



JACKSON COUNTY BOARD OF EDUCATION JEFFERSON, GEORGIA

ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2012

(Including Independent Auditor's Reports)



JACKSON 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

May 24, 2013

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
Jackson 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 Jackson County Board of Education, as of and for the year ended June 30, 2012, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Jackson 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 Jackson County Board of Education, as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2013, on our consideration of the Jackson 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.

Management's Discussion and Analysis and the Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual, as presented on pages i through ix and page 31 respectively, are not a required part of the basic financial statements but are 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 to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Jackson County Board of Education's financial statements as a whole. The accompanying supplementary information consists of Schedules 2 through 7, 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 accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

JACKSON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

INTRODUCTION

Our discussion and analysis of the Jackson County School District's financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. We encourage our readers to also review the transmittal letter, notes to the basic financial statements, and financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2012 are as follows:

- On May 10, 2012, the School District issued General Obligation Refunding Bonds, Series 2012, with a par value in the amount of \$58,525,000 and a premium in the amount of \$10,339,542 for the purpose of refunding \$60,065,000 of the Series 2005 General Obligation Bonds maturing in the years 2017 through 2025.
- Donors established an endowment to support the physical education program at North Jackson Elementary School.
- Growth of retail establishment sales in the region has resulted in an increase in SPLOST revenue in the fiscal year 2012. The District reached its goal of setting aside enough revenue to begin construction of a new gymnasium and fine arts building at Jackson County Comprehensive High School.
- On the District-wide financial statements, the assets of the School District exceeded liabilities by \$93,891,885.45. Of this amount, \$6,053,695.45 is unrestricted and is available for spending at the School District's discretion.
- The School District had \$78,674,219 in expenses relating to governmental activities; \$37,884,679 of these expenses is offset by program specific charges for services and grants and contributions. General revenues (primarily property and sales taxes) of \$40,693,413 provided the remaining funding for these programs.
- As stated above, general revenues accounted for \$40,693,413 or 51.7% of all revenues totaling \$78,578,092. Program specific revenues in the form of charges for services and grants and contributions accounted for the rest.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

JACKSON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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

District-wide Statements

Given that Jackson County School District has no operations that have been classified as "Business Activities," the District-wide financial statements are basically a consolidation of all of the District's operating funds into one column called governmental activities. In reviewing the District-wide financial statements, a reader might ask the question, are we in a better financial position than last year? The 'Statement of Net Assets' and the 'Statement of Activities' provides the basis for answering this question. These financial statements include all of the District's assets and liabilities. The District uses the **accrual basis of accounting** similar to the accounting used by most private-sector companies. The "accrual basis of accounting" takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

The 'Statement of Net Assets' and the 'Statement of Activities' reflects 100% of the School District's governmental activities.

Fund Financial Statements

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

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

JACKSON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. The reader can think of the District's net assets as the difference between its assets (i.e., what the District owns) and its liabilities (i.e., what the District owes) at the end of a fiscal year. This balance represents one way to measure the District's financial health or its financial position. In the case of the Jackson County School District, assets exceeded liabilities by \$93,891,885 at June 30, 2012.

To better understand the District's actual financial position and ability to deliver services in future periods, the reader will need to review the various components of the net asset category. For example, of the \$93,891,885 of net assets, \$21,802,500 was restricted for debt service, capital projects, continuation of Federal programs, and permanent funds. Accordingly, these funds were not available to meet the District's ongoing obligations to citizens and creditors.

In addition, the District also had \$66,035,690 (net of related debt) invested in capital assets (e.g., land, buildings, and equipment). The District uses these capital assets to provide educational services to students within geographic boundaries served by the District. Because of the very nature and on-going use of the assets being reported in this component of net assets, it must be recognized that this portion of the net assets is *not* available for future spending.

The remaining balance of *unrestricted net assets* of \$6,053,695 may be used to meet the District's ongoing obligations to citizens and creditors.

JACKSON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Table 1 provides a summary of the School District's net assets for this fiscal year and a comparison to last year (fiscal year 2011).

	Governmental Activities	
	Fiscal Year 2012	Fiscal Year 2011
Assets		
Current and Other Assets	\$ 40,971,198	\$ 39,861,401
Capital Assets, Net	139,609,266	142,400,000
Total Assets	\$ 180,580,464	\$ 182,261,401
Liabilities		
Current and Other Liabilities	\$ 10,328,713	\$ 9,817,169
Long-Term Liabilities	76,359,866	78,456,220
Total Liabilities	\$ 86,688,579	\$ 88,273,389
Net Assets		
Invested in Capital Assets, Net of Related Debt	\$ 66,035,690	\$ 66,912,868
Restricted	21,802,500	17,924,427
Unrestricted	6,053,695	9,150,717
Total Net Assets	\$ 93,891,885	\$ 93,988,012

Table 2 shows the Changes in Net Assets for this fiscal year comparing it to the previous year.

