

# TALIAFERRO COUNTY BOARD OF EDUCATION
## CRAWFORDVILLE, GEORGIA

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

TALIAFERRO COUNTY BOARD OF EDUCATION

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TALIAFERRO COUNTY BOARD OF EDUCATION

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SECTION I

FINANCIAL

# DEPARTMENT OF AUDITS AND ACCOUNTS

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

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


March 17, 2014

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

INDEPENDENT AUDITOR'S REPORT

Ladies and Gentlemen:

## Report on the Financial Statements

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

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

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

### *Opinions*

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

### *Emphasis of Matter*

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

### *Other Matters*

*Required Supplementary Information*

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 21, 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 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 based on the School District's chart of accounts.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2014, on our consideration of the Taliaferro 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 Taliaferro County Board of Education's internal control over financial reporting and compliance.

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

Respectfully submitted,



Greg S. Griffin
State Auditor

GSG:as
2013ARL-11

TALIAFERRO COUNTY BOARD OF EDUCATION

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

EXHIBIT "A"

| | GOVERNMENTAL ACTIVITIES |
|---|---|
| ASSETS | |
| Cash and Cash Equivalents | $ 868,757.06 |
| Accounts Receivable, Net | |
| Taxes | 307,006.20 |
| State Government | 52,432.10 |
| Federal Government | 102,505.44 |
| Inventories | 2,225.87 |
| Capital Assets, Non-Depreciable | 52,275.00 |
| Capital Assets, Depreciable (Net of Accumulated Depreciation) | 4,665,466.77 |
| Total Assets | $ 6,050,668.44 |
| LIABILITIES | |
| Accounts Payable | $ 3,839.02 |
| Salaries and Benefits Payable | 160,554.50 |
| Claims Incurred but not Reported (IBNR) | 4,290.00 |
| Total Liabilities | $ 168,683.52 |
| NET POSITION | |
| Investment in Capital Assets | $ 4,717,741.77 |
| Restricted for | |
| Continuation of Federal Programs | 2,225.87 |
| Capital Projects | 93,957.31 |
| Bus Replacement | 44,889.50 |
| Unrestricted | 1,023,170.47 |
| Total Net Position | $ 5,881,984.92 |

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

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

EXHIBIT "B"

| | EXPENSES | PROGRAM REVENUES CHARGES FOR SERVICES | PROGRAM REVENUES OPERATING GRANTS AND CONTRIBUTIONS | NET (EXPENSES) REVENUES AND CHANGES IN NET POSITION |
|---|---|---|---|---|
| GOVERNMENTAL ACTIVITIES | | | | |
| Instruction | $ 2,015,471.86 | $ 11,201.15 | $ 894,860.28 | $ -1,109,356.43 |
| Support Services | | | | |
| Pupil Services | 61,209.35 | | 51,877.65 | -9,331.70 |
| Improvement of Instructional Services | 35,648.84 | | 34,984.49 | -664.35 |
| Educational Media Services | 45,990.22 | | 29,048.55 | -16,941.67 |
| General Administration | 82,403.23 | | 318,556.36 | 236,153.13 |
| School Administration | 119,705.74 | | 123,332.55 | 3,626.81 |
| Business Administration | 124,070.24 | | 10,997.10 | -113,073.14 |
| Maintenance and Operation of Plant | 181,035.67 | | 58,750.88 | -122,284.79 |
| Student Transportation Services | 222,314.98 | | 110,728.49 | -111,586.49 |
| Other Support Services | 11,704.43 | | 5,043.75 | -6,660.68 |
| Operations of Non-Instructional Services | | | | |
| Enterprise Operations | 21,910.65 | | | -21,910.65 |
| Food Services | 189,998.48 | 7,014.25 | 139,418.01 | -43,566.22 |
| Total Governmental Activities | $ 3,111,409.69 | $ 18,215.40 | $ 1,777,598.11 | $ -1,315,596.18 |
| General Revenues | | | | |
| Taxes | | | | |
| Property Taxes | | | | |
| For Maintenance and Operations | | | | $ 905,538.53 |
| Railroad Cars | | | | 13,564.85 |
| Sales Taxes | | | | |
| Special Purpose Local Option Sales Tax | | | | |
| For Capital Projects | | | | 85,514.64 |
| Other Sales Tax | | | | 9,484.06 |
| Investment Earnings | | | | 5,517.56 |
| Miscellaneous | | | | 23,106.70 |
| Total General Revenues | | | | $ 1,042,726.34 |
| Change in Net Position | | | | $ -272,869.84 |
| Net Position - Beginning of Year | | | | 6,154,854.76 |
| Net Position - End of Year | | | | $ 5,881,984.92 |

