

RANDOLPH COUNTY BOARD OF EDUCATION
CUTHBERT, GEORGIA

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

RANDOLPH COUNTY BOARD OF EDUCATION

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RANDOLPH COUNTY BOARD OF EDUCATION

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FINANCIAL

DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 1-156
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Greg S. Griffin
STATE AUDITOR
(404) 656-2174

October 22, 2014

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

Ladies and Gentlemen:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

Due to the lack of documentation supporting the activity for the Head Start and Pre-Kindergarten Programs which were recorded on a separate accounting system, we were not able to obtain sufficient appropriate audit evidence to substantiate the balances recorded in the financial statements. As a result of these matters, we were unable to determine if the School District's financial statements were materially correct.

Disclaimer Of Opinion

Because of the significance of the matter described in the "Basis for Disclaimer of Opinion" paragraph, we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements referred to in the first paragraph.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Accounting principles generally accepted in the United States of America require that the Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual, as presented on page 25, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We did not audit this information and express no opinion on it.

Other Information

Our audit was conducted as required by section 50-6-6(a) of the Official Code of Georgia Annotated. This statute does not allow for our withdrawal from the engagement. We prepared draft financial statements that were based on the School District's chart of accounts and available accounting records. Our preliminary testing identified that the accounting records were incomplete and did not contain all financial activity of both the Head Start and Pre-Kindergarten programs administered by the School District.

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

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We did not audit this information and express no opinion on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2014, 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* in considering Randolph County Board of Education's internal control over financial reporting and compliance.

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

Respectfully submitted,



Greg S. Griffin
State Auditor

GSG:as
2013ARL-23X

RANDOLPH COUNTY BOARD OF EDUCATION

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

EXHIBIT "A"

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and Cash Equivalents	$ 2,245,106.80
Investments	982,393.35
Accounts Receivable, Net	
Taxes	381,281.90
State Government	570,941.36
Federal Government	196,806.82
Other	30,665.74
Inventories	29,180.47
Capitalized Bond and Other Debt Issuance Costs	49,666.66
Capital Assets, Non-Depreciable	72,035.00
Capital Assets, Depreciable (Net of Accumulated Depreciation)	6,327,424.53
Total Assets	$ 10,885,502.63
LIABILITIES	
Accounts Payable	$ 153,062.17
Salaries and Benefits Payable	889,644.87
Payroll Withholdings Payable	161,667.16
Interest Payable	20,437.50
Deposits and Deferred Revenues	112,869.02
Long-Term Liabilities	
Due Within One Year	650,000.00
Due in More Than One Year	2,075,000.00
Total Liabilities	$ 4,062,680.72
NET POSITION	
Net Investment in Capital Assets	$ 5,012,688.42
Restricted for	
Bus Replacement	131,612.87
Continuation of Federal Programs	29,180.47
Debt Service	1,048,596.70
Capital Projects	857,451.41
Unrestricted	-256,707.96
Total Net Position	$ 6,822,821.91

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, 2013

EXHIBIT "B"

	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS	NET (EXPENSES) REVENUES AND CHANGES IN NET POSITION
GOVERNMENTAL ACTIVITIES				
Instruction	$ 6,428,204.45	$ 324,970.22	$ 4,603,263.77	$ -1,499,970.46
Support Services				
Pupil Services	462,180.46		105,280.34	-356,900.12
Improvement of Instructional Services	1,246,015.23		1,094,438.15	-151,577.08
Educational Media Services	175,435.52		134,189.82	-41,245.70
General Administration	364,458.12		48,000.78	-316,457.34
School Administration	740,887.36		434,920.13	-305,967.23
Business Administration	222,790.60		10,427.70	-212,362.90
Maintenance and Operation of Plant	926,608.31		370,658.70	-555,949.61
Student Transportation Services	887,363.10		368,181.79	-519,181.31
Central Support Services	75,062.87		7,589.88	-67,472.99
Other Support Services	76,947.00		64,648.95	-12,298.05
Operations of Non-Instructional Services				
Food Services	1,020,849.13	61,173.33	860,714.59	-98,961.21
Interest on Short-Term and Long-Term Debt	68,881.25			-68,881.25
Total Governmental Activities	$ 12,695,683.40	$ 386,143.55	$ 8,102,314.60	$ -4,207,225.25
General Revenues				
Taxes				
Property Taxes				
For Maintenance and Operations				$ 2,818,564.17
Railroad Cars				21,801.95
Sales Taxes				
Special Purpose Local Option Sales Tax				
For Debt Services				882,604.17
Other Sales Tax				13,006.22
Grants and Contributions not Restricted				
to Specific Programs				217,221.00
Investment Earnings				1,393.05
Miscellaneous				178,925.79
Total General Revenues				$ 4,133,516.35
Change in Net Position				$ -73,708.90
Net Position - Beginning of Year				6,896,530.81
Net Position - End of Year				$ 6,822,821.91

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, 2013

EXHIBIT "C"

	GENERAL FUND	DISTRICT-WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
ASSETS				
Cash and Cash Equivalents	$ 590,202.27	$ 1,654,904.53		$ 2,245,106.80
Investments			$ 982,393.35	982,393.35
Accounts Receivable, Net				
Taxes	315,078.55		66,203.35	381,281.90
State Government	570,941.36			570,941.36
Federal Government	196,806.82			196,806.82
Other	30,665.74			30,665.74
Inventories	29,180.47			29,180.47
Total Assets	$ 1,732,875.21	$ 1,654,904.53	$ 1,048,596.70	$ 4,436,376.44
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	$ 153,062.17	$ 0.00	$ 0.00	$ 153,062.17
Salaries and Benefits Payable	889,644.87			889,644.87
Payroll Withholdings Payable	161,667.16			161,667.16
Deposits and Deferred Revenue	349,139.02			349,139.02
Total Liabilities	$ 1,553,513.22	$ 0.00	$ 0.00	$ 1,553,513.22
FUND BALANCES				
Nonspendable	$ 29,180.47			$ 29,180.47
Restricted	131,612.87	$ 1,654,904.53	$ 1,048,596.70	2,835,114.10
Assigned	27.41			27.41
Unassigned	18,541.24			18,541.24
Total Fund Balances	$ 179,361.99	$ 1,654,904.53	$ 1,048,596.70	$ 2,882,863.22
Total Liabilities and Fund Balances	$ 1,732,875.21	$ 1,654,904.53	$ 1,048,596.70	$ 4,436,376.44

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 POSITION
JUNE 30, 2013

EXHIBIT "D"

Total Fund Balances - Governmental Funds (Exhibit "C")		$ 2,882,863.22
Amounts reported for Governmental Activities in the Statement of Net Position are different because:		
Capital Assets used in Governmental Activities are not financial resources and therefore are not reported as assets in governmental funds. These assets consist of:		
Land	$ 72,035.00	
Land Improvements	411,042.00	
Buildings	9,486,510.53	
Equipment	1,470,619.00	
Accumulated Depreciation	-5,040,747.00	
Total Capital Assets		6,399,459.53
Taxes that are not available to pay for current period expenditures are deferred in the governmental funds.		
Property Taxes		236,270.00
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	$ -2,725,000.00	
Accrued Interest Payable	-20,437.50	
Bond Issuance Costs, Net of Amortization	49,666.66	
Total Long-Term Liabilities		-2,695,770.84
Net Position of Governmental Activities (Exhibit "A")		$ 6,822,821.91

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, 2013

EXHIBIT "E"

