

**PUTNAM COUNTY
BOARD OF EDUCATION**

**ANNUAL FINANCIAL REPORT
(Including Independent Auditor's Report)**

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2011**

PUTNAM COUNTY BOARD OF EDUCATION

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SECTION I
FINANCIAL



DEPARTMENT OF AUDITS AND ACCOUNTS

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

September 26, 2012

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
Putnam 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 H) of the Putnam County Board of Education, as of and for the year ended June 30, 2011, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Putnam 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Putnam County Board of Education, as of June 30, 2011, 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.

The Putnam County Board of Education has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2012, on our consideration of the Putnam County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual, as presented on page 29, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures, 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 Putnam County Board of Education's financial statements as a whole. The accompanying supplementary information consists 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, the information is fairly stated, in all material respects, in relation to the financial statements 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,



Greg S. Griffin
State Auditor

GSG:as
2011ARL-11

PUTNAM COUNTY BOARD OF EDUCATION

PUTNAM COUNTY BOARD OF EDUCATION

EXHIBIT "A"

**STATEMENT OF NET ASSETS
JUNE 30, 2011**

ASSETS	Governmental Activities
Cash and cash equivalents	\$ 1,375,468
Cash with fiscal agent	1,460
Investments	7,554,805
Investments with fiscal agent	814,935
Receivables:	
Taxes	1,397,633
Intergovernmental:	
State	1,127,740
Federal	968,179
Inventory	25,484
Deferred charges	365,738
Capital assets (nondepreciable)	4,371,611
Capital assets (net of accumulated depreciation)	63,319,381
Total assets	<u>81,322,434</u>
LIABILITIES	
Accounts payable	302,027
Salaries and benefits payable	3,533,097
Contracts payable	60,254
Accrued interest payable	234,424
Deferred revenue	26,620
Bonds payable due within one year	3,352,124
Bonds payable due in more than one year	21,307,748
Total liabilities	<u>28,816,294</u>
NET ASSETS	
Invested in capital assets, net of related debt	43,031,120
Restricted for:	
Continuation of federal programs	156,363
Capital projects	3,692,294
Debt service	581,971
Unrestricted	5,044,392
Total net assets	<u>\$ 52,506,140</u>

The accompanying notes are an integral part of these financial statements.

PUTNAM COUNTY BOARD OF EDUCATION

EXHIBIT "B"

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 21,472,068	\$ 501,734	\$ 9,357,989	\$ 339,616	\$ (11,272,729)
Support services:					
Pupil services	1,089,237	61,065	441,315	19,525	(567,332)
Improvement of instructional services	1,056,473		807,391		(249,082)
Educational media services	449,693		354,689		(95,004)
General administration	582,191		642,234	3,752	63,795
School administration	1,711,433		883,309	13,424	(814,700)
Business administration	700,181		66,000	1,179	(633,002)
Maintenance and operation of plant	2,511,970		901,440	7,509	(1,603,021)
Student transportation services	1,994,505		533,310	209,077	(1,252,118)
Central support services	594,990		5,762	11,005	(578,223)
Other support services	30,760		14,182		(16,578)
Food service operations	1,974,826	229,175	1,598,847	24,102	(122,702)
Interest on long-term debt	830,816				(830,816)
Total governmental activities	<u>\$ 34,999,143</u>	<u>\$ 791,974</u>	<u>\$ 15,606,468</u>	<u>\$ 629,189</u>	<u>\$ (17,971,512)</u>
General revenues:					
Taxes:					
Property taxes, levied for maintenance and operations				\$ 16,424,394	
Sales taxes, for capital projects				4,293,891	
Intangible taxes				239,445	
Transfer taxes				53,385	
Railroad equipment tax				6,408	
Unrestricted investment earnings				39,405	
Miscellaneous				210,766	
Total general revenues				<u>21,267,694</u>	
Change in net assets				3,296,182	
Net assets, beginning of year				49,209,958	
Net assets, end of year				<u>\$ 52,506,140</u>	

The accompanying notes are an integral part of these financial statements.

PUTNAM COUNTY BOARD OF EDUCATION

EXHIBIT "C"

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011**

ASSETS	General	District - Wide Capital Projects	Debt Service	Total Governmental Funds
Cash and cash equivalents	\$ 596,818	\$ 778,650	\$	\$ 1,375,468
Cash with fiscal agent			1,460	1,460
Investments	4,902,294	2,652,511		7,554,805
Investments with fiscal agent			814,935	814,935
Receivables:				
Taxes	1,051,059	346,574		1,397,633
Intergovernmental:				
State	1,127,740			1,127,740
Federal	968,179			968,179
Inventory	25,484			25,484
Total assets	<u>\$ 8,671,574</u>	<u>\$ 3,777,735</u>	<u>\$ 816,395</u>	<u>\$ 13,265,704</u>
 LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 276,840	\$ 25,187	\$	\$ 302,027
Salaries and benefits payable	3,533,097			3,533,097
Contracts payable		60,254		60,254
Deferred revenue	809,437			809,437
Total liabilities	<u>4,619,374</u>	<u>85,441</u>		<u>4,704,815</u>
 FUND BALANCES				
Nonspendable: inventory	25,484			25,484
Restricted:				
Continuation of federal programs	130,879			130,879
Debt service			816,395	816,395
Capital projects		3,692,294		3,692,294
Assigned:				
Student activities	114,262			114,262
Subsequent year's budget	766,171			766,171
Unassigned	3,015,404			3,015,404
Total fund balances	<u>4,052,200</u>	<u>3,692,294</u>	<u>816,395</u>	<u>8,560,889</u>
	<u>\$ 8,671,574</u>	<u>\$ 3,777,735</u>	<u>\$ 816,395</u>	<u>\$ 13,265,704</u>

The accompanying notes are an integral part of these financial statements.

