

RANDOLPH COUNTY BOARD OF EDUCATION
CUTHBERT, GEORGIA

ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2011
(Including Independent Auditor's Reports)

RANDOLPH COUNTY BOARD OF EDUCATION

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SECTION I

FINANCIAL

DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

September 21, 2012

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

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

Ladies and Gentlemen:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information (Exhibits A through H) of the Randolph County Board of Education, as of and for the year ended June 30, 2011, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Randolph County Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In fiscal year 2007, the School District entered into a capital lease for equipment. The capital lease was paid off in fiscal year 2011. However, the School District has excluded from capital assets certain leased equipment items including the related accumulated depreciation and current year depreciation expense that, in our opinion, should be included to conform with accounting principles generally accepted in the United States of America. The amount by which this omission would affect the assets, net assets and expenses of the governmental activities is not reasonably determinable.

In our opinion, except for the effects of not properly recognizing capital assets and depreciation expense in the governmental activities as described in the preceding paragraph, the financial statements referred to previously present fairly, in all material respects, the financial position of the governmental activities of the Randolph County Board of Education, as of June 30, 2011, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of each major fund, and the aggregate remaining fund information of the Randolph County Board of Education, as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Randolph County Board of Education has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2012, on our consideration of the Randolph County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual, as presented on page 25, is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Randolph County Board of Education's financial statements as a whole. The accompanying supplementary information consists of Schedules 2 through 5, which includes the Schedule of Expenditures of Federal Awards as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* are presented for purposes of additional analysis and are not a required part of the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

Respectfully submitted,



Greg S. Griffin
State Auditor

GSG:as
2011ARL-19X

RANDOLPH COUNTY BOARD OF EDUCATION

RANDOLPH COUNTY BOARD OF EDUCATION
STATEMENT OF NET ASSETS
JUNE 30, 2011

EXHIBIT "A"

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and Cash Equivalents	$ 2,814,125.74
Accounts Receivable, Net	
Taxes	160,483.40
State Government	681,561.11
Federal Government	295,540.48
Other	18,229.63
Inventories	36,354.24
Capitalized Bond and Other Debt Issuance Costs	74,500.00
Capital Assets, Non-Depreciable	72,035.00
Capital Assets, Depreciable (Net of Accumulated Depreciation)	4,749,520.00
Total Assets	$ 8,902,349.60
LIABILITIES	
Accounts Payable	$ 524,875.75
Salaries and Benefits Payable	1,038,892.32
Payroll Withholdings Payable	443,942.20
Deposits and Deferred Revenues	123,781.36
Long-Term Liabilities	
Due Within One Year	60,911.53
Due in More Than One Year	3,413,437.25
Total Liabilities	$ 5,605,840.41
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	$ 3,022,535.58
Restricted for	
Bus Replacement	131,612.87
Continuation of Federal Programs	321,738.99
Capital Projects	1,406,361.41
Unrestricted (Deficit)	-1,585,739.66
Total Net Assets	$ 3,296,509.19
Total Liabilities and Net Assets	$ 8,902,349.60

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

RANDOLPH COUNTY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

EXHIBIT "B"

	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS	NET (EXPENSES) REVENUES AND CHANGES IN NET ASSETS
GOVERNMENTAL ACTIVITIES				
Instruction	$ 7,674,213.70	$ 180,002.66	$ 5,708,691.57	$ -1,785,519.47
Support Services				
Pupil Services	477,180.76	20,504.02	279,789.00	-176,887.74
Improvement of Instructional Services	722,614.41		555,763.82	-166,850.59
Educational Media Services	202,594.13		142,334.12	-60,260.01
General Administration	682,134.97		693,606.40	11,471.43
School Administration	678,535.40	55,530.95	437,377.30	-185,627.15
Business Administration	606,284.01		41,284.31	-564,999.70
Maintenance and Operation of Plant	1,052,379.14	451.31	395,684.70	-656,243.13
Student Transportation Services	1,055,616.05		368,337.29	-687,278.76
Central Support Services	116,101.73		6,999.15	-109,102.58
Other Support Services	48,539.68		38,670.32	-9,869.36
Operations of Non-Instructional Services				
Community Services	1,202.39	1,439.00	52.30	288.91
Food Services	1,056,694.10	92,619.39	908,179.97	-55,894.74
Interest on Short-Term and Long-Term Debt	201,620.35			-201,620.35
Total Governmental Activities	$ 14,575,710.82	$ 350,547.33	$ 9,576,770.25	$ -4,648,393.24
General Revenues				
Taxes				
Property Taxes				
For Maintenance and Operations				$ 2,999,760.15
Railroad Cars				21,177.19
Sales Taxes				
Special Purpose Local Option Sales Tax				
For Capital Projects				832,300.65
Other Sales Tax				2,684.95
Grants and Contributions not Restricted				
to Specific Programs				398,697.00
Investment Earnings				455.24
Miscellaneous				251,122.53
Total General Revenues				$ 4,506,197.71
Change in Net Assets				$ -142,195.53
Net Assets - Beginning of Year				3,438,704.72
Net Assets - End of Year				$ 3,296,509.19

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

RANDOLPH COUNTY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

EXHIBIT "C"

	GENERAL FUND	DISTRICT-WIDE CAPITAL PROJECTS FUND	TOTAL
ASSETS			
Cash and Cash Equivalents		$ 2,998,595.15	$ 2,998,595.15
Accounts Receivable, Net			
Taxes	$ 87,745.38	72,738.02	160,483.40
State Government	681,561.11		681,561.11
Federal Government	295,540.48		295,540.48
Other	8,018.53	10,211.10	18,229.63
Inventories	36,354.24		36,354.24
Total Assets	$ 1,109,219.74	$ 3,081,544.27	$ 4,190,764.01
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Cash Overdraft	$ 184,469.41		$ 184,469.41
Accounts Payable	524,875.75		524,875.75
Salaries and Benefits Payable	1,038,892.32		1,038,892.32
Payroll Withholdings Payable	443,942.20		443,942.20
Deposits and Deferred Revenue	127,875.08		127,875.08
Total Liabilities	$ 2,320,054.76		$ 2,320,054.76
FUND BALANCES			
Nonspendable	$ 36,354.24		$ 36,354.24
Restricted	416,997.62	$ 3,081,544.27	3,498,541.89
Unassigned	-1,664,186.88		-1,664,186.88
Total Fund Balances	$ -1,210,835.02	$ 3,081,544.27	$ 1,870,709.25
Total Liabilities and Fund Balances	$ 1,109,219.74	$ 3,081,544.27	$ 4,190,764.01

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

RANDOLPH COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011

EXHIBIT "D"

Total Fund Balances - Governmental Funds (Exhibit "C")		$ 1,870,709.25
Amounts reported for Governmental Activities in the Statement of Net Assets are different because:		
Capital Assets used in Governmental Activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Land	$ 72,035.00	
Land Improvements	411,042.00	
Buildings	6,931,544.00	
Equipment	1,206,723.00	
Accumulated Depreciation	-3,799,789.00	
Total Capital Assets		4,821,555.00
Taxes that are not available to pay for current period expenditures are deferred in the funds.		
Property Taxes		4,093.72
Other Long-Term Assets are not available to pay for current period expenditures and therefore, are deferred on the Statement of Net Assets.		
Deferred Charges - Capitalized Bond Issuance Costs		74,500.00
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	$ -3,350,000.00	
Capital Leases Payable	-124,348.78	
Total Long-Term Liabilities		-3,474,348.78
Net Assets of Governmental Activities (Exhibit "A")		$ 3,296,509.19

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

RANDOLPH COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

EXHIBIT "E"

