

TALBOT COUNTY
BOARD OF EDUCATION
TALBOTTON, GEORGIA

ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2014
(Including Independent Auditor's Reports)

TALBOT COUNTY BOARD OF EDUCATION

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TALBOT COUNTY BOARD OF EDUCATION

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SECTION I

FINANCIAL

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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

January 30, 2017

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

INDEPENDENT AUDITOR'S REPORT

Ladies and Gentlemen:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Talbot County Board of Education, as of and for the year ended June 30, 2014, and the related notes to the financial statements (Exhibits A through I), which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion on Aggregate Remaining Fund Information

Management has not segregated the school activity (principal's) accounts maintained at the individual schools between the governmental activities, general fund or agency fund (which is reported in the aggregate remaining fund information). Accounting principles generally accepted in the United States of America require that the assets, liabilities, revenues, expense or expenditures, and the respective changes in financial position of these accounts be segregated in these financial statements as appropriate. The aggregate effect on the financial statements of this variance or omission has not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on the Aggregate Remaining Fund information" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the aggregate remaining fund information of the Talbot County Board of Education, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Talbot County Board of Education, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the financial statements, in 2014 the Talbot County Board of Education adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinions are not modified with respect to this matter.

As discussed in Note 2 to the financial statements, in 2014, the Talbot County Board of Education restated the prior period financial statements to correct a misstatement. Our opinions are not modified with respect to this matter.

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

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financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

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 27, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Our audit was conducted as required by Section 50-6-6(a) of the Official Code of Georgia Annotated. We provided basic accounting assistance limited to services such as preparing draft financial statements that were based on the School District’s chart of accounts and general ledgers including any adjusting, correcting, and closing entries that have been approved by the School District’s management; prepared draft notes to the financial statements based on information determined and approved by the School District’s management; and prepared trial balances on the School District’s chart of accounts.

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Other Reporting Required by ***Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2017, on our consideration of the Talbot 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 Talbot 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

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TALBOT COUNTY BOARD OF EDUCATION

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TALBOT COUNTY BOARD OF EDUCATION
STATEMENT OF NET POSITION
JUNE 30, 2014

EXHIBIT "A"

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and Cash Equivalents	$ 2,176,746.48
Investments	65,000.00
Accounts Receivable, Net	
Taxes	224,865.61
State Government	2,050,724.22
Federal Government	139,028.92
Inventories	15,009.47
Capital Assets, Non-Depreciable	8,600,794.24
Capital Assets, Depreciable (Net of Accumulated Depreciation)	2,115,378.48
Total Assets	15,387,547.42
LIABILITIES	
Accounts Payable	81,821.26
Salaries and Benefits Payable	496,064.16
Payroll Withholdings Payable	64,474.79
Interest Payable	29,529.17
Contracts Payable	1,810,790.40
Retainage Payable	377,529.45
Deposits and Unearned Revenues	5,202.54
Long-Term Liabilities	
Due Within One Year	340,000.00
Due in More Than One Year	1,525,000.00
Total Liabilities	4,730,411.77
NET POSITION	
Net Investment in Capital Assets	8,851,172.72
Restricted for	
Continuation of Federal Programs	271,059.46
Continuation of State Programs	16,459.96
Debt Service	345,905.83
Capital Projects	20,956.20
Bus Replacement	39,451.00
Unrestricted	1,112,130.48
Total Net Position	$ 10,657,135.65

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

TALBOT COUNTY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

	EXPENSES	CHARGES FOR SERVICES
GOVERNMENTAL ACTIVITIES		
Instruction	$ 3,469,513.76	$ 5,028.52
Support Services		
Pupil Services	431,336.12	
Improvement of Instructional Services	140,013.81	
Educational Media Services	111,720.56	
General Administration	356,124.96	
School Administration	338,583.76	
Business Administration	72,913.01	
Maintenance and Operation of Plant	531,774.93	
Student Transportation Services	467,327.76	
Other Support Services	26,790.04	
Operations of Non-Instructional Services		
Enterprise Operations	2,085.48	
Food Services	484,598.18	23,831.44
Interest on Short-Term and Long-Term Debt	71,899.17	
Total Governmental Activities	$ 6,504,681.54	$ 28,859.96
General Revenues		
Taxes		
Property Taxes		
For Maintenance and Operations		
Railroad Cars		
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Capital Projects		
Other Sales Tax		
Investment Earnings		
Miscellaneous		
Total General Revenues		
Change in Net Position		
Net Position - Beginning of Year, Restated		
Net Position - End of Year		

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

PROGRAM REVENUES		NET (EXPENSES)
OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	REVENUES AND CHANGES IN NET POSITION
$ 1,668,269.08	$ 2,168,713.18	$ 372,497.02
114,414.38		-316,921.74
31,958.87		-108,054.94
76,441.00		-35,279.56
349,809.70	8,356.53	2,041.27
184,241.32		-154,342.44
14,912.82		-58,000.19
192,282.51	34,865.35	-304,627.07
231,660.39		-235,667.37
		-26,790.04
		-2,085.48
449,616.92	323,013.55	311,863.73
		-71,899.17
$ 3,313,606.99	$ 2,534,948.61	-627,265.98
		3,238,374.10
		25,007.57
		419,392.98
		17,439.77
		4,668.45
		99,603.70
		3,804,486.57
		3,177,220.59
		7,479,915.06
		$ 10,657,135.65

TALBOT COUNTY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

EXHIBIT "C"

	GENERAL FUND	DISTRICT-WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
ASSETS				
Cash and Cash Equivalents	$ 1,313,230.36	$ 769,709.68	$ 93,806.44	$ 2,176,746.48
Investments	65,000.00			65,000.00
Accounts Receivable, Net				
Taxes	181,343.74	43,521.87		224,865.61
State Government	235,245.00	1,815,479.22		2,050,724.22
Federal Government	139,028.92			139,028.92
Inventories	15,009.47			15,009.47
Total Assets	$ 1,948,857.49	$ 2,628,710.77	$ 93,806.44	$ 4,671,374.70
LIABILITIES				
Accounts Payable	$ 81,821.26			$ 81,821.26
Salaries and Benefits Payable	496,064.16			496,064.16
Payroll Withholdings Payable	64,474.79			64,474.79
Contracts Payable		$ 1,810,790.40		1,810,790.40
Retainage Payable		377,529.45		377,529.45
Deposits and Unearned Revenue	5,202.54			5,202.54
Total Liabilities	647,562.75	2,188,319.85		2,835,882.60
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Taxes	144,575.18			144,575.18
FUND BALANCES				
Nonspendable	15,009.47			15,009.47
Restricted	311,960.95	302,584.76	$ 93,806.44	708,352.15
Assigned	19,762.89	137,806.16		157,569.05
Unassigned	809,986.25			809,986.25
Total Fund Balances	1,156,719.56	440,390.92	93,806.44	1,690,916.92
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 1,948,857.49	$ 2,628,710.77	$ 93,806.44	$ 4,671,374.70

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

TALBOT COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

EXHIBIT "D"