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

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

EXHIBIT "C"

| | GENERAL FUND | DISTRICT-WIDE CAPITAL PROJECTS FUND | TOTAL |
|---|---|---|---|
| ASSETS | | | |
| Cash and Cash Equivalents | $ 780,833.35 | $ 87,923.71 | $ 868,757.06 |
| Accounts Receivable, Net | | | |
| Taxes | 300,972.60 | 6,033.60 | 307,006.20 |
| State Government | 52,432.10 | | 52,432.10 |
| Federal Government | 102,505.44 | | 102,505.44 |
| Inventories | 2,225.87 | | 2,225.87 |
| Total Assets | $ 1,238,969.36 | $ 93,957.31 | $ 1,332,926.67 |
| LIABILITIES AND FUND BALANCES | | | |
| LIABILITIES | | | |
| Accounts Payable | $ 3,839.02 | | $ 3,839.02 |
| Salaries and Benefits Payable | 160,554.50 | | 160,554.50 |
| Deposits and Deferred Revenue | 210,194.45 | | 210,194.45 |
| Total Liabilities | $ 374,587.97 | | $ 374,587.97 |
| FUND BALANCES | | | |
| Nonspendable | $ 2,225.87 | | $ 2,225.87 |
| Restricted | 44,889.50 | $ 93,957.31 | 138,846.81 |
| Assigned | 8,122.99 | | 8,122.99 |
| Unassigned | 809,143.03 | | 809,143.03 |
| Total Fund Balances | $ 864,381.39 | $ 93,957.31 | $ 958,338.70 |
| Total Liabilities and Fund Balances | $ 1,238,969.36 | $ 93,957.31 | $ 1,332,926.67 |

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

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

EXHIBIT "D"

| | | |
|---|---|---|
| Total Fund Balances - Governmental Funds (Exhibit "C") | | $ 958,338.70 |
| 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 | $ 52,275.00 | |
| Land Improvements | 723,029.13 | |
| Buildings | 4,695,832.30 | |
| Equipment | 925,673.27 | |
| Accumulated Depreciation | -1,679,067.93 | |
| Total Capital Assets | | 4,717,741.77 |
| Taxes that are not available to pay for current period expenditures are deferred in the governmental funds. | | |
| Property Taxes | | 210,194.45 |
| Long-Term Liabilities 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: | | |
| Claims Incurred but not Reported | | -4,290.00 |
| Net Position of Governmental Activities (Exhibit "A") | | $ 5,881,984.92 |

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

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

EXHIBIT "E"