PUTNAM COUNTY BOARD OF EDUCATION

EXHIBIT "D"

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011**

Total fund balances - governmental funds (Exhibit "C")	\$	8,560,889
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 are not reported in the funds.		
Cost	\$	81,473,169
Less accumulated depreciation		(13,782,177)
		67,690,992
Other long-term assets are not available to pay for current-period expenditures and are deferred in the funds.		
Property taxes		782,817
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds	\$	(24,085,000)
Bond premium, net of amortization		(574,872)
Bond issuance costs, net of amortization		365,738
Accrued interest		(234,424)
		(24,528,558)
Net assets of governmental activities (Exhibit "A")	\$	52,506,140

The accompanying notes are an integral part of these financial statements.

PUTNAM COUNTY BOARD OF EDUCATION

EXHIBIT "E"

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	General	District - Wide Capital Projects	Debt Service	Total Governmental Funds
REVENUES				
Property taxes	\$ 16,288,097	\$	\$	\$ 16,288,097
Sales taxes	292,830	4,293,891		4,586,721
Other taxes	6,408			6,408
State funds	9,777,067			9,777,067
Federal funds	5,981,985			5,981,985
Charges for services	791,974			791,974
Investment earnings	4,251	4,791	30,363	39,405
Miscellaneous	210,766	476,605		687,371
Total revenues	<u>33,353,378</u>	<u>4,775,287</u>	<u>30,363</u>	<u>38,159,028</u>
EXPENDITURES				
Current:				
Instruction	20,068,302	409,483		20,477,785
Support services:				
Pupil services	1,019,444	11,741		1,031,185
Improvement of instructional services	1,056,473			1,056,473
Educational media services	449,693			449,693
General administration	571,036			571,036
School administration	1,742,801	14,475		1,757,276
Business administration	596,485	16,042	4,301	616,828
Maintenance and operation of plant	2,460,954	46,409		2,507,363
Student transportation services	1,994,255	18,611		2,012,866
Central support services	490,935	71,337		562,272
Other support services	30,760			30,760
Food services operations	1,915,951			1,915,951
Capital outlay		1,360,554		1,360,554
Debt service:				
Principal retirement			3,070,000	3,070,000
Interest and fees			942,913	942,913
Total expenditures	<u>32,397,089</u>	<u>1,948,652</u>	<u>4,017,214</u>	<u>38,362,955</u>
Excess (deficiency) of revenues over (under) expenditures	<u>956,289</u>	<u>2,826,635</u>	<u>(3,986,851)</u>	<u>(203,927)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in		52,261	1,965,978	2,018,239
Transfers out	(50,151)	(1,965,978)	(2,110)	(2,018,239)
Total other financing sources (uses)	<u>(50,151)</u>	<u>(1,913,717)</u>	<u>1,963,868</u>	<u>-</u>
Net change in fund balances	906,138	912,918	(2,022,983)	(203,927)
FUND BALANCE, beginning of year	<u>3,146,062</u>	<u>2,779,376</u>	<u>2,839,378</u>	<u>8,764,816</u>
FUND BALANCE, end of year	<u>\$ 4,052,200</u>	<u>\$ 3,692,294</u>	<u>\$ 816,395</u>	<u>\$ 8,560,889</u>

The accompanying notes are an integral part of these financial statements.

PUTNAM COUNTY BOARD OF EDUCATION

EXHIBIT "F"

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Net change in fund balances - total governmental funds (Exhibit "E")	\$	(203,927)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The net effect of the amount by which capital outlay exceeded depreciation expense is to increase net assets.</p>		
Capital outlay	\$ 1,860,215	
Depreciation expense	<u>(1,598,652)</u>	261,563
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Property taxes		136,297
<p>Issuance of long-term debt provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Principal payments - bonds	\$ 3,070,000	
Bond premium amortization expense	82,124	
Bond issuance costs amortization expense	<u>(79,848)</u>	3,072,276
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Change in accrued interest		<u>29,973</u>
Changes in net assets of governmental activities (Exhibit "B")	\$	<u><u>3,296,182</u></u>

The accompanying notes are an integral part of these financial statements.

PUTNAM COUNTY BOARD OF EDUCATION

EXHIBIT "G"

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
JUNE 30, 2011**

	ASSETS	<u>Agency Funds</u>
Cash		\$ 43,431
	LIABILITIES	
Funds held for others		<u>\$ 43,431</u>

The accompanying notes are an integral part of these financial statements.

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PUTNAM COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

EXHIBIT "H"

Note 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

Reporting Entity

The Putnam 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 Putnam 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.

PUTNAM COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

EXHIBIT "H"

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

- The *General Fund* is the School District's primary operating fund. It accounts for and reports all financial resources not accounted for and reported in another fund.
- The *District-Wide Capital Projects Fund* accounts for and reports financial resources including Special Purpose Local Option Sales Tax (SPLOST), and Bond Proceeds that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.
- The *Debt Service Fund* accounts for and reports financial resources that are restricted, committed, or assigned including taxes (sales) legally restricted for the payment of general long-term principal, interest and paying agent's fees.

The School District reports the following fiduciary fund type:

- *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 in 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.

PUTNAM COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

EXHIBIT "H"

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

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 60 days after year-end. Property taxes, sales taxes, grants, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

The School District funds certain programs by a combination of specific cost-reimbursement grants, categorical grants, and general revenues. Thus, when program costs are incurred, 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.

The State of Georgia reimburses the School System for teachers' salaries and operating costs through the Quality Basic Education Formula Earnings program (QBE). Generally, teachers are contracted for the school year (July 1 – June 30) and paid over a 12-month contract period, generally September 1 through August 31. In accordance with the respective rules and regulations of the QBE program, the State of Georgia reimburses the School System over the same 12-month period in which teachers are paid. At June 30, the amount of teachers' salaries incurred but not paid until July and August of the subsequent year are accrued. Since the State of Georgia recognizes its QBE liability for the July and August salaries at June 30, the School System recognizes the same QBE as a receivable and revenue, consistent with symmetrical recognition.

