# WHITE COUNTY BOARD OF EDUCATION
## CLEVELAND, GEORGIA

## REPORT ON AUDIT
## OF THE FINANCIAL STATEMENTS
## FOR THE FISCAL YEAR ENDED JUNE 30, 2004

STATE OF GEORGIA

## DEPARTMENT OF AUDITS AND ACCOUNTS

Russell W. Hinton
State Auditor

WHITE COUNTY BOARD OF EDUCATION

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SECTION I

FINANCIAL

# DEPARTMENT OF AUDITS AND ACCOUNTS

254 Washington Street, S.W., Suite 214
Atlanta, Georgia 30334-8400

**Russell W. Hinton**
STATE AUDITOR
(404) 656-2174


March 15, 2005

Honorable Sonny Perdue, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
White County Board of Education

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

Ladies and Gentlemen:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information (Exhibits A through I) of the White County Board of Education, as of and for the year ended June 30, 2004, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the White County Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the 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 White County Board of Education, as of June 30, 2004, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

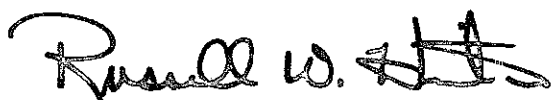
In accordance with Government Auditing Standards, we have also issued our report dated March 15, 2005, on our consideration of the White County Board of Education's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and the Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual, as presented on pages i through viii and page 27 respectively, are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

Respectfully submitted,



Russell W. Hinton
State Auditor

RWH:as
2004ARL-11

# WHITE COUNTY BOARD OF EDUCATION
# MANAGEMENT'S DISCUSSION AND ANALYSIS
# FOR THE FISCAL YEAR ENDED JUNE 30, 2004

## INTRODUCTION

Our discussion and analysis of the White County School District's financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

## FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2004 are as follows:

- On the District-wide financial statements, the assets of the School District exceeded liabilities by $31.2 million. Of this amount, $3.3 million is unrestricted and is available for spending at the School District's discretion.

- The School District had $29.9 million in expenses relating to governmental activities; only $18.4 million of these expenses are offset by program specific charges for services, grants and contributions. General revenues (primarily property and sales taxes) of $14.6 million were adequate to provide for these programs.

- As stated above, general revenues accounted for $14.6 million or 44% of all revenues totaling $33 million. Program specific revenues in the form of charges for services, grants and contributions accounted for the rest.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts; management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two levels of statements that present different views of the School District. These include the District-wide and fund financial statements.

The District-wide financial statements include the Statement of Net Assets and Statement of Activities. These statements provide information about the activities of the School District presenting both short-term and long-term information about the School District's overall financial status.

The fund financial statements focus on individual parts of the School District, reporting the School District's operation in more detail. The Governmental Funds statements disclose how basic services are financed in the short-term as well as what remains for future spending. The Fiduciary Funds statements provide information about the financial relationships in which the School District acts solely as a trustee or agent for the benefit of others. The fund financial statements reflect the School District's most significant funds. In the case of the White County School District, the General Fund, District-wide Capital Projects Fund, and Debt Service Fund are the most significant funds.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements. Additionally, other supplementary information (not required) is also presented that further supplements understanding of the financial statements.

**District-wide Statements**

The District-wide financial statements are basically a consolidation of all of the School District's operating funds into one column called governmental activities. In reviewing the District-wide financial statements, a reader might ask the question, are we in a better financial position than last year? The Statement of Net Assets and the Statement of Activities provides the basis for answering this question. These financial statements include all School District's assets and liabilities and uses the **accrual basis of accounting** similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and any changes in those assets. The change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the results of many factors, including those not under the School District's control, such as the property tax base, facility conditions, required educational programs and other factors.

The Statement of Net Assets and the Statement of Activities reflects the School District's governmental activities.

**Fund Financial Statements**

The School District uses many funds to account for a multitude of financial transactions during the fiscal year. However, the fund financial statements presented in this report provide detail information about only the School District's significant or major funds

Governmental Funds - Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the **modified accrual method of accounting** which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds are reconciled to the financial statements.

Fiduciary Funds - The School District is the trustee, or fiduciary, for assets that belong to others, such as scholarship funds, school clubs and organizations within the principals' accounts. The School District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

## FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for this fiscal year. Net asset comparisons to fiscal year 2003 are available and have been included in the following analysis.

**Table 1**
**Net Assets**

| | Governmental Activities | |
|---|---|---|
| | Fiscal Year 2004 | Fiscal Year 2003 |
| **Assets** | | |
| Current and Other Assets | $ 10,798,723 | $ 15,010,586 |
| Capital Assets, Net | 36,730,748 | 33,181,410 |
| **Total Assets** | $ 47,529,471 | $ 48,191,996 |
| **Liabilities** | | |
| Current and Other Liabilities | $ 3,338,402 | $ 3,577,609 |
| Long-Term Liabilities | 13,000,000 | 16,540,000 |
| **Total Liabilities** | $ 16,338,402 | $ 20,117,609 |
| **Net Assets** | | |
| Invested in Capital Assets, Net of Related Debt | $ 24,774,301 | $ 21,766,520 |
| Restricted | 3,066,870 | 4,358,804 |
| Unrestricted | 3,349,898 | 1,949,063 |
| **Total Net Assets** | $ 31,191,069 | $ 28,074,387 |

Table 2 shows the Change in Net Assets for this fiscal year. Revenue and Expense comparisons to fiscal year 2003 are available and are included in the following analysis.

**Table 2**
**Change in Net Assets**

| | Governmental Activities | |
|---|---|---|
| | Fiscal Year 2004 | Fiscal Year 2003 |
| **Revenues** | | |
| Program Revenues: | | |
| Charges for Services and Sales | $ 1,285,624 | $ 838,594 |
| Operating Grants and Contributions | 16,714,306 | 16,730,193 |
| Capital Grants and Contributions | 385,944 | 2,399,262 |
| Total Program Revenues | $ 18,385,874 | $ 19,968,049 |
| General Revenues: | | |
| Taxes | | |
| Property Taxes | | |
| For Maintenance and Operations | $ 9,797,503 | $ 8,952,697 |
| For Debt Service | 295,954 | 290,032 |
| Sales Taxes | | |
| Special Purpose Local Option Sales Tax | | |
| For Debt Service | 2,378,886 | 2,311,034 |
| For Capital Projects | 329,561 | 210,411 |
| Intangible Recording Tax | 476,610 | 452,736 |
| Real Estate | 38,067 | 76,344 |
| Grants and Contributions not Restricted to Specific Programs | 498,716 | 196,869 |
| Investment Earnings | 138,202 | 351,798 |
| Miscellaneous | 590,411 | 1,044,756 |
| Special Items | | |
| Gain on Sale of Land | 93,042 | |
| Total General Revenues and Special Items | $ 14,636,952 | $ 13,886,677 |
| Total Revenues | $ 33,022,826 | $ 33,854,726 |
| **Program Expenses** | | |
| Instruction | $ 19,449,755 | $ 19,392,116 |
| Support Services | | |
| Pupil Services | 1,069,981 | 1,042,641 |
| Improvement of Instructional Services | 628,827 | 720,890 |
| Educational Media Services | 687,344 | 657,891 |
| General Administration | 451,281 | 385,897 |
| School Administration | 1,622,816 | 1,618,026 |
| Business Administration | 182,608 | 196,493 |
| Maintenance and Operation of Plant | 1,823,750 | 1,832,660 |
| Student Transportation Services | 1,223,470 | 1,251,955 |
| Central Support Services | 170,862 | 161,370 |
| Other Support Services | 131,005 | 190,055 |
| Operations of Non-Instructional Services | | |
| Enterprise Operations | 386,835 | 97,365 |
| Food Services | 1,548,346 | 1,559,414 |
| Interest on Short-Term and Long-Term Debt | 529,264 | 1,100,123 |
| Total Expenses | $ 29,906,144 | $ 30,206,896 |
| Increase in Net Assets | $ 3,116,682 | $ 3,647,830 |

## Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting these services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. Net cost of services can be defined as the total cost less fees generated by the activities and intergovernmental revenue provided for specific programs. The net cost reflects the financial burden on the School District's taxpayers by each activity. Cost of service comparisons to fiscal year 2003 are available and have been included in the following analysis

**Table 3**
**Governmental Activities**

| | Total Cost of Services | | Net Cost of Services | |
|---|---|---|---|---|
| | Fiscal Year 2004 | Fiscal Year 2003 | Fiscal Year 2004 | Fiscal Year 2003 |
| Instruction | $ 19,449,755 | $ 19,392,116 | $ 6,589,505 | $ 5,211,647 |
| Support Services | | | | |
| Pupil Services | 1,069,981 | 1,042,641 | 399,047 | 650,777 |
| Improvement of Instructional Services | 628,827 | 720,890 | 461,503 | 486,568 |
| Educational Media Services | 687,344 | 657,891 | 297,159 | 348,311 |
| General Administration | 451,281 | 385,897 | 400,285 | 337,691 |
| School Administration | 1,622,816 | 1,618,026 | 1,040,487 | 1,068,185 |
| Business Administration | 182,608 | 196,493 | 182,608 | 193,663 |
| Maintenance and Operation of Plant | 1,823,750 | 1,832,660 | 921,619 | 929,958 |
| Student Transportation Services | 1,223,470 | 1,251,955 | 588,043 | 114,501 |
| Central Support Services | 170,862 | 161,370 | 170,862 | -265,296 |
| Other Support Services | 131,005 | 190,055 | 109,148 | 143,946 |
| Operations of Non-Instructional Services | | | | |
| Enterprise Operations | 386,835 | 97,365 | -29,132 | -2,841 |
| Food Services | 1,548,346 | 1,559,414 | -140,128 | -78,386 |
| Interest on Short-Term and Long-Term Debt | 529,264 | 1,100,123 | 529,264 | 1,100,123 |
| Total Expenses | $ 29,906,144 | $ 30,206,896 | $ 11,520,270 | $ 10,238,847 |

## FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The governmental funds had total revenues, special items and other financing sources of $33.5 million and total expenditures and other financing uses of $37.5 million.

## General Fund Budgeting Highlights

The School District's budget is prepared according to Georgia Law. The most significant budgeted fund is the General Fund. During the course of fiscal year 2004, the School District amended its general fund budget as needed.

For the General Fund, the final actual revenues and other financing sources of $29.8 million exceeded the original budgeted amounts of $28.7 million by $1.1 million. The significant changes (final actual vs. original budget) were the additional austerity reduction of $0.324 million added after the budget was submitted, $0.83 million contribution from a private source, and additional $0.462 million for intangible taxes and the school activity revenues of $0.969 million that were not budgeted.

The actual revenues and other financing sources of $29.8 million exceeded the final budgeted amounts of $28.6 million by $1.2 million. This difference is due primarily to the $0.969 million in school activity budgets not budgeted and from the discussion above.

The final actual expenditures of $29.1 million agreed to the original budgeted amount of $29.1 million. School activity accounts expenses of $0.954 million were not included in the original budget. The School District and Administration froze spending at the January Board meeting. This saved the district $0.950 million in expenses.

The final actual expenditures of $29.1 million exceeded the final budgeted amount of $28.9 million by $0.2 million. School activity accounts budgeted expenditures of $0.954 million were not included in the final budget. Again, the School District saved $0.686 million through the spending freeze in this comparison.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At fiscal year ended June 30, 2004, the School District had $36.7 million invested in capital assets, all in governmental activities. Table 4 reflects a summary of these balances by category and accumulated depreciation. Capital assets comparisons to fiscal year 2003 are available and have been included in the following analysis.

**Table 4**
**Capital Assets at June 30**
**(Net of Depreciation)**

| | Governmental Activities | |
|---|---|---|
| | Fiscal Year 2004 | Fiscal Year 2003 |
| Land | $ 2,021,886 | $ 2,260,994 |
| Construction in Progress | 871,420 | 6,174,228 |
| Buildings and Building Improvements | 30,249,743 | 21,418,381 |
| Equipment | 2,561,530 | 2,463,220 |
| Land Improvements | 1,026,169 | 864,587 |
| Total | $ 36,730,748 | $ 33,181,410 |

Due to the ongoing growth in the county, the School District has construction projects including new buildings, additions and renovations.

**Debt**

At fiscal year ended June 30, 2004, the School District had $13 million in bonds outstanding. Table 5 summarizes the School District's debt for general obligation bonds.

**Table 5**
**Debt at June 30**

| | Governmental Activities | |
|---|---|---|
| | Fiscal Year 2004 | Fiscal Year 2003 |
| Bonds Payable | $ 13,000,000 | $ 16,540,000 |

**CURRENT ISSUES**

Currently known facts, decisions or conditions that are expected to have a significant effect on financial positions or results of operations.

- Economic Slowdown - State funding for education has been stagnant and as a result more pressure is being placed on the local school districts to prioritize its educational programs and provide additional local funding. Additional costs to the School District will be required with the continued implementation of House Bill 1187, which mandates lower teacher to student ratios, requiring additional teachers and additional classrooms. Despite these challenges, the White County School District is strong financially and we remain optimistic about the ability of the School District to maximize all of the financial resources to provide a quality education to our students.

- Capital Improvements - The School District plans capital improvements as future capital needs arise due to increased student population and facility repair and maintenance needs. Specific capital expenditure plans are formalized in conjunction with individual general obligation bond issues and anticipated annual receipts of capital outlay funds from the State of Georgia Department of Education. The School District regularly monitors anticipated capital outlay needs.

## CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. Tom McLean, Finance Director at White County School District, 113 North Brooks Street, Cleveland, Georgia 30528. Mailing address is same as above. You may also email your question to Mr. McLean at tmclean@white.k12.ga.us

WHITE COUNTY BOARD OF EDUCATION

WHITE COUNTY BOARD OF EDUCATION
STATEMENT OF NET ASSETS
JUNE 30, 2004

EXHIBIT "A"

| | GOVERNMENTAL ACTIVITIES |
|---|---|
| **ASSETS** | |
| Cash and Cash Equivalents | $ 7,988,799 |
| Accounts Receivable Net | |
| Taxes | 772,751 |
| State Government | 1,905,329 |
| Federal Government | 75 098 |
| Inventories | 56 746 |
| Capital Assets | |
| Land | 2 021,886 |
| Construction in Progress | 871,420 |
| Land Improvements | 2 615 610 |
| Buildings | 33 968,230 |
| Equipment | 6,245 527 |
| Less: Accumulated Depreciation | -8,991,925 |
| Total Assets | $ 47,529,471 |
| **LIABILITIES** | |
| Accounts Payable | $ 681,873 |
| Salaries Payable | 2,464 532 |
| Contracts Payable | 29,612 |
| Deposits and Deferred Revenues | 162,385 |
| Long-Term Liabilities | |
| Due Within One Year | 2,240 000 |
| Due in More Than One Year | 10,760,000 |
| Total Liabilities | $ 16,338,402 |
| **NET ASSETS** | |
| Invested in Capital Assets, Net of Related Debt | $ 24.774 301 |
| Restricted for | |
| Continuation of Federal Programs | 563 390 |
| Debt Service | 2 014,835 |
| Capital Projects | 488,645 |
| Unrestricted | 3,349,898 |
| Total Net Assets | $ 31,191,069 |
| Total Liabilities and Net Assets | $ 47,529,471 |