	GENERAL FUND	DISTRICT-WIDE CAPITAL PROJECTS FUND	TOTAL
REVENUES			
Property Taxes	$ 3,044,926.21		$ 3,044,926.21
Sales Taxes	2,684.95	$ 832,300.65	834,985.60
State Funds	5,961,915.34		5,961,915.34
Federal Funds	4,013,551.91		4,013,551.91
Charges for Services	350,547.33		350,547.33
Investment Earnings	360.67	94.57	455.24
Miscellaneous	251,122.53		251,122.53
Total Revenues	$ 13,625,108.94	$ 832,395.22	$ 14,457,504.16
EXPENDITURES			
Current			
Instruction	$ 7,185,454.32		$ 7,185,454.32
Support Services			
Pupil Services	477,180.76		477,180.76
Improvement of Instructional Services	722,614.41		722,614.41
Educational Media Services	204,592.13		204,592.13
General Administration	661,374.24		661,374.24
School Administration	941,692.45		941,692.45
Business Administration	342,980.46	$ 74,646.50	417,626.96
Maintenance and Operation of Plant	1,052,379.14		1,052,379.14
Student Transportation Services	749,722.56		749,722.56
Central Support Services	116,101.73		116,101.73
Other Support Services	48,539.68		48,539.68
Community Services	1,202.39		1,202.39
Food Services Operation	1,102,714.96		1,102,714.96
Capital Outlay	3,402.49	204,386.25	207,788.74
Debt Services			
Principal	82,751.14	1,648,282.74	1,731,033.88
Interest	38,230.95	163,389.40	201,620.35
Total Expenditures	$ 13,730,933.81	$ 2,090,704.89	$ 15,821,638.70
Excess of Revenues over (under) Expenditures	$ -105,824.87	$ -1,258,309.67	$ -1,364,134.54
OTHER FINANCING SOURCES			
Proceeds of Bonds		3,350,000.00	3,350,000.00
Net Change in Fund Balances	$ -105,824.87	$ 2,091,690.33	$ 1,985,865.46
Fund Balances - Beginning	-1,105,010.15	989,853.94	-115,156.21
Fund Balances - Ending	$ -1,210,835.02	$ 3,081,544.27	$ 1,870,709.25

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

RANDOLPH 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, 2011

EXHIBIT "F"

Total Net Change in Fund Balances - Governmental Funds (Exhibit "E")	$	1,985,865.46
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:		
Depreciation Expense		-263,857.00
Taxes reported in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		-23,988.87
The net effect of various miscellaneous transactions involving capital assets, including a change in the capitalization threshold (i.e., sales, trade-ins, donations, and disposals) is to decrease net assets.		-295,749.00
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		-3,350,000.00
Bond issuance costs, deferred gains on refundings and similar items when debt is first issued are reported as an expenditure in Governmental Funds, but are reported as deferred charges on the Statement of Net Assets and amortized over the term of the debt, using the straight-line method. The details of this difference in the current period are as follows:		
Deferral of Bond Issuance Costs		74,500.00
Repayment of Long-Term Debt is reported as an expenditure in Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Assets. In the current year, these amounts consist of:		
Capital Lease Payments		1,731,033.88
Change in Net Assets of Governmental Activities (Exhibit "B")	$	-142,195.53

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

RANDOLPH COUNTY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011

EXHIBIT "G"

	AGENCY FUNDS
ASSETS	
Accounts Receivable, Net	
Other	$ 10,565.02
LIABILITIES	
Cash Overdraft	$ 17,377.09
Accounts Payable	760.15
Funds Held for Others	-7,572.22
Total Liabilities	$ 10,565.02

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

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Note 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

REPORTING ENTITY

The Randolph 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 Randolph County Board of Education.

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

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

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

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

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

The School District reports the following major governmental funds:

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

- District-wide Capital Projects Fund accounts for and reports financial resources including Special Purpose Local Option Sales Tax (SPLOST) and Bond Proceeds that are restricted, committed or assigned to the expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The School District reports the following fiduciary fund type:

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

BASIS OF ACCOUNTING

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

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

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

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

The State of Georgia reimburses the School System for teachers' salaries and operating costs through the Quality Basic Education Formula Earnings program (QBE). Generally teachers are contracted for the school year (July 1 – June 30) and paid over a twelve month contract period, generally September 1 through August 31. In accordance with the respective rules and regulations of the QBE program, the State of Georgia reimburses the School System over the same twelve month

period in which teachers are paid. At June 30, the amount of teachers' salaries incurred but not paid until July and August of the subsequent year are accrued. Since the State of Georgia recognizes its QBE liability for the July and August salaries at June 30, the School System recognizes the same QBE as a receivable and revenue, consistent with symmetrical recognition.

NEW ACCOUNTING PRONOUNCEMENTS

In fiscal year 2011, the School District adopted the Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The provisions of this Statement establish accounting and financial reporting standards for all governments that report governmental funds. It establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental funds.

CASH AND CASH EQUIVALENTS

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

RECEIVABLES

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

PROPERTY TAXES

The Randolph County Board of Commissioners fixed the property tax levy for the 2010 tax digest year (calendar year) on August 26, 2010 (levy date). Taxes were due on December 20, 2010 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2010 tax digest are reported as revenue in the governmental funds for fiscal year 2011. The Randolph 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, 2011, for maintenance and operations amounted to $3,023,749.02.

The tax millage rate levied for the 2010 tax year (calendar year) for the Randolph County Board of Education was as follows (a mill equals $1 per thousand dollars of assessed value):

School Operations	17.78 mills

SALES TAXES

Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to $832,300.65 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

INVENTORIES

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

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	Any Amount	N/A
Land Improvements	$ 50,000.00	0 to 80 years
Buildings and Improvements	$ 50,000.00	0 to 80 years
Equipment	$ 50,000.00	5 to 25 years
Intangible Assets	$ 100,000.00	10 to 20 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 10 to 20 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 financial statements, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are reported as deferred charges and amortized over the term of the debt.

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

NET ASSETS

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

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

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

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

FUND BALANCES

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

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

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

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

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

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

Fund Balances of the Governmental Funds at June 30, 2011, are as follows:

Nonspendable		
Inventories		$ 36,354.24
Restricted		
Bus Replacement	$ 131,612.87	
Continuation of Federal Programs	285,384.75	
Capital Projects	3,081,544.27	3,498,541.89
Unassigned		-1,664,186.88
Fund Balance, June 30, 2011		$ 1,870,709.25

DEFICIT FUND BALANCES

Funds reporting a deficit fund balance at June 30, 2011, are as follows:

Fund Type/Fund Name	Deficit Balances
Governmental Fund	
General Fund	$ 1,664,186.88
Fiduciary Fund	
Agency Fund	$ 7,572.22

The Board has taken the following corrective actions to reduce the deficit:

Freeze hiring of new personnel; evaluate staffing needs; reduce staff by attrition and elimination of unneeded positions; eliminate purchase of unneeded purchases and equipment; issue Tax Anticipation Notes for immediate cash flow needs and examine millage rate in 2012.

The fiscal year 2011 Family Connections budget was reduced by the Department of Human Resources, which caused a deficit in the agency fund. The Board is working with Department of Human Resources to cover the deficit.

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: DEPOSITS

COLLATERALIZATION OF DEPOSITS

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

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

(1) Surety bond signed by a surety company duly qualified and authorized to transact business within the State of Georgia,

(2) Insurance on accounts provided by the Federal Deposit Insurance Corporation,

(3) Bonds, bills, notes, certificates of indebtedness or other direct obligations of the United States or of the State of Georgia,

(4) Bonds, bills, notes, certificates of indebtedness or other obligations of the counties or municipalities of the State of Georgia,

(5) Bonds of any public authority created by the laws of the State of Georgia, providing that the statute that created the authority authorized the use of the bonds for this purpose,

(6) Industrial revenue bonds and bonds of development authorities created by the laws of the State of Georgia, and

(7) Bonds, bills, notes, certificates of indebtedness, or other obligations of a subsidiary corporation of the United States government, which are fully guaranteed by the United States government both as to principal and interest or debt obligations issued by or securities guaranteed by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, the Central Bank for Cooperatives, the Farm Credit Banks, the Federal Home Loan Mortgage Association, and the Federal National Mortgage Association.

CATEGORIZATION OF DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At June 30, 2011, the bank balances were $2,976,252.89. The bank balances were entirely covered by Federal depository insurance or collateralized with securities held by the pledging financial institution's trust department or agent in the School District's name.