Total Fund Balances - Governmental Funds (Exhibit "C")		$ 1,690,916.92
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	$ 354,857.93	
Construction in Progress	8,245,936.31	
Land Improvements	558,998.55	
Buildings and Improvements	3,507,218.42	
Equipment	1,732,400.23	
Accumulated Depreciation	-3,683,238.72	
Total Capital Assets		10,716,172.72
Taxes that are not available to pay for current period expenditures are deferred in the governmental funds.		
Property Taxes		144,575.18
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	$ -1,865,000.00	
Accrued Interest Payable	-29,529.17	
Total Long-Term Liabilities		-1,894,529.17
Net Position of Governmental Activities (Exhibit "A")		$ 10,657,135.65

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

TALBOT COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	GENERAL FUND	DISTRICT-WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
REVENUES				
Property Taxes	$ 3,319,221.13			$ 3,319,221.13
Sales Taxes	17,439.77	$ 419,392.98		436,832.75
State Funds	2,230,303.62	2,519,164.61		4,749,468.23
Federal Funds	1,099,087.37			1,099,087.37
Charges for Services	28,859.96			28,859.96
Investment Earnings	1,041.67	3,333.82	$ 292.96	4,668.45
Miscellaneous	99,603.70			99,603.70
Total Revenues	6,795,557.22	2,941,891.41	292.96	9,737,741.59
EXPENDITURES				
Current				
Instruction	3,376,583.07			3,376,583.07
Support Services				
Pupil Services	431,336.12			431,336.12
Improvement of Instructional Services	140,013.81			140,013.81
Educational Media Services	111,720.56			111,720.56
General Administration	355,777.17			355,777.17
School Administration	338,583.76			338,583.76
Business Administration	72,843.01			72,843.01
Maintenance and Operation of Plant	528,911.37			528,911.37
Student Transportation Services	387,973.71			387,973.71
Other Support Services	26,790.04			26,790.04
Enterprise Operations	2,085.48			2,085.48
Food Services Operation	471,154.69			471,154.69
Capital Outlay		7,028,876.14		7,028,876.14
Debt Services				
Principal			325,000.00	325,000.00
Interest			77,045.00	77,045.00
Total Expenditures	6,243,772.79	7,028,876.14	402,045.00	13,674,693.93
Excess of Revenues over (under) Expenditures	551,784.43	-4,086,984.73	-401,752.04	-3,936,952.34
OTHER FINANCING SOURCES (USES)				
Transfers In			150,000.00	150,000.00
Transfers Out		-150,000.00		-150,000.00
Total Other Financing Sources (Uses)		-150,000.00	150,000.00	0.00
Net Change in Fund Balances	551,784.43	-4,236,984.73	-251,752.04	-3,936,952.34
Fund Balances - Beginning, Restated	604,935.13	4,677,375.65	345,558.48	5,627,869.26
Fund Balances - Ending	$ 1,156,719.56	$ 440,390.92	$ 93,806.44	$ 1,690,916.92

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

TALBOT 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, 2014

EXHIBIT "F"

Total Net Change in Fund Balances - Governmental Funds (Exhibit "E")		$ -3,936,952.34
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	$ 7,024,065.64	
Depreciation Expense	-184,199.08	
Excess of Capital Outlay over Depreciation Expense		6,839,866.56
Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		-55,839.46
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		325,000.00
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		5,145.83
Change in Net Position of Governmental Activities (Exhibit "B")		$ 3,177,220.59

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

TALBOT COUNTY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

EXHIBIT "G"

	PRIVATE PURPOSE TRUSTS	AGENCY FUNDS
ASSETS		
Cash and Cash Equivalents	$ 2,784.13	$ 28.51
LIABILITIES		
Funds Held for Others		$ 28.51
NET POSITION		
Held in Trust for Private Purposes	$ 2,784.13	

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

TALBOT COUNTY BOARD OF EDUCATION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2014

EXHIBIT "H"

	PRIVATE PURPOSE TRUSTS
ADDITIONS	
Investment Earnings	
Interest	$ 4.01
DEDUCTIONS	
None Reported	0.00
Change in Net Position	4.01
Net Position - Beginning	2,780.12
Net Position - Ending	$ 2,784.13

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

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NOTE 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

REPORTING ENTITY

The Talbot 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 Talbot County Board of Education.

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

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

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

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

The School District reports the following major governmental funds:

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

The School District reports the following fiduciary fund types:

- Private Purpose Trust fund reports trust arrangements under which principal and income benefit are used to provide scholarships to business administration and business education students with junior standing at an accredited college or university.
- Agency funds account for assets held by the School District as an agent for various funds, governments, and individuals.

BASIS OF ACCOUNTING

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

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

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

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

RESTATEMENT OF PRIOR YEAR NET POSITION/FUND BALANCE

For fiscal year 2014, the School District made a prior period adjustment due to errors in deferred revenues and accounts receivable, which requires the restatement of the June 30, 2013, net position in Governmental Activities and fund balance in the General Fund. The result is an increase in Net Position and fund balance at July 1, 2013, of $265,611.60. This change is in accordance with generally accepted accounting principles.

Net Position, July 1, 2013, as previously reported	$	7,214,303.46
Adjustment to Accounts Receivable		64,826.25
Adjustment to Deferred Revenue		200,785.35
Net Position, July 1, 2013, as restated	$	7,479,915.06
Fund Balance, July 1, 2013, as previously reported	$	5,362,257.66
Adjustment to Accounts Receivable		64,826.25
Adjustment to Deferred Revenue		200,785.35
Fund Balance, July 1, 2013, as restated	$	5,627,869.26

NEW ACCOUNTING PRONOUNCEMENTS

In fiscal year 2014, the School District adopted the Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The provisions of this statement establish accounting and financial reporting standards that reclassify, as deferred outflows or inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows or inflows of resources, certain items that were previously reported as assets and liabilities.

FUTURE ACCOUNTING PRONOUNCEMENTS

In fiscal year 2015, the School District will adopt Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. The provisions of this statement establish accounting and financial reporting standards for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts. Implementation of this statement will require the School District to record a liability on the District's financial statements for its proportionate share of the Net Pension Liability of pension plans in which it participates. Based on information provided by the Teachers' Retirement System of Georgia (TRS), the School District's proportionate share of the Net Pension Liability of the pension plan administered through TRS is estimated to be $3.8 million at June 30, 2015.

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 local government investment pool (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 Talbot County Board of Commissioners adopted the property tax levy for the 2013 tax digest year (calendar year) on October 20, 2013 (levy date) based on property values as of January 1, 2013. Taxes were due on December 20, 2013 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2013 tax digest are reported as revenue in the governmental funds for fiscal year 2014. The Talbot County Board of Commissioners 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, 2014, for maintenance and operations amounted to $3,188,038.91.

The tax millage rate levied for the 2013 tax year (calendar year) for the Talbot County Board of Education were as follows (a mill equals $1 per thousand dollars of assessed value):

School Operations	14.1 mills

Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to $106,174.65 during fiscal year ended June 30, 2014.