New Accounting Pronouncements

In fiscal year 2011, the School District adopted the Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The provisions of this Statement establish accounting and financial reporting standards for all governments that report governmental funds. It establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental funds.

PUTNAM COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

EXHIBIT "H"

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 authorizes the School District to deposit its funds in one or more solvent banks or insured Federal savings and loan associations or insured chartered building and loan associations.

Investments

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

Funds may be invested in the following:

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

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

Receivables

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

PUTNAM COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

EXHIBIT "H"

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes

The Putnam County Board of Commissioners fixed the property tax levy for the 2010 tax digest year (calendar year) on September 21, 2010 (levy date). Taxes were due on December 21, 2010 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2010 tax digest are reported as revenue in the governmental funds for fiscal year 2011. The Putnam County Tax Commissioner bills and collects the property taxes for the School District, withholds .45% 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, 2011, for maintenance and operations amounted to \$16,288,097.

The tax millage rate levied for the 2010 tax year (calendar year) for the Putnam County Board of Education was as follows (a mill equals \$1 per thousand dollars of assessed value):

School Operations	<u>11.15</u> mills
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Sales Taxes

Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to \$4,293,891 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

Inventories

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

Capital Assets

Capital assets purchased, including capital outlay costs, are recorded as expenditures in the fund financial statements at the time of purchase (including ancillary charges). On the District-Wide financial statements, all purchased capital assets are valued at cost where historical records are available and at estimated historical cost based on appraisals or deflated current replacement cost where no historical records exist. Donated capital assets are recorded at estimated fair market value

**PUTNAM COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

EXHIBIT "H"

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

on the date donated. Disposals are deleted at depreciated recorded cost. The cost of normal maintenance and repairs that do not add to the value of assets or materially extend the useful lives of the assets is not capitalized. Depreciation is computed using the straight-line method. The School District does not capitalize book collections or works of art. During the fiscal year under review, no events or changes in circumstances affecting a capital asset that may indicate impairment were known to the School District.

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

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
Land	All	N/A
Land Improvements	\$ 5,000	10 to 60 years
Buildings and Improvements	5,000	60 years
Equipment	5,000	2 to 20 years
Construction in Progress	5,000	N/A
Intangible Assets - Unspecified	5,000	10 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. In the District-wide financial statements, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method (which approximates the effective-interest method). Bond issuance costs are reported as deferred charges and amortized over the term of the debt.

In the fund financial statements, the School District recognizes bond premiums and discounts, as well as bond issuance costs during the fiscal year bonds are issued. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. General obligation bonds are direct obligations and pledge the full faith and credit of the government. The outstanding amount of these bonds is recorded in the Statement of Net Assets.

PUTNAM COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

EXHIBIT "H"

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

The School District's net assets in the District-Wide Statements are classified as follows:

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

Restricted Net Assets - These represent resources for which the School District is legally or contractually obligated to spend for bus replacement, continuation of Federal programs, debt service and capital projects in accordance with restrictions imposed by external third parties.

Unrestricted Net Assets - Unrestricted net assets represent resources derived from property taxes, sales taxes, grants and contributions not restricted to specific programs, charges for services, and miscellaneous revenues. These resources are used for transactions relating to the educational and general operations of the School District, and may be used at the discretion of the Board to meet current expenses for those purposes.

Fund Balances

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

Nonspendable – Amounts that are not in spendable form (e.g., inventory and prepaid items) or are legally or contractually required to be maintained intact (e.g., permanent fund principal).

Restricted – Amounts that can be spent only on specific purposes stipulated by law through constitutional provisions or enabling legislation or by the external providers of those resources (e.g., grants or donations).

Committed – Amounts that can only be used for the specific purposes determined by a formal action of the Board. Commitments may be changed or lifted only by referring to the formal action of the Board that imposed the constraint originally (e.g., the Board's commitment in connection with future construction projects).

Assigned – Amounts intended to be used by the School District for specific purposes. Intent can be expressed by the Board of Education or a by a designee to whom the Board of Education delegates authority. In governmental funds other than the General Fund, assigned fund balance represents the amount that is not restricted or committed. This indicates the resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

PUTNAM COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

EXHIBIT "H"

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

Unassigned – All amounts not contained in other classifications and the residual classification of the General Fund only. Unassigned amounts are available for any legal purpose.

The responsibility for designating funds to specific classification is as follows:

Committed Fund Balance – The Board of Education is the School District's highest level of decision-making authority, and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution approved by the Board. Funds should be committed prior to the end of the fiscal year, although the exact amount may be determined in the subsequent fiscal year.

Assigned Fund Balance – The Board of Education has authorized the Superintendent and the Director of Finance as officials authorized to assign fund balance to a specific purpose in accordance with the School District's policy.

It is the goal of the School District to achieve and maintain an unassigned fund balance in the General Fund at fiscal year end in an amount not to exceed 15% of the total budget of the subsequent fiscal year, in compliance with Official Code of Georgia Annotated Section 20-2-167(a)5. If the unassigned fund balance at fiscal year end falls below the goal, the School District shall develop a restoration plan to achieve and maintain the minimum fund balance. When multiple categories of fund balance are available for expenditure, the School District will start with the most restricted category and spend those funds first before moving down to the next category with available funds.

Use of Estimates

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

Note 3: DEPOSITS AND INVESTMENTS

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.

**PUTNAM COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

EXHIBIT "H"

Note 3: DEPOSITS AND INVESTMENTS (Continued)

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.

Categorization of Deposits

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. At June 30, 2011, the bank balances were \$1,842,126. The bank balances were entirely covered by Federal depository insurance or collateralized with securities held by the pledging financial institution in the School District's name.