Note 4: 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 5: CAPITAL ASSETS

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

	Balances July 1, 2010	Increases	Decreases	Balances June 30, 2011
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	$ 72,035.00	$ 0.00	$ 0.00	$ 72,035.00
Capital Assets Being Depreciated:				
Buildings and Improvements	$ 7,427,614.00		$ 496,070.00	$ 6,931,544.00
Equipment	2,254,612.00		1,047,889.00	1,206,723.00
Land Improvements	685,175.00		274,133.00	411,042.00
Less: Accumulated Depreciation:				
Buildings and Improvements	2,978,676.00	$ 154,577.00	391,912.00	2,741,341.00
Equipment	1,568,694.00	95,947.00	863,902.00	800,739.00
Land Improvements	510,905.00	13,333.00	266,529.00	257,709.00
Total Capital Assets, Being Depreciated, Net	$ 5,309,126.00	$ -263,857.00	$ 295,749.00	$ 4,749,520.00
Governmental Activity Capital Assets - Net	$ 5,381,161.00	$ -263,857.00	$ 295,749.00	$ 4,821,555.00

Capital assets being acquired under capital leases as of June 30, 2011, are as follows:

	Governmental Funds
Equipment	$ 298,808.00
Less: Accumulated Depreciation	74,704.00
	$ 224,104.00

Current year depreciation expense by function is as follows:

Instruction		$ 156,793.00
Support Services		
General Administration	$ 6,660.00	
Student Transportation Services	98,130.00	104,790.00
Food Services		2,274.00
		$ 263,857.00

Note 6: 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 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. The School District accounts for claims within the General Fund with expenses/expenditures and liability being reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated.

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

	Beginning of Year Liability	Claims and Changes in Estimates	Claims Paid	End of Year Liability
2010	$ 0.00	$ 33,242.00	$ 33,242.00	$ 0.00
2011	$ 0.00	$ 116,820.32	$ 116,820.32	$ 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 insurance coverage. Additional 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 $1,000,000.00 loss per occurrence, up to the statutory limit. Employers' Liability insurance coverage is also provided by Safety National Casualty Company with a loss fund percentage of 100%, based on the Fund's annual normal premium, up to a maximum limit of indemnity of aggregate limit of $2,000,000.00.

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

Position Covered	Amount
Superintendent	$ 50,000.00
Each Principal	$ 10,000.00
High School Bookkeeper	$ 10,000.00
Elementary School Bookkeeper	$ 10,000.00
Payroll Clerk	$ 10,000.00
Finance Director	$ 10,000.00
Head Start Director	$ 10,000.00
Bank Depositor	$ 10,000.00
Food Service Bookkeeper	$ 10,000.00
Head Start Bookkeeper	$ 10,000.00
Head Start Secretary	$ 5,000.00
Each School Food Service Manager	$ 5,000.00
Each Athletic Gate Keeper	$ 5,000.00

Note 7: OPERATING LEASES

Randolph County Board of Education has entered into various leases as lessee for copiers. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the year ended June 30, 2011, for governmental funds amounted to $100,207.35. Future minimum lease payments for these leases are as follows:

Year Ending	Governmental Funds
2012	$ 93,850.00
2013	28,050.00
2014	20,900.00
Total	$ 142,800.00

Note 8: 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	$ 549,838.00	$ 800,162.00	$ 1,350,000.00	$ 0.00

Note 9: LONG-TERM DEBT

CAPITAL LEASES

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

GENERAL OBLIGATION DEBT OUTSTANDING

General Obligation Bonds currently outstanding are as follows:

Purpose	Interest Rate	Amount
General Government - Series 2011	2.25%	$ 3,350,000.00

Voters have authorized $150,000 in general obligation debt for Randolph County Board of Education which was not issued as of June 30, 2011.

The changes in Long-Term Debt during the fiscal year ended June 30, 2011, were as follows:

	Governmental Funds				
	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011	Due Within One Year
G. O. Bonds	$ 0.00	$ 3,350,000.00		$ 3,350,000.00	
Capital Leases	1,855,382.66		$ 1,731,033.88	124,348.78	$ 60,911.53
	$ 1,855,382.66	$ 3,350,000.00	$ 1,731,033.88	$ 3,474,348.78	$ 60,911.53

At June 30, 2011, 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:		
2012	$ 60,911.53	$ 5,160.47
2013	63,437.25	2,634.75
Total Principal and Interest	$ 124,348.78	$ 7,795.22

	General Obligation Debt	
	Principal	Interest
Fiscal Year Ended June 30:		
2012		$ 53,390.63
2013	$ 625,000.00	68,343.75
2014	650,000.00	54,000.00
2015	675,000.00	39,093.75
2016	700,000.00	23,625.00
2017	700,000.00	7,875.00
Total Principal and Interest	$ 3,350,000.00	$ 246,328.13

Note 10: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of $54,022.32 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 Non-Certificated Personnel
In the amount of $35,715.35

Paid to the Teachers' Retirement System of Georgia
For Teachers' Retirement System (TRS) Employer's Cost
In the amount of $7,638.97

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 $10,668.00

Note 11: SIGNIFICANT CONTINGENT LIABILITIES

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

On April 13, 2009, the former Chairman and former Superintendent entered into lawsuits against the majority of the Board. The Board had attempted to terminate the contract of the Superintendent and implemented a 2009 Act of the General Assembly requiring an election for Chairman of the Board. The Courts have allowed the termination of the Superintendent and the election of a new Chairman. Rulings of the Court have been applied. Additional lawsuits have been filed. The final outcome of the lawsuits could fundamentally affect the governance of the School District and may consequently have an impact on the financial activities of the School District.

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

Note 12: POST-EMPLOYMENT BENEFITS

Georgia School Personnel Post-employment Health Benefit Fund

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

Funding Policy. The contribution requirements of plan members and participating employers are established by the Board in accordance with the current Appropriations Act and may be amended by the Board. Contributions of plan members or beneficiaries receiving benefits vary based on plan election, dependent coverage, and Medicare eligibility and election. On average, plan members pay approximately 25 percent of the cost of the health insurance coverage.

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, 2011:

For certificated teachers, librarians and regional educational service agencies:

July 2010 - April 2011	21.955% of covered payroll for August - May Coverage
May 2011 - June 2011	1.429% of covered payroll for June - July Coverage

For non-certificated school personnel:

July 2010 - December 2010	$162.72	per member per month
January 2011 - May 2011	$218.20	per member per month
June 2011	$246.20	per member per month

The Department of Education was appropriated an additional $25,081,633 for non-certificated personnel health insurance payments. The amount attributable to the School District is reflected in the On-behalf note disclosure.

No additional contribution was required by the Board for fiscal year 2011 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
2011	100%	$	1,089,020.48
2010	100%	$	1,164,721.01
2009	100%	$	974,209.86

Note 13: RETIREMENT PLANS

TEACHERS' RETIREMENT SYSTEM OF GEORGIA (TRS)

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

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

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

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

Funding Policy. TRS is funded by member and employer contributions as adopted and amended by the Board of Trustees. Members become fully vested after 10 years of service. If a member terminates with less than 10 years of service, no vesting of employer contributions occurs, but the member's contributions may be refunded with interest. Member contributions are limited by State law to not less than 5% or more than 6% of a member's earnable compensation. Member contributions as adopted by the Board of Trustees for the fiscal year ended June 30, 2011, were 5.53% of annual salary. The member contribution rate will increase to 6.00% effective July 1, 2012. Employer contributions required for fiscal year 2011 were 10.28% of annual salary as required by the June 30, 2008, actuarial valuation. The employer contribution rate will increase to 11.41% effective July 1, 2012.

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

Fiscal Year	Percentage Contributed		Required Contribution
2011	100%	$	741,205.07
2010	100%	$	769,684.36
2009	100%	$	781,664.91

PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS)

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

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RANDOLPH COUNTY BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2011

SCHEDULE "1"

	NONAPPROPRIATED BUDGETS		ACTUAL
	ORIGINAL (1)	FINAL (1)	AMOUNTS
REVENUES			
Property Taxes	$ 3,233,520.00	$ 3,233,520.00	$ 3,044,926.21
Sales Taxes			2,684.95
State Funds	5,807,734.00	6,004,388.63	5,961,915.34
Federal Funds	3,404,563.72	5,001,189.42	4,013,551.91
Charges for Services	408,490.00	408,490.00	350,547.33
Investment Earnings	71.00	71.00	360.67
Miscellaneous	21,199.00	59,047.00	251,122.53
Total Revenues	$ 12,875,577.72	$ 14,706,706.05	$ 13,625,108.94
EXPENDITURES			
Current			
Instruction	$ 7,142,854.18	$ 7,996,881.93	$ 7,185,454.32
Support Services			
Pupil Services	428,760.26	643,947.05	477,180.76
Improvement of Instructional Services	534,731.85	956,688.12	722,614.41
Educational Media Services	230,233.00	230,233.00	204,592.13
General Administration	769,010.18	795,641.18	661,374.24
School Administration	512,140.00	535,415.00	941,692.45
Business Administration	174,761.17	214,875.82	342,980.46
Maintenance and Operation of Plant	1,062,591.21	1,120,338.85	1,052,379.14
Student Transportation Services	720,970.43	793,061.98	749,722.56
Central Support Services	116,229.00	118,689.00	116,101.73
Other Support Services	50,604.44	51,604.44	48,539.68
Community Services			1,202.39
Food Services Operation	1,132,183.00	1,142,192.82	1,102,714.96
Capital Outlay	509.00	8,199.00	3,402.49
Debt Service			120,982.09
Total Expenditures	$ 12,875,577.72	$ 14,607,768.19	$ 13,730,933.81
Net Change in Fund Balances	$ 0.00	$ 98,937.86	$ -105,824.87
Fund Balances - Beginning	-693,625.26	-693,625.26	-1,105,010.15
Adjustments	-27,438.89	-21,040.68	
Fund Balances - Ending	$ -721,064.15	$ -615,728.08	$ -1,210,835.02

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 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.