SALES TAXES

Education Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to $419,392.98 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

INVENTORIES

Food Inventories

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

CAPITAL ASSETS

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

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

		Capitalization Policy	Estimated Useful Life
Land		All	N/A
Land Improvements	$	10,000.00	20 to 70 years
Buildings and Improvements	$	10,000.00	up to 70 years
Equipment	$	5,000.00	5 to 25 years
Intagible Assets	$	100,000.00	15 to 50 years

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

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

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of net position and/or the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of resources that applies to a future period and therefore will not be recognized as an outflow of resources (expense/expenditure) until then. The School District did not have any items that qualified for reporting in this category for the year ended June 30, 2014.

In addition to liabilities, the statement of net position and/or the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of resources that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that time. The School District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reporting only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and grants and these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available.

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 are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are recognized as an outflow of resources in the fiscal year in which the bonds are issued.

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:

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 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, grants and contributions not restricted to specific programs, charges for services, and miscellaneous revenues. These resources are used for transactions relating to the educational and general operations of the School District, and may be used at the discretion of the Board to meet current expenses for those purposes.

FUND BALANCES

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

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

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

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

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

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

Fund Balances of the Governmental Funds at June 30, 2014, are as follows:

Nonspendable		
Inventories		$ 15,009.47
Restricted		
Bus Replacement	$ 39,451.00	
Capital Projects	20,956.20	
Continuation of Federal Programs	256,049.99	
Continuation of State Programs	16,459.96	
Debt Service	375,435.00	708,352.15
Assigned		
Banquet Account	4,967.84	
Local Capital Outlay Projects	137,806.16	
School Activity Accounts	14,795.05	157,569.05
Unassigned		809,986.25
Fund Balance, June 30, 2014		$ 1,690,916.92

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

USE OF ESTIMATES

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

NOTE 3: BUDGETARY DATA

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

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

The Superintendent is authorized by the Board to approve adjustments of no more than five percent of the amount budgeted for expenditures in any budget function for any fund. The Superintendent shall report any such adjustments to the Board. If expenditure of funds in any budget function for any fund is anticipated to be more than five percent of the budgeted amount, the Superintendent shall request Board approval for the budget amendment. Under no circumstance is the Superintendent or other staff person authorized to spend funds that exceed the total budget without approval by the Board.

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

NOTE 4: DEPOSITS

COLLATERALIZATION OF DEPOSITS

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

At June 30, 2014, $1,290,023.20 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, 2014, the School District had deposits with a carrying amount of $2,244,559.12, which includes $65,000.00 in Certificates of Deposit that are reported as Investments, and a bank balance of $3,329,722.58. The bank balances insured by Federal depository insurance were $590,041.99, and the bank balances collateralized with securities held by the pledging institution or by the pledging financial institution's trust department or agent in the School District's name were $1,449,657.39. 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, 2014, are as follows:

Custodial Credit Risk Category	Bank Balance
1	$ 1,290,023.20
2	0.00
3	0.00
Total	$ 1,290,023.20

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, 2013	Increases	Decreases	Balances June 30, 2014
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	$ 354,857.93			$ 354,857.93
Construction in Progress	1,221,870.67	$ 7,024,065.64	$ 0.00	8,245,936.31
Total Capital Assets Not Being Depreciated	1,576,728.60	7,024,065.64	0.00	8,600,794.24
Capital Assets Being Depreciated				
Buildings and Improvements	3,507,218.42			3,507,218.42
Equipment	1,732,400.23			1,732,400.23
Land Improvements	558,998.55			558,998.55
Less Accumulated Depreciation for:				
Buildings and Improvements	1,810,121.51	68,342.28		1,878,463.79
Equipment	1,292,487.87	97,902.80		1,390,390.67
Land Improvements	396,430.26	17,954.00	0.00	414,384.26
Total Capital Assets, Being Depreciated, Net	2,299,577.56	-184,199.08	0.00	2,115,378.48
Governmental Activity Capital Assets - Net	$ 3,876,306.16	$ 6,839,866.56	$ 0.00	$ 10,716,172.72

Current year depreciation expense by function is as follows:

Instruction		$ 89,602.69
Support Services		
General Administration	$ 347.79	
Maintenance and Operation of Plant	1,451.06	
Student Transportation Services	79,354.05	81,152.90
Food Services		13,443.49
		$ 184,199.08

NOTE 7: INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2014, consisted of the following:

Transfers to	Transfers From District-wide Capital Projects
Debt Service Fund	$ 150,000.00

Transfers are used to move sales tax revenue collected by the Capital Projects Fund to the Debt Service Fund to pay debt service according to the approved SPLOST referendum.

NOTE 8: RISK MANAGEMENT

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

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

The School District has elected to self-insure for all losses related to acts of God. The School District has not experienced any losses relate to this risk in the past three years.

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
2013	$ 0.00	$ 30,764.00	$ 30,764.00	$ 0.00
2014	$ 0.00	$ 7,770.00	$ 7,770.00	$ 0.00

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

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

Position Covered	Amount
Superintendent	$ 30,000.00
Bookkeeper	$ 10,000.00
Payroll Clerk	$ 10,000.00
School Food Director	$ 10,000.00
All Employees	$ 100,000.00

NOTE 9: OPERATING LEASES

Talbot County Board of Education has entered into various leases as lessee for copiers and a postage meter. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the year ended June 30, 2014, for governmental funds amounted to $7,737.82.

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 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	$ 900,000.00	$ 900,000.00	$ 0.00

NOTE 11: LONG-TERM LIABILITIES

GENERAL OBLIGATION DEBT OUTSTANDING

General Obligation Bonds currently outstanding are as follows:

Purpose	Interest Rate	Amount
General Government - Series 2003	3.80%	$ 1,865,000.00

The changes in Long-Term Liabilities during the fiscal year ended June 30, 2014, were as follows:

	Governmental Activities				
	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014	Due Within One Year
G.O. Bonds	$ 2,190,000.00	$ 0.00	$ 325,000.00	$ 1,865,000.00	$ 340,000.00

At June 30, 2014, payments due by fiscal year which includes principal and interest for these items are as follows:

	General Obligation Debt	
Fiscal Year Ended June 30:	Principal	Interest
2015	$ 340,000.00	$ 64,410.00
2016	355,000.00	51,205.00
2017	370,000.00	37,430.00
2018	390,000.00	22,990.00
2019	410,000.00	7,790.00
Total Principal and Interest	$ 1,865,000.00	$ 183,825.00

NOTE 12: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of $291,492.00 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 $276,960.00

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 $14,532.00

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 COMMITMENTS

The following is an analysis of significant outstanding construction or renovation contracts executed by the School District as of June 30, 2014, together with funding available:

Project	Unearned Executed Contracts	Funding Available From State
Central Elementary/High Facility	$ 2,330,450.57	$ 2,696,355.39

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

NOTE 14: SIGNIFICANT CONTINGENT LIABILITIES

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

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

NOTE 15: POST-EMPLOYMENT BENEFITS

GEORGIA SCHOOL PERSONNEL POST-EMPLOYMENT HEALTH BENEFIT FUND

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

Funding Policy. The contribution requirements of plan members and participating employers are established by the Board in accordance with the current Appropriations Act and may be amended by the Board. Contributions of plan members or beneficiaries receiving benefits vary based on plan election, dependent coverage, and Medicare eligibility and election. For members with fewer than five years of service as of January 1, 2012, contributions also vary based on years of service. On average, members with five years or more of service as of January 1, 2012, pay approximately 25% of the cost of the health insurance coverage. In accordance with the Board resolution dated December 8, 2011, for members with fewer than five years of service as of January 1, 2012, the State provides a premium subsidy in retirement that ranges from 0% for fewer than 10 years of service to 75% (but no greater than the subsidy percentage offered to active employees) for 30 or more years of service. The subsidy for eligible dependents ranges from 0% to 55% (but no greater than the subsidy percentage offered to dependents of active employees minus 20%). No subsidy is available to Medicare eligible members not enrolled in a Medicare Advantage Option. The Board of Community Health sets all member premiums by resolution and in accordance with the law and applicable revenue and expense projections. Any subsidy policy adopted by the Board may be changed at any time by Board resolution and does not constitute a contract or promise of any amount of subsidy.