	GENERAL FUND	DISTRICT-WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
REVENUES				
Property Taxes	$ 2,953,336.31			$ 2,953,336.31
Sales Taxes	13,006.22		$ 882,604.17	895,610.39
State Funds	4,922,915.32			4,922,915.32
Federal Funds	3,396,620.27			3,396,620.27
Charges for Services	386,143.55			386,143.55
Investment Earnings	230.57	$ 186.60	975.88	1,393.05
Miscellaneous	178,925.79			178,925.79
Total Revenues	$ 11,851,178.03	$ 186.60	$ 883,580.05	$ 12,734,944.68
EXPENDITURES				
Current				
Instruction	$ 5,933,937.79	$ 99,205.08		$ 6,033,142.87
Support Services				
Pupil Services	490,596.30	20,950.12		511,546.42
Improvement of Instructional Services	1,246,015.23			1,246,015.23
Educational Media Services	175,435.52			175,435.52
General Administration	226,533.89	63,058.73		289,592.62
School Administration	736,237.36	4,650.00		740,887.36
Business Administration	189,936.43	9,325.00		199,261.43
Maintenance and Operation of Plant	867,031.09	76,970.22		944,001.31
Student Transportation Services	732,946.58	63,447.29		796,393.87
Central Support Services	75,062.87			75,062.87
Other Support Services	76,947.00			76,947.00
Food Services Operation	1,065,124.88			1,065,124.88
Capital Outlay		175,210.12		175,210.12
Debt Services				
Principal			$ 625,000.00	625,000.00
Dues and Fees			537.50	537.50
Interest			68,343.75	68,343.75
Total Expenditures	$ 11,815,804.94	$ 512,816.56	$ 693,881.25	$ 13,022,502.75
Excess of Revenues over (under) Expenditures	$ 35,373.09	$ -512,629.96	$ 189,698.80	$ -287,558.07
OTHER FINANCING SOURCES (USES)				
Transfers In		$ 37,670.94	$ 0.00	$ 37,670.94
Transfers Out	$ -37,670.94			-37,670.94
Total Other Financing Sources (Uses)	$ -37,670.94	$ 37,670.94	$ 0.00	$ 0.00
Net Change in Fund Balances	$ -2,297.85	$ -474,959.02	$ 189,698.80	$ -287,558.07
Fund Balances - Beginning	181,659.84	2,129,863.55	858,897.90	3,170,421.29
Fund Balances - Ending	$ 179,361.99	$ 1,654,904.53	$ 1,048,596.70	$ 2,882,863.22

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, 2013

EXHIBIT "F"

Total Net Change in Fund Balances - Governmental Funds (Exhibit "E")		$ -287,558.07
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Capital Outlays are reported as expenditures in Governmental Funds. However, in the Statement of Activities, the cost of Capital Assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital Outlay	$ 98,105.53	
Depreciation Expense	-363,432.00	
Excess of Capital Outlay over Depreciation Expense		-265,326.47
Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		-112,970.19
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 Position 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:		
Amortization of Bond Issuance Costs		-12,416.67
Repayment of Long-Term Debt is reported as an expenditure in Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Position. In the current year, these amounts consist of:		
Bond Principal Retirements		625,000.00
Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in Governmental Funds. These activities consist of:		
Net Decrease in Accrued Interest on Issuance of Bonds		-20,437.50
Change in Net Position of Governmental Activities (Exhibit "B")		$ -73,708.90

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

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

EXHIBIT "G"

	PRIVATE PURPOSE TRUSTS	AGENCY FUNDS
ASSETS		
Cash and Cash Equivalents	$ 0.00	$ 2,258.60
Accounts Receivable, Net		
Other		11,250.00
Total Assets	$ 0.00	$ 13,508.60
LIABILITIES		
Accounts Payable	$ 0.00	$ 862.10
Funds Held for Others		12,646.50
Total Liabilities	$ 0.00	$ 13,508.60
NET POSITION		
Held in Trust for Private Purposes	$ 0.00	

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

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

EXHIBIT "H"

	PRIVATE PURPOSE TRUSTS
ADDITIONS	
Contributions	
Donors	$ 3,000.00
DEDUCTIONS	
Scholarships	$ 3,000.00
Change in Net Position	$ 0.00
Net Position - Beginning	0.00
Net Position - Ending	$ 0.00

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

NOTE 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

REPORTING ENTITY

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

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

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

Fund Financial Statements:
The fund financial statements provide information about the School District's funds, 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.

The School District reports the following major governmental funds:

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

The School District reports the following fiduciary fund types:

- Private Purpose Trust fund report trust arrangements under which principal and income benefit student scholarships.
- Agency funds account for assets held by the School District as an agent for various funds, governments or individuals.

BASIS OF ACCOUNTING

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

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. The School District considers all intergovernmental revenues to be available if they are collected within 120 days after year-end. Property taxes, sales taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities are reported as other financing sources.

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

NEW ACCOUNTING PRONOUNCEMENTS

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

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

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

CASH AND CASH EQUIVALENTS

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

INVESTMENTS

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

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

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

RECEIVABLES

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

PROPERTY TAXES

The Randolph County Board of Commissioners adopted the property tax levy for the 2012 tax digest year (calendar year) on July 26, 2012 (levy date) based on property values as of January 1, 2012. Taxes were due on December 20, 2012 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2012 tax digest are reported as revenue in the governmental funds for fiscal year 2013. The 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, 2013, for maintenance and operations amounted to $2,907,504.89.

The tax millage rate levied for the 2012 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	16.88 mills

Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to $24,029.47 during fiscal year ended June 30, 2013.

SALES TAXES

Education Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to $882,604.17 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 Position.

NET POSITION

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

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

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

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

FUND BALANCES

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

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

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

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

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

Unassigned – The residual classification for the General Fund. This classification represents fund balances that 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, 2013, are as follows:

Nonspendable		
Inventories		$ 29,180.47
Restricted		
Bus Replacement	$ 131,612.87	
Capital Projects	1,654,904.53	
Debt Service	1,048,596.70	2,835,114.10
Assigned		
School Activity Accounts		27.41
Unassigned		18,541.24
Fund Balance, June 30, 2013		$ 2,882,863.22

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

DEFICIT FUND BALANCES

The fund reporting a deficit fund balance at June 30, 2013, is as follows:

Fund Type/Fund Name	Deficit Balance
Governmental Funds	
School Food Service	$ 46,509.58

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

All school nutrition employees daily work hours have been reduced by one hour with the exception of the director, the manager and the bookkeeper; no full time substitute employees; and reduce staff by attrition and elimination.

USE OF ESTIMATES

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

NOTE 3: BUDGETARY DATA

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

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

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

NOTE 4: DEPOSITS AND INVESTMENTS

COLLATERALIZATION OF DEPOSITS

Official Code of Georgia Annotated (O.C.G.A.) Section 45-8-12 provides that there shall not be on deposit at any time in any depository for a time longer than ten days a sum of money which has not been secured by surety bond, by guarantee of insurance, or by collateral. The aggregate of the face value of such surety bond and the market value of securities pledged shall be equal to not less than 110 percent of the public funds being secured after the deduction of the amount of deposit insurance. If a depository elects the pooled method (O.C.G.A. Section 45-8-13.1) the aggregate of the market value of the securities pledged to secure a pool of public funds shall be not less than 110 percent of the daily pool balance. At June 30, 2013, $310,907.61 of deposits were not secured by surety bond, insurance or collateral as specified above. The School District is working with the affected financial institutions to ensure appropriate levels of collateral are maintained for all of the School District's deposits.

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

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

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

CATEGORIZATION OF DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At June 30, 2013, the bank balances were $3,354,123.17. The amounts exposed to custodial credit risk are classified into three categories as follows:

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

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

Custodial Credit Risk Category	Bank Balance
1	$ 310,907.61
2	0.00
3	0.00
Total	$ 310,907.61

CATEGORIZATION OF INVESTMENTS

At June 30, 2013, the carrying value of the School District's total investments was $982,393.35, which is materially the same as fair value. This investment consisted entirely of funds invested in the Georgia Fund 1, formerly referred to as LGIP, administered by the State of Georgia, Office of the State Treasurer which is not required to be categorized since the School District did not own any specific identifiable securities in the pool. The investment policy of the State of Georgia, Office of the State Treasurer for the Georgia Fund 1 (Primary Liquidity Portfolio) does not provide for investment in

derivatives or similar investments. Additional information on the Georgia Fund 1 is disclosed in the *State of Georgia* Comprehensive Annual Financial Report. This audit can be obtained from the Georgia Department of Audits and Accounts at http://www.audits.ga.gov/SGD/cafr.html.

