

TURNER COUNTY BOARD OF EDUCATION
ASHBURN, GEORGIA

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

TURNER COUNTY BOARD OF EDUCATION

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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

November 12, 2015

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

INDEPENDENT AUDITOR'S REPORT

Ladies and Gentlemen:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information (Exhibits A through I) of the Turner 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 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 basic financial statements referred to above 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 Turner 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 Turner County Board of Education adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. 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 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 Turner County Board of Education's basic financial statements. The accompanying supplementary information, consisting of Schedules 2 through 5, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2015, on our consideration of the Turner 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 Turner 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
2014ARL-11

TURNER COUNTY BOARD OF EDUCATION

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

EXHIBIT "A"

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and Cash Equivalents	$ 807,051.33
Investments	4,550.22
Accounts Receivable, Net	
Taxes	258,103.32
State Government	847,210.19
Federal Government	381,808.94
Local	157,158.94
Inventories	20,354.60
Capital Assets, Non-Depreciable	565,807.00
Capital Assets, Depreciable (Net of Accumulated Depreciation)	12,965,680.00
Total Assets	16,007,724.54
LIABILITIES	
Accounts Payable	42,326.04
Salaries and Benefits Payable	1,362,053.74
Short-Term Debt	150,010.00
Interest Payable	44,167.00
Deposits and Unearned Revenues	68,373.95
Long-Term Liabilities	
Due Within One Year	179,785.69
Due in More Than One Year	1,075,306.80
Total Liabilities	2,922,023.22
NET POSITION	
Net Investment in Capital Assets	12,276,394.51
Restricted for	
Continuation of Federal Programs	262,097.36
Capital Projects	469,542.38
Unrestricted	77,667.07
Total Net Position	$ 13,085,701.32

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

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

	EXPENSES	CHARGES FOR SERVICES
GOVERNMENTAL ACTIVITIES		
Instruction	$ 10,062,536.83	$ 101,372.01
Support Services		
Pupil Services	650,455.10	
Improvement of Instructional Services	598,995.74	
Educational Media Services	235,131.74	
General Administration	211,696.43	
School Administration	1,024,307.28	
Business Administration	247,768.03	
Maintenance and Operation of Plant	1,047,904.42	5,550.00
Student Transportation Services	927,734.36	
Central Support Services	5,572.32	
Other Support Services	410,400.66	
Operations of Non-Instructional Services		
Enterprise Operations	230,892.40	
Community Services	11,359.38	
Food Services	1,031,015.35	26,712.75
Interest on Short-Term and Long-Term Debt	78,699.01	
Total Governmental Activities	$ 16,774,469.05	$ 133,634.76
General Revenues		
Taxes		
Property Taxes		
For Maintenance and Operations		
Other Taxes		
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Capital Projects		
Other Sales Tax		
Grants and Contributions not Restricted to Specific Programs		
Investment Earnings		
Miscellaneous		
Total General Revenues		
Change in Net Position		
Net Position - Beginning of Year		
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
$ 7,221,485.53	$ 289,829.78	$ -2,449,849.51
125,695.99	19,748.96	-505,010.15
211,364.13		-387,631.61
177,629.00		-57,502.74
474,675.29	988.47	263,967.33
523,205.00		-501,102.28
1,963.37		-245,804.66
417,800.17	7,025.66	-617,528.59
303,578.22		-624,156.14
		-5,572.32
216,182.48		-194,218.18
	653.56	-230,238.84
		-11,359.38
950,833.20	15,160.56	-38,308.84
		-78,699.01
$ 10,624,412.38	$ 333,406.99	-5,683,014.92
		2,973,368.62
		16,084.75
		809,821.67
		8,087.52
		847,557.00
		3,179.69
		562,788.64
		5,220,887.89
		-462,127.03
		13,547,828.35
		$ 13,085,701.32

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

EXHIBIT "C"

	GENERAL FUND	DISTRICT-WIDE CAPITAL PROJECTS FUND	TOTAL
ASSETS			
Cash and Cash Equivalents	$ 436,111.86	$ 370,939.47	$ 807,051.33
Investments		4,550.22	4,550.22
Accounts Receivable, Net			
Taxes	188,038.62	70,064.70	258,103.32
State Government	823,222.20	23,987.99	847,210.19
Federal Government	381,808.94		381,808.94
Local	157,158.94		157,158.94
Inventories	20,354.60		20,354.60
Total Assets	$ 2,006,695.16	$ 469,542.38	$ 2,476,237.54
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	$ 42,326.04		$ 42,326.04
Salaries and Benefits Payable	1,362,053.74		1,362,053.74
Short-Term Debt	150,010.00		150,010.00
Deposits and Unearned Revenue	68,373.95		68,373.95
Total Liabilities	1,622,763.73		1,622,763.73
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	101,886.77		101,886.77
FUND BALANCES			
Nonspendable	20,354.60		20,354.60
Restricted	241,742.76	$ 469,542.38	711,285.14
Assigned	19,947.30		19,947.30
Total Fund Balances	282,044.66	469,542.38	751,587.04
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 2,006,695.16	$ 469,542.38	$ 2,476,237.54