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

The combined active and retiree contribution rates established by the Board for employers participating in the School OPEB Fund were as follows for the fiscal year ended June 30, 2014:

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

July 1, 2013 – June 30, 2014	$945.00 per member per month

For non-certificated school personnel:

July 1, 2013 – June 30,2014	$596.20 per member per month

No additional contribution was required by the Board for fiscal year 2014 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
2014	100%	$ 672,167.60
2013	100%	$ 614,133.38
2012	100%	$ 740,616.54

NOTE 16: RETIREMENT PLANS

TEACHERS' RETIREMENT SYSTEM OF GEORGIA (TRS)

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

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

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

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

Funding Policy. TRS is funded by member and employer contributions as adopted and amended by the Board of Trustees. Members become fully vested after 10 years of service. If a member terminates with less than 10 years of service, no vesting of employer contributions occurs, but the member's contributions may be refunded with interest. Member contributions are limited by State law to not less than 5% or more than 6% of a member's earnable compensation. Member contributions as adopted by the Board of Trustees for the fiscal year ended June 30, 2014, were 6% of annual salary. Employer contributions required for fiscal year 2014 were 12.28% of annual salary as required by the June 30, 2011, actuarial valuation.

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

Fiscal Year	Percentage Contributed		Required Contribution
2014	100%	$	380,692.79
2013	100%	$	383,370.28
2012	100%	$	386,730.40

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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TALBOT COUNTY BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2014

SCHEDULE "1"

	NONAPPROPRIATED BUDGETS		ACTUAL	VARIANCE
	ORIGINAL (1)	FINAL (1)	AMOUNTS	OVER/UNDER
REVENUES				
Property Taxes	$ 3,000,721.00	$ 3,000,721.00	$ 3,319,221.13	$ 318,500.13
Sales Taxes	70,112.00	70,112.00	17,439.77	-52,672.23
State Funds	2,127,766.32	2,227,910.32	2,230,303.62	2,393.30
Federal Funds	1,193,369.00	1,243,659.34	1,099,087.37	-144,571.97
Charges for Services	60,000.00	60,000.00	28,859.96	-31,140.04
Investment Earnings	1,100.00	1,100.00	1,041.67	-58.33
Miscellaneous	120,500.00	120,500.00	99,603.70	-20,896.30
Total Revenues	6,573,568.32	6,724,002.66	6,795,557.22	71,554.56
EXPENDITURES				
Current				
Instruction	3,578,199.32	3,795,860.84	3,376,583.07	419,277.77
Support Services				
Pupil Services	293,048.00	395,295.00	431,336.12	-36,041.12
Improvement of Instructional Services	253,874.00	169,933.00	140,013.81	29,919.19
Educational Media Services	123,965.99	123,965.99	111,720.56	12,245.43
General Administration	341,574.00	308,975.00	355,777.17	-46,802.17
School Administration	354,669.00	349,943.32	338,583.76	11,359.56
Business Administration	80,193.00	80,193.00	72,843.01	7,349.99
Maintenance and Operation of Plant	475,609.00	484,109.00	528,911.37	-44,802.37
Student Transportation Services	405,054.00	405,084.50	387,973.71	17,110.79
Other Support Services	25,000.00	25,000.00	26,790.04	-1,790.04
Enterprise Operations			2,085.48	-2,085.48
Food Services Operation	502,000.00	515,494.00	471,154.69	44,339.31
Total Expenditures	6,433,186.31	6,653,853.65	6,243,772.79	410,080.86
Excess of Revenues over (under) Expenditures	140,382.01	70,149.01	551,784.43	481,635.42
OTHER FINANCING SOURCES (USES)				
Operating Transfers From Other Funds	145,000.00	145,000.00		-145,000.00
Operating Transfers To Other Funds	-145,000.00	-145,000.00		145,000.00
Total Other Financing Sources (Uses)	0.00	0.00		0.00
Net Change in Fund Balances	140,382.01	70,149.01	551,784.43	481,635.42
Fund Balances - Beginning	741,535.66	741,535.66	604,935.13	-136,600.53
Adjustments	26,437.94	2,519.50		-2,519.50
Fund Balances - Ending	$ 908,355.61	$ 814,204.17	$ 1,156,719.56	$ 342,515.39

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 ($47,415.77) or expenditures ($49,017.72) 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.

TALBOT COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

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	$ 442,840.27	(1)
Total Child Nutrition Cluster				442,840.27	
Other Programs					
Pass-Through From Georgia Department of Education					
Food Services					
Fresh Fruit and Vegetable Program		10.582	N/A	14,697.02	
Total U. S. Department of Agriculture				457,537.29	
Education, U. S. Department of					
Special Education Cluster					
Pass-Through From Georgia Department of Education					
Special Education					
Grants to States		84.027	N/A	144,161.42	
Preschool Grants		84.173	N/A	18,155.00	
Total Special Education Cluster				162,316.42	
Other Programs					
Pass-Through From Georgia Department of Education					
Career and Technical Education - Basic Grants to States		84.048	N/A	6,948.87	
Improving Teacher Quality State Grants		84.367	N/A	93,370.61	
Title I Grants to Local Educational Agencies	*	84.010	N/A	360,710.63	
Total Other Programs				461,030.11	
Total U. S. Department of Education				623,346.53	
Justice, U. S. Department of					
Pass-Through From Children and Youth Coordinating Council					
Juvenile Justice and Delinquency Prevention		16.540	N/A	21,191.34	
Defense, U. S. Department of					
Direct					
Department of the Army					
R.O.T.C. Program				64,932.65	
Total Expenditures of Federal Awards				$ 1,167,007.81	

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 $30,053.97.

(2) Expenditures for the funds earned on the School Breakfast Program ($118,022.77) were not maintained separately and are included in the 2014 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 Talbot 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.