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

NOTE 5: NON-MONETARY TRANSACTIONS

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

NOTE 6: CAPITAL ASSETS

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

	Balances July 1, 2012	Increases	Decreases	Balances June 30, 2013
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	$ 72,035.00	$ 0.00	$ 0.00	$ 72,035.00
Capital Assets, Being Depreciated:				
Buildings and Improvements	$ 9,388,405.00	$ 98,105.53	$ 0.00	$ 9,486,510.53
Equipment	1,470,619.00			1,470,619.00
Land Improvements	411,042.00			411,042.00
Less: Accumulated Depreciation:				
Buildings and Improvements	3,505,016.00	247,726.00		3,752,742.00
Equipment	901,257.00	102,373.00		1,003,630.00
Land Improvements	271,042.00	13,333.00		284,375.00
Total Capital Assets, Being Depreciated, Net	$ 6,592,751.00	$ -265,326.47	$ 0.00	$ 6,327,424.53
Governmental Activity Capital Assets - Net	$ 6,664,786.00	$ -265,326.47	$ 0.00	$ 6,399,459.53

Current year depreciation expense by function is as follows:

Instruction		$ 221,662.00
Support Services		
General Administration	$ 30,495.00	
Student Transportation Services	110,211.00	140,706.00
Food Services		1,064.00
		$ 363,432.00

NOTE 7: INTERFUND TRANSFERS

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

Transfer to	Transfers From General Fund
District-wide Capital Projects	$ 37,670.94

Transfers are used to cover SPLOST expenditures deemed unallowable in prior year audit.

NOTE 8: RISK MANAGEMENT

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

The School District 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
2012	$ 0.00	$ 176,269.00	$ 176,269.00	$ 0.00
2013	$ 0.00	$ 28,512.72	$ 28,512.72	$ 0.00

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

occurrence maximum. Safety National Casualty Company also provides $2 million in aggregate coverage to the Trust, attaching at 110% of the loss fund and based on the Fund's annual normal premium.

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

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

NOTE 9: 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, 2013, for governmental funds amounted to $92,099.41. Future minimum lease payments for these leases are as follows:

Year Ending	Governmental Funds
2014	$ 86,081.20
2015	33,206.20
2016	2,131.20
2017	532.80
Total	$ 121,951.40

NOTE 10: SHORT-TERM DEBT

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

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

	Beginning Balance	Issued	Redeemed	Ending Balance
Tax Anticipation Notes	$ 0.00	$ 400,000.00	$ 400,000.00	$ 0.00

NOTE 11: LONG-TERM DEBT

GENERAL OBLIGATION DEBT OUTSTANDING

General Obligation Bonds currently outstanding are as follows:

Purpose	Interest Rate	Amount
General Government - Series 2011	2.25%	$ 2,725,000.00

Voters have authorized $150,000.00 in general obligation debt for Randolph County Board of Education which was not issued as of June 30, 2013.

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

	Governmental Activities				
	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013	Due Within One Year
G. O. Bonds	$ 3,350,000.00	$ 0.00	$ 625,000.00	$ 2,725,000.00	$ 650,000.00

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

	General Obligation Debt	
	Principal	Interest
Fiscal Year Ended June 30:		
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	$ 2,725,000.00	$ 124,593.75

NOTE 12: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of $624,875.10 for health insurance and retirement contributions paid on the School District's behalf by the following State Agencies.

Georgia Department of Education
Paid to the Georgia Department of Community Health
For Health Insurance of Certificated Personnel
In the amount of $588,708.00

Paid to the Teachers' Retirement System of Georgia
For Teachers' Retirement System (TRS) Employer's Cost
In the amount of $5,723.10

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 $30,444.00

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

NOTE 13: SIGNIFICANT CONTINGENT LIABILITIES

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

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

NOTE 14: POST-EMPLOYMENT BENEFITS

GEORGIA SCHOOL PERSONNEL POST-EMPLOYMENT HEALTH BENEFIT FUND

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

Funding Policy. The contribution requirements of plan members and participating employers are established by the Board in accordance with the current Appropriations Act and may be amended by the Board. Contributions of plan members or beneficiaries receiving benefits vary based on plan election, dependent coverage, and Medicare eligibility and election. For members with fewer than five years of service as of January 1, 2013, contributions also vary based on years of service. On average, members with five years or more of service as of January 1, 2013, pay approximately 25 percent of the cost of the health insurance coverage. In accordance with the Board resolution dated December 8, 2011, for members with fewer than five years of service as of January 1, 2013, the State provides a premium subsidy in retirement that ranges from 0% for fewer than 10 years of service to 75% (but no greater than the subsidy percentage offered to active employees) for 30 or more years of service. The subsidy for eligible dependents ranges from 0% to 55% (but no greater than the subsidy percentage offered to dependents of active employees minus 20%). No subsidy is available to Medicare eligible members not enrolled in a Medicare Advantage Option. The Board of Community Health sets all member premiums by resolution and in accordance with the law and applicable revenue and expense projections. Any subsidy policy adopted by the Board may be changed at any time by Board resolution and does not constitute a contract or promise of any amount of subsidy.

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

The combined active and retiree contribution rates established by the Board for employers participating in the School OPEB Fund were as follows for the fiscal year ended June 30, 2013:

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

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

For non-certificated school personnel:

July 2012 - June 2013	$446.20 per member per month

No additional contribution was required by the Board for fiscal year 2013 nor contributed to the School OPEB Fund to prefund retiree benefits. Such additional contribution amounts are determined annually by the Board in accordance with the School plan for other post-employment benefits and are subject to appropriation.

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

Fiscal Year	Percentage Contributed	Required Contribution
2013	100%	$ 1,240,103.87
2012	100%	$ 1,093,672.23
2011	100%	$ 1,089,020.48

NOTE 15: RETIREMENT PLANS

TEACHERS' RETIREMENT SYSTEM OF GEORGIA (TRS)

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

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

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

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

Funding Policy. TRS is funded by member and employer contributions as adopted and amended by the Board of Trustees. Members become fully vested after 10 years of service. If a member terminates with less than 10 years of service, no vesting of employer contributions occurs, but the member's contributions may be refunded with interest. Member contributions are limited by State law to not less than 5% or more than 6% of a member's earnable compensation. Member

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

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

Fiscal Year	Percentage Contributed		Required Contribution
2013	100%	$	625,382.03
2012	100%	$	622,300.99
2011	100%	$	741,205.07

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, 2013

SCHEDULE "1"