Categorization of Investments

At June 30, 2011, the School System had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Rating *</u>	<u>Fair Value</u>
Georgia Fund 1	59 day weighted average	AAAm	\$ 7,554,805
U.S. Agency - Federal National Mortgage Association	September 30, 2011	AAA	814,935
			<u>\$ 8,369,740</u>

*Rating as per Standard & Poor's

PUTNAM COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

EXHIBIT "H"

Note 3: DEPOSITS AND INVESTMENTS (Continued)

Categorization of Investments (Continued)

The Georgia Fund One, formerly referred to as the Local Government Investment Pool, is administered by the State of Georgia, Office of the State Treasurer and is not required to be categorized since the School District did not own any specific identifiable securities in the pool. The investment policy of the State of Georgia, Office of the State Treasurer for the Georgia Fund One, does not provide for investment in derivatives or similar investments. Additional information on the Georgia Fund One is disclosed in the *State of Georgia Comprehensive Annual Financial Report*. This audit can be obtained from the Georgia Department of Audits and Accounts at www.audits.ga.gov/SGD/CAFR.html.

The Primary Liquidity Portfolio consists of Georgia Fund 1 which is not registered with the SEC as an investment company but does operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. The investment is valued at the pool's share price, \$1.00 per share. The pool is an AAAM rated investment pool by Standard & Poor's. The weighted average maturity of Georgia Fund 1 may not exceed 60 days. The weighted average maturity for Georgia Fund 1 on June 30, 2011, was 59 days.

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates of debt investment will adversely affect the fair value of an investment. The School District does not have a formal policy for managing interest rate risk.

Custodial Credit Risk - Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the School District will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The School District does not have a formal policy for managing custodial credit risk.

Credit Quality Risk - Credit quality risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The School District does not have a formal policy for managing credit quality risk.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The School District does not have a formal policy for managing concentration of credit risk. More than 5% of the School District's investments are in Federal National Mortgage Association debt securities. This investment is 9% of the School District's investments.

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**

**PUTNAM COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

EXHIBIT "H"

Note 5: CAPITAL ASSETS

The following is a summary of changes in the capital assets during the fiscal year:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities					
Capital Assets, Not Being Depreciated:					
Land	\$ 2,490,706	\$ -	\$ -	\$ -	\$ 2,490,706
Construction Work In Progress	1,066,960	1,542,183	-	(728,238)	1,880,905
Total Capital Assets, Not Being Depreciated	3,557,666	1,542,183	-	(728,238)	4,371,611
Capital Assets, Being Depreciated:					
Buildings and Improvements	69,411,213	-	-	728,238	70,139,451
Equipment	5,304,276	318,032	-	-	5,622,308
Land Improvements	1,339,799	-	-	-	1,339,799
Total	76,055,288	318,032	-	728,238	77,101,558
Less: Accumulated Depreciation:					
Buildings and Improvements	(8,134,193)	(1,216,244)	-	-	(9,350,437)
Equipment	(3,571,330)	(323,381)	-	-	(3,894,711)
Land Improvements	(478,002)	(59,027)	-	-	(537,029)
Total	(12,183,525)	(1,598,652)	-	-	(13,782,177)
Total Capital Assets, Being Depreciated, Net	\$ 63,871,763	\$ (1,280,620)	\$ -	\$ 728,238	\$ 63,319,381
Governmental Activity Capital Assets - Net	\$ 67,429,429	\$ 261,563	\$ -	\$ -	\$ 67,690,992

Current year depreciation expense by function for capital assets is as follows:

Instruction	\$ 1,139,159
Support Services	
Pupil Services	\$ 65,493
General Administration	12,585
School Administration	45,026
Business Administration	3,954
Maintenance and Operations	25,186
Student Transportation	189,493
Central Support Services	36,912
Food Services	378,649
	<u>80,844</u>
Total Depreciation Expense	\$ 1,598,652

**PUTNAM COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

EXHIBIT "H"

Note 6: INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2011, consisted of the following:

<u>Transfers To</u>	<u>Transfers From</u>			<u>Total</u>
	<u>General Fund</u>	<u>District-wide Capital Projects Fund</u>	<u>Debt Service Fund</u>	
Debt Service Fund	\$ -	\$ 1,965,978	\$ -	\$ 1,965,978
District-wide Capital Projects Fund	50,151	-	2,110	52,261
Total governmental funds	<u>\$ 50,151</u>	<u>\$ 1,965,978</u>	<u>\$ 2,110</u>	<u>\$ 2,018,239</u>

Transfers are used to move special purpose local option sales tax revenues from the District-wide Capital Projects Fund to the Debt Service Fund to fund debt service payments, to move property tax revenues collected by the General Fund to the District-wide Capital Projects Fund as required match or supplemental funding source for capital construction projects, and to move residual funds from the Debt Service Fund to the District-wide Capital Projects Fund after all debt service requirements have been satisfied.

Note 7: RISK MANAGEMENT

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

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

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

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

**PUTNAM COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

EXHIBIT "H"

Note 7: RISK MANAGEMENT (Continued)

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
2010	\$ -	\$ 42,191	\$ 42,191	\$ -
2011	\$ -	\$ 43,413	\$ 43,413	\$ -

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

<u>Position Covered</u>	<u>Amount</u>
Superintendent	\$ 10,000
Driver Training School	\$ 2,500

Note 8: OPERATING LEASES

Putnam County Board of Education has entered into various leases as lessee for copiers. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the year ended June 30, 2011, in the governmental funds amounted to \$71,623. Future minimum lease payments for these leases are as follows:

Year Ending June 30,	Governmental Funds
2012	\$ 71,623
2013	\$ 57,706
2014	\$ 1,330
	\$ 130,659

**PUTNAM COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

EXHIBIT "H"

Note 9: SHORT-TERM DEBT

Tax Anticipation Note

The School District issues tax anticipation notes and obtains temporary loans in advance of property tax collections, depositing the proceeds in its General Fund. This short-term debt is to provide cash for operations until property tax collections are received by the School District. Article IX, Section V, Paragraph V of the Constitution of the State of Georgia limits the aggregate amount of short-term debt to 75 percent of the total gross income from taxes collected in the preceding year and requires all short-term debt to be repaid no later than December 31 of the calendar year in which the debt was incurred.