JACKSON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Table 2
Change in Net Assets

Revenues	Governmental Activities	
	Fiscal Year	Fiscal Year
	2012	2011
Program Revenues:		
Charges for Services and Sales	\$ 1,476,085	\$ 1,554,038
Operating Grants and Contributions	36,256,155	39,507,182
Capital Grants and Contributions	152,439	381,460
Total Program Revenues	\$ 37,884,679	\$ 41,442,680
General Revenues:		
Taxes		
Property Taxes		
For Maintenance and Operations	\$ 28,413,071	\$ 30,455,903
For Debt Services	4,951,117	5,284,568
Railroad Cars	32,410	33,963
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Capital Projects	5,737,293	5,148,113
Other Sales Tax	469,808	541,494
Investment Earnings	40,598	45,814
Miscellaneous	1,046,616	960,662
Special Items		
Proceeds from Sale of Surplus Equipment	2,500	
Total General Revenues and Special Items	\$ 40,693,413	\$ 42,470,517
Total Revenues	\$ 78,578,092	\$ 83,913,197
Program Expenses:		
Instruction	\$ 47,745,322	\$ 45,732,476
Support Services		
Pupil Services	1,874,387	1,933,077
Improvement of Instructional Services	2,626,579	2,425,036
Educational Media Services	1,493,408	1,283,373
General Administration	1,023,878	1,003,560
School Administration	4,454,339	4,356,834
Business Administration	480,076	487,546
Maintenance and Operation of Plant	6,359,599	5,634,610
Student Transportation Services	3,658,586	3,295,054
Central Support Services	828,690	615,148
Other Support Services	410,111	471,956
Operations of Non-Instructional Services		
Enterprise Operations	465,687	431,594
Community Services	310,688	356,323
Food Services	4,138,958	3,935,591
Interest on Short-Term and Long-Term Debt	2,803,910	3,514,549
Total Expenses	\$ 78,674,218	\$ 75,476,727
Increase (Decrease) in Net Assets	\$ -96,126	\$ 8,436,470

JACKSON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting these services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. Net cost of services can be defined as the total cost less fees generated by the activities and intergovernmental revenue provided for specific programs. The net cost reflects the financial burden on the School District's taxpayers by each activity.

Table 3
Governmental Activities
(In Thousands)

	Total Cost of Services		Net Cost of Services	
	Fiscal Year 2012	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2011
Instruction	\$ 47,745,322	\$ 45,732,476	\$ 23,915,340	\$ 18,291,946
Support Services:				
Pupil Services	1,874,387	1,933,077	1,563,189	1,659,471
Improvement of Instructional Services	2,626,579	2,425,036	1,179,476	1,039,434
Educational Media Services	1,493,408	1,283,373	571,904	355,723
General Administration	1,023,878	1,003,560	-118,016	-348,883
School Administration	4,454,339	4,356,834	2,249,863	2,277,016
Business Administration	480,076	487,546	438,315	482,245
Maintenance and Operation of Plant	6,359,599	5,634,610	3,996,681	3,389,886
Student Transportation Services	3,658,586	3,295,054	2,310,575	1,809,874
Central Support Services	828,690	615,148	769,696	607,844
Other Support Services	410,111	471,956	177,245	66,316
Operations of Non-Instructional Services:				
Enterprise Operations	465,687	431,594	465,687	431,594
Community Services	310,688	356,323	259,398	345,335
Food Services	4,138,958	3,935,591	206,276	111,697
Interest on Short-Term and Long-Term Debt	2,803,910	3,514,549	2,803,911	3,514,549
Total Expenses	\$ 78,674,218	\$ 75,476,727	\$ 40,789,540	\$ 34,034,047

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The governmental funds had total revenues of \$78,962,415 and total expenditures of \$78,855,321 during fiscal year 2012. Included in the \$78,855,321 of expenditures was \$1,219,452 of capital outlay expenditures. These expenditures were funded with SPLOST revenue, for which proceeds were received monthly.

JACKSON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

General Fund Budgeting Highlights

The School District's budget is prepared according to Georgia Law. The most significant budgeted fund is the General Fund. During the course of fiscal year 2012, the School District made amendments to its original General Fund budget.