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

WHITE COUNTY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

| | EXPENSES | CHARGES FOR SERVICES |
|---|---|---|
| GOVERNMENTAL ACTIVITIES | | |
| Instruction | $ 19,449 755 | $ 112 305 |
| Support Services | | |
| Pupil Services | 1 069,981 | |
| Improvement of Instructional Services | 628 827 | |
| Educational Media Services | 687 344 | |
| General Administration | 451,281 | |
| School Administration | 1 622,816 | |
| Business Administration | 182 608 | |
| Maintenance and Operation of Plant | 1,823 750 | |
| Student Transportation Services | 1,223 470 | |
| Central Support Services | 170,862 | |
| Other Support Services | 131,005 | |
| Operations of Non-Instructional Services | | |
| Enterprise Operations | 386 835 | 415 967 |
| Food Services | 1,548,346 | 757 352 |
| Interest on Short-Term and Long-Term Debt | 529,264 | |
| Total Governmental Activities | $ 29,906,144 | $ 1,285,624 |
| General Revenues | | |
| Taxes | | |
| Property Taxes | | |
| For Maintenance and Operations | | |
| For Debt Services | | |
| Sales Taxes | | |
| Special Purpose Local Option Sales Tax | | |
| For Debt Services | | |
| For Capital Projects | | |
| Intangible Recording Tax | | |
| Real Estate | | |
| Grants and Contributions not Restricted to Specific Programs | | |
| Investment Earnings | | |
| Miscellaneous | | |
| Special Items | | |
| Gain on Sale of Land | | |
| Total General Revenues and Special Items | | |
| Change in Net Assets | | |
| Net Assets - Beginning of Year | | |
| Net Assets - End of Year | | |

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

EXHIBIT "B"

| PROGRAM REVENUES | | NET (EXPENSES) |
|---|---|---|
| OPERATING GRANTS AND CONTRIBUTIONS | CAPITAL GRANTS AND CONTRIBUTIONS | REVENUES AND CHANGES IN NET ASSETS |
| $ 12,502.923 | $ 245,022 | $ -6,589,505 |
| 659,101 | 11 833 | -399 047 |
| 167,305 | 19 | -461,503 |
| 390 185 | | -297,159 |
| 50 996 | | -400,285 |
| 582 329 | | -1,040 487 |
| | | -182 608 |
| 901,967 | 164 | -921 619 |
| 516 034 | 119,393 | -588,043 |
| | | -170,862 |
| 21,857 | | -109,148 |
| | | 29,132 |
| 921 609 | 9,513 | 140,128 |
| | | -529,264 |
| $ 16,714,306 | $ 385,944 | $ -11,520,270 |
| | | $ 9 797 503 |
| | | 295,954 |
| | | 2 378 886 |
| | | 329,561 |
| | | 476,610 |
| | | 38 067 |
| | | 498,716 |
| | | 138,202 |
| | | 590,411 |
| | | 93,042 |
| | | $ 14,636,952 |
| | | $ 3,116,682 |
| | | 28,074,387 |
| | | $ 31,191,069 |

WHITE COUNTY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

EXHIBIT "C"

| | GENERAL FUND | DISTRICT-WIDE CAPITAL PROJECTS FUND | DEBT SERVICE FUND | TOTAL |
|---|---|---|---|---|
| ASSETS | | | | |
| Cash and Cash Equivalents | $ 4 965,083 | $ 1,490 073 | $ 1 533,643 | $ 7 988 799 |
| Accounts Receivable Net | | | | |
| Taxes | 286,358 | | 480,186 | 766,544 |
| State Government | 1 905,329 | | | 1 905,329 |
| Federal Government | 75 098 | | | 75 098 |
| Inventories | 56,746 | | | 56,746 |
| Total Assets | $ 7,288,614 | $ 1,490,073 | $ 2,013,829 | $ 10,792,516 |
| LIABILITIES AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Accounts Payable | $ 681 873 | | | $ 681 873 |
| Salaries Payable | 2 464,532 | | | 2,464 532 |
| Contracts Payable | | $ 29 612 | | 29,612 |
| Deposits and Deferred Revenue | 162,385 | | | 162,385 |
| Total Liabilities | $ 3,308,790 | $ 29,612 | | $ 3,338,402 |
| FUND BALANCES | | | | |
| Reserved for: | | | | |
| Continuation of Federal Programs | $ 506,644 | | | $ 506 644 |
| Debt Service | | | $ 2,013,829 | 2,013,829 |
| Inventories | 56 746 | | | 56 746 |
| Capital Projects | | $ 752 740 | | 752 740 |
| Unreserved | | | | |
| Undesignated Reported in: | | | | |
| General Fund | 3 416,434 | | | 3,416 434 |
| Capital Projects | | 707,721 | | 707,721 |
| Total Fund Balances | $ 3,979,824 | $ 1,460,461 | $ 2,013,829 | $ 7,454,114 |
| Total Liabilities and Fund Balances | $ 7,288,614 | $ 1,490,073 | $ 2,013,829 | $ 10,792,516 |

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

WHITE COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2004

EXHIBIT "D"

| | | |
|---|---|---|
| Total Fund Balances - Governmental Funds (Exhibit "C") | | $ 7,454,114 |
| Amounts reported for Governmental Activities in the Statement of Net Assets are different because: | | |
| Capital Assets used in Governmental Activities are not financial resources and therefore are not reported in the funds. These assets consist of: | | |
| Land | $ 2,021,886 | |
| Construction in Progress | 871,420 | |
| Land Improvements | 2,615,610 | |
| Buildings | 33,968,230 | |
| Equipment | 6,245,527 | |
| Accumulated Depreciation | -8,991,925 | |
| Total Capital Assets | | 36,730,748 |
| Some of the School District's property tax revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures. | | 6,207 |
| Long-Term Liabilities, including Bonds Payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-Term Liabilities at year-end consist of: | | |
| Bonds Payable | | -13,000,000 |
| Net Assets of Governmental Activities (Exhibit "A") | | $ 31,191,069 |