TALBOT COUNTY BOARD OF EDUCATION
SCHEDULE OF STATE REVENUE
YEAR ENDED JUNE 30, 2014

SCHEDULE "3"

AGENCY/FUNDING	GOVERNMENTAL FUND TYPES GENERAL FUND	CAPITAL PROJECTS FUND	TOTAL
GRANTS			
Bright From the Start:			
Georgia Department of Early Care and Learning			
Pre-Kindergarten Program	$ 57,620.30		$ 57,620.30
Education, Georgia Department of			
Quality Basic Education (1)			
Direct Instructional Cost			
Kindergarten Program	110,440.00		110,440.00
Kindergarten Program - Early Intervention Program	3,056.00		3,056.00
Primary Grades (1-3) Program	298,928.00		298,928.00
Primary Grades - Early Intervention (1-3) Program	12,274.00		12,274.00
Upper Elementary Grades (4-5) Program	137,292.00		137,292.00
Upper Elementary Grades - Early Intervention (4-5) Program	12,243.00		12,243.00
Middle School (6-8) Program	297,522.00		297,522.00
High School General Education (9-12) Program	213,361.00		213,361.00
Vocational Laboratory (9-12) Program	80,146.00		80,146.00
Students with Disabilities	335,176.00		335,176.00
Remedial Education Program	63,163.00		63,163.00
Alternative Education Program	17,824.00		17,824.00
Media Center Program	43,151.00		43,151.00
20 Days Additional Instruction	13,953.00		13,953.00
Staff and Professional Development	8,235.00		8,235.00
Indirect Cost			
Central Administration	218,557.00		218,557.00
School Administration	102,979.00		102,979.00
Facility Maintenance and Operations	100,194.00		100,194.00
Amended Formula Adjustment	-274,005.00		-274,005.00
Categorical Grants			
Pupil Transportation			
Regular	162,043.00		162,043.00
Nursing Services	19,195.00		19,195.00
Sparsity	121,368.00		121,368.00
Other State Programs			
Food Services	8,798.00		8,798.00
Math and Science Supplements	12,535.32		12,535.32
Preschool Handicapped Program	5,333.00		5,333.00
Technology to Support Digital Learning Bonds	15,784.00		15,784.00
Vocational Education	18,606.00		18,606.00
Georgia State Financing and Investment Commission			
Reimbursement on Construction Projects		2,519,164.61	2,519,164.61
Office of the State Treasurer			
Public School Employees Retirement	14,532.00		14,532.00
	$ 2,230,303.62	$ 2,519,164.61	$ 4,749,468.23

(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 $276,960.00 are included as part of the Quality Basic Education revenue allotments above.

See notes to the basic financial statements.

TALBOT COUNTY BOARD OF EDUCATION
SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS
YEAR ENDED JUNE 30, 2014

SCHEDULE "4"

PROJECT	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3)	AMOUNT EXPENDED IN PRIOR YEARS (3)	TOTAL COMPLETION COST	EXCESS PROCEEDS NOT EXPENDED	ESTIMATED COMPLETION DATE
Acquiring, construction and equipping one new elementary school, adding to, renovating, repairing, improving and equipping existing school buildings and other buildings and facilities useful or desirable in connection therewith; payment of capitalized interest to the bonds through and including August 1, 2003; and the costs of issuing the bonds.	$ 2,500,000.00	$ 11,441,988.81	$ 7,105,921.14	$ 4,336,067.67			30-Jun-15

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

See notes to the basic financial statements.

TALBOT COUNTY BOARD OF EDUCATION
GENERAL FUND - QUALITY BASIC EDUCATION PROGRAMS (QBE)
ALLOTMENTS AND EXPENDITURES - BY PROGRAM
YEAR ENDED JUNE 30, 2014

SCHEDULE "5"

DESCRIPTION	ALLOTMENTS FROM GEORGIA DEPARTMENT OF EDUCATION (1) (2)	ELIGIBLE QBE PROGRAM COSTS SALARIES	OPERATIONS	TOTAL
Direct Instructional Programs				
Kindergarten Program	$ 177,960.00	$ 139,782.78	$ 8,895.89	$ 148,678.67
Kindergarten Program-Early Intervention Program	7,220.00	20,799.27		20,799.27
Primary Grades (1-3) Program	456,909.00	352,111.93	24,836.04	376,947.97
Primary Grades-Early Intervention (1-3) Program	20,160.00	20,846.89		20,846.89
Upper Elementary Grades (4-5) Program	214,402.00	251,796.48	8,386.09	260,182.57
Upper Elementary Grades-Early Intervention (4-5) Program	20,113.00	15,720.94		15,720.94
Middle Grades (6-8) Program			-6,069.44	-6,069.44
Middle School (6-8) Program	460,726.00	357,615.63	17,839.18	375,454.81
High School General Education (9-12) Program	336,894.00	507,372.41	20,808.16	528,180.57
Vocational Laboratory (9-12) Program	122,879.00	204,183.89	5,778.09	209,961.98
Students with Disabilities	496,673.00			
Category I		5,431.55		5,431.55
Category II		35,893.02		35,893.02
Category III		155,532.48		155,532.48
Category IV		149,323.25	353.71	149,676.96
Category V		43,278.10		43,278.10
Remedial Education Program	84,282.00	82,951.42	168.60	83,120.02
Alternative Education Program	29,081.00	33,959.85		33,959.85
TOTAL DIRECT INSTRUCTIONAL PROGRAMS	2,427,299.00	2,376,599.89	80,996.32	2,457,596.21
Media Center Program	66,542.00	77,404.13	6,516.43	83,920.56
Staff and Professional Development	12,231.00	1,103.49	10,380.51	11,484.00
TOTAL QBE FORMULA FUNDS	$ 2,506,072.00	$ 2,455,107.51	$ 97,893.26	$ 2,553,000.77

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

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

See notes to the basic financial statements.

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SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS

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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

January 30, 2017

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

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

Ladies and Gentlemen:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Talbot County Board of Education as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Talbot County Board of Education's basic financial statements and have issued our report thereon dated January 30, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Talbot 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 Talbot County Board of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of the Talbot 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 that we consider to be material weaknesses and significant deficiencies.

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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 2014-001, FS 2014-002, FS 2014-003 and FS 2014-005 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 2014-004 to be a significant deficiency.

Compliance and Other Matters

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

We noted certain matters that we have reported to management of Talbot County Board of Education in a separate letter dated January 30, 2017.

Talbot County Board of Education's Response to Findings

Talbot County Board of Education's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Talbot 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:es
2014YB-40

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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

January 30, 2017

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
Talbot 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 Talbot 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, 2014. Talbot 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 Talbot 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 Talbot County Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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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 Talbot County Board of Education's compliance.

Basis for Qualified Opinion on Title I Grants to Local Education Agencies

As described in the accompanying Schedule of Findings and Questioned Costs, Talbot County Board of Education did not comply with requirements regarding Title I Grants to Local Education Agencies as described in item FA 2014-002 for Reporting and item FA 2014-003 for Cash Management. Compliance with such requirements is necessary, in our opinion, for Talbot County Board of Education to comply with requirements applicable to that program.

Qualified Opinion on Title I Grants to Local Education Agencies

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Talbot 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 Title I Grants to Local Education Agencies for the year ended June 30, 2014.

Unmodified Opinion on the Other Major Federal Program

In our opinion, Talbot 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 its 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, 2014.

Other Matters

Talbot 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. Talbot 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 Talbot 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 Talbot 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 Talbot 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 a material weakness and a significant deficiency.

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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 2014-002 and FA 2014-003 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 deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item FA 2014-001 to be a significant deficiency.