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

TURNER 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")		$ 751,587.04
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	$ 565,807.00	
Land Improvements	2,100,840.00	
Buildings	17,612,298.00	
Equipment	2,085,724.00	
Accumulated Depreciation	-8,833,182.00	
Total Capital Assets		13,531,487.00
Taxes that are not available to pay for current period expenditures are deferred in the governmental funds.		
Property Taxes		101,886.77
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:		
Accrued Interest Payable	$ -44,167.00	
Capital Leases Payable	-1,255,092.49	
Total Long-Term Liabilities		-1,299,259.49
Net Position of Governmental Activities (Exhibit "A")		$ 13,085,701.32

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

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

EXHIBIT "E"

	GENERAL FUND	DISTRICT-WIDE CAPITAL PROJECTS FUND	TOTAL
REVENUES			
Property Taxes	$ 3,003,646.78		$ 3,003,646.78
Sales Taxes	8,087.52	$ 809,821.67	817,909.19
State Funds	8,706,148.08	333,407.00	9,039,555.08
Federal Funds	2,765,821.30		2,765,821.30
Charges for Services	133,634.76		133,634.76
Investment Earnings	1,899.61	1,280.08	3,179.69
Miscellaneous	556,788.64	6,000.00	562,788.64
Total Revenues	15,176,026.69	1,150,508.75	16,326,535.44
EXPENDITURES			
Current			
Instruction	9,229,903.67	311,152.96	9,541,056.63
Support Services			
Pupil Services	601,966.86	48,988.81	650,955.67
Improvement of Instructional Services	596,764.91	2,230.83	598,995.74
Educational Media Services	220,338.05	14,793.69	235,131.74
General Administration	208,353.21	1,157.28	209,510.49
School Administration	1,018,143.04	6,164.24	1,024,307.28
Business Administration	247,265.12	502.91	247,768.03
Maintenance and Operation of Plant	956,757.68	256,721.82	1,213,479.50
Student Transportation Services	727,980.05	80,296.45	808,276.50
Central Support Services	5,572.32		5,572.32
Other Support Services	408,864.68	1,535.98	410,400.66
Enterprise Operations	229,447.09		229,447.09
Community Services	9,006.88	2,352.50	11,359.38
Food Services Operation	997,388.85	99.99	997,488.84
Capital Outlay		455,862.08	455,862.08
Debt Services			
Principal		169,556.99	169,556.99
Interest		84,665.01	84,665.01
Total Expenditures	15,457,752.41	1,436,081.54	16,893,833.95
Net Change in Fund Balances	-281,725.72	-285,572.79	-567,298.51
Fund Balances - Beginning	563,770.38	755,115.17	1,318,885.55
Fund Balances - Ending	$ 282,044.66	$ 469,542.38	$ 751,587.04

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

TURNER 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")		$ -567,298.51
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	$ 661,607.90	
Depreciation Expense	-717,766.00	
Excess of Capital Outlay over Depreciation Expense		-56,158.10
Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		-14,193.41
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:		
Capital Lease Payments		169,556.99
Interest expense reported in the Statement of Activities is recorded as incurred, whereas interest expense in the governmental fund statements is reported when paid.		5,966.00
Change in Net Position of Governmental Activities (Exhibit "B")		$ -462,127.03

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

TURNER 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	$ 400.00	
Investments	25,000.00	
Accounts Receivable, Net		
State		$ 34,570.99
Total Assets	$ 25,400.00	$ 34,570.99
LIABILITIES		
Cash Overdraft		$ 23,424.99
Funds Held for Others		11,146.00
Total Liabilities		$ 34,570.99
NET POSITION		
Held in Trust for Private Purposes	$ 25,400.00	

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

TURNER 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	$ 400.00
DEDUCTIONS	
Other Deductions	399.40
Change in Net Position	0.60
Net Position - Beginning	25,399.40
Net Position - Ending	$ 25,400.00

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 Turner 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 Turner County Board of Education.

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

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

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

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

The School District reports the following major governmental funds:

- General Fund is the School District's primary operating fund. It accounts for and reports all financial resources not accounted for and reported in another fund.
- District-wide Capital Projects Fund accounts for and reports financial resources including Education Special Purpose Local Option Sales Tax (ESPLOST) and 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.

The School District reports the following fiduciary fund types:

- Private Purpose Trust fund reports trust arrangements under which principal and income benefit a scholarship aid to graduating seniors of the Turner County School District.
- Agency funds account for assets held by the School District as an agent for various funds, governments or individuals.

BASIS OF ACCOUNTING

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

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

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

The School District funds certain programs by a combination of specific cost-reimbursement grants, categorical grants, and general revenues. Thus, when program costs are incurred, 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 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 Account 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 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 liability for its proportionate share of the Net Pension Liability of the pension plan administered through TRS is estimated to be $10.3 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 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.

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 Turner County Board of Commissioners adopted the property tax levy for the 2013 tax digest year (calendar year) on August 19, 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 Turner 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 $2,839,675.53.