RANDOLPH COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

SCHEDULE "2"

FUNDING AGENCY PROGRAM/GRANT		CFDA NUMBER	PASS-THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD	
Agriculture, U. S. Department of					
Child Nutrition Cluster					
Pass-Through From Georgia Department of Education					
Food Services					
School Breakfast Program		10.553	N/A	(2)	
National School Lunch Program		10.555	N/A	$ 1,063,354.14	(1)
Total U. S. Department of Agriculture				$ 1,063,354.14	
Education, U. S. Department of					
Education of Homeless Children and Youth Cluster					
Pass-Through From Georgia Department of Education					
Education for Homeless Children and Youth		84.196	N/A	$ 3,517.80	
Educational Technology State Grants Cluster					
Pass-Through From Georgia Department of Education					
Education Technology State Grants		84.318	N/A	$ 6,417.44	
Special Education Cluster					
Pass-Through From Georgia Department of Education					
Special Education					
ARRA - Grants to States	*	84.391	N/A	$ 116,100.39	
ARRA - Preschool Grants	*	84.392	N/A	6,785.00	
Grants to States	*	84.027	N/A	301,033.54	
Preschool Grants	*	84.173	N/A	17,507.58	
Total Special Education Cluster				$ 441,426.51	
Title I, Part A Cluster					
Pass-Through From Georgia Department of Education					
ARRA - Title I Grants to Local Educational Agencies	*	84.389	N/A	$ 214,546.88	
Title I Grants to Local Educational Agencies	*	84.010	N/A	733,760.84	
Total Title I, Part A Cluster				$ 948,307.72	
Other Programs					
Direct					
Safe and Drug-Free Schools and Communities - National Programs		84.184		$ 406,501.89	
Pass-Through From Georgia Department of Education					
Career and Technical Education - Basic Grants to States		84.048	N/A	24,346.51	
Education Jobs Fund		84.410	N/A	244,478.74	
Improving Teacher Quality State Grants		84.367	N/A	105,106.82	
Rural Education		84.358	N/A	30,002.68	
Safe and Drug-Free Schools and Communities - State Grants		84.186	N/A	2,233.00	
Total Other Programs				$ 812,669.64	
Total U. S. Department of Education				$ 2,212,339.11	

RANDOLPH COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

FUNDING AGENCY PROGRAM/GRANT		CFDA NUMBER	PASS-THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD
Health and Human Services, U. S. Department of				
Head Start Cluster				
Direct				
ARRA - Head Start	*	93.708		$ 728.00
Head Start	*	93.600		828,164.06
Total Head Start Cluster				$ 828,892.06
Other Programs				
Pass-Through From Georgia Department of Human Resources				
Temporary Assistance for Needy Families		93.558	N/A	91,747.51
Total U. S. Department of Health and Human Services				$ 920,639.57
Total Expenditures of Federal Awards				$ 4,196,332.82

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 $59,552.01.
(2) Expenditures for the funds earned on the School Breakfast Program ($317,985.40) were not maintained separately and are included in the 2011 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 Randolph 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.

RANDOLPH COUNTY BOARD OF EDUCATION
SCHEDULE OF STATE REVENUE
YEAR ENDED JUNE 30, 2011

SCHEDULE "3"

AGENCY/FUNDING	GOVERNMENTAL FUND TYPE GENERAL FUND
GRANTS	
Bright From the Start:	
Georgia Department of Early Care and Learning	
Pre-Kindergarten Program	$ 160,421.71
Education, Georgia Department of	
Quality Basic Education	
Direct Instructional Cost	
Kindergarten Program	321,051.00
Kindergarten Program - Early Intervention Program	113,699.00
Primary Grades (1-3) Program	576,370.00
Primary Grades - Early Intervention (1-3) Program	249,889.00
Upper Elementary Grades (4-5) Program	371,450.00
Upper Elementary Grades - Early Intervention (4-5) Program	120,302.00
Middle School (6-8) Program	738,410.00
High School General Education (9-12) Program	795,130.00
Vocational Laboratory (9-12) Program	218,113.00
Students with Disabilities - Categories I-V	978,338.00
Gifted Student - Category VI	-19,636.00
Remedial Education Program	130,291.00
Alternative Education Program	64,072.00
Media Center Program	119,466.00
20 Days Additional Instruction	38,947.00
Staff and Professional Development	23,320.00
Indirect Cost	
Central Administration	337,698.00
School Administration	352,868.00
Facility Maintenance and Operations	287,218.00
Charter System Adjustment	-134,949.00
Categorical Grants	
Pupil Transportation	
Regular	284,479.00
Nursing Services	35,279.00
Education Equalization Funding Grant	398,697.00
Food Services	26,250.00
Mid-term Adjustment Hold-Harmless	75,898.00
Vocational Education	18,023.34
Amended Formula Adjustment	-849,598.00
Other State Programs	
Health Insurance	35,715.35
Math and Science Supplements	20,754.97
Preschool Handicapped Program	55,491.00
Teachers' Retirement	7,638.97
Virtual Schools Grant	150.00
Office of the State Treasurer	
Public School Employees' Retirement	10,668.00
	$ 5,961,915.34

See notes to the basic financial statements.

RANDOLPH COUNTY BOARD OF EDUCATION
SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS
YEAR ENDED JUNE 30, 2011

SCHEDULE "4"

PROJECT	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3)	AMOUNT EXPENDED IN PRIOR YEARS (3)	PROJECT STATUS
SPLOST II Providing funds to pay the cost of renovating, repairing and equipping Randolph County Elementary School and related facilities, including necessary furnishings, fixtures, equipment and paving; renovating, repairing and equipping Randolph Clay Middle School and related facilities, including necessary furnishings, fixtures and equipment; renovating, repairing and equipping Randolph Clay High School and related facilities, including necessary furnishings, fixtures and equipment; renovating and repairing athletic facilities, including necessary furnishings, fixtures and equipment; acquiring, constructing and equipping a new field house; acquiring, constructing and equipping all purpose buildings; renovating, extending, repairing and equipping existing School District schools to include paving parking lots, roof repairs, floor repairs and installation of heating, ventilation and air conditioning (HVAC) units; acquiring and installing system-wide instructional and administrative technology equipment; acquisition of school buses and transportation equipment; renovating, repairing and equipping Randolph Clay Learning Center and Randolph County Board of Education office, including necessary furnishings, fixtures, and equipment; acquiring any necessary property therefore, both real and personal; and paying expenses incident to accomplishing the foregoing (the Projects).	$ 3,800,000.00	$ 3,800,000.00	$ 415,887.75	$ 2,270,121.31	Ongoing
SPLOST III Repairing, renovating, extending, improving, rehabilitating, equipping, and upgrading existing facilities of the Randolph County School District, to include roof repairs; acquiring mechanical and electrical systems and equipment; installing system-wide instructional and administrative technology, safety and security equipment; acquisition of school buses and transportation equipment; acquisition of fine arts, vocational, and physical education/athletic equipment and facilities; acquiring textbooks; and planning for new School District site development and site acquisition.	4,700,000.00	4,700,000.00	1,674,817.14		Ongoing
	$ 8,500,000.00	$ 8,500,000.00	$ 2,090,704.89	$ 2,270,121.31	

(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 Randolph 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.

See notes to the basic financial statements.