For the General Fund, the final budgeted amounts of \$68,638,350 exceeded the final actual revenues of \$68,103,117 by \$535,233. This difference (final actual vs. final budget) was due to a decrease in state revenues less than budget of \$15,552, a decrease in property taxes collected less than budget of \$1,040,423; an increase in sales taxes collected in excess of budget of \$21,663, a decrease in Federal revenues less than final budget of \$119,451, a decrease in charges for services less than budget of \$155,354; an increase in investment earnings in excess of budget of \$2,268; and an increase in miscellaneous revenues over final budget of \$771,616.

The final budgeted amount of \$71,821,768 exceeded the actual expenditures amount of \$71,233,079 by \$588,690. This difference was due to expenditures for Instruction, Improvement of Instructional Services, Media Services, General Administration, School Administration, Business Administration, Maintenance and Operation of Plant, Central Support Services, Community Services, and Food Services Operations collectively being less than the budget by \$1,410,130 and expenditures for Pupil Services, Student Transportation, Other Support Services, and Enterprise Operations collectively exceeding the budget by \$628,333.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At fiscal year ended June 30, 2012, the School District had \$139,609,266 invested in capital assets, all in governmental activities. Table 4 reflects a summary of these balances net of accumulated depreciation.

**Table 4
Capital Assets**

	Governmental Activities	
	Fiscal Year 2012	Fiscal Year 2011
Land	\$ 6,002,541	\$ 5,897,289
Construction In Progress	1,055,070	148,323
Land Improvements	3,230,101	3,210,406
Buildings	160,253,816	160,066,058
Equipment	11,721,776	11,521,025
Less: Accumulated Depreciation	-42,654,038	-38,443,101
Total	\$ 139,609,266	\$ 142,400,000

Additional information on the District's Capital Assets can be found in the Notes to the Basic Financial Statements.

JACKSON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

At June 30, 2012, the School District completed the following capital projects: replacement of the flooring in the boys and girls showers/restrooms at one gymnasium, running fiber optic cable between an elementary and middle school, installation of HVAC units, construction of a middle school restroom/concession/storage building, lights, and fans in an elementary gymnasium, and replacing an intercom system at one elementary school. Construction in progress consisted of addition of a high school gymnasium and fine arts classroom building, installation of flooring at five elementary schools and one middle school, and installation of air conditioning units in several elementary and middle school cafeterias.

Debt

At fiscal year ended June 30, 2012, the School District had \$76,359,866 in long-term liabilities. Of this amount, \$3,133,414 represents compensated absences, general obligation bonds, and installment sales agreements due within one year; \$73,226,452 represents compensated absences, general obligation bonds and installment sales agreements due in more than one year. Table 5 summarizes the School District's long-term liabilities.

**Table 5
Debt at June 30**

	Governmental Activities	
	Fiscal Year 2012	Fiscal Year 2011
Bonds Payable	\$ 71,305,000	\$ 74,815,000
Capital Leases		190,676
Installment Sales Agreement	605,121	667,948
Compensated Absences	301,731	293,852
Unamortized Bond Premium	10,839,300	2,488,745
Unamortized Bond Deferred Gain/Loss	-6,691,286	
Total	\$ 76,359,866	\$ 78,456,221

Additional information can be found on the District's debt in the Notes to the Basic Financial Statements.

CURRENT ISSUES

Currently known facts, decisions or conditions that are expected to have a significant effect on financial positions or results of operations in future years are as follows:

- For the period under review, State funding for education continued to decrease. In addition to State declines the local tax digest is projected to decline by 10% in fiscal year 2013. Despite these challenges, the Jackson County School District is strong financially and we remain optimistic about the ability of the School District to maximize all of the financial resources. In order to provide a quality education for our students, we plan to match any reduction in revenues with corresponding reductions in expenditures.

JACKSON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

- Capital Improvements - The School District plans capital improvements as future capital needs arise due to increased student population and facility repair and maintenance needs. Specific capital expenditure plans have been formalized in conjunction with special local option sales tax revenue for board approved projects. The School District regularly monitors anticipated capital outlay needs.
- SPLOST Referendum - In a referendum held March 15, 2011, the voters of Jackson County approved a 5 year 1% local option sales tax for capital project purposes and repayment of bond indebtedness. Tax collections began April 1, 2012.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ms. Betty Varnadore, Director of Finance for the Jackson County School District, 1660 Winder Highway, Jefferson, GA 30549-5458. You may also email your question to Ms. Varnadore at bvarnadore@jackson.k12.ga.us.