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

WHITE COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2004

EXHIBIT 'E

| | GENERAL FUND | DISTRICT-WIDE CAPITAL PROJECTS FUND | DEBT SERVICE FUND | TOTAL |
|---|---|---|---|---|
| REVENUES | | | | |
| Property Taxes | $ 9 839 738 | | $ 297 191 | $ 10 136,929 |
| Sales Taxes | 500 197 | $ 329 561 | 2 393 366 | 3 223 124 |
| State Funds | 14 849 546 | 266 551 | | 15 116 097 |
| Federal Funds | 2 375 574 | | | 2 375 574 |
| Charges for Services | 952 419 | | | 952 419 |
| Investment Earnings | 70 827 | 44 570 | 22 805 | 138 202 |
| Miscellaneous | 980,177 | 50,734 | | 1,030,911 |
| Total Revenues | $ 29,568,478 | $ 691,416 | $ 2,713,362 | $ 32,973,256 |
| EXPENDITURES | | | | |
| Current | | | | |
| Instruction | $ 19 081 861 | | | $ 19 081 861 |
| Support Services | | | | |
| Pupil Services | 1 428 584 | | | 1 428 584 |
| Improvement of Instructional Services | 628 782 | | | 628 782 |
| Educational Media Services | 687 344 | | | 687 344 |
| General Administration | 451 281 | | | 451 281 |
| School Administration | 1 622 816 | | | 1 622 816 |
| Business Administration | 181 495 | | $ 1 113 | 182 608 |
| Maintenance and Operation of Plant | 1 823 359 | | | 1 823 359 |
| Student Transportation Services | 1 292 255 | | | 1 292 255 |
| Central Support Services | 170 862 | | | 170 862 |
| Other Support Services | 131 005 | | | 131 005 |
| Enterprise Operations | 76 232 | | | 76 232 |
| Food Services Operation | 1 525 648 | | | 1 525 648 |
| Capital Outlay | | $ 4 062 689 | | 4 062 689 |
| Debt Services | | | | |
| Principal | | | 3 540 000 | 3 540 000 |
| Interest | | | 529,264 | 529,264 |
| Total Expenditures | $ 29,101,524 | $ 4,062,689 | $ 4,070,377 | $ 37,234,590 |
| Excess of Revenues over (under) Expenditures | $ 466,954 | $ -3,371,273 | $ -1,357,015 | $ -4,261,334 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | $ 240 000 | | | $ 240 000 |
| Transfers Out | | $ -240,000 | | -240,000 |
| Total Other Financing Sources (Uses) | $ 240,000 | $ -240,000 | | $ 0 |
| SPECIAL ITEMS | | | | |
| Proceeds from Sale of Land | | $ 332,150 | | $ 332,150 |
| Net Change in Fund Balances | $ 706 954 | $ -3 279 123 | $ -1 357 015 | $ -3 929 184 |
| Fund Balances - Beginning | 3,272,870 | 4,739,584 | 3,370,844 | 11,383,298 |
| Fund Balances - Ending | $ 3,979,824 | $ 1,460,461 | $ 2,013,829 | $ 7,454,114 |

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

WHITE 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, 2004

EXHIBIT "F"

| | | |
|---|---|---|
| Total Net Change in Fund Balances - Governmental Funds (Exhibit "E") | | $ -3,929 184 |
| 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 | $ 4 307 009 | |
| Depreciation Expense | -518,563 | |
| Excess of Capital Outlay over Depreciation Expense | | 3 788,446 |
| Because some property taxes will not be collected for several months after the School District's fiscal year ends, they are not considered "available" revenues. | | -43 472 |
| In the Statement of Activities only the gain on the sale of the land is reported, whereas in the Governmental Funds the entire proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balances by the cost of the land sold. | | -239 108 |
| Repayment of Long-Term Debt is reported as an expenditure in Governmental Funds but the repayment reduces Long-Term Liabilities in the Statement of Net Assets. In the current year, these amounts consist of: | | |
| Bond Principal Retirements | | 3,540,000 |
| Change in Net Assets of Governmental Activities (Exhibit "B ) | | $ 3,116,682 |

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

WHITE COUNTY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2004

EXHIBIT "G"

| | PRIVATE PURPOSE TRUSTS | AGENCY FUNDS |
|---|---|---|
| ASSETS | | |
| Cash and Cash Equivalents | $ 11,188 | $ 77,122 |
| Investments | | |
| Certificate of Deposit | 23,518 | |
| Total Assets | $ 34,706 | $ 77,122 |
| LIABILITIES | | |
| Funds Held for Others | | $ 77,122 |
| NET ASSETS | | |
| Held in Trust for Private Purposes | $ 34,706 | |
| Total Liabilities and Net Assets | $ 34,706 | $ 77,122 |

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

WHITE COUNTY BOARD OF EDUCATION
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2004

EXHIBIT "H"

| | PRIVATE PURPOSE TRUSTS |
|---|---|
| ADDITIONS | |
| Contributions | |
| Donors | $ 4 679 |
| Investment Earnings | |
| Interest | 209 |
| Total Additions | $ 4,888 |
| DEDUCTIONS | |
| Scholarships | 2,500 |
| Change in Net Assets | $ 2,388 |
| Net Assets - Beginning | 32,318 |
| Net Assets - Ending | $ 34,706 |

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

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

### REPORTING ENTITY

The White 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 White County Board of Education.

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

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

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

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

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

The School District reports the following major governmental funds:

## Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- General Fund is the School District's primary operating fund. It accounts for all financial resources of the School District, except those resources required to be accounted for in another fund.

- District-wide Capital Projects Fund accounts for financial resources including Bond Proceeds, grants from Georgia State Financing and Investment Commission and Special Purpose Local Option Sales Tax proceeds to be used for the acquisition, construction or renovation of major capital facilities.

- Debt Service Fund accounts for taxes (property and sales) legally restricted for the payment of general long-term principal, interest and paying agent's fees.

The School District reports the following fiduciary fund types:

- Private Purpose Trust fund reports trust arrangements under which principal is to be invested and preserved intact with the resultant income to be used to provide awards or scholarships.

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

### BASIS OF ACCOUNTING

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

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. Property taxes, sales taxes and

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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

**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. Georgia Laws OCGA 45-8-14 authorize the School District to deposit its funds in one or more solvent banks or insured Federal savings 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,

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(6) The Local Government Investment Pool administered by the State of Georgia, Office of Treasury and Fiscal Services,

(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 White County Board of Commissioners fixed the property tax levy for the 2003 tax digest year (calendar year) on October 14, 2003 (levy date). Taxes were due on December 22, 2003 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2003 tax digest are reported as revenue in the governmental funds for fiscal year 2004. The White County Tax Commissioner bills and collects the property taxes for the School District, withholds 2.5% of taxes collected as a fee for tax collection and remits the balance of taxes collected to the School District. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2004, for maintenance and operations amounted to $9,839,738 and for school bonds amounted to $297,191.

Tax millage rates levied for the 2003 tax year (calendar year) for the White County Board of Education were as follows (a mill equals $1 per thousand dollars of assessed value):

| | |
|---|---|
| School Operations | 13.8 mills |
| School Bonds | .4 mills |
| | 14.2 mills |

**SALES TAXES**

Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to $2,708,447 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.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**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.

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 | $5,000 or more | 20 years |
| Buildings and Improvements | $5,000 or more | up to 80 years |
| Equipment | $5,000 or more | 5 to 20 years |

Depreciation is used to allocate the actual or estimated historical cost of all capital assets over estimated useful lives.

**GENERAL OBLIGATION BONDS**

The School District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. Bond issuance costs are recognized in the financial statements during the fiscal year bonds are issued. In addition, general obligation bonds have been

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

issued to refund existing general obligation bonds. General obligation bonds are direct obligations and pledge the full faith and credit of the government. The outstanding amount of these bonds is recorded in the Statement of Net Assets.

Note 3: DEPOSITS

COLLATERALIZATION OF DEPOSITS

Official Code of Georgia Annotated (OCGA) 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 (OCGA 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. OCGA Section 45-8-11(b) provides an officer holding public funds may, in his discretion, waive the requirement for security in the case of operating funds placed in demand deposit checking accounts.

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 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.

## Note 3: DEPOSITS

CATEGORIZATION OF DEPOSITS

At June 30, 2004, the bank balances were $8,636,803. The amounts of the total bank balances are classified into three categories of credit risk:

Category 1 - Cash that is insured (e.g., Federal depository insurance) or collateralized with securities held by the School District or by the School District's agent in the School District's name.

Category 2 - Cash collateralized with securities held by the pledging financial institution's trust department or agent in the School District's name.

Category 3 - Uncollateralized deposits. (This includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the School District's name.)