| | GENERAL FUND | DISTRICT-WIDE CAPITAL PROJECTS FUND | TOTAL |
|---|---|---|---|
| REVENUES | | | |
| Property Taxes | $ 1,013,549.53 | | $ 1,013,549.53 |
| Sales Taxes | 9,484.06 | $ 85,514.64 | 94,998.70 |
| State Funds | 1,403,105.92 | | 1,403,105.92 |
| Federal Funds | 374,492.19 | | 374,492.19 |
| Charges for Services | 18,215.40 | | 18,215.40 |
| Investment Earnings | 5,112.13 | 405.43 | 5,517.56 |
| Miscellaneous | 23,106.70 | | 23,106.70 |
| Total Revenues | $ 2,847,065.93 | $ 85,920.07 | $ 2,932,986.00 |
| EXPENDITURES | | | |
| Current | | | |
| Instruction | $ 1,861,880.81 | $ 24,703.43 | $ 1,886,584.24 |
| Support Services | | | |
| Pupil Services | 61,209.35 | | 61,209.35 |
| Improvement of Instructional Services | 35,648.84 | | 35,648.84 |
| Educational Media Services | 42,963.66 | | 42,963.66 |
| General Administration | 82,403.23 | | 82,403.23 |
| School Administration | 119,705.74 | | 119,705.74 |
| Business Administration | 124,070.24 | | 124,070.24 |
| Maintenance and Operation of Plant | 179,997.76 | | 179,997.76 |
| Student Transportation Services | 190,045.39 | | 190,045.39 |
| Other Support Services | 11,704.43 | | 11,704.43 |
| Enterprise Operations | 21,910.65 | | 21,910.65 |
| Food Services Operation | 174,416.65 | | 174,416.65 |
| Capital Outlay | | 17,550.93 | 17,550.93 |
| Total Expenditures | $ 2,905,956.75 | $ 42,254.36 | $ 2,948,211.11 |
| Net Change in Fund Balances | $ -58,890.82 | $ 43,665.71 | $ -15,225.11 |
| Fund Balances - Beginning | 923,272.21 | 50,291.60 | 973,563.81 |
| Fund Balances - Ending | $ 864,381.39 | $ 93,957.31 | $ 958,338.70 |

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

TALIAFERRO COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2013

EXHIBIT "F"

| | | |
|---|---|---|
| Total Net Change in Fund Balances - Governmental Funds (Exhibit "E") | | $ -15,225.11 |
| 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 | $ 13,145.71 | |
| Depreciation Expense | -172,054.29 | |
| Excess of Capital Outlay over Depreciation Expense | | -158,908.58 |
| Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. | | -94,446.15 |
| 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: | | |
| Increase (Decrease) in Claims and Judgments | | -4,290.00 |
| Change in Net Position of Governmental Activities (Exhibit "B") | | $ -272,869.84 |

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

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

EXHIBIT "G"

| | AGENCY FUNDS |
|---|---|
| ASSETS | |
| Cash and Cash Equivalents | $ 5,276.78 |
| Investments | |
| Certificates of Deposit | 5,610.28 |
| Total Assets | $ 10,887.06 |
| LIABILITIES | |
| Funds Held for Others | $ 10,887.06 |

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

## NOTE 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

### REPORTING ENTITY

The Taliaferro 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 Taliaferro County Board of Education.

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

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

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

**Fund Financial Statements:**
The fund financial statements provide information about the School District's funds, including fiduciary funds. Eliminations have been made to minimize the double counting of internal activities. Separate statements for each category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, 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) that are restricted, committed or assigned to the expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The School District reports the following fiduciary fund types:

- Agency funds account for assets held by the School District as an agent for various 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, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from sales taxes is recognized in the fiscal year in which the underlying transaction (sale) takes place. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

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

## NEW ACCOUNTING PRONOUNCEMENTS

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

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

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

## CASH AND CASH EQUIVALENTS

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

## INVESTMENTS

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

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

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

## RECEIVABLES

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

## PROPERTY TAXES

The Taliaferro County Board of Commissioners adopted the property tax levy for the 2012 tax digest year (calendar year) on October 15, 2012 (levy date) based on property values as of January 1, 2012. Taxes were due on December 31, 2012 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2012 tax digest are reported as revenue in the governmental funds for fiscal year 2013. The Taliaferro County Tax Commissioner bills and collects the property taxes for the School District, withholds 2.5% of taxes collected as a fee for tax collection and remits the balance of taxes collected to the School District. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2013, for maintenance and operations amounted to $989,927.87.

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

| | |
|---|---|
| School Operations | 18.00 mills |

Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to $10,056.81 during fiscal year ended June 30, 2013.

## SALES TAXES

Education Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to $85,514.64 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 | $ 5,000.00 | 10 to 90 years |
| Buildings and Improvements | $ 5,000.00 | 30 to 90 years |
| Equipment | $ 5,000.00 | 5 to 50 years |
| Intangible Assets | $ 100,000.00 | 5 to 80 years |

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

Amortization of intangible assets such as water, timber, and mineral rights, easements, patents, trademarks, copyrights and internally generated software is computed using the straight-line method over the estimated useful lives of the assets, generally 5 to 80 years.