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

School Operations	14.00 mills

Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to $147,886.50 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 $809,821.67 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

INVENTORIES

Food Inventories

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

CAPITAL ASSETS

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

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

		Capitalization Policy	Estimated Useful Life
Land		Any Amount	N/A
Land Improvements	$	10,000.00	15 to 40 years
Buildings and Improvements	$	10,000.00	25 to 60 years
Equipment	$	10,000.00	5 to 20 years
Intangible Assets	$	10,000.00	10 to 50 years
Construction In Progress	$	10,000.00	N/A

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

Amortization of intangible assets such as water, timber, and mineral rights, easements, patents, trademarks, copyrights and internally generated software is computed using the straight-line method over the estimated useful lives of the assets, generally 10 to 50 years.

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(s) 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(s) 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.

NET POSITION

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

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

Restricted net position - This represents resources for which the School District is legally or contractually obligated to spend resources for 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 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, 2014, are as follows:

Nonspendable		
Inventories		$ 20,354.60
Restricted		
Continuation of Federal Programs	$ 241,742.76	
Capital Projects	469,542.38	711,285.14
Assigned		
School Activity Accounts		19,947.30
Fund Balance, June 30, 2014		$ 751,587.04

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 5% of, 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.

DEFICIT FUND BALANCES

Funds and individual nonmajor funds reporting a deficit fund balance at June 30, 2014, are as follows:

Fund Type/Fund Name	Deficit Balance
Governmental Funds	
General Fund	$ 46,037.88

The Turner County School District Deficit Elimination Plan is a combination of millage rate increase of 2 mils voted August 14, 2014 and review of expenses and revenues via monthly financial reports.

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. The legal level of budgetary control was established by the Board at the aggregate fund level. The budget for the General Fund was prepared in accordance with accounting principles generally accepted in the United States of America.

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

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

NOTE 4: DEPOSITS AND INVESTMENTS

COLLATERALIZATION OF DEPOSITS

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

At June 30, 2014, $35,104.57 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 $809,026.34 which includes $25,000.00 in Certificates of Deposit that are reported as Investments, and a bank balance of $1,197,902.00. The bank balances insured by Federal depository insurance were $805,816.19 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 $356,981.24.

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	$ 35,104.57
2	0.00
3	0.00
Total	$ 35,104.57

CATEGORIZATION OF INVESTMENTS

At June 30, 2014, the carrying value of the School District's total investment was $29,550.22. This includes $25,000.00 invested in Certificates of Deposit, which are collateralized in the same manner as other cash deposits. The School District's investments as of June 30, 2014, are presented below. All investments are presented by investment type and debt securities are presented by maturity.

Investment Type	Fair Value	Investment Maturity 1 - 5 Years
Certificates of Deposit	$ 25,000.00	$ 25,000.00
Other Investments		
Federated Government Obligations	4,550.22	
Total Investments	$ 29,550.22	

The Federated Government Obligations Fund, formerly referred to as Government Obligations Fund, administered by the Federated Investors, Incorporated, is not required to be categorized since the School District did not own any specific identifiable securities in the pool. The Federated Government Obligations fund invests primarily in a portfolio of short-term U.S. Treasury and government agency securities, including repurchase agreement.

The Federated Government Obligations Fund is registered with the SEC as an investment company and operates in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. The investment is valued at the fund's share price, $1.00 per share. The fund is AAAm rated investment pool by Standard and Poor's. The weighted average maturity for Federated Government Obligations Fund on June 30, 2014 was 41 days.

NOTE 5: NON-MONETARY TRANSACTIONS

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

NOTE 6: CAPITAL ASSETS

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

	Balances July 1, 2013	Increases	Decreases	Balances June 30, 2014
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	$ 565,807.00	$ 0.00		$ 565,807.00
Construction in Progress	80,120.10		$ 80,120.10	0.00
Total Capital Assets Not Being Depreciated	645,927.10	0.00	80,120.10	565,807.00
Capital Assets Being Depreciated				
Buildings and Improvements	17,080,374.00	531,924.00	0.00	17,612,298.00
Equipment	2,051,250.00	34,474.00		2,085,724.00
Land Improvements	1,925,510.00	175,330.00		2,100,840.00
Less Accumulated Depreciation for:				
Buildings and Improvements	4,985,870.00	525,685.00		5,511,555.00
Equipment	1,559,882.00	126,297.00		1,686,179.00
Land Improvements	1,569,664.00	65,784.00		1,635,448.00
Total Capital Assets, Being Depreciated, Net	12,941,718.00	23,962.00	0.00	12,965,680.00
Governmental Activity Capital Assets - Net	$ 13,587,645.10	$ 23,962.00	$ 80,120.10	$ 13,531,487.00

Capital assets being acquired under capital leases as of June 30, 2014, are as follows:

	Governmental Activities
Buildings and Improvements	$ 1,926,938.00
Less: Accumulated Depreciation	269,773.00
	$ 1,657,165.00

Current year depreciation expense by function is as follows:

Instruction		$ 507,660.00
Support Services		
Pupil Services	$ 42,516.00	
General Administration	2,128.00	
Maintenance and Operation of Plant	15,125.00	
Student Transportation Services	116,292.00	
Other Support Services	1,407.00	177,468.00
Food Services		32,638.00
		$ 717,766.00