RANDOLPH COUNTY BOARD OF EDUCATION
GENERAL FUND - QUALITY BASIC EDUCATION PROGRAMS (QBE)
ALLOTMENTS AND EXPENDITURES - BY PROGRAM
YEAR ENDED JUNE 30, 2011

SCHEDULE "5"

DESCRIPTION	ALLOTMENTS FROM GEORGIA DEPARTMENT OF EDUCATION (1) (2)	ELIGIBLE QBE PROGRAM COSTS SALARIES	OPERATIONS	TOTAL
Direct Instructional Programs				
Kindergarten Program	$ 362,978.00	$ 273,004.33	$ 6,678.09	$ 279,682.42
Kindergarten Program-Early Intervention Program	122,785.00	139,590.62		139,590.62
Primary Grades (1-3) Program	667,323.00	725,873.33	9,218.55	735,091.88
Primary Grades-Early Intervention (1-3) Program	264,689.00	166,698.00		166,698.00
Upper Elementary Grades (4-5) Program	424,534.00	464,147.42	5,399.94	469,547.36
Upper Elementary Grades-Early Intervention (4-5) Program	125,434.00	114,515.30		114,515.30
Middle School (6-8) Program	813,022.00	645,061.82	10,987.61	656,049.43
High School General Education (9-12) Program	921,056.00	1,393,623.61	15,933.64	1,409,557.25
Vocational Laboratory (9-12) Program	262,741.00	246,440.14	24,594.97	271,035.11
Students with Disabilities	1,110,910.00			
Category I		32,417.35	1,375.24	33,792.59
Category II		259,370.96	2,067.63	261,438.59
Category III		329,614.04	5,463.03	335,077.07
Category IV		74,655.98	987.54	75,643.52
Category V			158.32	158.32
Gifted Student - Category VI	5,779.00	13,778.30	86.00	13,864.30
Remedial Education Program	129,044.00			
Alternative Education Program	74,133.00	1,586.94		1,586.94
TOTAL DIRECT INSTRUCTIONAL PROGRAMS	$ 5,284,428.00	$ 4,880,378.14	$ 82,950.56	$ 4,963,328.70
Media Center Program	139,502.00	184,537.05	18,869.96	203,407.01
Staff and Professional Development	26,930.00	-88.68	16,127.13	16,038.45
TOTAL QBE FORMULA FUNDS	$ 5,450,860.00	$ 5,064,826.51	$ 117,947.65	$ 5,182,774.16

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

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

See notes to the basic financial statements.

SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS

DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

September 21, 2012

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

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

Ladies and Gentlemen:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Randolph County Board of Education as of and for the year ended June 30, 2011, which collectively comprise Randolph County Board of Education's basic financial statements and have issued our report thereon dated September 21, 2012. The report on governmental activities was qualified for certain leased equipment items being excluded from Capital Assets. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider items FS-7201-11-01, FS-7201-11-03, FS-7201-11-04, FS-7201-11-05, FS-7201-11-07 and FS-7201-11-08 in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider items FS-7201-11-02 and FS-7201-11-06 in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Randolph County Board of Education's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items FS-7201-11-03 and FS-7201-11-04.

We also noted certain matters that we have reported to management of Randolph County Board of Education in a separate letter dated September 21, 2012.

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

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

Respectfully submitted,



Greg S. Griffin
State Auditor

GSG:as
2011YB-60X

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

September 21, 2012

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

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

Ladies and Gentlemen:

Compliance

We have audited Randolph 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, 2011. Randolph County Board of Education's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of Randolph County Board of Education's management. Our responsibility is to express an opinion on Randolph County Board of Education's compliance based on our audit.

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

In our opinion, the Randolph County Board of Education complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying Schedule of Findings and Questioned Costs as item FA-7201-11-01. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Respectfully submitted,



Greg S. Griffin
State Auditor

GSG:as
2011SA-30

SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

RANDOLPH COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FINDING CONTROL NUMBER AND STATUS

FS-7201-08-05	Further Action Not Warranted
FS-7201-09-01	Further Action Not Warranted
FS-7201-09-02	Further Action Not Warranted
FS-7201-09-03	Further Action Not Warranted
FS-7201-09-04	Unresolved - See Corrective Action/Responses
FS-7201-09-05	Further Action Not Warranted
FS-7201-09-06	Further Action Not Warranted
FS-7201-09-07	Further Action Not Warranted
FS-7201-09-08	Further Action Not Warranted
FS-7201-10-01	Unresolved - See Corrective Action/Responses
FS-7201-10-02	Unresolved - See Corrective Action/Responses
FS-7201-10-03	Partially Resolved - See Corrective Action/Responses
FS-7201-10-04	Unresolved - See Corrective Action/Responses
FS-7201-10-05	Unresolved - See Corrective Action/Responses
FS-7201-10-06	Unresolved - See Corrective Action/Responses
FS-7201-10-07	Unresolved - See Corrective Action/Responses

CORRECTIVE ACTION/RESPONSES

EXPENDITURES/LIABILITIES/DISBURSEMENTS
Improper Use of SPLOST Proceeds
Questioned Cost: $37,670.94
Finding Control Number: FS-7201-09-04

The School District consulted legal counsel to verify how SPLOST funds should be used. In the fiscal year 2011 school year SPLOST funds were not being used for any unallowable expenses per the referendum. This practice will continue with the fiscal year 2012 school year.

CASH AND CASH EQUIVALENTS
EXPENDITURES/LIABILITIES/DISBURSEMENTS
EMPLOYEE COMPENSATION
CAPITAL ASSETS
ACCOUNTING CONTROLS (OVERALL)
Inadequate Account Procedures
Finding Control Number: FS-7201-10-01

The School District has strengthened the bank reconciliation process by clearing up reconciling items being carried forward for excessive amounts of time and completing bank reconciliations in a timely manner with evidence of supervisory review. The School District is working to ensure the voucher packages are complete including purchase orders, evidence of receipts, original invoices, and verifying expenditures to avoid overpayment. The School District is working to pay credit card expenditures in a timely manner to avoid finance charges and late fees. The School District has implemented

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

CORRECTIVE ACTION/RESPONSES

adequate procedures to ensure employee compensation expenditures are properly documented, calculated, and approved before the disbursement of funds. The School District is working to ensure Capital Assets are properly recorded and maintained. The Board has approved a new capitalization policy retroactive to July 1, 2010, reflecting increases and changes to the capitalization of fixed assets, intangible assets, depreciation policy and disposition of assets. Currently, the School District uses PC Genesis as the accounting information system so the controls are not limited to all employees' access for the performance of the employee's duties.

CASH AND CASH EQUIVALENTS
REVENUES/RECEIVABLES/RECEIPTS
EXPENDITURES/LIABILITIES/DISBURSEMENTS
Inadequate Internal Control Procedures over School Activity Accounts
Finding Control Number: FS-7201-10-02

The School District will continue to provide training to school level staff members. We have implemented procedures for adequate controls for bank reconciliation and approval by the appropriate level of management. Procedures with updated forms have been implemented for receipt documentation and deposits. A policy is in place for proper approval and adequate documentation for expenditures.

REVENUES/RECEIVABLES/RECEIPTS
Improper Reporting of SPLOST Interest
Finding Control Number: FS-7201-10-03

In March 2011, a separate bank account was set up for SPLOST payments and interest. As of June 30, 2011, all transfers for 2010-2011 prior to March 2011 were completed. All subsequent receipts for SPLOST will go directly into the SPLOST bank account.

EXPENDITURES/LIABILITIES/DISBURSEMENTS
Improper Use of SPLOST Proceeds
Finding Control Number: FS-7201-10-04

The School District consulted with legal counsel to verify how SPLOST funds should be used. In the fiscal year 2012 SPLOST funds were not being used for any unallowable expenses per the referendum. This practice will continue in following fiscal years.

EXPENDITURES/LIABILITIES/DISBURSEMENTS
CAPITAL ASSETS
FINANCIAL REPORTING
Inadequate Internal Controls over Reporting of Capital Leases
Finding Control Number: FS-7201-10-05

The School District is reviewing accounting procedures currently in place to design and implement procedures to ensure the lease amount is recorded properly.

RANDOLPH COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

CORRECTIVE ACTION/RESPONSES

GENERAL LEDGER
Inadequate Control over General Ledger
Finding Control Number: FS-7201-10-06

The School District has worked to clear inactive funds on the general ledger. We reviewed fund balances from prior years to determine how to fund deficits and dispose of the balances on hand. As of the Fiscal Year 2012 we have cleared all inactive funds on the general ledger.