## 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.

**Restricted net position** - This represents resources for which the School District is legally or contractually obligated to spend resources for bus replacement, continuation of Federal Programs, 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 has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

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

| | | |
|---|---|---|
| Nonspendable | | |
| Inventories | | $ 2,225.87 |
| Restricted | | |
| Bus Replacement | $ 44,889.50 | |
| Capital Projects | 93,957.31 | 138,846.81 |
| Assigned | | |
| School Activity Accounts | | 8,122.99 |
| Unassigned | | 809,143.03 |
| Fund Balance, June 30, 2013 | | $ 958,338.70 |

It is the goal of the School District to achieve and maintain a committed, assigned, and unassigned fund balance in the general fund at fiscal year end of not less than 25% of revenues, not to exceed 15% of the total budget of the subsequent fiscal year, in compliance with Official Code of Georgia Annotated Section 20-2-167(a)5. If the unassigned fund balance at fiscal year end falls below the goal, the School District shall develop a restoration plan to achieve and maintain the minimum fund balance.

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

### USE OF ESTIMATES

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

## NOTE 3: BUDGETARY DATA

The budget is a complete financial plan for the School District's fiscal year, and is based upon careful estimates of expenditures together with probable funding sources. The budget is legally adopted each year for the general 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 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. At the next regularly scheduled meeting of the Board after advertisement, the Board receives comments on the tentative budget, makes revisions as necessary and adopts a final budget. The approved budget is then submitted, in accordance with provisions of Official Code of Georgia Annotated section 20-2-167(c), to the Georgia Department of Education. The Board may increase or decrease the budget at any time during the year. All unexpended budget authority lapses at fiscal year-end.

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

## NOTE 4: DEPOSITS

### COLLATERALIZATION OF DEPOSITS

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

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

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

### CATEGORIZATION OF DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At June 30, 2013, the bank balances were $976,966.27. The amounts exposed to custodial credit risk are classified into three categories as follows:

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

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

| Custodial Credit Risk Category | Bank Balance |
|---|---|
| 1 | $ 0.00 |
| 2 | 0.00 |
| 3 | 721,375.82 |
| Total | $ 721,375.82 |

## NOTE 5: NON-MONETARY TRANSACTIONS

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

## NOTE 6: CAPITAL ASSETS

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

| | Balances July 1, 2012 | Increases | Decreases | Balances June 30, 2013 |
|---|---|---|---|---|
| Governmental Activities | | | | |
| Capital Assets, Not Being Depreciated: | | | | |
| Land | $ 45,590.29 | $ 6,684.71 | $ 0.00 | $ 52,275.00 |
| Capital Assets, Being Depreciated: | | | | |
| Buildings and Improvements | $ 4,695,832.30 | | | $ 4,695,832.30 |
| Equipment | 968,669.27 | | $ 42,996.00 | 925,673.27 |
| Land Improvements | 716,568.13 | $ 6,461.00 | | 723,029.13 |
| Less: Accumulated Depreciation: | | | | |
| Buildings and Improvements | 700,259.23 | 80,536.29 | | 780,795.52 |
| Equipment | 631,659.03 | 50,575.00 | 42,996.00 | 639,238.03 |
| Land Improvements | 218,091.38 | 40,943.00 | | 259,034.38 |
| Total Capital Assets, Being Depreciated, Net | $ 4,831,060.06 | $ -165,593.29 | $ 0.00 | $ 4,665,466.77 |
| Governmental Activity Capital Assets - Net | $ 4,876,650.35 | $ -158,908.58 | $ 0.00 | $ 4,717,741.77 |

Current year depreciation expense by function is as follows:

| | | |
|---|---|---|
| Instruction | | $ 121,959.29 |
| Support Services | | |
| Educational Media Services | $ 2,951.00 | |
| Maintenance and Operation of Plant | 1,012.00 | |
| Student Transportation Services | 31,464.00 | 35,427.00 |
| Food Services | | 14,668.00 |
| | | $ 172,054.29 |

## NOTE 7: 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 job related illness or injuries to employees. The School District has neither significantly reduced coverage for these risks nor incurred losses (settlements) which exceeded the School District's insurance coverage in any of the past three years.