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 torts, assets, errors or omissions, and 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 has elected to self-insure for all losses related to acts of God. The School District has not experienced any losses related 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	$ 17,798.00	$ 17,798.00	$ 0.00
2014	$ 0.00	$ 7,406.00	$ 7,406.00	$ 0.00

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

Position Covered	Amount
Superintendent	$ 100,000.00
Assistant Superintendent	$ 10,000.00
Each Principal	$ 6,000.00

NOTE 8: SHORT-TERM DEBT

The School District issues tax anticipation notes in advance of property tax collections, depositing the proceeds in its General Fund. This short-term debt is to provide cash 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	$ 10.00	$ 1,000,520.00	$ 850,520.00	$ 150,010.00

NOTE 9: LONG-TERM LIABILITIES

CAPITAL LEASES

The Turner County Board of Education also entered into various lease agreements for energy savings projects. These lease agreements qualify as capital leases for accounting purposes, and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

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
Capital Leases	$ 1,424,649.48	$ 0.00	$ 169,556.99	$ 1,255,092.49	$ 179,785.69

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

	Capital Leases	
	Principal	Interest
Fiscal Year Ended June 30:		
2015	$ 179,785.69	$ 75,714.31
2016	190,631.43	64,868.57
2017	202,131.47	53,368.53
2018	214,325.26	41,174.74
2019	227,254.64	28,245.36
2020	240,964.00	14,536.00
Total Principal and Interest	$ 1,255,092.49	$ 277,907.51

NOTE 10: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of $678,519.48 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 $643,752.00
- Paid to the Teachers' Retirement System of Georgia
  - For Teachers' Retirement System (TRS) Employer's Cost
    - In the amount of $5,703.48

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 $29,064.00

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 11: SIGNIFICANT CONTINGENT LIABILITIES

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

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

NOTE 12: SUBSEQUENT EVENTS

On November 10, 2014, the School District obtained a tax anticipation note for cash flow purposes for an amount not to exceed $250,000.00. The loan had an interest rate of 3.75% with a maturity date of December 31, 2015. On December 8, 2014, the School District obtained a tax anticipation note for cash flow purposes for an amount not to exceed $1,000,000.00. The loan had an interest rate of 3.75% with a maturity date of December 31, 2015.

NOTE 13: POST-EMPLOYMENT BENEFITS

GEORGIA SCHOOL PERSONNEL POST-EMPLOYMENT HEALTH BENEFIT FUND

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

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

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

The combined active and retiree contribution rates established by the Board for employers participating in the School OPEB Fund were as follows for the fiscal year ended June 30, 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%	$ 1,804,603.80
2013	100%	$ 1,613,097.04
2012	100%	$ 1,502,469.25

NOTE 14: 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 6.00% 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%	$ 1,026,110.70
2013	100%	$ 962,562.68
2012	100%	$ 882,896.62

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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TURNER 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	$ 2,711,982.00	$ 2,711,982.00	$ 3,003,646.78	$ 291,664.78
Sales Taxes	6,577.00	6,577.00	8,087.52	1,510.52
State Funds	8,054,968.00	8,078,230.00	8,706,148.08	627,918.08
Federal Funds	917,942.48	2,586,166.48	2,765,821.30	179,654.82
Charges for Services	25,700.00	25,700.00	133,634.76	107,934.76
Investment Earnings	1,700.00	1,700.00	1,899.61	199.61
Miscellaneous	130,000.00	130,000.00	556,788.64	426,788.64
Total Revenues	11,848,869.48	13,540,355.48	15,176,026.69	1,635,671.21
EXPENDITURES				
Current				
Instruction	7,025,591.46	8,446,900.46	9,229,903.67	-783,003.21
Support Services				
Pupil Services	455,492.79	478,478.79	601,966.86	-123,488.07
Improvement of Instructional Services	261,933.93	444,835.93	596,764.91	-151,928.98
Educational Media Services	216,277.29	216,277.29	220,338.05	-4,060.76
General Administration	171,538.45	173,588.45	208,353.21	-34,764.76
School Administration	1,011,238.49	1,011,238.49	1,018,143.04	-6,904.55
Business Administration	255,949.31	255,949.31	247,265.12	8,684.19
Maintenance and Operation of Plant	942,992.95	942,992.95	956,757.68	-13,764.73
Student Transportation Services	603,998.31	646,718.31	727,980.05	-81,261.74
Central Support Services	6,000.00	6,000.00	5,572.32	427.68
Other Support Services	121,230.88	160,193.88	408,864.68	-248,670.80
Enterprise Operations			229,447.09	-229,447.09
Food Services Operation	934,366.72	934,366.72	997,388.85	-63,022.13
Community Services Operations	8,400.00	8,400.00	9,006.88	-606.88
Total Expenditures	12,015,010.58	13,725,940.58	15,457,752.41	-1,731,811.83
Excess of Revenues over (under) Expenditures	-166,141.10	-185,585.10	-281,725.72	-96,140.62
OTHER FINANCING SOURCES (USES)				
Other Sources	90,746.00	90,746.00		-90,746.00
Other Uses	-90,746.00	-90,746.00		90,746.00
Total Other Financing Sources (Uses)	0.00	0.00		0.00
Net Change in Fund Balances	-166,141.10	-185,585.10	-281,725.72	-96,140.62
Fund Balances - Beginning	865,255.68	865,255.68	563,770.38	-301,485.30
Adjustments	512.44	-11,766.49		11,766.49
Fund Balances - Ending	$ 699,627.02	$ 667,904.09	$ 282,044.66	$ -385,859.43

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 ($353,102.57) or expenditures ($356,917.25) 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.