Talbot 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. Talbot 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

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2014SA-65

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SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

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TALBOT COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FINDING CONTROL NUMBER AND STATUS

FS-7301-12-01	Previously Reported Corrective Implemented
FS-7301-12-02	Unresolved - See Corrective Action/Responses
FS-7301-12-03	Unresolved - See Corrective Action/Responses
FS-7301-12-04	Unresolved - See Corrective Action/Responses
FS-7301-12-05	Unresolved - See Corrective Action/Responses
FS-7301-12-06	Unresolved - See Corrective Action/Responses
FS-7301-13-01	Unresolved - See Corrective Action/Responses
FS-7301-13-02	Unresolved - See Corrective Action/Responses
FS-7301-13-03	Unresolved - See Corrective Action/Responses
FS-7301-13-04	Unresolved - See Corrective Action/Responses
FS-7301-13-05	Unresolved - See Corrective Action/Responses
FS-7301-13-06	Unresolved - See Corrective Action/Responses

CORRECTIVE ACTION/RESPONSES

CASH AND CASH EQUIVALENTS
Inadequate Internal Control Procedures
Finding Control Number: FS-7301-12-02

The Board will implement controls over cash to ensure that cash is properly reconciled to general ledger and cash activity.

CASH AND CASH EQUIVALENTS
REVENUES/RECEIVABLES/RECEIPTS
ACCOUNTING CONTROLS (OVERALL)
FINANCIAL REPORTING
Inadequate Internal Controls over School Activity Accounts
Finding Control Number: FS-7301-12-03

Management will ensure that transactions are processed according to procedures and accurately monitored and reconciled to the general ledger.

EMPLOYEE COMPENSATION
Inadequate Internal Controls over Employee Compensation Process
Finding Control Number: FS-7301-12-04

The Board will implement policies and procedures to ensure that business procedures are followed for all salaries, ensuring that salaries are paid according to approved salary schedules and adequate documentation will be maintained to support the salary payments.

CAPITAL ASSETS
Failure to Adequately Maintain Capital Assets
Finding Control Number: FS-7301-12-05

The Board will implement procedures to ensure capital asset records conform to the approved capital assets policy.

TALBOT COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FINANCIAL REPORTING
Inadequate Controls over Financial Reporting
Finding Control Number: FS-7301-12-06

Management will monitor and ensure the financial statements are properly prepared in accordance with generally accepted accounting principles.

CASH AND CASH EQUIVALENTS
Inadequate Internal Control Procedures
Finding Control Number: FS-7301-13-01

The Board will implement controls over cash to ensure that cash is properly reconciled to general ledger and cash activity.

CASH AND CASH EQUIVALENTS
REVENUES/RECEIVABLES/RECEIPTS
ACCOUNTING CONTROLS (OVERALL)
FINANCIAL REPORTING
Inadequate Internal Controls over School Activity Accounts
Finding Control Number: FS-7301-13-02

Management will ensure that transactions are processed according to procedures and accurately monitored and reconciled to the general ledger.

REVENUES/RECEIVABLES/RECEIPTS
GENERAL LEDGER
Inadequate Controls over Grants and Contracts
Finding Control Number: FS-7301-13-03

Management has implemented controls over grants to ensure that all grants are properly reconciled to the general budget and cash activities according to generally accepted accounting principles.

FINANCIAL REPORTING
Inadequate Controls over Financial Reporting
Finding Control Number: FS-7301-13-04

Management will monitor and ensure the financial statements are properly prepared in accordance with generally accepted accounting principles.

EMPLOYEE COMPENSATION
Inadequate Internal Controls over Employee Compensation Process
Finding Control Number: FS-7301-13-05

The Board will implement policies and procedures to ensure that business procedures are followed for all salaries, ensuring that salaries are paid according to approved salary schedules and adequate documentation will be maintained to support the salary payments.

TALBOT COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

CAPITAL ASSETS
Failure to Adequately Maintain Capital Assets
Finding Control Number: FS-7301-13-06

The Board will implement procedures to ensure capital asset records conform to the approved capital assets policy.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING CONTROL NUMBER AND STATUS	
FA-7301-10-01	Previously Reported Corrective Action Implemented
FA-7301-11-01	Previously Reported Corrective Action Implemented
FA-7301-12-01	Previously Reported Corrective Action Implemented
FA-7301-12-02	Previously Reported Corrective Action Implemented

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SECTION IV

FINDINGS AND QUESTIONED COSTS

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TALBOT COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issue:

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

Internal control over financial reporting:

- Material weaknesses identified? Yes
- Significant deficiency identified? Yes

Noncompliance material to financial statements noted: No

Federal Awards

Internal Control over major programs:

- Material weakness identified? Yes
- Significant deficiency identified? Yes

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

Unmodified for all major programs except for Title I Grants to Local Education Agencies, which was qualified.

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

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
10.553, 10.555	Child Nutrition Cluster
84.010	Title I Grants to Local Education Agencies

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

FS 2014-001 Inadequate Internal Control Procedures

Control Category: Cash and Cash Equivalents
Internal Control Impact: Material Weakness

Description:

This is a repeat finding (FS-7301-13-01, FS-7301-12-02, FS-7301-11-02, and FS-7301-10-02) from the years ended June 30, 2013, 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 the Cash and Cash Equivalents function.

Criteria:

The School District's management is responsible for designing and maintaining internal controls over Cash and Cash Equivalents.

Condition:

Deficiencies relating to Cash and Cash Equivalents were noted as follows:

- Bank reconciliations were not performed by someone independent of the general ledger function.
- Bank reconciliations were not consistently dated and/or signed by the preparer or approver.
- Cash activity was not maintained in the proper fund in the general ledger. A review of bank account activity by fund noted Private Purpose Trust Fund cash was recorded in the General Fund and Special Purpose Local Option Sales Tax cash was recorded in the General Fund.
- At June 30, 2014, $1,290,023.20 of deposits were not secured by surety bond, by guarantee of insurance, or by collateral in accordance with Official Code of Georgia Annotated (O.C.G.A.) Section 45-8-12.

Cause:

In discussing these deficiencies with the School District, they stated that the cause was a direct result of the lack of time and resources to fully separate duties to ensure that internal controls were effective.

Effect or Potential Effect:

Failure to maintain adequate internal controls over cash activity increases the risk significant misstatements could occur in the financial statements due to error or fraud.

Recommendation:

Management should take the appropriate steps to ensure the time and resources are made available to implement controls over cash to ensure monthly bank reconciliations are performed accurately by someone independent of the general ledger, cash activity is maintained in the proper funds, and all deposits are adequately collateralized.

Views of Responsible Officials and Corrective Action Plans:

We concur with this finding. The Board has implemented control over cash to ensure that cash is properly reconciled to general ledger and cash activities. Bank reconciliation are monitored by someone independent of the general ledger and cash activity is in the proper fund.

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II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2014-002 Inadequate Internal Controls over School Activity Accounts

Control Categories: Cash and Cash Equivalents
Revenues/Receivables/Receipts
Accounting Controls (Overall)

Internal Control Impact: Material Weakness

Description:
This is a repeat finding (FS-7301-13-02, FS-7301-12-03, FS-7301-11-03, and FS-7301-10-03) from the years ended June 30, 2013, 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 school activity accounts.

