

**FAYETTE COUNTY BOARD OF EDUCATION**

**SINGLE AUDIT REPORT**

**FOR THE YEAR ENDED  
JUNE 30, 2013**

# FAYETTE COUNTY BOARD OF EDUCATION

## SINGLE AUDIT REPORT FOR THE YEAR ENDED JUNE 30, 2013

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**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**

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**Superintendent and Members of the  
Fayette County Board of Education  
Fayetteville, Georgia**

We have audited, in accordance with the 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 the **Fayette County Board of Education** (the "School System") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School System's basic financial statements, and have issued our report thereon dated December 18, 2013. Our report also includes a reference to the changes in accounting principles resulting from the implementation of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **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 School System's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Mauldin & Jenkins, LLC*

Macon, Georgia  
December 18, 2013

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE;  
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
REQUIRED BY OMB CIRCULAR A-133**

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**Superintendent and Members of the  
Fayette County Board of Education  
Fayetteville, Georgia**

**Report on Compliance for Each Major Federal Program**

We have audited the Fayette County Board of Education's (the "School System") 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 the School System's major federal programs for the year ended June 30, 2013. The School System'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 the School System'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 School System'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 the School System's compliance.

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***Basis for Qualified Opinion on Special Education Cluster***

As described in the accompanying schedule of findings and questioned costs, the School System did not comply with the requirements regarding maintenance of effort for the Special Education Cluster as described in finding number 2013-1. Compliance with such requirements is necessary, in our opinion, for the School System to comply with the requirements applicable to that program.

***Qualified Opinion on Special Education Cluster***

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

***Unmodified Opinion on Each of the Other Major Federal Programs***

In our opinion, the School System 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 other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2013.

***Other Matters***

The School System's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The School System's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

***Report on Internal Control Over Compliance***

Management of the School System 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 the School System'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 our 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 School System's internal control over compliance.

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

*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 a 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 that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2013-1 to be a material weakness.

The School System's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The School System's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

### **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School System as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School System's basic financial statements. We issued our report thereon dated December 18, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming our opinions on the basic financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such 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. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic

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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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Mauldin & Jenkins, LLC*

Macon, Georgia  
December 18, 2013

**FAYETTE COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Total Expenditures</u>
<b>U. S. DEPARTMENT OF AGRICULTURE:</b>		
Passed through Georgia Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 276,161
National School Lunch Program	10.555	2,443,794
Total U. S. Department of Agriculture		<u>2,719,955</u>
<b>U. S. DEPARTMENT OF DEFENSE</b>		
Junior R.O.T.C.	Unknown	127,762
Total U. S. Department of Defense		<u>127,762</u>
<b>U. S. DEPARTMENT OF TRANSPORTATION</b>		
Passed through Georgia Department of Natural Resources		
Highway Planning and Construction Cluster	20.205	966,000
Total U. S. Department of Transportation		<u>966,000</u>
<b>U. S. DEPARTMENT OF EDUCATION</b>		
Direct Federal Award		
Fund for the Improvement of Education	84.215	196,058
Passed through Georgia Department of Education:		
Title I, Part A Cluster	84.010	1,251,934
Title II - Improving Teacher Quality	84.367	349,731
Title III - Limited English Proficient	84.365	81,031
Vocational Education - Basic Grants to States	84.048	108,285
Education Jobs Fund	84.410	8,537
Special Education Cluster		
Title VI-B Flowthrough	84.027	2,849,641
Title VI-B Preschool Incentive	84.173	84,364
		<u>2,934,005</u>
Total U. S. Department of Education		<u>4,929,581</u>
<b>Total Expenditures of Federal Awards</b>		<u><u>\$ 8,743,298</u></u>

# FAYETTE COUNTY BOARD OF EDUCATION

## NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2013

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### **NOTE 1. BASIS OF PRESENTATION**

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Fayette County Board of Education and is presented on the accrual basis of accounting.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the financial statements.