TURNER 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	$ 949,083.09	(1)
Total U. S. Department of Agriculture				949,083.09	
Special Education Cluster					
Pass-Through From Georgia Department of Education					
Special Education					
Grants to States	*	84.027	N/A	371,661.57	
Preschool Grants	*	84.173	N/A	14,800.43	
Total Special Education Cluster				386,462.00	
Other Programs					
Direct					
Safe and Drug-Free Schools and Communities - National Programs		84.184		189,390.23	
Pass-Through From Georgia Department of Education					
ARRA - Race-to-the-Top Incentive Grants		84.395	N/A	178.08	
Career and Technical Education - Basic Grants to States		84.048	N/A	21,219.53	
Improving Teacher Quality State Grants		84.367	N/A	146,316.98	
Migrant Education - State Grant Program		84.011	N/A	20,526.20	
Rural Education		84.358	N/A	32,176.97	
Title I Grants to Local Educational Agencies	*	84.010	N/A	987,640.25	
Total Other Programs				1,397,448.24	
Total U. S. Department of Education				1,783,910.24	
Defense, U. S. Department of					
Direct					
Department of the Army					
R.O.T.C. Program				69,180.03	
Total Expenditures of Federal Awards				$ 2,802,173.36	

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 $63,544.90.

(2) Expenditures for the funds earned on the School Breakfast Program ($206,795.19) 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 accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the Turner 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.

TURNER 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	$ 396,964.31		$ 396,964.31
Education, Georgia Department of			
Quality Basic Education (1)			
Direct Instructional Cost			
Kindergarten Program	372,613.00		372,613.00
Kindergarten Program - Early Intervention Program	131,573.00		131,573.00
Primary Grades (1-3) Program	828,313.00		828,313.00
Primary Grades - Early Intervention (1-3) Program	429,295.00		429,295.00
Upper Elementary Grades (4-5) Program	297,746.00		297,746.00
Upper Elementary Grades - Early Intervention (4-5) Program	309,597.00		309,597.00
Middle School (6-8) Program	885,987.00		885,987.00
High School General Education (9-12) Program	716,266.00		716,266.00
Vocational Laboratory (9-12) Program	251,753.00		251,753.00
Students with Disabilities	1,139,627.00		1,139,627.00
Gifted Student - Category VI	665,157.00		665,157.00
Remedial Education Program	89,416.00		89,416.00
Alternative Education Program	62,174.00		62,174.00
Media Center Program	157,899.00		157,899.00
20 Days Additional Instruction	45,450.00		45,450.00
Staff and Professional Development	33,038.00		33,038.00
Indirect Cost			
Central Administration	386,550.00		386,550.00
School Administration	464,878.00		464,878.00
Facility Maintenance and Operations	367,432.00		367,432.00
Mid-term Adjustment Hold-Harmless	315,734.00		315,734.00
Amended Formula Adjustment	-1,122,239.00		-1,122,239.00
Categorical Grants			
Pupil Transportation			
Regular	247,411.00		247,411.00
Nursing Services	28,013.00		28,013.00
Education Equalization Funding Grant	847,557.00		847,557.00
Other State Programs			
Food Services	24,447.00		24,447.00
Math and Science Supplements	9,233.74		9,233.74
Preschool Handicapped Program	42,706.00		42,706.00
Teachers' Retirement	5,703.48		5,703.48
Vocational Education	44,472.00		44,472.00
Georgia State Financing and Investment			
Commission			
Reimbursement on Construction Projects		$ 333,407.00	333,407.00
Office of the State Treasurer			
Public School Employees' Retirement	29,064.00		29,064.00
CONTRACTS			
Governors Office for Children and Families			
Abstinence Until Marriage	67,182.61		67,182.61
System of Care Grant Program	135,134.94		135,134.94
	$ 8,706,148.08	$ 333,407.00	$ 9,039,555.08

(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 $643,752.00 are included as part of the Quality Basic Education revenue allotments above.

See notes to the basic financial statements.

TURNER 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
Lease/Purchase ABM/Linc Mechanical HVAC/Lighting Upgrade	$ 1,275,500.00	$ 1,275,500.00	$ 84,665.01		$ 0.00	$ 0.00	6/30/2017
Textbooks	700,000.00	700,000.00	61,176.00	$ 8,164.00			6/30/2017
Facility Repairs, Renovations, Improvements, Acqusitions	1,924,500.00	1,924,500.00	832,497.59	88,359.99			6/30/2017
Technology Improvements	1,100,000.00	1,100,000.00	209,774.00	40,119.00			6/30/2017
Vocational Equipment	50,000.00	50,000.00					6/30/2017
Rolling Stock	250,000.00	250,000.00	78,180.00	5,538.00			6/30/2017
	$ 5,300,000.00	$ 5,300,000.00	$ 1,266,292.60	$ 142,180.99	$ 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 Turner 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.