	NONAPPROPRIATED BUDGETS		ACTUAL	VARIANCE
	ORIGINAL (1)	FINAL (1)	AMOUNTS	OVER/UNDER
REVENUES				
Property Taxes	$ 3,100,000.00	$ 3,100,000.00	$ 2,953,336.31	$ -146,663.69
Sales Taxes			13,006.22	13,006.22
State Funds	4,636,874.30	4,808,982.30	4,922,915.32	113,933.02
Federal Funds	1,178,795.00	3,283,034.00	3,396,620.27	113,586.27
Charges for Services	356,858.00	356,858.00	386,143.55	29,285.55
Investment Earnings	105.00	105.00	230.57	125.57
Miscellaneous	81,130.38	81,130.38	178,925.79	97,795.41
Total Revenues	$ 9,353,762.68	$ 11,630,109.68	$ 11,851,178.03	$ 221,068.35
EXPENDITURES				
Current				
Instruction	$ 4,950,660.68	$ 5,863,117.01	$ 5,933,937.79	$ -70,820.78
Support Services				
Pupil Services	194,696.00	187,283.00	490,596.30	-303,313.30
Improvement of Instructional Services	236,572.00	1,143,912.00	1,246,015.23	-102,103.23
Educational Media Services	181,349.00	181,349.00	175,435.52	5,913.48
General Administration	214,844.00	265,313.10	226,533.89	38,779.21
School Administration	667,034.00	706,276.69	736,237.36	-29,960.67
Business Administration	361,943.00	344,946.50	189,936.43	155,010.07
Maintenance and Operation of Plant	793,208.00	839,248.00	867,031.09	-27,783.09
Student Transportation Services	683,610.00	715,264.00	732,946.58	-17,682.58
Central Support Services	72,000.00	75,294.48	75,062.87	231.61
Other Support Services	9,718.00	81,737.00	76,947.00	4,790.00
Food Services Operation	1,059,983.00	1,066,422.00	1,065,124.88	1,297.12
Total Expenditures	$ 9,425,617.68	$ 11,470,162.78	$ 11,815,804.94	$ -345,642.16
Excess of Revenues over (under) Expenditures	$ -71,855.00	$ 159,946.90	$ 35,373.09	$ -124,573.81
OTHER FINANCING USES				
Other Uses			-37,670.94	-37,670.94
Net Change in Fund Balances	$ -71,855.00	$ 159,946.90	$ -2,297.85	$ -162,244.75
Fund Balances - Beginning	202,173.88	202,173.88	181,659.84	-20,514.04
Adjustments	-14,280.20	7,839.01		-7,839.01
Fund Balances - Ending	$ 116,038.68	$ 369,959.79	$ 179,361.99	$ -190,597.80

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

(1) Original and Final Budget amounts do not include the actual revenues ($135,655.95) or expenditures ($134,937.31) 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, 2013

SCHEDULE "2"

FUNDING AGENCY PROGRAM/GRANT		CFDA NUMBER	PASS-THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD	
Agriculture, U. S. Department of					
Child Nutrition Cluster					
Pass-Through From Georgia Department of Education					
Food Services					
School Breakfast Program	*	10.553	N/A	(2)	
National School Lunch Program	*	10.555	N/A	$ 1,086,099.12	(1)
Total U. S. Department of Agriculture				$ 1,086,099.12	
Education, U. S. Department of					
School Improvement Grants Cluster					
Pass-Through From Georgia Department of Education					
School Improvement Grants		84.377	N/A	$ 1,126,226.66	
Special Education Cluster					
Pass-Through From Georgia Department of Education					
Special Education					
Grants to States	*	84.027	N/A	$ 247,645.02	
Preschool Grants	*	84.173	N/A	10,669.00	
Total Special Education Cluster				$ 258,314.02	
Title I, Part A Cluster					
Pass-Through From Georgia Department of Education					
Title I Grants to Local Educational Agencies		84.010	N/A	$ 668,288.49	
Other Programs					
Pass-Through From Georgia Department of Education					
Career and Technical Education - Basic Grants to States		84.048	N/A	$ 26,308.74	
Education Jobs Fund		84.410	N/A	465.00	
Improving Teacher Quality State Grants		84.367	N/A	123,867.86	
Rural Education		84.358	N/A	40,190.60	
Total Other Programs				$ 190,832.20	
Total U. S. Department of Education				$ 2,243,661.37	
Health and Human Services, U. S. Department of					
Direct					
Head Start	*	93.600	N/A	$ 866,762.84	
Total Expenditures of Federal Awards				$ 4,196,523.33	

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 $58,910.44.

(2) Expenditures for the funds earned on the School Breakfast Program ($295,120.45) were not maintained separately and are included in the 2013 National School Lunch Program.

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

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

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the 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, 2013

SCHEDULE "3"

AGENCY/FUNDING	GOVERNMENTAL FUND TYPE GENERAL FUND
GRANTS	
Bright From the Start:	
Georgia Department of Early Care and Learning	
Pre-Kindergarten Program	$ 120,484.97
Education, Georgia Department of	
Quality Basic Education (1)	
Direct Instructional Cost	
Kindergarten Program	210,138.00
Kindergarten Program - Early Intervention Program	154,794.00
Primary Grades (1-3) Program	451,095.00
Primary Grades - Early Intervention (1-3) Program	372,515.00
Upper Elementary Grades (4-5) Program	194,734.00
Upper Elementary Grades - Early Intervention (4-5) Program	172,395.00
Middle Grades (6-8) Program	599,721.00
High School General Education (9-12) Program	667,274.00
Vocational Laboratory (9-12) Program	185,147.00
Students with Disabilities	797,722.00
Remedial Education Program	48,297.00
Alternative Education Program	55,972.00
Media Center Program	99,836.00
20 Days Additional Instruction	32,555.00
Staff and Professional Development	20,829.00
Indirect Cost	
Central Administration	307,412.00
School Administration	318,479.00
Facility Maintenance and Operations	247,912.00
Amended Formula Adjustment	-793,286.00
Categorical Grants	
Pupil Transportation	
Regular	265,021.00
Nursing Services	45,000.00
Education Equalization Funding Grant	217,221.00
Other State Programs	
Food Services	21,766.00
Math and Science Supplements	8,200.30
Preschool Handicapped Program	50,752.00
Teachers' Retirement	5,723.10
Vocational Education	14,761.95
Office of the State Treasurer	
Public School Employees' Retirement	30,444.00
	$ 4,922,915.32

(1) Payments to the Georgia Department of Community Health by the Georgia Department of Education on behalf of the School District in the amount of $588,708.00 are included as part of the Quality Basic Education revenue allotments above.

See notes to the basic financial statements.

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

SCHEDULE "4"

PROJECT	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3) (4)	AMOUNT EXPENDED IN PRIOR YEARS (3) (4)	TOTAL COMPLETION COST	EXCESS PROCEEDS NOT EXPENDED	ESTIMATED COMPLETION DATE
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	$ 68,066.92	$ 3,203,983.94	$ 0.00	$ 0.00	6/30/2014
SPLOST III Repairing, renovating, extending, improving, rehabilitating, equipping, and upgrading existing facilities of the Randolph County School District, to include roof repairs;	$ 18,462.79	$ 2,137,437.14	$ 73,107.97	$ 18,462.79	$ 0.00	$ 0.00	6/30/2014
acquiring mechanical and electrical systems and equipment;	1,674,817.14	1,674,817.14		1,674,817.14			6/30/2014
installing system-wide instructional and administrative technology, safety and security equipment;	115,427.27	416,049.92	300,622.65	115,427.27			6/30/2014
acquisition of school buses and transportation equipment;	259,748.67	262,616.67	2,868.00	259,748.67			6/30/2014
acquisition of fine arts, vocational, and physical education/athletic equipment and facilities;	1,450.32	37,136.44	23,650.12	1,450.32			6/30/2014
acquiring textbooks;	39,058.24	82,904.80	43,846.56	39,058.24			6/30/2014
and planning for new School District site development and site acquisition.	2,591,035.57	100,000.00					6/30/2014
Totals SPLOST III	$ 4,700,000.00	$ 4,710,962.11	$ 444,095.30	$ 2,108,964.43	$ 0.00	$ 0.00	
	$ 8,500,000.00	$ 8,510,962.11	$ 512,162.22	$ 5,312,948.37	$ 0.00	$ 0.00	

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

(2) The School District's current estimate of total cost for the 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.