JACKSON COUNTY BOARD OF EDUCATION

JACKSON COUNTY BOARD OF EDUCATION
STATEMENT OF NET ASSETS
JUNE 30, 2012

EXHIBIT "A"

		GOVERNMENTAL ACTIVITIES
<u>ASSETS</u>		
Cash and Cash Equivalents	\$	3,670,011.94
Investments		27,796,094.07
Accounts Receivable, Net		
Taxes		3,139,550.27
State Government		4,063,487.88
Federal Government		771,191.25
Local		206,206.25
Other		5,523.51
Inventories		94,576.74
Prepaid Items		390,667.85
Deferred Charges		303,681.76
Capitalized Bond and Other Debt Issuance Costs		530,207.14
Capital Assets, Non-Depreciable		7,057,610.95
Capital Assets, Depreciable (Net of Accumulated Depreciation)		132,551,654.75
Total Assets	\$	180,580,464.36
 <u>LIABILITIES</u>		
Accounts Payable	\$	2,074,412.44
Salaries and Benefits Payable		7,047,238.15
Interest Payable		690,870.28
Contracts Payable		419,997.60
Retainages Payable		57,416.30
Deposits and Deferred Revenues		38,778.25
Long-Term Liabilities		
Due Within One Year		3,133,414.30
Due in More Than One Year		73,226,451.59
Total Liabilities	\$	86,688,578.91
 <u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	\$	66,035,689.76
Restricted for		
Continuation of Federal Programs		577,632.41
Debt Service		6,881,237.67
Capital Projects		14,268,043.00
Permanent Funds		75,587.16
Unrestricted		6,053,695.45
Total Net Assets	\$	93,891,885.45
Total Liabilities and Net Assets	\$	180,580,464.36

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

JACKSON COUNTY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

	EXPENSES	CHARGES FOR SERVICES
<u>GOVERNMENTAL ACTIVITIES</u>		
Instruction	\$ 47,745,322.23	\$ 282,786.80
Support Services		
Pupil Services	1,874,386.89	
Improvement of Instructional Services	2,626,578.55	
Educational Media Services	1,493,408.06	
General Administration	1,023,878.48	
School Administration	4,454,338.74	
Business Administration	480,075.89	
Maintenance and Operation of Plant	6,359,598.94	14,220.00
Student Transportation Services	3,658,585.79	
Central Support Services	828,690.21	
Other Support Services	410,110.59	
Operations of Non-Instructional Services		
Enterprise Operations	465,687.39	
Community Services	310,688.11	10,106.53
Food Services	4,138,958.26	1,168,971.26
Interest on Short-Term and Long-Term Debt	2,803,910.51	
Total Governmental Activities	\$ 78,674,218.64	\$ 1,476,084.59
General Revenues		
Taxes		
Property Taxes		
For Maintenance and Operations		
For Debt Services		
Railroad Cars		
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Capital Projects		
Other Sales Tax		
Investment Earnings		
Miscellaneous		
Special Items		
Proceeds from Sale of Equipment		
Total General Revenues and Special Items		
Change in Net Assets		
Net Assets - Beginning of Year		
Net Assets - End of Year		

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

EXHIBIT "B"

PROGRAM REVENUES		NET (EXPENSES)
OPERATING	CAPITAL	REVENUES
GRANTS AND	GRANTS AND	AND CHANGES IN
CONTRIBUTIONS	CONTRIBUTIONS	NET ASSETS
\$ 23,547,195.71		\$ -23,915,339.72
311,198.11		-1,563,188.78
1,447,102.54		-1,179,476.01
921,504.44		-571,903.62
1,141,894.24		118,015.76
2,204,476.12		-2,249,862.62
41,760.58		-438,315.31
2,348,697.82		-3,996,681.12
1,195,571.36	\$ 152,439.00	-2,310,575.43
58,994.42		-769,695.79
232,865.44		-177,245.15
		-465,687.39
41,183.11		-259,398.47
2,763,711.47		-206,275.53
		-2,803,910.51
<u>\$ 36,256,155.36</u>	<u>\$ 152,439.00</u>	<u>\$ -40,789,539.69</u>

\$ 28,413,071.14
4,951,116.90
32,410.15
5,737,293.15
469,808.40
40,597.96
1,046,615.60
<u>2,500.00</u>
<u>\$ 40,693,413.30</u>
\$ -96,126.39
<u>93,988,011.84</u>
<u>\$ 93,891,885.45</u>