TURNER 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	$ 428,018.00	$ 331,500.92	$ 5,697.57	$ 337,198.49
Kindergarten Program-Early Intervention Program	156,661.00	176,261.09		176,261.09
Primary Grades (1-3) Program	931,147.00	948,597.95	12,819.63	961,417.58
Primary Grades-Early Intervention (1-3) Program	469,831.00	64,557.18		64,557.18
Upper Elementary Grades (4-5) Program	343,978.00	486,251.19	11,593.51	497,844.70
Upper Elementary Grades-Early Intervention (4-5) Program	356,501.00	43,143.92		43,143.92
Middle Grades (6-8) Program		52,015.57		52,015.57
Middle School (6-8) Program	995,907.00	898,249.89	53,720.69	951,970.58
High School General Education (9-12) Program	813,396.00	1,209,196.30	53,562.61	1,262,758.91
Vocational Laboratory (9-12) Program	281,351.00	225,924.42	21,343.86	247,268.28
Students with Disabilities	1,304,361.00			
Category II		126,027.48		126,027.48
Category III		1,174,387.25		1,174,387.25
Category IV		27,639.46		27,639.46
Gifted Student - Category VI	739,504.00	670,902.10	19,046.53	689,948.63
Remedial Education Program	101,439.00	78,383.25		78,383.25
Alternative Education Program	71,594.00	245,660.64	41.50	245,702.14
TOTAL DIRECT INSTRUCTIONAL PROGRAMS	6,993,688.00	6,758,698.61	177,825.90	6,936,524.51
Media Center Program	178,501.00	211,341.67	2,170.86	213,512.53
Staff and Professional Development	35,855.00		19,663.46	19,663.46
TOTAL QBE FORMULA FUNDS	$ 7,208,044.00	$ 6,970,040.28	$ 199,660.22	$ 7,169,700.50

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

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

See notes to the basic financial statements.

SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS

DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

November 12, 2015

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
Turner 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 Turner 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 Turner County Board of Education's basic financial statements and have issued our report thereon dated November 12, 2015.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items FS 2014-002 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 deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items FS 2014-001 and FS 2014-003 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Turner County Board of Education's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item FS 2014-004.

We also noted certain matters that we have reported to management of Turner County Board of Education in a separate letter dated November 12, 2015.

Turner County Board of Education's Response to Findings

Turner County Board of Education's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Turner 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
2014YB-60

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

November 12, 2015

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

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

Opinion on Each Major Federal Program

In our opinion, the Turner County Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of Turner 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 Turner 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 Turner County Board of Education's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Respectfully submitted,



Greg S. Griffin
State Auditor

GSG:as
2014SA-10

SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

TURNER 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-7421-12-01	Further Action Not Warranted
FS-7421-13-01	Unresolved - See Corrective Action/Responses
FS-7421-13-02	Unresolved - See Corrective Action/Responses
FS-7421-13-03	Partially Resolved - See Corrective Action/Responses

CORRECTIVE ACTION/RESPONSES

CASH AND CASH EQUIVALENTS
REVENUES/RECEIVABLES/RECEIPTS
EXPENDITURES/LIABILITIES/DISBURSEMENTS
Internal Control Procedures over School Activity Accounts
Finding Control Number: FS-7421-13-01

No changes were made in fiscal year 2014. However, School District staff will implement and retrain school personnel on key accounting functions and record keeping. School District staff will also review transaction samples to provide reasonable assurance that transactions are processed according to established procedures.

FINANCIAL REPORTING
Inadequate Controls over Financial Reporting Process
Finding Control Number: FS-7421-13-02

Management is now aware that contracts and/or retainages payable need to be recorded in the financial statements and will do so in the future. The School Bookkeeper transferred designated expenditures and revenues from Agency Funds to Governmental Funds. Future construction contracts will be properly disclosed in the notes to the financial statements.

Management will classify entries correctly in the financial statements to avoid the necessity of auditor revision. Management will check schedule preparation to avoid the necessity of auditor revision.

EXPENDITURES/LIABILITIES/DISBURSEMENTS
Improper Use of SPLOST Proceeds
Finding Control Number: FS-7421-13-03

The School District has repaid a portion of the expenditures in SPLOST. The School District will use Discretion in the future when paying expenditures out of SPLOST funds and refer to the SPLOST referendum for approved expenditures.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV

FINDINGS AND QUESTIONED COSTS

TURNER 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; Aggregate Remaining Fund Information — Unmodified

Internal control over financial reporting:
- Material weaknesses identified? — Yes
- Significant deficiencies identified? — Yes

Noncompliance material to financial statements noted: — Yes

Federal Awards

Internal Control over major programs:
- Material weakness identified? — No
- Significant deficiency identified? — None Reported

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

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-143, Section 510(a)? — No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.010	Title I Grants to Local Educational Agencies
84.027, 84.173	Special Education Cluster

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

Auditee qualified as low-risk auditee? — Yes

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2014-001 Inadequate Internal Control Procedures over School Activity Accounts

Control Category:	Cash and Cash Equivalents Revenues/Receivables/Receipts Expenditures/Liabilities/Disbursements
Internal Control Impact:	Significant Deficiency

Description:
This is a repeat finding (FS-7421-13-01) from fiscal year ended June 30, 2013. Our review of the accounting procedures of the School District revealed weaknesses in internal controls related to school activity accounts.