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

The School District is self-insured with regard to unemployment compensation claims. The School District accounts for claims within the General Fund with expenses/expenditures and liability being reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated.

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

| | Beginning of Year Liability | Claims and Changes in Estimates | Claims Paid | End of Year Liability |
|---|---|---|---|---|
| 2012 | $ 0.00 | $ 7,920.00 | $ 6,600.00 | $ 1,320.00 |
| 2013 | $ 1,320.00 | $ 13,879.80 | $ 10,909.80 | $ 4,290.00 |

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

| Position Covered | Amount |
|---|---|
| Superintendent | $ 50,000.00 |
| Each Employee | $ 100,000.00 |

## NOTE 8: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of $181,602.00 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 $174,768.00

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 $6,834.00

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 9: 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.

## NOTE 10: POST-EMPLOYMENT BENEFITS

### GEORGIA SCHOOL PERSONNEL POST-EMPLOYMENT HEALTH BENEFIT FUND

**Plan Description.** The Georgia School Personnel Post-employment Health Benefit Fund (School OPEB Fund) is a cost-sharing multiple-employer defined benefit post-employment healthcare plan that covers eligible former employees of public school systems, libraries and regional educational service agencies. The School OPEB Fund provides health insurance benefits to eligible former employees

and their qualified beneficiaries through the State Employees Health Benefit Plan administered by the Department of Community Health. The Official Code of Georgia Annotated (O.C.G.A.) assigns the authority to establish and amend the benefit provisions of the group health plans, including benefits for retirees, to the Board of Community Health (Board). The Department of Community Health, which includes the School OPEB Fund, issues a separate stand alone financial audit report and a copy can be obtained from the Georgia Department of Audits and Accounts.

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

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

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

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

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

**For non-certificated school personnel:**

| | |
|---|---|
| July 2012 - June 2013 | $446.20 per member per month |

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

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

| Fiscal Year | Percentage Contributed | Required Contribution |
|---|---|---|
| 2013 | 100% | $ 353,482.00 |
| 2012 | 100% | $ 283,229.48 |
| 2011 | 100% | $ 266,733.86 |

## NOTE 11: RETIREMENT PLANS

### TEACHERS' RETIREMENT SYSTEM OF GEORGIA (TRS)

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

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

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

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

**Funding Policy.** TRS is funded by member and employer contributions as adopted and amended by the Board of Trustees. Members become fully vested after 10 years of service. If a member terminates with less than 10 years of service, no vesting of employer contributions occurs, but the member's contributions may be refunded with interest. Member contributions are limited by State law to not less than 5% or more than 6% of a member's earnable compensation. Member contributions as adopted by the Board of Trustees for the fiscal year ended June 30, 2013, were 6.00% of annual salary. Employer contributions required for fiscal year 2013 were 11.41% of annual salary as required by the June 30, 2010, actuarial valuation. The employer contribution rate will increase to 12.28% effective July 1, 2013.

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

| Fiscal Year | Percentage Contributed | Required Contribution |
|---|---|---|
| 2013 | 100% | $ 174,902.98 |
| 2012 | 100% | $ 161,464.18 |
| 2011 | 100% | $ 163,026.66 |

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

SCHEDULE "1"