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

Prior Years	$ 53,390.63
Current Year	68,343.75
Total	$ 121,734.38

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, 2013

SCHEDULE "5"

DESCRIPTION	ALLOTMENTS FROM GEORGIA DEPARTMENT OF EDUCATION (1) (2) (3)	ELIGIBLE QBE PROGRAM COSTS SALARIES	OPERATIONS	TOTAL
Direct Instructional Programs				
Kindergarten Program	$ 281,430.00	$ 321,360.60	$ 3,147.77	$ 324,508.37
Kindergarten Program-Early Intervention Program	167,716.00		398.00	398.00
Primary Grades (1-3) Program	535,294.00	744,551.97	5,658.19	750,210.16
Primary Grades-Early Intervention (1-3) Program	420,310.00		1,026.21	1,026.21
Upper Elementary Grades (4-5) Program	251,731.00	435,662.51	3,355.91	439,018.42
Upper Elementary Grades-Early Intervention (4-5) Program	190,585.00		544.90	544.90
Middle Grades (6-8) Program	724,053.00	502,314.67	7,027.28	509,341.95
High School General Education (9-12) Program	776,991.00	767,203.22	10,519.59	777,722.81
Vocational Laboratory (9-12) Program	223,275.00	196,325.04	8,122.31	204,447.35
Students with Disabilities	950,948.00			
Category I		1,581.32	1,399.49	2,980.81
Category II		185,418.87	304.23	185,723.10
Category III		214,783.24	4,236.74	219,019.98
Category IV			598.27	598.27
Category V		83,358.72	2,369.20	85,727.92
Remedial Education Program	62,092.00			
Alternative Education Program	66,248.00			
TOTAL DIRECT INSTRUCTIONAL PROGRAMS	$ 4,650,673.00	$ 3,452,560.16	$ 48,708.09	$ 3,501,268.25
Media Center Program	119,060.00	159,640.29	7,874.85	167,515.14
Staff and Professional Development	24,536.00		3,582.21	3,582.21
TOTAL QBE FORMULA FUNDS	$ 4,794,269.00	$ 3,612,200.45	$ 60,165.15	$ 3,672,365.60

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

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

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

See notes to the basic financial statements.

SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS

DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

October 22, 2014

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 were engaged to 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, 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, 2013, and the related notes to the financial statements, which collectively comprise Randolph County Board of Education's basic financial statements and have issued our report thereon dated October 22, 2014. The report on the financial statements was disclaimed because we were unable to obtain sufficient appropriate audit evidence supporting the balances recorded on the SAGE Peachtree Accounting System.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 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 the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items FS-7201-13-01, FS-7201-13-02, and FS-7201-13-04 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 the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item FS-7201-13-03 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Randolph County Board of Education's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item FS-7201-13-04.

We also noted certain matters that we have reported to management of Randolph County Board of Education in a separate letter dated October 22, 2014.

Randolph County Board of Education's Response to Findings

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

Purpose of this Report

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

Respectfully submitted,



Greg S. Griffin
State Auditor

GSG:as
2013YB-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

October 22, 2014

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 FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Ladies and Gentlemen:

Report on Compliance for Each Major Federal Program

We have audited 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, 2013. 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.

Management's Responsibility

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

Auditor's Responsibility

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

Basis for Disclaimer of Opinion on Head Start Program (CFDA 93.600)

As described in the accompanying Schedule of Findings and Questioned Costs, Randolph County Board of Education did not comply with requirements regarding the Head Start Program (CFDA 93.600) as described in item FA-7201-13-01 for Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Equipment and Real Property Management, Matching, Level of Effort and Earmarking, Period of Availability of Federal Funds, and Reporting. Compliance with such requirements is necessary, in our opinion, for Randolph County Board of Education to comply with requirements applicable to that program.

Disclaimer of Opinion on Head Start Program (CFDA 93.600)

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an opinion on compliance for the Head Start Program. Accordingly, we do not express an opinion on Randolph County Board of Education's compliance referred to above for the year ended June 30, 2013.

Basis for Qualified Opinion on Child Nutrition Cluster

As described in the accompanying Schedule of Findings and Questioned Costs, Randolph County Board of Education did not comply with requirements regarding Child Nutrition Cluster as described in item FA-7201-13-03 for Equipment and Real Property Management. Compliance with such requirements is necessary, in our opinion, for Randolph County Board of Education to comply with requirements applicable to that program.

Qualified Opinion on Child Nutrition Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Randolph County Board of Education complied, in all material respects with the types of compliance requirements referred to above that could have a direct and material effect on Child Nutrition Cluster for the year ended June 30, 2013.

Unmodified Opinion on the Other Major Federal Program

In our opinion, Randolph County Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the other major Federal program identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items FA-7201-13-02 and FA-7201-13-04. Our opinion on each major Federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items FA-7201-13-01 and FA-7201-13-03 to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items FA-7201-13-02 and FA-7201-13-04 to be significant deficiencies.

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

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

Respectfully submitted,



Greg S. Griffin
State Auditor

GSG:as
2013SA-55X

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, 2013

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FINDING CONTROL NUMBER	AUDITEE'S RESPONSE/STATUS	SEE AUDITOR'S COMMENTS
FS-7201-10-03	Partially Resolved – See Corrective Action/Responses	
FS-7201-11-01	Further Action Not Warranted	(1)
FS-7201-11-02	Further Action Not Warranted	(1)
FS-7201-11-04	Unresolved - See Corrective Action/Responses	
FS-7201-11-08	Further Action Not Warranted	(2)
FS-7201-12-01	Unresolved- See Corrective Action/Responses	
FS-7201-12-02	Unresolved- See Corrective Action/Responses	
FS-7201-12-03	Unresolved- See Corrective Action/Responses	
FS-7201-12-04	Partially Resolved – See Corrective Action/Responses	
FS-7201-12-05	Further Action Not Warranted	(2)

AUDITOR'S COMMENTS

(1) Finding has been repeated in fiscal years 2012 and 2013.

(2) Findings/internal control deficiencies of this nature, that are not deemed significant deficiencies or material weaknesses and do not require reporting in the audit report in accordance with *Statements on Auditing Standards* (SAS) 122 or *Governmental Auditing Standards* (Yellow Book), will be communicated in a management letter.

CORRECTIVE ACTION/RESPONSES

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. All subsequent receipts for SPLOST will go directly into the SPLOST bank account. We are currently researching to find documentation of the transfer of funds back to the SPLOST account.

EXPENDITURES
Improper Use of Bond Proceeds
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 consulted with legal counsel with respect to this finding. Legal counsel found the expenditure clearly within the cited purposes set forth in the referendum. We have the letter on file for review.

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

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

CORRECTIVE ACTION/RESPONSES

ACCOUNTING CONTROLS (OVERALL)
CASH AND CASH EQUIVALENTS
REVENUES/RECEIVABLES/RECEIPTS
EXPENDITURES/LIABILITIES/DISBURSEMENTS
GENERAL LEDGER
Inadequate Accounting Procedures
Finding Control Number: FS-7201-12-01

We are working to establish internal controls that will support and ensure system documentation. We have an in-house, non-Head Start employee to complete bank reconciliations, starting fiscal year 2014. The School District has implemented adequate procedures, including documentation, to ensure receivables and payables are accurately recorded and valid. Starting in fiscal year 2014, salaries and benefits will be accrued on PC Genesis. A general ledger supporting the activity for the Head Start Program and the Pre-Kindergarten Program will be maintained within PC Genesis in fiscal year 2014. Journal entries will be recorded in PC Genesis in fiscal year 2014.

CASH AND CASH EQUIVALENTS
REVENUES/RECEIVABLES/RECEIPTS
EXPENDITURES/LIABILITIES/DISBURSEMENTS
EMPLOYEE COMPENSATION
CAPITAL ASSETS
Inadequate Accounting Procedures
Finding Control Number: FS-7201-12-02

We are continually working to ensure proper cutoff for transactions in the fiscal period. We have an in-house employee, totally independent from the Finance department, to complete our bank reconciliations. In fiscal year 2012 and fiscal year 2013, we cleared reconciling items being carried over for excessive periods of time. The outstanding wire transfers were cleared in fiscal year 2012 and fiscal year 2013. In fiscal year 2012 we strengthened our procedures to ensure expenditures have supportive documentation and paid in a timely manner with evidence of approval. We have implemented procedure to be sure expenditures are paid in a timely manner to avoid finance charges and late fees. In fiscal year 2012 we implemented procedures for employee compensations to reflect proper documentation, calculation, and approval before disbursement of funds. The land purchased 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 fiscal year 2012 and depreciated accordingly.