Short-term debt activity for the fiscal year is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Tax Anticipation Note	\$ -	\$ 2,500,125	\$ (2,500,125)	\$ -

Note 10: LONG-TERM DEBT

General obligation bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
General Government - Series 2007	3.875% - 5.00%	\$ 15,485,000
General Government - Refunding - Series 2008	2.86%	3,100,000
General Government - QZAB - Series 2007	0.00%	2,000,000
General Government - Series 2009	2.00% - 3.00%	3,500,000
		\$ 24,085,000

Voters have authorized \$8,500,000 in general obligation debt for capital projects which was not issued as of June 30, 2011.

Changes in Long-Term Debt

The changes in long-term debt during the fiscal year ended June 30, 2011, were as follows:

	Governmental Funds				
	Balance	Additions	Deletions	Balance	Due
	July 1, 2010			June 30, 2011	Within One Year
General Obligation Bonds	\$ 27,155,000	\$ -	\$ (3,070,000)	\$ 24,085,000	\$ 3,270,000
Unamortized Bond Premium	656,996	-	(82,124)	574,872	82,124
	\$ 27,811,996	\$ -	\$ (3,152,124)	\$ 24,659,872	\$ 3,352,124

**PUTNAM COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

EXHIBIT "H"

Note 10: LONG-TERM DEBT (Continued)

Scheduled Maturities of Long-Term Debt

At June 30, 2011, payments due by fiscal year which includes principal and interest for these items are as follows:

<u>Fiscal Year Ended June 30</u>	<u>General Obligation Debt</u>		<u>Unamortized Bond Premium</u>
	<u>Principal</u>	<u>Interest</u>	
2012	\$ 3,270,000	\$ 828,716	\$ 82,124
2013	3,485,000	700,831	82,124
2014	3,715,000	562,355	82,124
2015	2,730,000	416,006	82,124
2016	2,840,000	301,997	82,124
2017-2021	6,045,000	247,069	164,252
2022-2023	2,000,000	-	-
Total Principal and Interest	<u>\$ 24,085,000</u>	<u>\$ 3,056,974</u>	<u>\$ 574,872</u>

Note 11: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of \$107,408 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-Certificated Personnel
In the amount of \$75,282

Paid to the Teachers Retirement System

For Teachers Retirement System (TRS) Employer's Cost
In the amount of \$11,164

Office of the State Treasurer

Paid to the Public School Employees Retirement System
For Public School Employees Retirement (PSERS) Employer's Cost
In the amount of \$20,962

**PUTNAM COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

EXHIBIT "H"

Note 12: SIGNIFICANT COMMITMENTS

The following is an analysis of significant outstanding construction or renovation contracts executed by the School District as of June 30, 2011, together with funding available:

<u>Project</u>	<u>Unearned Executed Contracts</u>	<u>Funding Available From State</u>
08RA-717-012	\$ -	\$ 906,297

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

Note 13: 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 14: OTHER POST-EMPLOYMENT BENEFITS

Georgia School Personnel Post-employment Health Benefit Fund

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

**PUTNAM COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

EXHIBIT "H"

Note 14: OTHER POST-EMPLOYMENT BENEFITS (Continued)

Georgia School Personnel Post-employment Health Benefit Fund (Continued)

Funding Policy. The contribution requirements of plan members and participating employers are established by the Board in accordance with the current Appropriations Act and may be amended by the Board. Contributions of plan members or beneficiaries receiving benefits vary based on plan election, dependent coverage, and Medicare eligibility and election. On average, plan members pay approximately 25 percent of the cost of the health insurance coverage.

Participating employers are statutorily required to contribute in accordance with the employer contribution rates established by the Board. The contribution rates are established to fund all benefits due under the health insurance plans for both active and retired employees based on projected "pay-as-you-go" financing requirements. Contributions are not based on the actuarially calculated annual required contribution (ARC) which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The combined active and retiree contribution rates established by the Board for employers participating in the School OPEB Fund were as follows for the fiscal year ended June 30, 2011:

For certificated teachers, librarians and regional educational service agencies:

Period	Percentage of Covered Payroll
July 2010 - April 2011	21.955% of covered payroll for August 2010 - May 2011 coverage
May 2011 - June 2011	1.429% of covered payroll for June 2011 - July 2011 coverage

For non-certificated school personnel:

Period	Contribution
July 2010 - December 2010	\$162.72 per member per month
January 2011 - May 2011	\$218.20 per member per month
June 2011	\$246.20 per member per month

The Department of Education was appropriated an additional \$25,081,633 for non-certificated personnel health insurance payments. The amount attributable to the School District is reflected in Note 11: On-behalf payments.

No additional contribution was required by the Board for fiscal year 2011 nor contributed to the School OPEB Fund to prefund retiree benefits. Such additional contribution amounts are determined annually by the Board in accordance with the School plan for other post-employment benefits and are subject to appropriation.

PUTNAM COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

EXHIBIT "H"

Note 14: OTHER POST EMPLOYMENT BENEFITS (Continued)

Georgia School Personnel Post-employment Health Benefit Fund (Continued)

Currently, the state is requiring that local Boards of Education pay only on active employees. The District's contribution to the health insurance plans for the fiscal years ended June 30, 2011, 2010 and 2009 was \$2,843,855, \$2,435,470 and \$1,641,204, respectively, which equaled the required contribution. Currently, the State of Georgia has been making the remaining contributions to fund the pay as you go financing on behalf of all local Boards of Education (see Note 1 for discussion of on-behalf payments).