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

Condition:
Cash and Cash Equivalents

- One School Activity bank account was not reconciled to the general ledger resulting in an unidentified variance of $11,686.84.

Revenues/Receivables/Receipts

- The deposit preparation function was not separated from the bank reconciliations and general ledger functions.
- Dues/Fees collected from students were not receipted by the teachers.
- The depositing of funds in the bank was not a standard process for all school activity accounts.
- Receipt documentation for gate receipts and concessions could not be provided.

Accounting Controls (Overall)

- An administrative review of the bank reconciliation process, cash receipt process, and cash disbursement process to determine if established procedures were being followed was not performed.
- The School District did not have a formal process for documenting agency fund sponsors, purpose of accounts, allowable activities of accounts, source of funds, and final disposition of funds related to individual agency fund accounts.
- Purchase orders are not consistently or properly approved and invoices not consistently attached.

General Ledger

- The amounts recorded to the central office's books at year-end did not agree to the school ledger balances.
- Agency Funds reported deficit balances in several funds totaling $4,430.95.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Cause:

In discussing these deficiencies with the School District, they stated that the internal control deficiencies related to school activity accounts occurred due to a shortage of personnel at the school and a failure of those personnel to follow the established policies and procedures.

Effect or Potential Effect:

Failure to maintain adequate internal controls over school activity accounts increases the risk that misstatements could occur in the financial statements due to error or fraud.

Recommendation:

Management should take the appropriate steps to ensure the time and resources are made available to ensure proper separation of duties is established, proper approval process for disbursements is followed, safe keeping of receipt documentation is implemented, accounting processes are adequately monitored, school activity accounts are properly classified, financial statement amounts are reconciled to the schools' general ledger balances and bank statement balance, standard procedures are implemented over the depositing of funds, amounts reported in consolidation spreadsheet for school activity accounts is accurate, and agency fund accounts are properly documented.

Views of Responsible Officials and Corrective Action Plans:

We concur with this finding. Management has implemented control to ensure that transactions for the school activity accounts are processed according to procedures and accurately monitored. Administrative personnel changes have been made to ensure that accounting procedures are adhered to.

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II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2014-003 Inadequate Controls over Financial Reporting

Control Category: Financial Reporting
Internal Control Impact: Material Weakness

Description:

This is a repeat finding (FS-7301-13-04, FS-7301-12-06 and FS-7301-11-07) from the years ended June 30, 2013, June 30, 2012 and June 30, 2011, respectively. The School District did not prepare their financial statements in accordance with generally accepted accounting principles.

Criteria:

Management is responsible for having adequate controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). The School District's internal controls over GAAP financial reporting should include adequately trained personnel with the knowledge, skills and experience to prepare GAAP based financial statements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

GASB Statement No. 34, *Basic Financial Statement – Management's Discussion and Analysis – for State and Local Governments (*Statement), requires governments to present government-wide and fund financial statements as well as a summary reconciliation of the (a) total governmental funds balances to the net position of governmental activities in the Statement of Net Position, and (b) total change in governmental fund balances to the change in the net position of governmental activities in the Statement of Activities. In addition, the statement requires information about the government's major and non-major funds in the aggregate, to be provided in the fund financial statements.

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

Condition:

The Department of Audits and Accounts provided basic accounting assistance limited to services such as preparing draft financial statements that were based on the entity's chart of accounts and general ledgers including adjusting, correcting, and closing entries that have been approved by the entity's staff; prepared draft notes to the financial statements based on information determined and approved by management; and prepared trial balances based on the entity's chart of accounts.

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 financial statements and/or the lack of funding to secure outside services to prepare the financial statements.

Effect or Potential Effect:

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

Recommendation:

Management should take the appropriate steps to ensure the time and resources are made available to establish and implement controls over the financial statement reporting process as required by the Financial Management for Georgia Local Units of Administration.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Views of Responsible Officials and Corrective Action Plans:

We concur with this finding. Management has implemented control over the preparation of financial statements in accordance with generally accepted accounting principles. The Board has hired a CPA to do the financial statements.

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FS 2014-004 Inadequate Controls over Employee Compensation

Control Category: Employee Compensation
Internal Control Impact: Significant Deficiency

Description:

This is a repeat finding (FS-7301-13-05, FS-7301-12-04, FS-7301-11-05, and FS-7301-10-05) from the years ended June 30, 2013, 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 employee compensation.

Criteria:

The School District's management is responsible for designing and maintaining internal controls that provide reasonable assurance employees are paid according to approved salary schedules and documentation is maintained to support the salary payments.

Condition:

Based on a review of employees' payroll records the following deficiencies were noted:

- A review of employee compensation revealed several instances where salaries were not properly approved, supported by signed contracts and/or Board approved salary schedules.
- A review of purchased professional and technical service expenditures revealed additional compensation paid to an employee of the School District in the amount of $1,110.00 that did not flow through the normal business process for salaries as established by the School District.
- A review of certificated employees revealed that one employee was paid $2,253.51 more than the contracted amount.
- A review of substitute personnel revealed personnel files are not being maintained for all substitutes and one monthly timesheet could not be provided for proof of substitute's hours worked.

Cause:

In discussing these deficiencies with the School District, they indicated that appropriate procedures to ensure salary amounts are supported by adequate documentation had not been implemented.

Effect or Potential Effect:

The failure to maintain adequate internal controls over Employee Compensation increases the risk misstatements could occur in the financial statements due to error or fraud.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Recommendation:
The School District should implement policies and procedures to ensure normal business procedures are followed for all salaries, which includes ensuring salaries are paid according to approved salary schedules and adequate documentation is maintained to support the salary payments. The School District should seek reimbursement of the salary overpayment for deposit into the General Fund.

Views of Responsible Officials and Corrective Action Plans:
We concur with this finding. Management has procedures and controls to ensure business procedures for all salaries are followed according to approved salary schedules and with maintained documentation to support salary.

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FS 2014-005 Failure to Adequately Maintain Capital Assets
Control Category: Capital Assets
Internal Control Impact: Material Weakness

Description:
This is a repeat finding (FS-7301-13-06, FS-7301-12-05, and FS-7301-11-06) from the years ended June 30, 2013, June 30, 2012, and June 30, 2011, respectively. The School District did not maintain an adequate capital assets listing.

Criteria:
The School District's management is responsible for designing and maintaining internal controls that provide reasonable assurance that capital assets inventory reports are properly maintained. Chapter 37 *Implementing a Capital Assets Management System* of the Financial Management for Georgia Local Units of Administration provides that School Districts must establish capital asset policies, define system requirements, implement a capital asset system and maintain capital asset inventory reports.

Condition:
A review of the School District's capital asset records revealed the following exceptions:

- The capital asset listing does not have adequate descriptions and/or inventory numbers assigned to assets.
- During our physical inspection of inventory items, we noted that assets are not tagged and the equipment inventory does not include all information technology related capital assets.
- An analysis of construction projects was not maintained which resulted in material unrecorded Construction-in-Progress in the amount of $7,024,065.64.
- The capital asset listing contained items that were identified as obsolete during the annual physical inventory performed by the School District.
- The School District did not maintain an updated capital asset listing for current year additions/deletions including the calculation of depreciation expense. Current year asset additions and depreciation expense were determined by the auditors.