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

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

Cash and Cash Equivalents

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

Revenues/Receipts/Receivables

- The School District did not have adequate internal controls in place to ensure proper separation of duties and proper documentation of receipts.
- During a review of twelve receipts, the following problems were noted.
    - Gate receipt documentation could not be provided.
    - The auditor could not determine if the receipts were credited to the correct revenue account due to lack of documentation.
    - Two amounts were incorrectly reported as revenue when they should have been credited against expense.

Expenditures/Liabilities/Disbursements

- During a review of twenty-five disbursements, the following problems were noted:
    - Documentation for two expenditures could not be located.
    - The auditor could not determine if any of the expenditures were charged to the correct expenditure account due to lack of documentation.
    - Seven expenditures did not have evidence of receipt of goods.
    - One expenditure was paid for a different amount than was reflected on the supporting invoice.

Cause:
In discussing this condition with Turner County Board of Education officials, it was determined that school personnel do not have the adequate training on key accounting functions and proper recording keeping procedures. Also, there was a failure to provide adequate independent review to assure that transactions are processed according to established procedures.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

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

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

Views of Responsible Officials and Corrective Action Plans:
We concur with this finding. Procedures will be implemented and re-training delivered to school personnel to ensure that the key accounting functions of custody and record-keeping are separated to the greatest extent possible, given existing available staff. Additionally, administrative and accounting staff at the school level will be retrained in what constitutes adequate documentation for disbursement and receipts. District staff will review transaction samples to provide reasonable assurance that transactions are processed according to established procedures.

Contact Person:	Darlene Perry, Bookkeeper
Telephone:	(229) 567-4351 or (229) 567-3338
Fax:	(229) 567-3285
Email:	dperry@turner.k12.ga.us

FS 2014-002 Inadequate Internal Control Procedures

Control Category:	Revenues/Receivables/Receipts
	Expenditures/Liabilities/Disbursements
	Employee Compensation
	General Ledger
	Capital Assets
Internal Control Impact:	Material Weakness

Description:
The accounting procedures of the School District were insufficient to provide for adequate internal controls over numerous control categories.

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

Condition:
Revenues/Receivables/Receipts

- A SPLOST receivable totaling $70,064.70 was not posted to the Capital Projects Fund. An adjusting entry was proposed by the auditor and accepted by the entity for this material misstatement.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

- Revenues and receivables totaling $189,648.35 were misclassified between state, federal and local sources.
- Federal and state program grant revenues were not accrued for expenditures incurred on reimbursement based grants during fiscal year 2014 in the amount of $28,694.13.

Expenditures/Liabilities/Disbursements

- Contracted services for fiscal year 2013 totaling $88,640.87 were recorded in fiscal year 2014.
- Three expenditures reviewed did not have receiving reports on hand.

Employee Compensation

- During a review of 12 employees' salaries numerous calculation errors were noted. Three employees were underpaid a net total of $355.01 due to the incorrect calculation of extended day pay. One employee was underpaid $94.91 due to the incorrect calculation of final payment after termination.

General Ledger

- A review of 23 journal entries revealed 18 did not contain adequate supporting documentation.

Capital Assets

- The School District did not capitalize three pieces of equipment totaling $81,750.00. In addition, the corresponding depreciation in the amount of $8,175.00 for this equipment was not recorded.

Cause:
In discussing the issue, management indicated the following:

- Management did not check accrued June 30 revenue and accounts receivables to see if they were classified correctly as state, federal and local.
- The $88,640.87 of fiscal year 13 contracted services were not billed by Coastal Plains RESA until fiscal year 14. The RESA failed in billing the Board timely, and management failed to realize the Board had not paid or accrued the contracted services for fiscal year 13 which resulted in an fiscal year 13 contracted service being paid in fiscal year 14.
- Management was not diligent in ensuring that all appropriate documentation was included in the voucher packages before payments are processed.
- Employees were incorrectly compensated due to management not having someone independent of the payroll function rechecking salary calculations periodically throughout the year.
- Management did not require documentation attached to journal entries during the approval process.
- When the Board was gathering information for the fixed asset report, management overlooked the equipment.

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

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Recommendation:
The School District should establish and implement appropriate controls over the significant processes and procedures to prevent errors as noted above, and ensure that revenues, expenditures, employee compensation activity, journal entries and capital assets are accurately reported and adequately supported.

Views of Responsible Officials and Corrective Action Plans:
We concur with this finding. In the future, management will check off receivables at year end to ensure all are correctly posted for SPLOST, federal and state program, grant revenues. In addition, management will work closely with the preparer of yearly financials for accuracy of classifying revenues and receivables between state, federal and local sources.