Note 15: RETIREMENT PLAN

Teachers Retirement System of Georgia (TRS)

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

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

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

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

**PUTNAM COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

EXHIBIT "H"

Note 15: RETIREMENT PLAN (Continued)

Funding Policy. TRS is funded by member and employer contributions as adopted and amended by the Board of Trustees. Members become fully vested after 10 years of service. If a member terminates with less than 10 years of service, no vesting of employer contributions occurs, but the member's contributions may be refunded with interest. Member contributions are limited by state law to not less than 5% or more than 6% of a member's earnable compensation. Member contributions as adopted by the Board of Trustees for the fiscal year ended June 30, 2011, were 5.53% of annual salary. The member contribution rate will increase to 6.00% effective July 1, 2011. Employer contributions required for fiscal year 2011 were 10.28% of annual salary as required by the June 30, 2008, actuarial valuation. The employer contribution rate will increase to 11.41% effective July 1, 2012.

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

<u>Fiscal Year</u>	<u>Percentage Contributed</u>		<u>Percentage Contributed</u>
2011	100%	\$	1,795,350
2010	100%		1,705,721
2009	100%		1,707,098

Public School Employees' Retirement System (PSERS)

Bus drivers, lunchroom personnel, and maintenance and custodial personnel are members of the Public School Employee's Retirement System of Georgia. The System is funded by contributions by the employees and by the State of Georgia. The School District makes no contribution to this plan. See Note 11: On-behalf payments for information on the contributions made by the State of Georgia on behalf of the School District's employees.

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PUTNAM COUNTY BOARD OF EDUCATION

SCHEDULE "1"

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Nonappropriated Budget		Actual	Variance With Final Budget
	Original ⁽¹⁾	Final ⁽¹⁾		
REVENUES				
Property taxes	\$ 16,379,056	\$ 16,379,056	\$ 16,288,097	\$ (90,959)
Sales taxes	300,000	300,000	292,830	(7,170)
Other taxes	-	-	6,408	6,408
State funds	8,801,580	9,138,213	9,777,067	638,854
Federal funds	4,641,156	6,023,304	5,981,985	(41,319)
Charges for services	260,885	260,885	791,974	531,089
Investment earnings	13,060	13,060	4,251	(8,809)
Miscellaneous	192,068	192,068	210,766	18,698
Total revenues	<u>30,587,805</u>	<u>32,306,586</u>	<u>33,353,378</u>	<u>1,046,792</u>
EXPENDITURES				
Current:				
Instruction	19,175,252	20,141,066	20,068,302	72,764
Support services:				
Pupil services	1,011,968	1,031,426	1,019,444	11,982
Improvement of instructional services	651,991	1,270,593	1,056,473	214,120
Educational media services	474,013	474,013	449,693	24,320
General administration	571,161	591,054	571,036	20,018
School administration	1,822,925	1,820,168	1,742,801	77,367
Business administration	599,886	602,986	596,485	6,501
Maintenance and operation of plant	2,302,266	2,302,266	2,460,954	(158,688)
Student transportation services	1,772,000	1,933,729	1,994,255	(60,526)
Central support services	600,635	600,635	490,935	109,700
Other support services	79,386	48,618	30,760	17,858
Food services operations	1,918,290	1,918,290	1,915,951	2,339
Total expenditures	<u>30,979,773</u>	<u>32,734,844</u>	<u>32,397,089</u>	<u>337,755</u>
Excess (deficiency) of revenues over (under) expenditures	(391,968)	(428,258)	956,289	1,384,547
OTHER FINANCING SOURCES (USES)				
Transfers in	90,000	90,000		(90,000)
Transfers out	(90,000)	(90,000)	(50,151)	39,849
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(50,151)</u>	<u>(50,151)</u>
Net change in fund balances	(391,968)	(428,258)	906,138	1,334,396
FUND BALANCE, beginning of year,	<u>3,146,062</u>	<u>3,146,062</u>	<u>3,146,062</u>	
FUND BALANCE, end of year	<u>\$ 2,754,094</u>	<u>\$ 2,717,804</u>	<u>\$ 4,052,200</u>	<u>\$ 1,334,396</u>

Note 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 school activity 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.

PUTNAM COUNTY BOARD OF EDUCATION

SCHEDULE "2"

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Funding Agency <u>Program/Grant</u>	CFDA <u>Number</u>	Pass-Through Entity ID <u>Number</u>	Expenditures <u>In Period</u>
Agriculture, U. S. Department of			
Child Nutrition Cluster			
Pass-Through From Georgia Department of Education			
Food Services			
School Breakfast Program	* 10.553	N/A	\$ (1)
National School Lunch Program	* 10.555	N/A	1,746,477 (2)
Total Child Nutrition Cluster			<u>1,746,477</u>
Other Programs			
Pass-Through From Georgia Department of Education			
ARRA - Child Nutrition Discretionary Grants Limited Availability	10.579A	N/A	13,672
Fresh Fruits and Vegetables Grant	10.582	N/A	95,313
			<u>108,985</u>
Pass-Through From Office of Treasury and Fiscal Services			
National Forest Reserve Funds	10.665	N/A	(3)
Total U. S. Department of Agriculture			<u>1,855,462</u>
Education, U. S. Department of			
Pass-Through From Georgia Department of Education			
Special Education Cluster			
Grants to States	* 84.027	N/A	618,825
Preschool Grants	* 84.173	N/A	19,378
ARRA - Grants to States	* 84.391	N/A	215,197
ARRA - Preschool	* 84.392	N/A	3,451
Total Special Education Cluster			<u>856,851</u>
Education Jobs Fund	* 84.410	N/A	570,021
Title I, Part A Cluster			
Title I, Part A	* 84.010	N/A	1,035,657
ARRA - Title I, Part A	* 84.389	N/A	292,481
Total Title I, Part A Cluster			<u>1,328,138</u>
Education Technology State Grants Cluster			
Education Technology State Grants	84.318	N/A	66,750
Other Programs			
Pass-Through From Georgia Department of Education			
Career and Technical Education - Basic Grants to States	84.048	N/A	45,094
English Language Acquisition Grants	84.365	N/A	12,171
Improving Teacher Quality State Grants	84.367	N/A	155,469
Migrant Education - State Grant Program	84.011	N/A	34,699
Rural Education	84.358	N/A	57,125
Safe and Drug-Free Schools and Communities - State Grants	84.186	N/A	7,561
Pass-Through From Oconee Regional Educational			
Services Agency			
Mathematics and Science Partnerships	84.366	N/A	3,243
Total U. S. Department of Education			<u>3,137,122</u>
Health and Human Services, U. S. Department of			
Direct			
Head Start Cluster			
Head Start	93.600	N/A	1,164,756
ARRA - Head Start	93.708	N/A	4,081
Total U. S. Department of Health and Human Services			<u>1,168,837</u>