BUDGET PREPARATION/EXECUTION
Deficit Fund Balance
Failure to Adopt a Balanced Budget
Finding Control Number: FS-7201-10-07

The School District for the year 2011-12 is working to reduce the deficit fund balance. We had a substantial reduction in staff, trimmed bus routes, increased teacher/student ratio, reduced field trips, are closely monitoring budgets and included a reserve fund in the initial budget to correct overspending. Funds were also budgeted to include a deficit reduction in the initial budget. The School District will put procedures in place to meet reporting requirements.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING CONTROL NUMBER AND STATUS

FA-7201-07-05	Previously Reported Corrective Action Implemented
FA-7201-08-02	Partially Resolved - See Corrective Action/Responses
FA-7201-08-03	Previously Reported Corrective Action Implemented
FA-7201-08-05	Previously Reported Corrective Action Implemented
FA-7201-10-01	Unresolved - See Corrective Action/Responses
FA-7201-10-02	Previously Reported Corrective Action Implemented

CORRECTIVE ACTION/RESPONSES

ALLOWABLE COSTS/COST PRINCIPLES
Unsupported Costs
U. S. Department of Education
Through Georgia Department of Education
Title I Grants to Local Education Agencies (CFDA 84.010)
Amount: $43,603.20
Finding Control Number: FA-7201-08-02

The School District has implemented procedures to ensure that employee salaries are charged to the proper fund with supportive documentation. We are following the guidelines provided by the Federal programs.

RANDOLPH COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

CORRECTIVE ACTION/RESPONSES

ALLOWABLE COSTS/COST PRINCIPLES
Inadequate Internal Control over Employee Compensation Process
U. S. Department of Education
Through Georgia Department of Education
Special Education Cluster (CFDA 84.027, 84.173, 84.391, 84.392)
Title 1 Cluster (CFDA 84.010, 84.389)
U. S. Department of Health and Human Services
Head Start (CFDA 93.600, 93.708)
Finding Control Number: FA-7201-10-01

The School District has implemented adequate procedures to ensure employee compensation expenditures are properly documented, calculated, and approved before the disbursement of funds.

SECTION IV

FINDINGS AND QUESTIONED COSTS

RANDOLPH COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issue:

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

Internal control over financial reporting:

- Material weaknesses identified? Yes
- Significant deficiencies identified? Yes

Noncompliance material to financial statements noted: Yes

Federal Awards

Internal Control over major programs:

- Material weakness identified? No
- Significant deficiency identified? Yes

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

All major programs	Unqualified

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

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.010, 84.389	Title I, Part A Cluster
84.027, 84.173, 84.391, 84.392	Special Education Cluster
93.600, 93.708	Head Start Cluster

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

Auditee qualified as low-risk auditee? No

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

CASH AND CASH EQUIVALENTS
EXPENDITURES/LIABILITIES/DISBURSEMENTS
EMPLOYEE COMPENSATION
CAPITAL ASSETS
ACCOUNTING CONTROLS (OVERALL)
Inadequate Accounting Procedures
Material Weakness
Finding Control Number: FS-7201-11-01

Condition:
This is a repeat finding (FS-7201-10-01, FS-7201-09-01 and FS-7201-08-01) from fiscal years ended June 30, 2010, June 30, 2009, and June 30, 2008, respectively. The accounting procedures of the School District were insufficient to provide adequate internal controls over numerous control categories.

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

Questioned Cost:
N/A

Information:
Cash and Cash Equivalents

- The School District did not have procedures in place to ensure proper cutoff of transactions recorded in the period. Nine checks in the amount of $478,369.33 were written during the subsequent period and back dated to June 30, 2011. This resulted in cash and payroll withholding payables being misstated on the financial statements.
- The School District did not have adequate procedures in place to make sure that all bank reconciliations were adequately prepared. The following deficiencies were noted:
  1. There was a variance between bank reconciliations and the balance on the general ledger.
  2. The bank reconciliations had numerous reconciling items that have been carried forward for excessive amounts of time.
  3. The bank reconciliations were not completed in a timely manner.
  4. Several wire transfers for State payroll taxes and other payroll withholdings that were incorrectly shown as reconciling items at June 30, 2010, and were still being shown as reconciling items during fiscal year 2011. The Board recorded the transfers on the accounting records as cash disbursements, but did not request the bank to transfer the funds. A total of $298,728.49 that were outstanding wires on the June 30, 2011, reconciliation were paid as of April 2012.

Expenditures/Liabilities/Disbursements

- The School District did not have adequate procedures in place to ensure expenditures were adequately documented and properly paid.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

- During a test of individually significant items, the following problems were noted:
  1. Two expenditures were missing adequate supporting documentation.
  2. Seven invoices did not include evidence of approval.
- During testing of subsequent year expenditures unrecorded payables/expenditures of $233,603.72 were noted.
- During a test of credit card voucher packages, the following problems were noted:
  1. Several expenditures were not adequately documented.
  2. Several expenditures included finance charges and late fees.

Employee Compensation

- The School District did not have adequate procedures in place to ensure employee compensation expenditures were properly documented, calculated and approved before disbursement of funds.

Capital Assets

- The School District did not have adequate procedures in place to ensure Capital Assets were adequately maintained. The following deficiencies were noted:
  1. Donated land received in fiscal year 2008 was not capitalized, and the estimated fair market value on the date donated could not be provided.
  2. Additions purchased through a capital lease in fiscal year 2008 were not capitalized as discussed in finding FS-7201-11-05.

Accounting Controls (Overall)

- Access controls in the Financial System do not prevent users from accessing accounting functions that are outside of their area of responsibility.

Cause:

The deficiencies noted above occurred because of management's failure to implement adequate controls to ensure that (1) bank reconciliations are properly prepared, (2) expenditures are adequately documented and properly paid, (3) all amounts paid to system employees are adequately documented and properly approved, (4) capital assets are properly recorded and maintained and (5) access controls in the accounting information system complement the system of internal control by limiting an employee's access to only the accounting functions necessary for the performance of that employee's duties.

Effect:

Without satisfactory accounting controls and procedures in place, the School District could place itself in a position where potential misappropriation of assets could occur. In addition, the lack of controls could impact reporting of its financial position and results of operation.

Recommendation:

The School District should review the accounting procedures in place and design and implement procedures relative to the above control categories to strengthen the internal controls over the accounting functions.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

CASH AND CASH EQUIVALENTS
REVENUE/RECEIVABLES/RECEIPTS
EXPENDITURES/LIABILITIES/DISBURSEMENTS
Inadequate Internal Control Procedures over School Activity Accounts
Significant Deficiency
Finding Control Number: FS-7201-11-02

Condition:

This is a repeat finding (FS-7201-10-02, FS-7201-09-02 and FS-7201-08-02) from fiscal years ended June 30, 2010, June 30, 2009, and June 30, 2008, respectively. The accounting procedures of the School District were insufficient to provide for adequate internal controls over the school activity accounts.

Criteria:

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

Questioned Cost:

N/A

Information:

Cash and Cash Equivalents

- The School District did not have adequate internal controls in place to ensure that the bank reconciliation function was separated from the record keeping function.

Revenues/Receipts/Receivables

- The School District did not have adequate internal controls in place to ensure proper separation of duties and proper documentation of receipts as follows:
  1. Deposit preparation was not separated from the record keeping and cash custody functions.
  2. Adequate receipt documentation was not maintained for deposits recorded on the general ledger.
  3. The auditor could not determine whether receipts were charged to the correct revenue account code.
  4. Receipts were not deposited in a timely manner.

Expenditures/Liabilities/Disbursements

- The School District did not have proper procedures in place to ensure expenditures were adequately documented or that the policies of the School District were followed.

Cause:

These deficiencies were a result of management's decision to limit the number of administrative staff made responsible for the accounting functions at the various principal account sites and a failure to implement controls to properly account for all transactions involving student activity accounts.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

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

Recommendation:
The School District should implement necessary procedures to ensure that the key accounting functions of custody and record keeping are separated. In addition, the School District should implement procedures to ensure that disbursements and receipts of funds within the school activity accounts are adequately documented and recorded in the financial records. The School District should also establish a monitoring process to provide reasonable assurance that transactions are processed according to established procedures.