The School District's deposits are classified by risk category at June 30, 2004, as follows:

| Risk Category | Bank Balance |
|---|---|
| 1 | $ 1,462,480 |
| 2 | 0 |
| 3 | 7,174,323 |
| Total | $ 8,636,803 |

## Note 4: NON-MONETARY TRANSACTIONS

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

## Note 5: CAPITAL ASSETS

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

## Note 5: CAPITAL ASSETS

| | Balances July 1, 2003 | Increases | Decreases | Balances June 30, 2004 |
|---|---|---|---|---|
| Governmental Activities | | | | |
| Capital Assets, Not Being Depreciated: | | | | |
| Land | $ 2,260,994 | | $ 239,108 | $ 2,021,886 |
| Construction in Progress | 6,174,228 | $ 3,744,654 | 9,047,462 | 871,420 |
| Total Capital Assets Not Being Depreciated | $ 8,435,222 | $ 3,744,654 | $ 9,286,570 | $ 2,893,306 |
| Capital Assets Being Depreciated | | | | |
| Buildings and Improvements | $ 24,920,768 | $ 9,047,462 | $ 0 | $ 33,968,230 |
| Equipment | 5,905,544 | 339,983 | | 6,245,527 |
| Land Improvements | 2,393,238 | 222,372 | | 2,615,610 |
| Less Accumulated Depreciation for: | | | | |
| Buildings and Improvements | 3,502,387 | 216,100 | | 3,718,487 |
| Equipment | 3,442,324 | 241,673 | | 3,683,997 |
| Land Improvements | 1,528,651 | 60,790 | | 1,589,441 |
| Total Capital Assets, Being Depreciated, Net | $ 24,746,188 | $ 9,091,254 | $ 0 | $ 33,837,442 |
| Governmental Activity Capital Assets - Net | $ 33,181,410 | $ 12,835,908 | $ 9,286,570 | $ 36,730,748 |

Current year depreciation expense by function is as follows:

| | | |
|---|---|---|
| Instruction | | $ 389,955 |
| Support Services | | |
| Pupil Services | $ 23,020 | |
| Improvements of Instructional Services | 37 | |
| Maintenance and Operation of Plant | 319 | |
| Student Transportation Services | 86,724 | 110,100 |
| Food Services | | 18,508 |
| | | $ 518,563 |

## Note 6: RESTRICTED ASSETS

Special Purpose Local Option Sales Tax (SPLOST), general obligation bond proceeds and property tax levied specifically for retirement of outstanding bond principal, interest and paying agent's fees (Debt Service Funds) are reported as restricted assets in the Statement of Net Assets because their use is limited by applicable statutory provisions. Restricted assets at June 30, 2004, were as follows:

## Note 6: RESTRICTED ASSETS

| | District-wide Capital Projects | | |
|---|---|---|---|
| | SPLOST | Bond Proceeds | Debt Service Funds |
| Restricted Cash and Cash Equivalents: | | | |
| Debt Services | | | $ 1,533,643 |
| Capital Acquisitions | $ 105,811 | $ 676,541 | |

## Note 7: INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2004, consisted of the following:

| Transfer to | Transfers From District-wide Capital Projects |
|---|---|
| General Fund | $ 240,000 |

Transfers are used to move unused local funding in the District-wide Capital Projects, for unrestricted local projects, back to the General fund for instructional use.

## Note 8: RISK MANAGEMENT

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

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

## Note 8: RISK MANAGEMENT

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 |
|---|---|---|---|---|
| 2003 | $ 0 | $ 4,676 | $ 4,676 | $ 0 |
| 2004 | $ 0 | $ 3,000 | $ 3,000 | $ 0 |

The School District participates in the Georgia School Boards Association Workers' Compensation Fund, a public entity risk pool organized on July 1, 1992, to develop, implement, and administer a program of workers' compensation self-insurance for its member organizations. The School District pays an annual premium to the Fund for its general insurance coverage. Additional insurance coverage is provided through an agreement by the Fund with the Safety National Casualty Corporation to provide coverage for potential losses sustained by the Fund in excess of $400,000 loss per occurrence, up to $1,000,000

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

| Position Covered | Amount |
|---|---|
| Superintendent | $ 50,000 |
| All Employees | $ 100,000 |

## Note 9: LONG-TERM DEBT

GENERAL OBLIGATION DEBT OUTSTANDING
General Obligation Bonds currently outstanding are as follows:

| Purpose | Interest Rates | Amount |
|---|---|---|
| General Government - Series 2001 | 4.05% | $ 7,520,000 |
| General Government - Refunding - Series 2003 | 2.90% | 5,480,000 |
| | | $ 13,000,000 |

The changes in Long-Term Debt during the fiscal year ended June 30, 2004, were as follows:

## Note 9: LONG-TERM DEBT

| | Governmental Funds General Obligation Bonds |
|---|---|
| Balance July 1, 2003 | $ 16,540,000 |
| Deductions | |
| Debt Retired | 3,540,000 |
| Balance June 30, 2004 | $ 13,000,000 |
| Portion of Long-Term Debt Due within One Year | $ 2,240,000 |

At June 30, 2004, payments due by fiscal year which includes principal and interest for these items are as follows:

| Fiscal Year Ended June 30 | General Obligation Debt Principal | Interest |
|---|---|---|
| 2005 | $ 2,240,000 | $ 456,665 |
| 2006 | 2,325,000 | 371,133 |
| 2007 | 2,420,000 | 282,257 |
| 2008 | 2,515,000 | 189,838 |
| 2009 | 535,000 | 93,742 |
| 2010 - 2014 | 2,965,000 | 220,037 |
| Total Principal and Interest | $ 13,000,000 | $ 1,613,672 |

## Note 10: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of $282,672 for health insurance and retirement contributions paid on the School District's behalf by the following State Agencies.

Georgia Department of Education
Paid to the Georgia Department of Community Health
For Health Insurance of Non-Certified Personnel
In the amount of $280,602

## Note 10: ON-BEHALF PAYMENTS

Office of Treasury and Fiscal Services
Paid to the Public School Employees Retirement System
For Public School Employees Retirement (PSERS) Employer's Cost
In the amount of $2,070

## Note 11: SIGNIFICANT COMMITMENTS

The following is an analysis of significant outstanding construction or renovation contracts executed by the School District as of June 30, 2004:

| Project | Unearned Executed Contracts |
|---|---|
| Ninth Grade Academy | $ 279,242 |

The amount described in this note is not reflected in the basic financial statements.

## Note 12: 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 13: RETIREMENT PLANS

### TEACHERS RETIREMENT SYSTEM OF GEORGIA (TRS)

TRS PLAN DESCRIPTION
Substantially all teachers, administrative and clerical personnel employed by local school systems are covered by the Teachers Retirement System of Georgia (TRS), which is a cost-sharing multiple employer defined benefit pension plan. TRS provides service retirement, disability retirement and survivors benefits for its members in accordance with State statute. 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.