PUTNAM COUNTY BOARD OF EDUCATION

SCHEDULE "2"

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Funding Agency <u>Program/Grant</u>	<u>CFDA Number</u>	<u>Pass-Through Entity ID Number</u>	<u>Expenditures In Period</u>
Defense, U. S. Department of Direct Department of the Air Force R.O.T.C. Program			\$ 59,166
Total Expenditures of Federal Awards			<u>\$ 6,220,587</u>

N/A = Not Available

Notes to the Schedule of Expenditures of Federal Awards

- (1) Expenditures for the funds earned on the School Breakfast Program (\$377,040) were not maintained separately and are included in the 2011 National School Lunch Program.
- (2) Includes the Federally assigned value of nonmonetary assistance for donated commodities received and/or consumed by the School District during the current fiscal year in the amount of \$110,633.
- (3) Funds earned on this program in the amount of \$46,798 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 Putnam County Board of Education and is presented on the modified accrual basis of accounting used in the presentation of the fund financial statements.

PUTNAM COUNTY BOARD OF EDUCATION

SCHEDULE "3"

**SCHEDULE OF STATE REVENUE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

<u>Agency/Funding</u>	<u>Governmental Fund Types</u>
	<u>General Fund</u>
Grants	
Bright from the Start: Georgia Department of Early Care and Learning Pre-Kindergarten	\$ 760,873
Education, Georgia Department of Quality Basic Education	
Direct Instructional Cost	
Kindergarten Program	626,900
Kindergarten Program - Early Intervention Program	139,791
Primary Grades (1-3) Program	1,359,564
Primary Grades - Early Intervention (1-3) Program	131,123
Upper Elementary Grades (4-5) Program	678,357
Upper Elementary Grades - Early Intervention (4-5) Program	55,794
Middle Grades (6-8) Program	1,095,785
High School General Education (9-12) Program	867,726
Vocational Laboratory (9-12) Program	255,732
Students with Disabilities	1,948,424
Gifted Students - Category VI	249,188
Remedial Education Program	132,953
Alternative Education Program	84,078
English Speakers of Other Languages (ESOL)	48,579
Media Center Program	198,315
20 Days Additional Instruction	68,021
Staff and Professional Development	28,062
Indirect Cost	
Central Administration	336,058
School Administration	400,111
Facility Maintenance and Operations	448,488
Categorical Grants	
Pupil Transportation	
Regular	349,469
State Bonds	152,584
Nursing Services	56,846
Vocational Supervisors	14,635
Food Services	47,698
Vocational Education	165,885
Amended Formula Adjustment	(1,344,051)
Other State Programs	
Charter Schools	245,178
Dual Enrollment	9,650
Industry Certification Related Equipment - State Bonds	10,505
Math and Science Supplements	21,066
Preschool Handicapped Program	25,122
Virtual Schools Grant	1,150

PUTNAM COUNTY BOARD OF EDUCATION

SCHEDULE "3"

SCHEDULE OF STATE REVENUE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

<u>Agency/Funding</u>	<u>Governmental Fund Types</u>
	<u>General Fund</u>
Grants (Continued)	
On-Behalf Payments	
Georgia Department of Education	
Paid to the Georgia Department of Community Health	\$ 75,282
Paid to the Teachers Retirement System	11,164
Office of State Treasurer	
Paid to the Public School Employees Retirement System	20,962
	<u>9,777,067</u>
	<u>\$ 9,777,067</u>

See notes to the basic financial statements.

PUTNAM COUNTY BOARD OF EDUCATION

SCHEDULE "4"

**SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

<u>Project</u>	<u>Original Estimated Cost (1)</u>	<u>Current Estimated Costs (2)</u>	<u>Expended In Current Year (3) (4)</u>	<u>Expended In Prior Years (3) (4)</u>	<u>Project Status</u>
Acquiring, constructing, equipping, furnishing, and planning a new school and other school buildings and facilities; adding to, renovating, repairing, improving, and equipping the existing high school and other school buildings and facilities; acquiring new school equipment, school buses, and vehicles; and acquiring any capital property necessary or desirable, both real and personal.	\$ 6,900,000	\$ 11,090,142	\$	\$ 10,735,142	Ongoing
Retiring a portion of the School District's General Obligation Refunding Bonds, Series 1998	3,000,000	3,000,000	1,041,740	1,895,909	Ongoing
Paying a portion of the principal and interest due on the School District's Series 1998 General Obligation Bonds from February 1, 2012 through and including February 1, 2014	3,232,454	3,232,454			Ongoing
Paying a portion of the principal and interest due on the School District's Series 2007, Series 2009 and QZAB General Obligation Bonds due in 2007 through 2012.	20,490,000	20,490,000	2,975,474	5,562,782	Ongoing
Acquiring, constructing, and equipping new schools and facilities including one new high school; adding to, renovating, repairing, improving, and equipping existing school buildings and school system facilities, including but not limited to a school bus transportation center; acquiring miscellaneous new equipment, fixtures, and furnishings for the school system, including technology equipment and safety and security equipment; acquiring school buses and transportation and maintenance equipment; acquiring textbooks for the school system; paying expenses incidental to accomplishing the foregoing.	<u>33,277,546</u>	<u>41,300,187</u>	<u>1,948,652</u>	<u>39,205,755</u>	Ongoing
	<u>\$ 66,900,000</u>	<u>\$ 79,112,783</u>	<u>\$ 5,965,866</u>	<u>\$ 57,399,588</u>	