| | NONAPPROPRIATED BUDGETS | | ACTUAL | VARIANCE |
|---|---|---|---|---|
| | ORIGINAL (1) | FINAL (1) | AMOUNTS | OVER/UNDER |
| REVENUES | | | | |
| Property Taxes | $ 1,378,391.00 | $ 1,366,285.00 | $ 1,013,549.53 | $ -352,735.47 |
| Sales Taxes | 7,000.00 | 7,000.00 | 9,484.06 | 2,484.06 |
| State Funds | 1,514,195.88 | 1,514,195.88 | 1,403,105.92 | -111,089.96 |
| Federal Funds | 364,392.00 | 409,430.00 | 374,492.19 | -34,937.81 |
| Charges for Services | 7,818.00 | 7,818.00 | 18,215.40 | 10,397.40 |
| Investment Earnings | 8,750.00 | 8,750.00 | 5,112.13 | -3,637.87 |
| Miscellaneous | | | 23,106.70 | 23,106.70 |
| Total Revenues | $ 3,280,546.88 | $ 3,313,478.88 | $ 2,847,065.93 | $ -466,412.95 |
| EXPENDITURES | | | | |
| Current | | | | |
| Instruction | $ 2,122,823.00 | $ 2,119,024.00 | $ 1,861,880.81 | $ 257,143.19 |
| Support Services | | | | |
| Pupil Services | 50,842.00 | 50,842.00 | 61,209.35 | -10,367.35 |
| Improvement of Instructional Services | 26,272.00 | 44,779.00 | 35,648.84 | 9,130.16 |
| Educational Media Services | 56,421.00 | 56,421.00 | 42,963.66 | 13,457.34 |
| General Administration | 100,994.00 | 100,994.00 | 82,403.23 | 18,590.77 |
| School Administration | 104,960.00 | 104,960.00 | 119,705.74 | -14,745.74 |
| Business Administration | 126,198.00 | 126,198.00 | 124,070.24 | 2,127.76 |
| Maintenance and Operation of Plant | 197,309.00 | 197,309.00 | 179,997.76 | 17,311.24 |
| Student Transportation Services | 220,504.00 | 220,504.00 | 190,045.39 | 30,458.61 |
| Other Support Services | 20,066.00 | 20,065.00 | 11,704.43 | 8,360.57 |
| Enterprise Operations | | | 21,910.65 | -21,910.65 |
| Food Services Operation | 173,165.00 | 173,165.00 | 174,416.65 | -1,251.65 |
| Total Expenditures | $ 3,199,554.00 | $ 3,214,261.00 | $ 2,905,956.75 | $ 308,304.25 |
| Net Change in Fund Balances | $ 80,992.88 | $ 99,217.88 | $ -58,890.82 | $ -158,108.70 |
| Fund Balances - Beginning | 905,395.21 | 905,395.21 | 923,272.21 | 17,877.00 |
| Adjustments | 1,683.17 | -538.28 | | 538.28 |
| Fund Balances - Ending | $ 988,071.26 | $ 1,004,074.81 | $ 864,381.39 | $ -139,693.42 |

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 budgeted revenues or expenditures of the various principal accounts. The principal accounts had actual revenues of $26,925.37 and actual expenditures of $26,342.93.

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.

TALIAFERRO COUNTY BOARD OF EDUCATION
SCHEDULE OF FEDERAL REVENUES
YEAR ENDED JUNE 30, 2013

SCHEDULE "2"

| FUNDING AGENCY<br>PROGRAM/GRANT | GOVERNMENTAL FUND TYPE<br>GENERAL FUND |
|---|---|
| Agriculture, U. S. Department of | |
| Child Nutrition Cluster | |
| Pass-Through From Georgia Department of Education | |
| Food Services | |
| School Breakfast Program | $ 48,706.70 |
| National School Lunch Program | 87,065.31 |
| Total U. S. Department of Agriculture | $ 135,772.01 |
| Education, U. S. Department of | |
| Special Education Cluster | |
| Pass-Through From Georgia Department of Education | |
| Special Education | |
| Grants to States | $ 36,930.00 |
| Preschool Grants | 3,997.00 |
| Total Special Education Cluster | $ 40,927.00 |
| Title I, Part A Cluster | |
| Title I Grants to Local Educational Agencies | $ 143,894.21 |
| Other Programs | |
| Pass-Through From Georgia Department of Education | |
| Career and Technical Education - Basic Grants to States | $ 15,419.66 |
| Education Jobs Fund | 98.00 |
| Improving Teacher Quality State Grants | 38,381.31 |
| Total Other Programs | $ 53,898.97 |
| Total U. S. Department of Education | $ 238,720.18 |
| Total Federal Revenues | $ 374,492.19 |

See notes to the basic financial statements.