## Note 13: RETIREMENT PLANS

TRS CONTRIBUTIONS REQUIRED AND MADE

Employees of the School District who are covered by TRS are required by State statute to contribute 5% of their gross earnings to TRS. The School District makes monthly employer contributions to TRS at rates adopted by the TRS Board of Trustees in accordance with State statute and as advised by their independent actuary. The required employer contribution rate is 9.24% and employer contributions for the current fiscal year and the preceding two fiscal years are as follows:

| Fiscal Year | Percentage Contributed | Required Contribution |
|---|---|---|
| 2004 | 100% | $ 1,486,790 |
| 2003 | 100% | $ 1,444,790 |
| 2002 | 100% | $ 1,304,224 |

WHITE COUNTY BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2004

SCHEDULE 1

| | NONAPPROPRIATED BUDGETS ORIGINAL (1) | NONAPPROPRIATED BUDGETS FINAL (1) | ACTUAL AMOUNTS |
|---|---|---|---|
| REVENUES | | | |
| Property Taxes | $ 9 836 696 | $ 9 836 696 | $ 9 839 738 |
| Sales Taxes | | | 500 197 |
| State Funds | 14 852 025 | 14 462 429 | 14 849 546 |
| Federal Funds | 2 576 449 | 2 731 492 | 2 375 574 |
| Charges for Services | 760 000 | 760 000 | 952 419 |
| Investment Earnings | 77 375 | 77 375 | 70 827 |
| Miscellaneous | 392,325 | 492,310 | 980,177 |
| Total Revenues | $ 28,494,870 | $ 28,360,302 | $ 29,568,478 |
| EXPENDITURES | | | |
| Current | | | |
| Instruction | $ 19 685 018 | $ 19 433 291 | $ 19 081 861 |
| Support Services | | | |
| Pupil Services | 1 042 460 | 1 026 194 | 1 428 584 |
| Improvement of Instructional Services | 670 083 | 683 933 | 628 782 |
| Educational Media Services | 657 495 | 657 475 | 687 344 |
| General Administration | 490 216 | 512 434 | 451 281 |
| School Administration | 1 586 720 | 1 608 539 | 1 622 816 |
| Business Administration | 189 855 | 190 010 | 181 495 |
| Maintenance and Operation of Plant | 1 730 085 | 1 745 345 | 1 823 359 |
| Student Transportation Services | 1 232 130 | 1 250 335 | 1 292 255 |
| Central Support Services | 221 345 | 189 425 | 170 862 |
| Other Support Services | 60 005 | 52 445 | 131 005 |
| Enterprise Operations | | | 76,232 |
| Food Services Operation | 1,572,778 | 1,591,234 | 1,525,648 |
| Total Expenditures | $ 29,138,190 | $ 28,940,660 | $ 29,101,524 |
| Excess of Revenues over (under) Expenditures | $ -643,320 | $ -580,358 | $ 466,954 |
| OTHER FINANCING SOURCES (USES) | | | |
| Other Sources | $ 243 200 | $ 246 082 | $ 240 000 |
| Other Uses | -3,200 | -6,082 | |
| Total Other Financing Sources (Uses) | $ 240,000 | $ 240,000 | $ 240,000 |
| Net Change in Fund Balances | $ -403 320 | $ -340 358 | $ 706 954 |
| Fund Balances - Beginning | 3,200,000 | 3,200,000 | 3,272,870 |
| Fund Balances - Ending | $ 2,796,680 | $ 2,859,642 | $ 3,979,824 |

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

(1) Original and Final Budget amounts do not include budgeted revenues or expenditures of the various principal accounts

The accompanying schedule of revenues expenditures and changes in fund balances budget and actual is presented on the modified accrual basis of accounting which is the basis of accounting used in the presentation of the fund financial statements

See notes to the basic financial statements

WHITE COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2004

SCHEDULE "2"

| FUNDING AGENCY<br>PROGRAM/GRANT | | CFDA NUMBER | PASS-THROUGH ENTITY ID NUMBER | EXPENDITURES IN PERIOD |
|---|---|---|---|---|
| Agriculture U. S Department of | | | | |
| Child Nutrition Cluster | | | | |
| Pass-Through From Georgia Department of Education | | | | |
| Food Services | | | | |
| School Breakfast Program | * | 10.553 | N/A | (2) |
| National School Lunch Program | * | 10.555 | N/A | $ 1,363,905 |
| Total Child Nutrition Cluster | | | | $ 1 363,905 |
| Other Programs | | | | |
| Pass-Through From Georgia Department of Education | | | | |
| Food Donation (1) | | 10.550 | N/A | 64 185 |
| Pass-Through From Office of Treasury and Fiscal Services | | | | |
| National Forest Reserve Funds | | 10 665 | N/A | (3) |
| Total U S Department of Agriculture | | | | $ 1,428,090 |
| Corporation for National and Community Service | | | | |
| Pass-Through From Georgia Department of Education | | | | |
| Learn and Serve America | | | | |
| School and Community Based Programs | | 94.004 | N/A | $ 5,000 |
| Education U. S Department of | | | | |
| Special Education Cluster | | | | |
| Pass-Through From Georgia Department of Education | | | | |
| Special Education | | | | |
| Grants to States | | 84 027 | N/A | $ 507 741 |
| Preschool Grants | | 84 173 | N/A | 23,392 |
| Total Special Education Cluster | | | | $ 531,133 |
| Other Programs | | | | |
| Pass-Through From Georgia Department of Education | | | | |
| Enhancing Education Through Technology Program | | 84 318 | N/A | 15 252 |
| Improving Teacher Quality State Grants | | 84 367 | N/A | 134 732 |
| Safe and Drug-Free Schools and Communities | | 84 186 | N/A | 20,419 |
| State Grants for Innovative Programs | | 84 298 | N/A | 20 109 |
| Title I Grants to Local Educational Agencies | | 84 010 | N/A | 648 155 |
| Vocational Education - Basic Grants to States | | 84 048 | N/A | 37,457 |
| Total U S Department of Education | | | | $ 1,407,257 |
| Health and Human Services, U S Department of | | | | |
| Pass-Through From Ninth District Opportunity, Incorporated | | | | |
| Head Start | | 93 600 | N/A | $ 118,599 |
| Total Federal Financial Assistance | | | | $ 2,958,946 |

N/A = Not Available

WHITE COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2004

SCHEDULE "2"

Notes to the Schedule of Expenditures of Federal Awards

(1) The amount shown for the Food Donation Program represents the Federally assigned value of nonmonetary assistance for donated commodities received and/or consumed by the School District during the current fiscal year
(2) Expenditures for the funds earned on the School Breakfast Program ($172 425) were not maintained separately and are included in the 2004 National School Lunch Program
(3) Funds earned on the National Forest Reserve Funds in the amount of $19 789, do not require reporting of expenditures

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

The School District did not provide Federal Assistance to any Subrecipient

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the White 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

WHITE COUNTY BOARD OF EDUCATION
SCHEDULE OF STATE REVENUE
YEAR ENDED JUNE 30, 2004

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 | $ 199,192 | | $ 199 192 |
| Education, Georgia Department of | | | |
| Quality Basic Education | | | |
| Direct Instructional Cost | | | |
| Kindergarten Program | 961 198 | | 961,198 |
| Kindergarten Program - Early Intervention Program | 133,807 | | 133 807 |
| Primary Grades (1-3) Program | 2,213,664 | | 2,213,664 |
| Primary Grades - Early Intervention (1-3) Program | 204 252 | | 204,252 |
| Upper Elementary Grades (4-5) Program | 1 008,825 | | 1 008,825 |
| Upper Elementary Grades - Early Intervention (4-5) Program | 254 111 | | 254 111 |
| Middle School (6-8) Program | 1,959,605 | | 1,959,605 |
| High School General Education (9-12) Program | 1,486,183 | | 1,486,183 |
| Vocational Laboratory (9-12) Program | 563 853 | | 563,853 |
| Students with Disabilities | | | |
| Category I | 136,484 | | 136 484 |
| Category II | 35 042 | | 35 042 |
| Category III | 1 257 159 | | 1 257,159 |
| Category IV | 344 920 | | 344 920 |
| Category V | 40,325 | | 40,325 |
| Gifted Student - Category VI | 407,175 | | 407,175 |
| Alternative Program | 147,186 | | 147,186 |
| Remedial Education Program | 27 170 | | 27,170 |
| Media Center Program | 309,629 | | 309 629 |
| 20 Days Additional Instruction | 97 121 | | 97,121 |
| Staff and Professional Development | 62 935 | | 62 935 |
| Indirect Cost | | | |
| Central Administration | 433,945 | | 433 945 |
| School Administration | 628 036 | | 628,036 |
| Facility Maintenance and Operations | 901,817 | | 901 817 |
| Categorical Grants | | | |
| Pupil Transportation | | | |
| Regular | 504,965 | | 504,965 |
| Bus Replacement | 119,393 | | 119 393 |
| Sparsity | 19,500 | | 19,500 |
| Nursing Services | 85 317 | | 85 317 |
| Principal Supplements | 14,008 | | 14 008 |
| Vocational Supervisors | 27 023 | | 27,023 |
| Education Equalization Funding Grant | 129,558 | | 129 558 |
| Food Services | 96,680 | | 96 680 |
| Vocational Education | 83,871 | | 83,871 |
| Austerity Reduction | -775,726 | | -775,726 |
| Other State Programs | | | |
| 4-8 After School Program | 23,599 | | 23,599 |
| Health Insurance | 280 602 | | 280,602 |
| K-3 Statewide Reading Program | 49,951 | | 49 951 |
| Mentor Teachers | 1 850 | | 1,850 |
| National Teacher Certification | 21,777 | | 21,777 |
| Pay for Performance | 63,124 | | 63 124 |
| Preschool Handicapped Program | 47 356 | | 47 356 |
| Special Education Low Incidence Grant | 6,424 | | 6,424 |
| Student Information Systems | 61 506 | | 61 506 |