Also, management will be careful to pay expenses in the year they occur, as well as having receiving reports for all expenditures to be paid. Management will double check salary calculations for extended day or final payment after termination to eliminate errors in the future.

Management will attach supporting documentation to all journal entries. Management will check not only SPLOST expenditures for capitalization but all funds.

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FS 2014-003 Inadequate Controls over Financial Reporting Process

Control Category:	Financial Reporting
Internal Control Impact:	Significant Deficiency

Description:
This is a repeat of prior year finding control number: FS-7421-13-02. Several misstatements were noted in the reporting of the District-wide and fund financial statements.

Criteria:
Management is responsible for having adequate controls over the financial reporting process, which not only includes proper recording of transactions to the general ledger, but extends to accurate preparation and presentation of the financial statements, including the note disclosures. 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:
During the audit, the following correcting entries were proposed and accepted by the client to properly present the entity's financial statements, notes to the financial statements and schedules as follows:

- A review of cash revealed two bank accounts in the amount of $44,528.38 that were not included in the bank balance disclosed in the notes to the financial statements.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

- A review of interfund transfers revealed transfers to the General Fund in the amount of $19,350.18 were invalid and were incorrectly reported on the financial statements.
- A review of capital leases revealed current year payments were overstated by $100,216.01 in the notes to the financial statements.
- The School District assigned themselves into a deficit fund balance of $46,037.88 which is unallowable.
- The amount reported as expended in current year on the Schedule of Approved Local Option Sales Tax Projects was understated by $209,236.60.
- Several reclassification entries were proposed to improve financial statement presentation.
- The Schedule of Expenditures of Federal Awards required auditor revision.

Cause:
In discussing the issue, management indicated they should have been more involved in the financial reporting process and more diligent in checking over the notes for accuracy.

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

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

Views of Responsible Officials and Corrective Action Plans:
We concur with this finding. The School District will work closely with the preparer of the yearly financials for accuracy in the reporting of the District-wide and fund financial statements to eliminate the following errors from occurring again.

- The two bank accounts that were not included in the bank balance disclosed in the notes to the financial statements.
- Interfund transfers that were invalid and incorrectly reported on the financial statements.
- Capital leases were overstated in the notes to the financial statements.
- School District assigned themselves into a deficit fund balance.
- Schedule of Approved Local Option Sales Tax Projects was understated.
- Schedule of Expenditures of Federal Awards required auditor revision.
- Reclassification entries were proposed to improve financial statement revision.

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II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2014-004 Undocumented SPLOST Expenditures

Control Category: Expenditures/Liabilities/Disbursements
Compliance Impact: Material Noncompliance

Description:
The School District failed to document expenditures in the amount of $119,909.59 for salaries and benefits paid from Special Purpose Local Option Sales Tax (SPLOST) funds.

Criteria:
The Attorney General's Official Opinion 97-7 for O.C.G.A. §20-2-260(b)(5), states, "capital outlay projects as used in the educational sales tax purposes amendment should be read as well to refer to major, permanent, or long-lived improvements or betterments, such as would be properly chargeable to a capital asset account and as distinguished from current expenditures and ordinary maintenance expenses".

Condition:
During the year under review, the School District charged $119,909.59 for technology personnel salaries and benefits to SPLOST, but could not provide documentation of which SPLOST project the work was performed on and how much time was spent.

Questioned Cost: $119,909.59

Cause:
Management was unaware that SPLOST salaries and benefits were to be documented as to the amount of time allocated to approved SPLOST technology projects and time spent on system-wide administrative technology projects.

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

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

Views of Responsible Officials and Corrective Action Plans:
We concur with this finding. Technology personnel will start documenting which SPLOST project they work on and how much time was spent to justify salaries and benefits paid from SPLOST funds.

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II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2014-005 Inappropriate Payroll Advances

Control Category: Employee Compensation
Internal Control Impact: Material Weakness

Description:
The School District did not comply with the requirements set forth by Article III, Section VI, Paragraph VI of the Constitution of the State of Georgia regarding gratuitous payments.

Criteria:
Article III, Section VI, Paragraph VI of the Constitution of the State of Georgia prohibits the granting of gratuitous payment to employees, as noted in part, as follows:

"...the General Assembly shall not have the power to grant any donation or gratuity or to forgive any debt or obligation owing to the public..."

Condition:
The former Superintendent approved 13 payroll advances for 6 employees. The payroll advances totaled $12,120.17 and were given without the Board of Education's knowledge or approval. One of the employees tested was given 6 payroll advances during the year totaling $4,592.10. The employee was terminated and did not repay $1,055.29 prior to departure.

Cause:
Management failed to adhere to the stipulations imposed by the Constitution of the State of Georgia regarding gratuitous payments.

Effect or Potential Effect:
Failure to monitor expenditures for compliance with the State gratuities clause, lead to noncompliance with provisions of the Constitution of the State of Georgia.

Recommendation:
The School District should discontinue the practice of making payroll advances to employees. The School District should seek reimbursement for the unpaid balance.

Views of Responsible Officials and Corrective Action Plans:
We concur with this finding. The School District has discontinued the practice of making payroll advances to employees.

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III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.