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

SCHEDULE "3"

| AGENCY/FUNDING | GOVERNMENTAL FUND TYPE GENERAL FUND |
|---|---|
| GRANTS | |
| Bright From the Start: | |
| Georgia Department of Early Care and Learning | |
| Pre-Kindergarten Program | $ 73,830.44 |
| Education, Georgia Department of | |
| Quality Basic Education (1) | |
| Direct Instructional Cost | |
| Kindergarten Program | 84,513.50 |
| Kindergarten Program - Early Intervention Program | 6,518.50 |
| Primary Grades (1-3) Program | 162,288.50 |
| Primary Grades - Early Intervention (1-3) Program | 11,193.50 |
| Upper Elementary Grades (4-5) Program | 64,197.00 |
| Upper Elementary Grades - Early Intervention (4-5) Program | 11,568.00 |
| Middle Grades (6-8) Program | 98,985.50 |
| High School General Education (9-12) Program | 104,487.50 |
| Vocational Laboratory (9-12) Program | 33,273.50 |
| Students with Disabilities | 137,518.50 |
| Alternative Education Program | 8,959.00 |
| Media Center Program | 20,645.50 |
| 20 Days Additional Instruction | 6,573.00 |
| Staff and Professional Development | 3,484.00 |
| Indirect Cost | |
| Central Administration | 250,469.00 |
| School Administration | 90,542.00 |
| Facility Maintenance and Operations | 44,327.00 |
| Amended Formula Adjustment | -134,133.50 |
| Categorical Grants | |
| Pupil Transportation | |
| Regular | 99,501.00 |
| Nursing Services | 45,000.00 |
| Sparsity | 149,242.00 |
| Other State Programs | |
| Food Services | 3,646.00 |
| Math and Science Supplements | 5,992.88 |
| Preschool Handicapped Program | 2,775.00 |
| Vocational Education | 10,874.60 |
| Office of the State Treasurer | |
| Public School Employees' Retirement | 6,834.00 |
| | $ 1,403,105.92 |

(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 $174,768.00 are included as part of the Quality Basic Education revenue allotments above.

See notes to the basic financial statements.

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

SCHEDULE "4"

| PROJECT | ORIGINAL ESTIMATED COST (1) | CURRENT ESTIMATED COSTS (2) | AMOUNT EXPENDED IN CURRENT YEAR (3) | AMOUNT EXPENDED IN PRIOR YEARS (3) | TOTAL COMPLETION COST | EXCESS PROCEEDS NOT EXPENDED | ESTIMATED COMPLETION DATE |
|---|---|---|---|---|---|---|---|
| SPLOST III<br>(i) Adding to, renovating, repairing, improving, and equipping existing school buildings and school system facilities, including but not limited to the main campus; (ii) acquiring real property for new school buildings and facilities; (iii) renovating and improving existing real property owned by the District, including but not limited to paving, landscaping, irrigation and drainage; (iv) acquiring miscellaneous new equipment, fixtures and furnishings for the school system including HVAC equipment, information technology equipment and software, safety and security equipment; (v) acquiring school buses and transportation and maintenance equipment; (vi) purchasing textbooks; and (vii) acquiring, constructing and equipping new school buildings and facilities, including but not limited to a book repository/storage facility. | $ 600,000.00 | 600,000.00 | 42,254.36 | 57,830.19 | | 0.00 | September 30, 2015 |
| Current Expenses<br>$16,550.93 (i) Renovating, improving existing building<br>$25,703.43 (vi) Purchase of textbooks | | | | | | | |
| Prior Year Expenses<br>$57,830.19 (vi) Purchase of textbooks | | | | | | | |
| | $ 600,000.00 | $ 600,000.00 | $ 42,254.36 | $ 57,830.19 | $ 0.00 | $ 0.00 | |

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

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

(3) The voters of Taliaferro 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.