- (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 Putnam 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 project.
- (4) The 1998 General Obligation Bonds were retired through the sale of the 2008 Refunding Bond Issue. The School District will utilize the SPLOST proceeds for this project, plus any excess SPLOST proceeds to retire the Series 2008 Refunding Bond Issue.

See notes to the basic financial statements.

PUTNAM COUNTY BOARD OF EDUCATION

SCHEDULE "5"

**SCHEDULE OF QUALITY BASIC EDUCATION PROGRAMS (QBE)
ALLOTMENTS AND EXPENDITURES BY PROGRAM
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

<u>Description</u>	<u>Allotments From Georgia Department of Education (1) & (2)</u>	<u>Eligible QBE Program Costs</u>		
		<u>Salaries</u>	<u>Operations</u>	<u>Total</u>
Direct Instructional Funds:				
Kindergarten Program	\$ 1,016,699	\$ 1,120,560	\$ 17,983	\$ 1,138,543
Kindergarten Program - Early Intervention Program	239,807	83,316	1,645	84,961
Primary Grades (1-3) Program	2,257,583	2,349,821	51,753	2,401,574
Primary Grades - Early Intervention (1-3) Program	253,188	415,289	3,607	418,896
Upper Elementary Grades (4-5) Program	1,220,781	1,363,795	28,551	1,392,346
Upper Elementary Grades-Early Intervention (4-5) Program	106,357	186,550	1,666	188,216
Middle School (6-8) Program	1,939,407	2,559,105	53,789	2,612,894
High School General Education (9-12) Program	1,552,045	2,104,467	88,149	2,192,616
Vocational Laboratory (9-12) Program	469,651	348,630	47,411	396,041
Students with Disabilities	3,399,617			
Category III		3,475,714	33,272	3,508,986
Gifted Student - Category VI	442,186	242,991	2,655	245,646
Remedial Education Program	232,029			
Alternative Education Program	149,289	125,645	1,922	127,567
English Speakers of Other Languages (ESOL)	88,429	133,531	913	134,444
TOTAL DIRECT INSTRUCTIONAL PROGRAMS	13,367,068	14,509,414	333,316	14,842,730
Media Center Program	353,780	394,376	53,435	447,811
Staff and Professional Development	67,774	48,028		48,028
TOTAL QBE FORMULA FUNDS	\$ 13,788,622	\$ 14,951,818	\$ 386,751	\$ 15,338,569

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

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

See notes to the basic financial statements.

SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS



DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

September 26, 2012

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

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

Ladies and Gentlemen:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Putnam County Board of Education as of and for the year ended June 30, 2011, which collectively comprise Putnam County Board of Education's basic financial statements and have issued our report thereon dated September 26, 2012. 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

Management of Putnam County Board of Education is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Putnam County Board of Education's internal control over financial reporting as a basis for designing our auditing procedures 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 Putnam County Board of Education's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Putnam County Board of Education's internal control over financial reporting.

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

Our consideration of internal control over financial reporting 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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Putnam 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*.

We noted certain matters that we have reported to management of Putnam County Board of Education in a separate letter dated September 26, 2012.

This report is intended solely for the information and use of management, members of the Putnam County Board of Education, others within the entity, 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,



Greg S. Griffin
State Auditor

GSG:as
2011YB-10



DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

September 26, 2012

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE
A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Ladies and Gentlemen:

Compliance

We have audited Putnam County Board of Education's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2011. Putnam 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 Putnam County Board of Education's management. Our responsibility is to express an opinion on Putnam 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 Putnam 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 Putnam County Board of Education's compliance with those requirements.

In our opinion, the Putnam County Board of Education complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of Putnam County Board of Education is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Putnam County Board of Education's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program to determine the 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, 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 Putnam County Board of Education's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

This report is intended solely for the information and use of management, members of the Putnam County Board of Education, others within the entity, 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,



Greg S. Griffin
State Auditor

GSG:as
2011SA-10

SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

PUTNAM COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FINDING CONTROL NUMBER AND STATUS

FS-7171-09-02	Previously Reported Corrective Action Implemented
FS-7171-10-01	Previously Reported Corrective Action Implemented

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV

FINDINGS AND QUESTIONED COSTS

PUTNAM COUNTY BOARD OF EDUCATION
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2011

I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issue: Governmental Activities; General Fund; Capital Projects Fund; Debt Service Fund; Aggregate Remaining Fund Information	Unqualified
Internal control over financial reporting:	
▪ Material weakness identified?	No
▪ Significant deficiency identified?	None Reported
Noncompliance material to financial statements noted:	No

Federal Awards

Internal Control over major programs:	
▪ Material weakness identified?	No
▪ Significant deficiency identified?	None Reported
Type of auditor's report issued on compliance for major programs: All major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)?	No
Identification of major programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	Child Nutrition Cluster
84.010, 84.389	Title I, Part A Cluster
84.027, 84.173, 84.391, 84.392	Special Education Cluster
84.410	Education Jobs Fund

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.