitoring procedures to ensure Federal requirements for eligibility are met, and that adequate documentation is maintained. The Georgia Department of Education should review this matter to determine if a reclaim of funds is appropriate.

Views of Responsible Officials and Corrective Action Plans:

We concur with this finding. The Board implemented the following steps to ensure applications supporting free and reduced price meal eligibility were securely stored and available to support reimbursement claims during the fiscal year ended June 30, 2014:

- All applications received for free and reduced price meals are stored in a locked file cabinet.
- Applications supporting free and reduced price meals are reconciled to the Master List of eligible recipients.
- Approved applications on file may not leave the System's School Nutrition Office without approval of the Director.

Contact Person:	Sandy Peppers
Title:	School Nutrition Bookkeeper
Telephone:	(478) 994-2031
Fax:	(478) 994-3364
E-mail:	sandy.peppers@monroe.k12.ga.us

The above changes will be substantially implemented (for financial information reported) by June 30, 2014.