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

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

CORRECTIVE ACTION/RESPONSES

CASH AND CASH EQUIVALENTS
REVENUES/RECEIVABLES/RECEIPTS
EXPENDITURES/LIABILITIES/DISBURSEMENTS
Inadequate Internal Controls over School Activity Accounts
Finding Control Number: FS-7201-12-03

We met with the schools throughout the year to review ways to strengthen their bookkeeping and accountability. We are working with the schools to ensure the bank reconciliations and deposit preparation is separate of record keeping and the receipts are deposited in a timely manner. We have implemented for each school to send a copy of the bank statement, reconciliation with all activity account information to the Finance Department 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 PC Genesis.

EMPLOYEE COMPENSATION
Inaccurate Senior Management Compensation
Finding Control Number: FS-7201-12-04

In fiscal year 2014, we developed and implemented controls to ensure that payments made to the Superintendent are based on the employment contract and Board policy.

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

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING CONTROL NUMBER	AUDITEE'S RESPONSE/STATUS
FA-7201-11-01	Further Action Not Warranted - Finding has been closed by the grantor, Georgia Department of Education
FA-7201-12-01	Unresolved
FA-7201-12-02	Unresolved
FA-7201-12-03	Unresolved
FA-7201-12-04	Unresolved

CORRECTIVE ACTION/RESPONSES

ACTIVITIES ALLOWED OR UNALLOWED
ALLOWABLE COSTS/COST PRINCIPLES
CASH MANAGEMENT
MATCHING, LEVEL OF EFFORT AND EARMARKING
PERIOD OF AVAILABILITY OF FEDERAL FUNDS
REPORTING
Inadequate Internal Controls over Federal Program
U. S. Department of Health and Human Services
Head Start (CFDA 93.600)
Finding Control Number: FA-7201-12-01

We are implementing controls and procedures to ensure that all Federal revenues and expenditures are recorded in accordance with OMB Circular A-87 and the terms and conditions of the Head Start award. These controls and procedures include the use of PC Genesis and adequate documentation for administrative expenses.

ALLOWABLE COSTS/COST PRINCIPLES
Inadequate Internal Controls over Employee Compensation Process
U. S. Department of Agriculture
Through Georgia Department of Education
Child Nutrition Cluster (CFDA 10.553 and 10.555)
U. S. Department of Education
Through Georgia Department of Education
Special Education Cluster (CFDA 84.027 and 84.173)
U. S. Department of Health and Human Services
Head Start (CFDA 93.600)
Finding Control Number: FA-7201-12-02

In fiscal year 2013 the School District began implementing a new leave system from DOE to ensure employee compensation expenditures are properly documented and calculated with approved contracts, salary schedules, and time sheets with accurate calculations.

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

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

CORRECTIVE ACTION/RESPONSES

EQUIPMENT AND REAL PROPERTY MANAGEMENT
Inadequate Internal Control Procedures
U. S. Department of Agriculture
Through Georgia Department of Education
Child Nutrition Cluster (CFDA 10.553 and 10.555)
Finding Control Number: FA-7201-12-03

In fiscal year 2014, we are developing an equipment listing including information on each piece of equipment's cost, acquisition date, serial number, percentage of Federal participation, who holds the title, use and condition of property, and ultimate disposal data. Inventory checks will be conducted periodically.

SPECIAL TESTS AND PROVISIONS
Failure to Transfer Funds Timely
U. S. Department of Agriculture
Through Georgia Department of Education
Child Nutrition Cluster (CFDA 10.553 and 10.555)
Finding Control Number: FA-7201-12-04

In fiscal year 2014, we are implementing procedures to ensure that funds are transferred promptly in compliance with Federal guidelines.

SECTION IV

FINDINGS AND QUESTIONED COSTS

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

I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issue:

Governmental Activities; General Fund; Capital Projects Fund; Debt Service Fund; Aggregate Remaining Fund Information	Disclaimer

Internal control over financial reporting:

▪ Material weaknesses identified?	Yes
▪ Significant deficiency identified?	Yes

Noncompliance material to financial statements noted:	Yes

Federal Awards

Internal Control over major programs:

▪ Material weaknesses identified?	Yes
▪ Significant deficiency identified?	Yes

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

CFDA Numbers	Name of Federal Program or Cluster	Type of Auditor's Report
10.553, 10.555	Child Nutrition Cluster	Qualified
84.027, 84.173	Special Education Cluster	Unmodified
93.600	Head Start Cluster	Disclaimed

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

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
10.553, 10.555	Child Nutrition Cluster
84.027, 84.173	Special Education Cluster
93.600	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

Finding Control Number:	FS-7201-13-01 Inadequate Accounting Procedures - Head Start and Pre-K Programs
Control Category:	Accounting Controls (Overall) Cash and Cash Equivalents Revenues/Receivables/Receipts Financial Reporting Expenditures/Liabilities/Disbursements General Ledger
Internal Control Impact:	Material Weakness

Description:

This is a repeat finding (FS-7201-12-01) from fiscal year ended June 30, 2012. The accounting procedures of the School District were insufficient to provide for adequate internal controls over numerous control categories for the Head Start Grant Fund and the Pre-Kindergarten Program Fund.

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 for the Head Start Grant and Pre-Kindergarten funds. Such internal controls would limit any one individual's access to both physical assets and the related accounting records.

Condition:

Accounting Controls (Overall)

- The School District did not have internal controls in place to ensure the reliability and accuracy of the financial activity for these programs which were partially maintained on a separate accounting system from the rest of the School District activities.

Cash and Cash Equivalents

- The School District did not ensure that all bank reconciliations were adequately prepared. The bank reconciliations did not reconcile to the general ledger;
- No administrative review was performed on the Head Start bank reconciliations; and
- Timeliness of the Head Start bank reconciliations could not be determined because they were not dated by the preparer or the approver.

Revenues/Receivables/Receipts

- The School District did not have adequate procedures in place to ensure that Head Start and Pre-Kindergarten program revenues recorded on the general ledger were complete and accurate.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Expenditures/Liabilities/Disbursements

- The School District did not have adequate procedures in place to ensure that payables recorded on the general ledger were complete and accurate.

General Ledger

- The School District did not properly maintain a general ledger supporting the activity for the Head Start Program and the Pre-Kindergarten Program;
- The School District was unable to provide documentation to support all journal entries posted to the general ledger;
- School District did not provide sufficient appropriate audit evidence to support the balances recorded on the general ledger; and
- The School District did not provide journal entries to record the Head Start and Pre-Kindergarten activity to the financial statements.

Cause:
In discussing this deficiency with the School District, management indicated that the cause was a direct result of moving the accounting for the Head Start and Pre-Kindergarten programs, with the exception of employee compensation, to a different accounting system without establishing related internal controls from the PC Genesis system in November of 2011. In doing so management failed to implement adequate controls to ensure that (1) bank reconciliations were properly prepared, (2) revenues and receivables were recorded appropriately, (3) liabilities were recorded appropriately, (4) adequate documentation was maintained for journal entries, and (5) adequate controls over the financial accounting software were implemented.

Effect or Potential Effect:
Without satisfactory accounting controls and procedures in place, potential misappropriation of assets could occur. In addition, the lack of controls could impact reporting of its financial position and results of operations.

Recommendation:
The School District should review the accounting procedures in place and design and implement procedures relative to the above control categories over the Head Start Program and the Pre-Kindergarten Program to strengthen the internal controls over the accounting functions. The School District should consider maintaining all of the activity for these programs in PC Genesis.

Views of Responsible Officials and Corrective Action Plans:
We concur with this finding. Head Start resumed using PC Genesis in FY 2014.