EXPENDITURES/LIABILITIES/DISBURSEMENTS
Improper Use of SPLOST Proceeds
Material Weakness
Material Noncompliance
Finding Control Number: FS-7201-11-03

Condition:
This is a repeat finding (FS-7201-10-04, FS-7201-09-04 and FS-7201-08-04) from fiscal years ended June 30, 2010, June 30, 2009, and June 30, 2008, respectively. Improper use of Special Purpose Local Option Sales Tax (SPLOST) proceeds.

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

The Attorney General's Official Opinion 1997-7 for O.C.G.A. §20-2-260(b)(5), states, "capital outlay projects as used in the educational sales tax purposes amendment should be read as well to refer to major, permanent, or long-lived improvements or betterments, such as would be properly chargeable to a capital asset account and as distinguished from current expenditures and ordinary maintenance expenses".

Questioned Cost:
$27,491.31

Information:
During the year under review, the School District spent $27,491.31 for maintenance contracts, internet access, software and service calls.

Cause:
The School District believed these expenditures were covered by a general reference in the SPLOST referendum regarding "installing system-wide instructional and administrative technology equipment". However, the reference concerns the installation of equipment, not the maintenance of equipment.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Effect:
Expenditures of SPLOST funds for maintenance contracts, internet access, software, and service calls appear to be in conflict with State laws regarding imposition and use of SPLOST funds after considering that Paragraph IV, Section VI, Article VIII of the Constitution of the State of Georgia indicates SPLOST proceeds should be spent on "capital outlay projects for educational purposes" and the Attorney General has ruled that capital outlay projects refer to major, permanent, or long-lived improvements or betterments, such as would be properly chargeable to a capital asset account and as distinguished from current expenditures and ordinary maintenance expenses.

Recommendation:
The School District should research this issue, and verify if expenditures of this nature are an appropriate use of SPLOST funds in accordance with State law and the SPLOST referendum as approved by the voters of Randolph County.

EXPENDITURES/LIABILITIES/DISBURSEMENTS
Improper Use of Bond Proceeds
Material Weakness
Material Noncompliance
Finding Control Number: FS-7201-11-04

Condition:
Improper use of Bond proceeds issued in conjunction with the imposition of the Special Purpose Local Option Sales Tax (SPLOST).

Criteria:
The Official Code of Georgia Annotated (O.C.G.A.) §48-8-121 states, "The proceeds received from the tax authorized by this part shall be used … exclusively for the purpose or purposes specified in the resolution or ordinance calling for imposition of the tax". The SPLOST resolution as passed by the voters of Randolph County read as follows:

> "Shall the special 1 percent sales and use tax for education currently in effect in Randolph County be continued for a period of time not to exceed 20 calendar quarters and for the raising of not more than $4,700,000 for the purposes of repairing, renovating, extending, improving, rehabilitating, equipping, and upgrading existing facilities of the Randolph County School District, to include roof repairs; acquiring mechanical and electrical systems and equipment; installing system wide instructional and administrative technology, safety and security equipment; acquisition of school buses and transportation equipment; acquisition of fine arts, vocational, and physical education/athletic equipment and facilities; acquiring textbooks; and planning for new School District site development and site acquisition at a maximum cost of $4,700,000?
>
> If continuation of the tax is approved by the voters, such vote shall also constitute approval of the issuance of general obligation debt of the Randolph county School District in the principal amounts of up to $3,500,000, repayable from the proceeds of the aforesaid sales and use tax, for the purpose of funding such portions of the above projects as may be acquired, constructed and equipped with the proceeds of general obligation debt."

Questioned Cost:
$1,600,170.64

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Information:
On June 15, 2011, the School District used general obligation bond proceeds issued in conjunction with the imposition of the SPLOST referendum in the amount of $1,600,170.64 to repay existing capital lease debt instead of acquiring, constructing and equipping new projects as approved in the SPLOST referendum.

Cause:
The School District assumed that expenditures for previously incurred debt met the definition of the projects detailed in the SPLOST referendum approved on March 15, 2011, because the ballot question approved by the voters of Randolph County references "acquiring mechanical and electrical systems and equipment" and "acquiring physical education/athletic equipment and facilities." However, the debt payment in question was for expenditures incurred in 2007. Previous purchases made by the School District were not included in the ballot question presented and approved by the voters of Randolph County on March 15, 2011.

Effect:
The repayment of debt related to expenditures incurred in 2007 appears to be a violation of the referendum voted and approved by the citizens of Randolph County on March 15, 2011.

Recommendation:
The School District should research this issue and verify if expenditures of this nature are an appropriate use of SPLOST funds in accordance with State law and the SPLOST referendum as approved by the voters of Randolph County.

EXPENDITURES/LIABILITIES/DISBURSEMENTS
CAPITAL ASSETS
FINANCIAL REPORTING
Inadequate Internal Controls over Reporting of Capital Leases
Material Weakness
Finding Control Number: FS-7201-11-05

Condition:
This is a repeat finding (FS-7201-10-05, FS-7201-09-06 and FS-7201-08-06) from fiscal years ended June 30, 2010, June 30, 2009, and June 30, 2008, respectively. The School District did not have adequate controls in place to ensure that all required activity was included in the financial statement information presented for audit.

Criteria:
Chapter 22A *Annual Financial Reporting* of the Financial Management for Georgia Local Units of Administration indicates that School Districts must prepare their financial statements in accordance with generally accepted accounting principles. Controls should be in place to appropriately categorize and report lease activity on the financial statements. Generally accepted accounting principles require that a lease be capitalized if any one of the following four criteria pertaining to the lease transaction is met: 1) the lease transfers ownership of the property to the lessee by the end of the lease term, 2) the lease contains a bargain purchase option, 3) the lease term is equal to 75% or more of the estimated economic life of the leased property and 4) the present value of the minimum lease payments at the inception of the lease, excluding executor costs, equals at least 90% of the fair value of the leased property.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Questioned Cost:
N/A

Information:
In the fiscal year ended June 30, 2008, Randolph County Board of Education entered into capital leases with Citi Mortgage in the amount of $2,183,305.23 and $164,000.00. Neither the capital lease liability nor the capital assets obtained through the leases were recorded within the financial records of the School District in fiscal year 2008. Correcting entries were proposed for the capital lease liability of $2,183,305.23 and accepted by the School District to properly reflect the material lease activity in the fiscal year 2008 financial statements; however, the amount of assets purchased through those leases which should be capitalized could not be reasonably determined in the 2008, 2009, 2010 or the 2011 fiscal years. Therefore, the audit opinion of governmental activities has been appropriately qualified for activity related to capital assets.

Cause:
Management of Randolph County Board of Education failed to implement adequate controls and procedures to ensure that all activity of the School District was recorded in accordance with generally accepted accounting principles.

Effect:
The lack of proper accounting policies and procedures materially impacted the School District's reporting of its financial position and results of operation.

Recommendation:
The School District should review the accounting procedures currently in place, identify weaknesses, and design and implement procedures to ensure that all capital lease activity is properly reflected on the financial statements.

GENERAL LEDGER
Inadequate Control over General Ledger
Significant Deficiency
Finding Control Number: FS-7201-11-06

Condition:
This is a repeat finding (FS-7201-10-06, FS-7201-09-07 and FS-7201-08-07) from the fiscal years ended June 30, 2010, June 30, 2009, and June 30, 2008, respectively. The accounting procedures of the School District were insufficient to provide adequate general ledger controls over the funds.

Criteria:
The National Council on Governmental Accounting (NCGA) Statement 1, paragraph 4 states "Governmental units should establish and maintain those funds required by law and sound financial administration. Only the minimum number of funds consistent with legal and operating requirements should be established, however, since unnecessary funds results in inflexibility, undue complexity, and inefficient financial administration...."

Questioned Costs:
N/A

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Information:
The School District has numerous funds which had balances from prior fiscal years for which adequate disposition were not made during the year under review.

Cause:
The School District failed to implement adequate controls over the general ledger.

Effect:
Failure to implement satisfactory accounting controls and procedures could cause information generated from the general ledger to be inaccurate and misleading. In addition, the School District could place itself in a position where potential misrepresentation of financial activities could occur.

Recommendation:
The School District should implement controls to ensure that only the minimum number of funds required by legal and operating requirements is established. Also, the School District should review these funds to determine how to fund the deficits and determine the disposition of the funds on hand.