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

SCHEDULE "5"

| DESCRIPTION | ALLOTMENTS FROM GEORGIA DEPARTMENT OF EDUCATION (1) (2) (3) | ELIGIBLE QBE PROGRAM COSTS SALARIES | OPERATIONS | TOTAL |
|---|---|---|---|---|
| Direct Instructional Programs | | | | |
| Kindergarten Program | $ 104,775.00 | $ 117,052.94 | $ 2,328.32 | $ 119,381.26 |
| Kindergarten Program-Early Intervention Program | 7,539.00 | 7,767.92 | | 7,767.92 |
| Primary Grades (1-3) Program | 200,469.00 | 283,617.77 | 7,920.03 | 291,537.80 |
| Primary Grades-Early Intervention (1-3) Program | 13,872.00 | 23,304.38 | | 23,304.38 |
| Upper Elementary Grades (4-5) Program | 78,299.00 | 164,454.33 | 7,040.73 | 171,495.06 |
| Upper Elementary Grades-Early Intervention (4-5) Program | 13,841.00 | 15,536.00 | | 15,536.00 |
| Middle Grades (6-8) Program | 123,176.00 | 218,097.38 | 7,777.59 | 225,874.97 |
| High School General Education (9-12) Program | 129,977.00 | 266,456.87 | 15,032.85 | 281,489.72 |
| Vocational Laboratory (9-12) Program | 40,973.00 | 131,801.10 | 8,279.45 | 140,080.55 |
| Students with Disabilities | 168,899.00 | | | |
| Category II | | 71,608.52 | 54,419.25 | 126,027.77 |
| Category III | | 75,540.93 | 627.50 | 76,168.43 |
| Category V | | 23,013.94 | | 23,013.94 |
| Alternative Education Program | 11,101.00 | 6,644.66 | | 6,644.66 |
| TOTAL DIRECT INSTRUCTIONAL PROGRAMS | $ 892,921.00 | $ 1,404,896.74 | $ 103,425.72 | $ 1,508,322.46 |
| Media Center Program | 25,465.00 | 34,672.79 | 8,163.24 | 42,836.03 |
| Staff and Professional Development | 4,333.00 | | | 1,186.34 |
| TOTAL QBE FORMULA FUNDS | $ 922,719.00 | $ 1,439,569.53 | $ 111,588.96 | $ 1,552,344.83 |

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

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

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

See notes to the basic financial statements.

SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS

# DEPARTMENT OF AUDITS AND ACCOUNTS

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

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


March 17, 2014

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
Taliaferro 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 Taliaferro County Board of Education as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Taliaferro County Board of Education's basic financial statements, and have issued our report thereon dated March 17, 2014.

## Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Taliaferro 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 Taliaferro County Board of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of the Taliaferro County Board of Education's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item FS-7311-13-01 that we consider to be a significant deficiency.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Taliaferro 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 Taliaferro County Board of Education in a separate letter dated March 17, 2014.

## Taliaferro County Board of Education's Response to Findings

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

## Purpose of this Report

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

Respectfully submitted,



Greg S. Griffin
State Auditor

GSG:as
2013YB-30

SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

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

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FINDING CONTROL NUMBER AND STATUS

| | |
|---|---|
| FS-7311-11-01 | Further Action Not Warranted |
| FS-7311-12-01 | Unresolved - See Corrective Action/Responses |

CORRECTIVE ACTION/RESPONSES

FINANCIAL REPORTING
Inadequate Controls over Financial Reporting
Finding Control Number: FS-7311-12-01

Due to the time and expertise required to prepare the financial statements, the Board is not currently able to meet this requirement. The Board is making strides to fully equip their finance department to complete the financial statement in the future.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV

FINDINGS AND QUESTIONED COSTS

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

## I FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Finding Control Number: FS-7311-13-01
Control Category: Financial Reporting
Internal Control Impact: Significant Deficiency
Compliance Impact: Nonmaterial Noncompliance

### Description:
This is a repeat finding (FS-7311-12-01, FS-7311-11-01, and FS-7311-10-01) from fiscal years ended June 30, 2012, 2011, and 2010, respectively. The School District did not have adequate controls in place to ensure that all required activity was included in the financial statement information presented for audit.

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

### 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 any 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 financial statements.

### Effect or Potential Effect:
The School District did not comply with the requirements of the Department of Education regarding financial reporting. Adjustments were necessary in order for the School District's financial statements to be in conformity with generally accepted accounting principles.

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

### Views of Responsible Officials and Corrective Action Plans:
The Taliaferro County Board of Education concurs with the above finding. Due to the time and expertise required to prepare the financial statements, the Board is not currently able to meet this requirement. The Board is making strides to fully equip their finance department to complete the financial statements in the future.

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## II FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.