- We are working to establish internal controls that will support and ensure system documentation.
- We have an in-house, non- Head Start employee to complete bank reconciliations, starting FY 2014.
- The School District has implemented adequate procedures, including documentation, to ensure receivables and payables are accurately recorded and valid.
- Starting in FY 2014, salaries and benefits will be accrued on PC Genesis.
- A general ledger supporting the activity for the Head Start Program and the Pre-Kindergarten Program will be maintained within PC Genesis in FY 2014.
- Journal entries will be recorded in PC Genesis in FY 2014.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

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Finding Control Number:	FS-7201-13-02
	Inadequate Accounting Procedures
Control Category:	Accounting Controls (OVERALL)
	Cash and Cash Equivalents
	General Ledger
Internal Control Impact:	Material Weakness

Description:
This is a repeat finding (FS-7201-12-02, FS-7201-11-01 and FS-7201-10-01) from fiscal years ended June 30, 2012, June 30, 2011 and June 30, 2010, respectively. The accounting procedures of the School District were insufficient to provide adequate 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.

Condition:
Accounting Controls (OVERALL)

- The School District does not have adequate logical access controls in place to ensure only appropriate users have access to significant financial applications. We noted several users with access rights that exceeded their need to complete their assigned job functions. Further, the access granted did not adequately separate the functions of initiating, authorizing, and recording transactions, reconciliations, and maintaining the custody of assets.

Cash and Cash Equivalents

- No administrative review was performed on the School Food Service bank reconciliations; and
- The timeliness of the bank reconciliations could not be determined because they were not dated by the preparer or the approver.

General Ledger

- The School District could not provide documentation for numerous journal entries.

Cause:
In discussing this deficiency with the School District, they stated that these issues were a result of a lack of separation of duties and internal control procedures within the finance department.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Effect or Potential 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 impacted its reporting of its financial position and results of operations.

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

Views of Responsible Officials and Corrective Action Plans:
We concur with this finding.

- We are working to ensure proper cutoff for transactions in the fiscal period.
- We have an in-house employee, totally independent from the Finance department, to complete our bank reconciliations.
- In FY15, we began requiring all bank reconciliations to be dated by the preparer and the approver.
- We are in the process of changing PCGenesis user access rights to adequately separate the functions of initiating, authorizing, and recording transactions, reconciliations, and maintaining the custody of assets.
- In FY14, we began making sure that all journal entries are accompanied with proper documentation.

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Finding Control Number:	FS-7201-13-03
	Inadequate Internal Control Procedures over School Activity Accounts
Control Category:	Cash and Cash Equivalents
	Revenues/Receivables/Receipts
	Expenditures/Liabilities/Disbursements
Internal Control Impact:	Significant Deficiency

Description:
This is a repeat finding (FS-7201-12-03, FS-7201-11-02 and FS-7201-10-02) from fiscal years ended June 30, 2012, June 30, 2011 and June 30, 2010, 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.

Condition:
The following errors were noted with the School District's school activity accounts:

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Cash and Cash Equivalents

- The School District did not have adequate internal controls in place to ensure that the bank reconciliation function was separate from the record keeping function; and
- The Randolph-Clay High School bank accounts were not reconciled to the General Ledger.

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; and
- During a test of 20 receipts, the following problems were noted:
    - Adequate receipt documentation was not maintained for any of the 20 deposits tested;
    - The auditor could not determine if any of the 20 receipts were deposited in a timely manner due to lack of documentation;
    - The auditor could not determine if any of the 20 receipts were credited to the correct revenue account due to lack of documentation; and
    - The auditor could not trace any of the 20 receipts to the deposit slips or bank statements to determine if they were deposited correctly.

Expenditures/Liabilities/Disbursements

- The School District did not have adequate internal controls in place to ensure proper separation of duties and to ensure expenditures were properly approved, adequately documented, and the purchasing policies of the School District were followed.
- During a test of 20 disbursements, the following problems were noted:

    - 18 expenditures did not have an approved purchase order or equivalent;
    - Ten expenditures did not have an original invoice;
    - 15 expenditures did not have evidence of receipt of goods; and
    - One expenditure was paid incorrectly.

- During testing of journal entries used to post school activity accounts to the general ledger, the auditor could not determine which accounts and organizations were included in Agency Funds or Governmental Funds.

Cause:

In discussing this deficiency with the School District, they stated that the errors were made due to the schools not having a school activity account policy manual. In addition, the schools do not have adequate personnel in order to be able to separate the duties.

Effect or Potential Effect:

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

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Recommendation:
The School District should 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.

Views of Responsible Officials and Corrective Action Plans:
We concur with this finding.

- In FY14 we continued to meet with the schools throughout the year to review ways to strengthen their bookkeeping and accountability.
- In FY15, we began reviewing other districts' school activity manuals in efforts to adopt our own.

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Finding Control Number:	FS-7201-13-04
	Inadequate Controls over Financial Reporting
Control Category:	Financial Reporting
Internal Control Impact:	Material Weakness
Compliance Impact:	Material Noncompliance

Description:
The School District did not present financial statements 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.

Condition:
The Department of Audits and Accounts prepared draft financial statements that were based on the School District's chart of accounts and available accounting records. Our preliminary testing identified that the accounting records were incomplete and did not contain all financial activity of both the Head Start and Pre-Kindergarten programs administered by the School District.

Cause:
In discussing this deficiency with the School District, they stated that the cause was a direct result of the lack of time and resources to train Board personnel to accomplish the preparation of the financial statements and a lack of the ability to retain a consultant who is knowledgeable in the preparation of financial statements.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Effect or Potential Effect:
The School District did not comply with the requirements of the Department of Education regarding financial reporting.

Recommendation:
The School District should establish and implement controls over the financial statement reporting process as required by the Financial Management for Georgia Local Units of Administration.

Views of Responsible Officials and Corrective Action Plans:
We concur with this finding. In FY15, we plan to provide Board personnel with adequate training and resources to accomplish the preparation of the financial statements or retain a consultant to prepare the financial statements.

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Finding Control Number:	FS-7201-13-05
	Improper Use of SPLOST Proceeds
Control Category:	Expenditures/Liabilities/Disbursements
Compliance Impact:	Nonmaterial Noncompliance

Description:
The School District improperly used Special Purpose Local Option Sales Tax (SPLOST) funds in the amount of $14,323.03 for expenditures not approved in the SPLOST referendum.

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..." Official Code of Georgia Annotated §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 97-7 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".

Condition:
During the year under review, the School District spent $6,750.75 for football uniforms, $4,172.28 for cheerleading uniforms, and $3,400.00 for a Five Year Facilities Plan.

Questioned Cost:
$14,323.03

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Cause:
In discussing these deficiencies with the School District, they stated that the cause was a direct result of a lack of review of expenditures to determine if they were allowable for purchase with SPLOST funds.

Effect or Potential Effect:
Expenditures of SPLOST funds appear to be in conflict with State laws regarding imposition and use of SPLOST funds.

Recommendation:
The School District should research this issue, consult with legal counsel 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.

Views of Responsible Officials and Corrective Action Plans:
We concur with this finding. In FY14, the school district used all SPLOST funds properly by consulting the SPLOST referendum before making any purchases.

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III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding Control Number:	FA-7201-13-01
	Inadequate Internal Controls over Federal Program
Compliance Requirement:	Activities Allowed or Unallowed
	Allowable Costs/Costs Principles
	Cash Management
	Equipment and Real Property Management
	Matching, Level of Effort and Earmarking
	Period of Availability of Federal Funds
	Reporting
Internal Control Impact:	Material Weakness
Compliance Impact:	Material Noncompliance
Federal Awarding Agency:	U. S. Department of Health and Human Services
Pass-Through Entity:	Direct
CFDA Number and Title:	Head Start (CFDA 93.600)

Description:
This is a repeat finding (FA-7201-12-01) from fiscal year ended June 30, 2012. A review of the Head Start Cluster (CFDA 93.600) revealed that internal control procedures were not in place to ensure the proper recording and reporting of revenues and expenditures for the Head Start Program.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Criteria:

Provisions of the OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments* require that "governmental units are responsible for efficient and effective administration of Federal awards through the application of sound management practices", "governmental units assume the responsibility for administering Federal funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the Federal award", and "each governmental unit, in recognition of its own unique combination of staff, facilities, and experience, will have the primary responsibility for employing whatever form of organization and management techniques may be necessary to assure proper and efficient administration of Federal awards".