FINANCIAL REPORTING
Inadequate Controls over Financial Reporting
Material Weakness
Finding Control Number: FS-7201-11-07

Condition:
The School District did not have adequate controls in place to ensure the accuracy of the financial statement information presented for audit.

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

Questioned Cost:
N/A

Information:
During the audit, the following correcting entries were proposed and accepted by the client to properly present the entity's financial statements.

1) The School District failed to correctly reflect outstanding wire transfers as liabilities. An audit adjustment of $293,263.33 was proposed and accepted to correctly state outstanding wire transfers as Payroll Withholding Payables.
2) The School District failed to record $233,603.72 of penalties and interest incurred on Payroll Withholding Payables incurred at June 30, 2011, as liabilities. An audit adjustment was proposed and accepted to correctly state liabilities.
3) The School District incorrectly recorded Operating Transfers between the General Fund and Capital Projects Fund of $345,022.65. An audit adjustment was necessary to remove the transfers from the financial statements.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

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

Effect:
The School District did not comply with the requirement of the Georgia Department of Education regarding financial reporting. Several adjustments were necessary in order for the School District's financial statements to be in conformity with generally accepted accounting principles.

Recommendation:
The School District should implement controls over the financial statements reporting process to ensure the completeness and accuracy of all activity recorded in the financial statement information presented for audit.

BUDGET PREPARATION/EXECUTION
Deficit Fund Balance
Failure to Adopt a Balanced Budget
Material Weakness
Finding Control Number: FS-7201-11-08

Condition:
This is a repeat finding (FS-7201-10-07 and FS-7201-09-08) from fiscal years ended June 30, 2010, and June 30, 2009, respectively. The General and Agency Funds of the Randolph County Board of Education reported deficit fund balances. In addition, the School District failed to adopt a balanced budget for the General Fund.

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

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

Questioned Costs:
N/A

Information:
The School District's General and Agency Funds reported deficit fund balances in the amounts of $1,664,186.88 and $7,572.22, respectively. In addition, the School District did not present the required monthly reports containing all anticipated expenditures, publish actual financial operations, and submit actual financial operations to appropriate authorities as required.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Cause:
The School District failed to monitor expenditures to ensure that the School District did not exceed available resources. Additionally, the School District's original and final budgets for the General Fund budgeted deficit fund balances in the amounts of $721,064.15 and $615,728.08, respectively.

Effect:
A financial statement irregularity in accordance with Official Code of Georgia Annotated §20-2-67.

Recommendation:
The School District should establish policies and procedures designed to ensure that expenditures do not exceed availability of resources, so that in future periods the School District does not report a deficit fund balance. In addition, appropriate procedures should be implemented to ensure that the adopted budget for each budgeted fund is balanced as required. Finally, the School District should establish procedures to meet the reporting requirement of O.C.G.A. §20-2-67 until the deficit is eliminated.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

ALLOWABLE COSTS/COST PRINCIPLES
Inadequate Internal Control over Employee Compensation Process
Significant Deficiency
U. S. Department of Education
Through Georgia Department of Education
Special Education Cluster (CFDA 84.027, 84.173, 84.391 and 84.392)
Title 1, Part A Cluster (CFDA 84.010 and 84.389)
U. S. Department of Health and Human Services
Head Start Cluster (CFDA 93.600 and 93.708)
Finding Control Number: FA-7201-11-01

Condition:
This is a repeat finding (FA-7201-10-01) from fiscal year ended June 30, 2010. A review of employee compensation charged to various Federal programs revealed that internal control procedures were not in place to ensure that employee compensation expenditures were properly documented and calculated. Leave reports were not maintained to support leave balances. Personnel activity reports were not completed in support of salaries and wages.

Criteria:
Provisions of OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, require that costs charged to a Federal award be program necessary and reasonable for proper and efficient performance and administration of the Federal Award, as well as, be adequately documented. Additionally, "Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation that meets the following standards:

a) They must reflect an after-the-fact distribution of the actual activity of each employee,
b) They must account for the total activity for which the employee is compensated,
c) They must be prepared at least monthly and must coincide with one or more pay periods, and
d) They must be signed by the employee."

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Questioned Cost:
N/A

Information:
A review of employee compensation revealed several instances where employee pay was incorrect due to calculation errors, additional pay was not supported by adequate documentation, and leave records were not maintained. Personnel activity reports did not account for the total activity for which the employees were compensated.

Cause:
Management did not have controls and procedures in place to assure that compensation charged to Federal programs and paid to personnel were supported by timesheets, were accurately calculated, and supported by personnel activity reports. In addition, management did not ensure their staff was adequately trained in the recording and/or reporting of leave on their financial reporting system.

Effect:
Failure to monitor employee compensation expenditures for compliance can result in noncompliance with the requirements of the Federal grant.

Recommendation:
The School District should establish and implement appropriate procedures to strengthen internal controls over processing employee compensation. The School District should implement procedures to ensure that all payroll disbursements are based on approved contracts, salary schedules, time worked and leave reports are maintained to support leave balances. Additionally, the School District should implement procedures to ensure that salaries and wages paid from Federal awards programs are properly documented in accordance with OMB Circular A-87.

SECTION V

MANAGEMENT'S RESPONSES

RANDOLPH COUNTY BOARD OF EDUCATION
SCHEDULE OF MANAGEMENT'S RESPONSES
YEAR ENDED JUNE 30, 2011

Finding Control Number: FS-7201-11-01

We concur with this finding.

- We are working to ensure proper cutoff for transactions in the fiscal period.
- We have contracted with an outside source to complete our bank reconciliations. In FY12 we have cleared reconciling items being carried over for excessive periods of time. The outstanding wire transfers were cleared in FY12.
- In FY12 we have strengthened our procedures to ensure expenditures have supportive documentation and paid in a timely manner with evidence of approval. We have implemented procedures to be sure expenditures are paid in a timely manner to avoid finance charges and late fees.
- In FY12 we have implemented procedures for employee compensation to reflect proper documentation, calculation and approval before disbursement of funds.
- The land in 2008 was not removed from the Capital Assets due to the fact that there was only a strip of an alley way Quit-Claimed for use on July 9, 2007 and Quit-Claimed back to Randolph County Board of Education on May 22, 2008. The additions purchased through a capital lease in fiscal year 2008 were capitalized in FY12 and depreciated accordingly.
- The School District had limited personnel with access to PCGenesis and reviews user access to accounting functions outside their area of responsibility.

Finding Control Number: FS-7201-11-02

We concur with this finding.

- In FY12 we have been meeting with the schools throughout the year to review ways to strengthen their bookkeeping and accountability.
- In FY12 and FY13 we are working with the schools to ensure the bank reconciliation and deposit preparation is separate of record keeping and the receipts are deposited in a timely manner.
- In FY13 we have implemented for each school to send a copy of the bank statement, reconciliation with all activity account information to be sent to the Finance Dept. for review and put on a spreadsheet with the correct revenue codes and expenditure codes to support the entries input at the end of the year into PCGenesis.

Finding Control Number: FS-7201-11-03

We concur with this finding. The School District will consult with legal counsel regarding expenditures in FY12 to be sure they were allowable expenses. The School District repaid the $27,491.31 in question for FY11 to Capital Projects in FY12.

Finding Control Number: FS-7201-11-04

Randolph County Board of Education consulted with legal counsel prior to paying off the capital lease debt and received in writing from the attorney that it was an allowable expense. The HVAC system purchased was a long-lived major improvement to all the sites and is chargeable to a capital asset account. The School District will consult with legal counsel with respect to the finding.

Finding Control Number: FS-7201-11-05

We concur with this finding. The School District is working to properly record capital leases to ensure all required activity is included in the financial statement for the audit. The Capital Lease with Citi Mortgage was capitalized in FY12 and depreciated accordingly for the years 2008-2012.

Finding Control Number: FS-7201-11-06

We concur with this finding. The School District has cleared all inactive funds on the general ledger in FY12.

Finding Control Number: FS-7201-11-07

We concur with this finding. The School District is reviewing procedures to strengthen internal controls over the financial statements reporting process.

Finding Control Number: FS-7201-11-08

We concur with this finding. The School District in FY12 has reduced the deficit fund balance to reflect a positive fund balance at the close of FY12. The School District has put procedures in place to meet reporting requirements.

Finding Control Number: FA-7201-11-01

We concur with this finding. In FY12 the School District implemented procedures to ensure employee compensation expenditures are properly documented and calculated with approved contracts, salary schedules and time sheets with accurate calculations.

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