WHITE COUNTY BOARD OF EDUCATION
SCHEDULE OF STATE REVENUE
YEAR ENDED JUNE 30, 2004

SCHEDULE "3"

| AGENCY/FUNDING | GOVERNMENTAL FUND TYPES GENERAL FUND | CAPITAL PROJECTS FUND | TOTAL |
|---|---|---|---|
| GRANTS | | | |
| Georgia State Financing and Investment Commission Reimbursement on Construction Projects | | $ 266 551 | $ 266 551 |
| Office of Treasury and Fiscal Services Public School Employees Retirement | $ 2 070 | | 2,070 |
| CONTRACTS | | | |
| Community Health, Georgia Department of Mammography Program | 23 964 | | 23,964 |
| Human Resources, Georgia Department of Family Connection | 84,500 | | 84,500 |
| OTHER | | | |
| Natural Resources Georgia Department of Nature Trail | 64,600 | | 64,600 |
| | $ 14,849,546 | $ 266,551 | $ 15,116,097 |

See notes to the basic financial statements

WHITE COUNTY BOARD OF EDUCATION
SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS
YEAR ENDED JUNE 30, 2004

SCHEDULE "4"

| PROJECT | ORIGINAL ESTIMATED COST (1) | CURRENT ESTIMATED COSTS (2) | AMOUNT EXPENDED IN CURRENT YEAR (3) (4) | AMOUNT EXPENDED IN PRIOR YEARS (3) (4) | PROJECT STATUS |
|---|---|---|---|---|---|
| Payments of principal and interest on the 1993 Bonds from February 1, 1999 to August 1 2003 | $ 3 160 000 | $ 2 756 405 | $ 99 047 | $ 2 657 358 | Completed |
| Acquisition construction and equipping of a new elementary school and necessary furnishings and equipment including the acquisition of all necessary real or personal property and equipment including computers and related technology adding to renovating repairing improving and equipping existing educational buildings properties and facilities of the School District and expenses incident thereto | 14 040,000 | 12 462 152 | 97 778 | 12 364 374 | Completed |
| Acquisition construction and equipping one new elementary school; adding to renovating repairing improving and equipping existing school buildings; acquiring computers and computer technology equipment for the school system and acquisition of land for additional schools | 16 750 000 | 20 663,324 | 4 376 473 | 3,521 878 | Ongoing |
| Paying a portion of the principal and interest due on the White County School District's Series 1993 General Obligation Bonds from August 1 2003 through and including February 1 2008 | 2,250,000 | 2,250,000 | 79,460 | | Ongoing |
| | $ 36,200,000 | $ 38,131,881 | $ 4,652,758 | $ 18,543,610 | |

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

(4) During fiscal year 2003 the White County Board of Education issued General Obligation Refunding Bond Issue 2003 to refund portions of the 1993 Bond Issue The amount expended in the Current Year includes debt service on the replacement refunding issues

See notes to the basic financial statements

WHITE COUNTY BOARD OF EDUCATION
GENERAL FUND - QUALITY BASIC EDUCATION PROGRAM (QBE)
ALLOTMENTS AND EXPENDITURES - BY PROGRAM
YEAR ENDED JUNE 30, 2004

SCHEDULE "5"

| DESCRIPTION | ALLOTMENTS FROM GEORGIA DEPARTMENT OF EDUCATION (1) (2) | ELIGIBLE QBE PROGRAM COSTS SALARIES | OPERATIONS | TOTAL |
|---|---|---|---|---|
| Direct Instructional Programs | | | | |
| Kindergarten Program | $ 1 155 313 | $ 1 143 152 | $ 148 565 | $ 1 291 717 |
| Kindergarten Program-Early Intervention Program | 189 932 | 123 575 | 7,161 | 130,736 |
| Primary Grades (1-3) Program | 2 662 225 | 2 678 870 | 200 008 | 2 878 878 |
| Primary Grades-Early Intervention (1-3) Program | 325 166 | 295 932 | 6 619 | 302 551 |
| Upper Elementary Grades (4-5) Program | 1 237 314 | 1 665 111 | 121,924 | 1,787 035 |
| Upper Elementary Grades-Early Intervention (4-5) Program | 318 977 | 245 933 | | 245 933 |
| Middle School (6-8) Program | 2,402 258 | 2 498 829 | 153 741 | 2 652 570 |
| High School General Education (9-12) Program | 1 813 503 | 2 327 956 | 96 866 | 2 424 822 |
| Vocational Laboratory (9-12) Program | 696 262 | 555 128 | 81 064 | 636 192 |
| Students with Disabilities | 2 204 532 | | | |
| Category I | | 139 784 | 146 | 139 930 |
| Category II | | 322 720 | 1 998 | 324 718 |
| Category III | | 1,499 216 | 19,187 | 1 518 403 |
| Category IV | | 355 810 | 2 903 | 358 713 |
| Category V | | 2,183 | | 2 183 |
| Gifted Student - Category VI | 504 347 | 782 307 | 7 231 | 789 538 |
| Remedial Education Program | 36 513 | 128,267 | | 128 267 |
| Alternative Education Program | 180,438 | 102,686 | 15,690 | 118,376 |
| TOTAL DIRECT INSTRUCTIONAL PROGRAMS | $ 13 726,780 | $ 14,867 459 | $ 863,103 | $ 15 730 562 |
| Media Center Program | 378,376 | 493 603 | 121,218 | 614 821 |
| Staff and Professional Development | 77,176 | 16,295 | 47,954 | 64,249 |
| TOTAL QBE FORMULA FUNDS | $ 14,182,332 | $ 15,377,357 | $ 1,032,275 | $ 16,409,632 |

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

(2) Allotments do not include the impact of the State budget austerity reduction

See notes to the basic financial statements.

SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS

# DEPARTMENT OF AUDITS AND ACCOUNTS

254 Washington Street, S.W., Suite 214
Atlanta, Georgia 30334-8400

**Russell W. Hinton**
STATE AUDITOR
(404) 656-2174


March 15, 2005

Honorable Sonny Perdue, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
White County Board of Education

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

Ladies and Gentlemen:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of White County Board of Education as of and for the year ended June 30, 2004, which collectively comprise White County Board of Education's basic financial statements and have issued our report thereon dated March 15, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered White County Board of Education's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect White County Board of Education's ability to record, process, summarize and report financial data consistent with assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item FS-7541-04-01.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

Compliance and Other Matters

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

This report is intended solely for the information and use of the management and members of the White County Board of Education and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Russell W. Hinton
State Auditor

RWH:as
2004YB-30

# DEPARTMENT OF AUDITS AND ACCOUNTS

254 Washington Street, S.W., Suite 214
Atlanta, Georgia 30334-8400

**Russell W. Hinton**
STATE AUDITOR
(404) 656-2174


March 15, 2005

Honorable Sonny Perdue, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
White County Board of Education

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Ladies and Gentlemen:

Compliance

We have audited the compliance of White County Board of Education with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2004. White County Board of Education's major Federal programs are identified in the Summary of Auditor's Results Section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs is the responsibility of White County Board of Education's management. Our responsibility is to express an opinion on White County Board of Education's compliance based on our audit.

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

In our opinion, the White County Board of Education complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of White County Board of Education is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered White County Board of Education's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level of risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Respectfully submitted,

Russell W. Hinton
State Auditor

RWH:as
2004SA-10

SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

WHITE COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2004

## PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

### FINDING CONTROL NUMBER AND STATUS

FS-7541-03-01 Unresolved - See Corrective Action/Responses

### CORRECTIVE ACTION/RESPONSES

CASH AND CASH EQUIVALENTS
REVENUES/RECEIVABLES/RECEIPTS
EXPENDITURES/LIABILITIES/DISBURSEMENTS
Inadequate Separation of Duties
Finding Control Number: FS-7541-03-01

Management has implemented changes at the various principal account sites for accounting functions. Bank statements are reconciled by the Finance Director. Bookkeepers receipt cash and the cash is deposited at the bank by another employee. Controls have been established and implemented to ensure that athletic tickets sold are reconciled with cash collections. The Finance Director reviews all checks written at each of the schools and reports such to the principals and Superintendent on a quarterly basis.

## PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

### FINDING CONTROL NUMBER AND STATUS

FA-7541-03-01 Unresolved - See Corrective Action/Responses

### CORRECTIVE ACTION/RESPONSES

CASH MANAGEMENT
Excessive Cash Balances
Finding Control Number: FA-7541-03-01

The fiscal year 2003 audit was done in August 2004 after the close of fiscal year 2004. Therefore, this deficiency continued to exist in fiscal year 2004. Procedures were implemented during the audit to correct the deficiency eliminating excessive ending monthly cash balances in the Title I - Grants to Local Educational Agencies (CFDA 84.010) and Special Education Cluster (CFDA 84.027 and 84.173) programs.

SECTION IV

FINDINGS AND QUESTIONED COSTS

# WHITE COUNTY BOARD OF EDUCATION
# SCHEDULE OF FINDINGS AND QUESTIONED COSTS
# YEAR ENDED JUNE 30, 2004

## I SUMMARY OF AUDITOR'S RESULTS

1. Type of Report Issued on the Financial Statements

   The auditor's opinion on the White County Board of Education's financial statements was unqualified.

2. Reportable Conditions in Internal Control Disclosed by the Audit of the Financial Statements

   The audit report for the White County Board of Education disclosed a financial statement reportable condition related to the following control categories.

   Cash and Cash Equivalents
   Expenditures/Liabilities/Disbursements
   Revenues/Receivables/Receipts

   The reportable condition described above is not considered to be a material weakness.

3. Noncompliance Material to the Financial Statements

   The audit of the White County Board of Education disclosed no instances of noncompliance that were deemed to be material to the financial statements.

4. Reportable Conditions in Internal Control Over Major Programs

   The audit report for the White County Board of Education did not disclose any reportable conditions in internal control over major programs.

5. Type of Report Issued on Compliance for Major Programs

   The auditor's opinion on the White County Board of Education's report on compliance with requirements applicable to major programs was unqualified.

6. Audit Findings Required to be Reported by Section .510(a) of OMB Circular A-133

   The White County Board of Education's audit did not disclose audit findings required to be reported by section .510(a) of OMB Circular A-133.

7. Major Programs

   Federal awards audited as major programs are as follows:

   10.553 Food Services - School Breakfast Program
   10.555 Food Services - National School Lunch Program

8. Type "A" Program Dollar Threshold

   The dollar threshold for type "A" programs was $300,000.

9. Low Risk Auditee

   The White County Board of Education qualified as a low risk auditee as defined by Section .530 of OMB Circular A-133.

WHITE COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2004

## II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

CASH AND CASH EQUIVALENTS
REVENUES/RECEIVABLES/RECEIPTS
EXPENDITURES/LIABILITIES/DISBURSEMENTS
Inadequate Separation of Duties
Reportable Condition
Repeated From Prior Year
Finding Control Number: FS-7541-04-01

Our examination of the Principal's accounts disclosed weaknesses in internal controls as discussed below:

Cash and Cash Equivalents

The bank reconciliation function was not separated from the record keeping and voucher payment function.

Revenues/Receivables/Receipts

Deposit preparation was not separated from the record keeping and cash custody functions. Pre-numbered tickets for athletic events are not issued so that cash collections can be reconciled to monies taken in.

Expenditures/Liabilities/Disbursements

The check writing function was not separated from record keeping or processing of signed checks.

These deficiencies were a result of management's decision to limit the number of administrative staff made responsible, at the various principal's account sites, for accounting functions. Management should implement procedures to ensure that the key accounting functions of custody, record keeping and authorization be segregated. Additionally, controls should be established and implemented to ensure that reconciliations of athletic event tickets sold are reconciled with cash collections.

## III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

CASH MANAGEMENT
Excessive Cash Balances
Reportable Condition
Nonmaterial Noncompliance
U. S. Department of Education
Through Georgia Department of Education
Finding Control Number: FA-7541-04-01

A review of cash management procedures for the Title 1 - Grants to Local Educational Agencies (CFDA 84.010) and Special Education Cluster (CFDA 84.027, 84.173) programs disclosed that cash

WHITE COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2004

## III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

CASH MANAGEMENT
Excessive Cash Balances
Reportable Condition
Nonmaterial Noncompliance
U. S. Department of Education
Through Georgia Department of Education
Finding Control Number: FA-7541-04-01

draws were made in advance of immediate cash needs, resulting in the accumulation of excessive cash balances. During fiscal year 2004, the programs had an average cash balance of $70,407 and $88,430, respectively, and had excessive ending monthly cash balances in nine and twelve months, respectively. The excessive cash balances are a result of management's failure to accurately forecast the cash needs of these programs. Procedures should be implemented to minimize the time elapsing between the transfer of funds from the Georgia Department of Education and disbursement of such funds by the School District.

# SECTION V

# MANAGEMENT'S RESPONSES

# WHITE COUNTY BOARD OF EDUCATION
# SCHEDULE OF MANAGEMENT'S RESPONSES
# YEAR ENDED JUNE 30, 2004

Finding Control Number: FS-7541-04-01

We concur with this finding. The Board has created and hired the position of Staff Accountant to assure that there is separation of those who perform monthly bank reconciliation and recordkeeping/voucher payment functions. Pre-numbered tickets for athletic events are being issued so that cash collections can be reconciled to monies taken in.

Finding Control Number: FA-7541-04-01

We concur with this finding. The Accounts Payable clerk has implemented procedures to assure that the amount of Federal funds requested for reimbursement from the Georgia Department of Education is closely aligned with the actual program expenditures. Prior to requesting the funds, the Finance Director will monitor the requested amount to assure that it is in line with the Board's actual cash needs. These changes were implemented in August 2004 after the fiscal year 2003 audit during August 2004.

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