Condition:

During our audit of the Head Start Program, the following items were noted:

- Activity for the Head Start Program was recorded on the Genesis Accounting System and the Peachtree SAGE Accounting System. Activity recorded on the Peachtree SAGE Accounting System included activity for the Pre-Kindergarten Program. Activity for the Head Start Program and the Pre-Kindergarten Program was not separately identified on the Peachtree SAGE Accounting System. Additionally, the School District was unable to provide sufficient appropriate audit evidence to support the balances recorded on the Peachtree SAGE Accounting System;
- During an analysis of monthly cash receipts, disbursements, and ending cash balances, the School District was unable to provide any reports from the Peachtree SAGE Accounting System in which the auditor could place any reliance;
- During a test of twenty-five disbursements, the following problems were noted:
    - One expenditure was paid incorrectly;
    - One expenditure was paid partially from a statement; and
    - One expenditure did not have evidence of receipt of goods.
- The School District failed to add to the equipment listing an item costing $7,977.00 that was purchased during the year;
- During the testing of administrative expense, the School District was unable to provide adequate documentation to ensure the School District had not exceeded the requirement that costs of developing and administering a Head Start program not exceed 15 percent of annual total program costs, including the required non-Federal contribution to such costs (i.e., matching) unless a waiver has been granted by Administration for Children and Families (ACF);
- The School District did not to provide documentation for journal entries posted to the SAGE Peachtree Accounting System;
- During a review of the annual Financial Status Report (SF-425) for the grant period ending October 31, 2013, the School District was unable to provide any reports from the financial accounting systems utilized during fiscal year 2013 which could support the amounts reported on the report; and
- Non-Federal matching contributions were reported incorrectly on the annual Financial Status Report (SF-425) Report.

Questioned Cost:

$275,742.26

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Cause:
In a discussion with management, the School District attributes these deficiencies to management's decision to move the accounting for the Head Start program, with the exception of employee compensation, to a different accounting system from the Genesis system in November of 2011.

Effect or Potential Effect:
Failure to ensure the proper recording of Federal fund activity resulted in material noncompliance with the requirements of the Federal Grant.

Recommendation:
The School District should design and implement controls and procedures to ensure that all Federal revenues and expenditures are recorded in accordance with OMB Circular A-87 and the terms and conditions of the Head Start award. The U. S. Department of Health and Human Services should review this matter to determine if a reclaim of funds is appropriate.

Views of Responsible Officials and Corrective Action Plans:
We concur with this finding. We are implementing controls and procedures to ensure that all Federal revenues and expenditures are recording in accordance with OMB Circular A-87 and the terms and conditions of the Head Start award. These controls and procedures include the use of PC Genesis and adequate documentation for administrative expenses.

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Finding Control Number:	FA-7201-13-02 Inadequate Internal Control over Employee Compensation Process
Compliance Requirement:	Allowable Costs/Costs Principles
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Nonmaterial Noncompliance
Federal Awarding Agency:	U. S. Department of Agriculture
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	Child Nutrition Cluster (CFDA 10.553 and 10.555)
Federal Awarding Agency:	U. S. Department of Education
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	Special Education Cluster (CFDA 84.027 and 84.173)
Federal Awarding Agency:	U. S. Department of Health and Human Services
Pass-Through Entity:	Direct
CFDA Number and Title:	Head Start (CFDA 93.600)

Description:
This is a repeat finding (FA-7201-12-02, FA-7201-11-01 and FA-7201-10-01) from fiscal years ended June 30, 2012, June 30, 2011 and June 30, 2010, respectively. A review of employee compensation charged to various Federal programs revealed that internal controls procedures were not in place to ensure employee compensation expenditures are properly documented and calculated. Leave balances were not properly calculated.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Criteria:
Provisions of the 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.

Condition:
A review of employee compensation revealed two instances where employee pay was incorrect due to calculation errors. In addition, the School District did not properly calculate leave balances for those employees tested.

Questioned Cost:
$10,740.65 in Head Start (CFDA 93.600)

Cause:
In discussing this deficiency with management, they stated the cause was a direct result of not having the proper controls and procedures in place to ensure that compensation charged to Federal programs and paid to personnel were supported by accurate calculations.

Effect or Potential Effect:
Failure to monitor employee compensation expenditures for compliance resulted 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. Additionally, the School District should implement procedures to ensure that all payroll disbursements are based on approved contracts, salary schedules, time worked and leave balances are properly calculated.

Views of Responsible Officials and Corrective Action Plans:
We concur with this finding. In FY 14 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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III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding Control Number:	FA-7201-13-03
	Inadequate Internal Control Procedures
Compliance Requirement:	Equipment and Real Property Management
Internal Control Impact:	Material Weakness
Compliance Impact:	Material Noncompliance
Federal Awarding Agency:	U. S. Department of Agriculture
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	Child Nutrition Cluster (CFDA 10.553, 10.555)

Description:
This is a repeat finding (FA-7201-12-03) from fiscal year ended June 30, 2012. The policies and procedures of the School District were insufficient to provide adequate internal controls over equipment and real property management of the Child Nutrition Cluster.

Criteria:
7 CFR §3016.32 (d)(1) states, "Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property". In addition, 7 CFR §3016.32 (d)(2) states, "A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years".

Condition:
The School District did not maintain an adequate equipment listing for the Child Nutrition Cluster including information regarding the equipment's cost, acquisition date, location, serial number, percentage of Federal participation in regards to cost, who holds title, use and condition of the property, and ultimate disposal data. In addition, the School District failed to include current year purchases on the listing. The School District also did not perform a physical inventory of the property and reconcile the results to property records.

Questioned Cost:
N/A

Cause:
In discussing this deficiency with management, they stated the deficiencies occurred because management failed to effectively implement Federal guidelines as they pertain to equipment and real property management.

Effect or Potential Effect:
Failure to maintain a proper equipment listing and perform a physical inventory resulted in material noncompliance with the requirements of the Federal Grant.

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

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Views of Responsible Officials and Corrective Action Plans:
We concur with this finding. In FY14, we are developing an equipment listing including information on each piece of equipment's cost, acquisition date, location date, serial number, percentage of Federal participation, who holds title, use and condition of property, and ultimate disposal data. Inventory checks will be conducted periodically.

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Finding Control Number:	FA-7201-13-04
	Failure to Transfer Funds Timely
Compliance Requirement:	Special Tests and Provisions
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Nonmaterial Noncompliance
Federal Awarding Agency:	U. S. Department of Agriculture
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	Child Nutrition Cluster (CFDA 10.553, 10.555)

Description:
This is a repeat finding (FA-7201-12-04) from fiscal year ended June 30, 2012. The School District did not transfer School Breakfast Program (CFDA 10.553) and National School Lunch Program (CFDA 10.555) funds to the School Food Service account in a timely manner.

Criteria:
USDA Policy 210.14-06 states that USDA funds should be entered into the school food service account as soon as possible on receipt and that any interest on these funds must also be credited to the school food service account.

Condition:
Twelve of eighteen deposits tested were not transferred to the School Food Service account in a timely manner.

Questioned Cost:
N/A

Cause:
In discussing these deficiencies with the School District, they stated the cause was a direct result of having to have two signatures on the check, and the personnel responsible for signing checks not available.

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

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Recommendation:

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

Views of Responsible Officials and Corrective Action Plans:

We concur with this finding. In FY14, we are implementing procedures to ensure that funds are transferred promptly in compliance with Federal guidelines.

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