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 the lack of time and resources to fully monitor and implement procedures over Capital Assets which follow Board policy. Additionally, they stated the cause was a direct result of new construction in which staff has not been trained on how to complete a construction analysis and ensure proper accounting of construction activity for the year.

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

Recommendation:
The School District's management should review the capital assets records and make appropriate adjustments to ensure that the capital assets records conform to the School District's approved capital asset policy.

Views of Responsible Officials and Corrective Action Plans:
We concur with the finding. Management has established internal controls to ensure that capital assets inventory reports are properly maintained.

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III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FA 2014-001	Failure to Maintain Title 1 Schoolwide Plan
Compliance Requirement:	Special Tests and Provisions/Schoolwide Program
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Non-Material Noncompliance
Federal Awarding Agency:	U.S. Department of Education
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	Title 1 Grants to Local Education Agencies (CFDA 84.010)

Description:
The School District could not provide the fiscal year 2014 Schoolwide plan for audit.

Criteria:
Provisions of the OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, require that:

To operate a Schoolwide Program, a school must include the following three core elements:
(1) Comprehensive needs assessment of the entire school (34 CFR section 200.26(a)).
(2) Comprehensive plan based on data from the needs assessment (34 CFR section 200.26(b)).
(3) Annual evaluation of, and results achieved by, the schoolwide program and revision of the schoolwide plan based on that evaluation (34 CFR section 200.26(c)).

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Condition:
A review of the Title I Grants to Local Education Agencies program revealed compliance procedures related to the required components of Schoolwide Plan could not be performed because the School District was unable to provide a copy of the plan.

Questioned Cost:
N/A

Cause:
In discussing the issue with the management, they stated the documentation of the Schoolwide Plan was most likely misplaced during the relocation of the School District office.

Effect or Potential Effect:
The failure of the School District to maintain the required documentation leads to noncompliance with requirements of the Federal grant.

Recommendation:
The School District should ensure they retain all documentation relevant to evaluating compliance with Federal grant requirements.

Views of Responsible Officials and Corrective Action Plans:
The Talbot County School District historically maintained annual improvement documents in the principal office and district office. During the year in question, the entire district was undergoing renovation and some computers and hard copy documents were displaced. Currently, we have committed to the following guidelines to secure and maintain school wide plan documents.

Approved school improvement plans will be forwarded (electronic and hard copy) to the Superintendent, Assistant Superintendent, Principal, Title I Director and Instructional Specialist annually. This procedure will ensure that the system has access to the school improvement plan for current and past years.

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III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FA 2014-002	Failure to Refund Unexpended Grants
Compliance Requirement:	Reporting
Internal Control Impact:	Material Weakness
Compliance Impact:	Material Noncompliance
Federal Awarding Agency:	U.S. Department of Education
Pass-Through Entity:	None
CFDA Number and Title:	Early Reading First (CFDA 84.359)
Federal Awarding Agency:	U.S. Department of Health and Human Services
Pass-Through Entity:	None
CFDA Number and Title:	Child Care and Development Block Grant (CFDA 93.575)
Federal Awarding Agency:	U.S. Department of Justice
Pass-Through Entity:	Children and Youth Coordinating Council
CFDA Number and Title:	Juvenile Justice and Delinquency Prevention (CFDA 16.540)
Federal Awarding Agency:	U.S. Department of Education
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	Title 1 Grants to Local Education Agencies (CFDA 84.010)
	Improving Teacher Quality State Grants (CFDA 84.367)

Description:
The School District failed to refund unearned grant balances to the U. S. Department of Education, the U. S. Department of Health and Human Services, the U. S. Department of Justice and the Georgia Department of Education.

Criteria:
In accordance with provisions of OMB Circular A-133, Part 3 Compliance Supplement, Subpart L - Reporting, states in part, "Each recipient must report program outlays and program income as prescribed by the Federal awarding agency. The reporting requirements for sub recipients are as specified by the pass-through entity".

Chapter 41, *State and Federal Fiscal Rules and Procedures* of the Financial Management for Georgia Local Units of Administration states, "This chapter sets forth the principal requirements that a School District must meet to account for and externally report its budget and financial operations relating to State and Federally funded programs administered by the Georgia Department of Education." Unearned funds must be returned to the Georgia Department of Education.

Condition:
A review of the School District's accounting records revealed the following:

- The School District did not return unearned Title 1 Grants to Local Education Agencies funds of $143,566.34, on hand as of June 30, 2014.
- The School District did not return unearned Improving Teacher Quality funds of $1,111.24 on hand as of June 30, 2014.
- The School District did not return unearned Early Reading First funds of $28,420.81 on hand as of June 30, 2014.
- The School District did not return unearned Child Care and Development Block Grant funds of $38,229.72 on hand as of June 30, 2014.
- The School District did not return unearned Juvenile Justice and Delinquency Prevention funds $5,673.67 on hand as of June 30, 2014.

Questioned Cost:
$217,001.78

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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 investigate these balances which have been carried for several years.

Effect or Potential Effect:

The lack of monitoring of expenditures and funds drawn down resulted in noncompliance with the Federal grant requirements, and could impact the School District's ability to obtain future grants.

Recommendation:

The School District should implement procedures to ensure that unearned funds on hand at the end of the grant period are returned to the grantor timely. The U.S. Department of Education, the U.S. Department of Health and Human Services, the U.S. Department of Justice, and the Georgia Department of Education should review this matter to determine if a reclaim of funds is appropriate.

Views of Responsible Officials and Corrective Action Plans:

We concur with this finding. This is a long on going finding that we wish to work with the Georgia Department of Education's federal program division for conclusion of these long standing findings.

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III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FA 2014-003 Inadequate Controls Over the Cash Management Process

Compliance Requirement:	Cash Management
Internal Control Impact:	Material Weakness
Compliance Impact:	Material Noncompliance
Federal Awarding Agency:	U.S. Department of Education
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	Title 1 Grants to Local Education Agencies (CFDA 84.010)

Description:
The School District made cash drawdowns in excess of immediate cash needs for the Title I program.

Criteria:
In accordance with 34 CFR 80.21, when School Districts are funded on a reimbursement basis, program costs must be paid for by School District funds before reimbursement is requested.

Condition:
The School District maintained excessive cash balances for all twelve months for the Title I program. The average monthly cash balance was in excess of 4% of the total Title I cash receipts for the 2014 fiscal year.

Cause:
The School District had an excessive beginning cash balance that was not considered when requests for reimbursement were made.

Effect or Potential Effect:
Failure to monitor the cash needs of the program resulted in noncompliance with requirements of the Federal grant.

Recommendation:
The School District should implement procedures to monitor the monthly cash balance for the program prior to requesting reimbursement from the Georgia Department of Education.

Views of Responsible Officials and Corrective Action Plans:
We concur with this finding. Management has implemented procedures to monitor the cash monthly balances for all programs when requesting reimbursement for federal and state programs.

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