**FAYETTE COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

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**A. SUMMARY OF AUDIT RESULTS**

**Financial Statements**

Type of auditor's report issued Unmodified

Internal control over financial reporting:  
 Material weaknesses identified? \_\_\_ yes  X  no

Significant deficiencies identified not considered  
 to be material weaknesses? \_\_\_ yes  X  none reported

Noncompliance material to financial statements noted? \_\_\_ yes  X  no

**Federal Awards**

Internal Control over major programs:  
 Material weaknesses identified?  X  yes \_\_\_ no

Significant deficiencies identified not considered  
 to be material weaknesses? \_\_\_ yes  X  none reported

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

Any audit findings disclosed that are required to  
 be reported in accordance with OMB Circular  
 A-133, Section 510(a)?  
 X  yes \_\_\_ no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.205	U.S. Department of Transportation: Highway Planning and Construction
84.027	U.S. Department of Education <i>Special Education Cluster:</i> Title VI-B Flowthrough
84.173	Title VI-B Preschool Incentive

Dollar threshold used to distinguish between  
 Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?  X  yes \_\_\_ no

**FAYETTE COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

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**B. FINDINGS: FINANCIAL STATEMENT AUDIT**

None reported

**C. FINDINGS AND QUESTIONED COSTS: MAJOR FEDERAL AWARD PROGRAMS AUDIT**

**Special Education Grants to States (IDEA Part B- CFDA 84.027) and Special Education - Preschool Grants (IDEA Preschool – CFDA 84.173) – Maintenance of Effort**

Criteria: As outlined in the A-133 Compliance Supplement, to meet maintenance of effort requirements, a school system must expend in any particular fiscal year, an amount of local funds, or a combination of state and local funds, for the education of children with disabilities that is at least equal, on either an aggregate or per capita basis, to the amount of local funds, or a combination of state and local funds expended for this purpose by the School System in the prior fiscal year.

Condition: Based on the above criteria, the School System did not meet the maintenance of effort requirements for the fiscal year ended June 30, 2013.

Context: In comparison to the prior fiscal year, the School System decreased its level of spending in the current year. The School System expended \$15,544,340 in total state and local special education expenditures during fiscal year 2012 and only \$15,194,801 during fiscal year 2013.

Questioned Costs: \$349,538

Effect: Due to less overall spending in the current fiscal year, the School System is not in compliance with its maintenance of effort requirements.

Recommendation: We recommend the School System monitor the maintenance of effort requirement periodically during the fiscal year.

Views of Responsible Officials and Planned Corrective Action: In planning for fiscal year 2013, the School System drastically reduced the general fund budget. The reductions included reducing the number of staff based on the continued reduction in students, a reduction in the number of days worked for all staff, and the reduction of non-personnel costs. Even with a 5% reduction in budgeted expenditures, the 2013 general fund budget was based on the appropriation of \$14 million of fund balance to cover budgeted expenditures. Since such budgeting cannot be sustained over multiple years, administration further reduced the 2013 expenditures through strict personnel management of staff vacancies. Overall, the general fund expenditures were reduced 9.97%, with a 7.94% reduction in direct instruction for all regular education categories. The reduction in spending related to special education expenditures in the general fund was only 2.25%.

**FAYETTE COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

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**C. FINDINGS AND QUESTIONED COSTS: MAJOR FEDERAL AWARD PROGRAMS AUDIT (CONTINUED)**

**Special Education Grants to States (IDEA Part B- CFDA 84.027) and Special Education - Preschool Grants (IDEA Preschool – CFDA 84.173) – Maintenance of Effort (Continued)**

Views of Responsible Officials and Planned Corrective Action (Continued):

It is the administration's understanding that many school systems in the State of Georgia are struggling with similar maintenance of effort issues. Local and state funding has been stretched thin across all instructional areas. All categories of instruction should bear the responsibility of budget reductions when resources are no longer available. Administration struggled to balance general fund resources available with the need to maintain effort and minimize the effect of budget reductions within special education categories in 2013.

**FAYETTE COUNTY BOARD OF EDUCATION**

**SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2013**

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None Reported