JACKSON COUNTY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	<u>GENERAL FUND</u>	<u>DISTRICT- WIDE CAPITAL PROJECTS FUND</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 3,516,596.93	\$ 122,895.90
Investments	6,404,281.51	14,419,427.43
Accounts Receivable, Net		
Taxes	2,261,654.24	501,150.68
State Government	4,063,487.88	
Federal Government	771,191.25	
Local	206,206.25	
Other	5,523.51	
Inventories	94,576.74	
Prepaid Items	390,667.85	
Deferred Charges	69,623.33	
	<hr/>	<hr/>
Total Assets	\$ <u>17,783,809.49</u>	\$ <u>15,043,474.01</u>
 <u>LIABILITIES AND FUND BALANCES</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 2,044,440.85	\$ 29,971.59
Salaries and Benefits Payable	7,047,238.15	
Contracts Payable		419,997.60
Retainages Payable		57,416.30
Deposits and Deferred Revenue	1,328,726.69	
	<hr/>	<hr/>
Total Liabilities	\$ <u>10,420,405.69</u>	\$ <u>507,385.49</u>
 <u>FUND BALANCES</u>		
Nonspendable	\$ 485,244.59	
Restricted	705,853.34	\$ 14,536,088.52
Committed	419,888.91	
Unassigned	5,752,416.96	
	<hr/>	<hr/>
Total Fund Balances	\$ <u>7,363,403.80</u>	\$ <u>14,536,088.52</u>
	 <hr/>	 <hr/>
Total Liabilities and Fund Balances	\$ <u>17,783,809.49</u>	\$ <u>15,043,474.01</u>

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

EXHIBIT "C"

DEBT SERVICE FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL
\$ 30,519.11		\$ 3,670,011.94
6,896,797.97	\$ 75,587.16	27,796,094.07
376,745.35		3,139,550.27
		4,063,487.88
		771,191.25
		206,206.25
		5,523.51
		94,576.74
		390,667.85
		69,623.33
<u>7,304,062.43</u>	<u>75,587.16</u>	<u>40,206,933.09</u>
		\$ 2,074,412.44
		7,047,238.15
		419,997.60
		57,416.30
\$ <u>212,540.73</u>		<u>1,541,267.42</u>
\$ <u>212,540.73</u>		\$ <u>11,140,331.91</u>
	\$ 25,000.00	\$ 510,244.59
\$ 7,091,521.70	50,587.16	22,384,050.72
		419,888.91
		5,752,416.96
\$ <u>7,091,521.70</u>	<u>75,587.16</u>	<u>29,066,601.18</u>
\$ <u>7,304,062.43</u>	<u>75,587.16</u>	<u>40,206,933.09</u>

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JACKSON COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012

EXHIBIT "D"

Total Fund Balances - Governmental Funds (Exhibit "C") \$ 29,066,601.18

Amounts reported for Governmental Activities in the Statement of Net Assets are different because:

Capital Assets used in Governmental Activities are not financial resources and therefore are not reported as assets in governmental funds. These assets consist of:

Land	\$	6,002,541.17	
Construction in Progress		1,055,069.78	
Land Improvements		3,230,101.20	
Buildings		160,253,816.05	
Equipment		11,721,776.15	
Accumulated Depreciation		<u>-42,654,038.65</u>	
Total Capital Assets			139,609,265.70

Taxes that are not available to pay for current period expenditures are deferred in the governmental funds.

Property Taxes			1,502,489.17
----------------	--	--	--------------

Other Long-Term Assets not available to pay for current period expenditures and therefore, are deferred on the Statement of Net Assets.

Deferred Charges	\$	234,058.43	
Capitalized Bond Issuance Costs		<u>530,207.14</u>	
Total Other Long-Term Assets			764,265.57

Long-Term Liabilities, including Bonds Payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Long-Term Liabilities at year-end consist of:

Bonds Payable	\$	-71,305,000.00	
Installment Sales		-605,120.83	
Accrued Interest		-690,870.28	
Deferred Loss for Bond Refunding		6,691,285.66	
Compensated Absences Payable		-301,730.62	
Unamortized Bond Premiums		<u>-10,839,300.10</u>	
Total Long-Term Liabilities			<u>-77,050,736.17</u>

Net Assets of Governmental Activities (Exhibit "A") \$ 93,891,885.45

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

JACKSON COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	GENERAL FUND	DISTRICT- WIDE CAPITAL PROJECTS FUND
<u>REVENUES</u>		
Property Taxes	\$ 28,776,674.02	
Sales Taxes	431,663.54	\$ 5,737,293.15
State Funds	29,787,406.80	
Federal Funds	6,621,187.57	
Charges for Services	1,476,084.59	
Investment Earnings	15,501.71	17,068.64
Miscellaneous	994,599.08	
	\$ 68,103,117.31	\$ 5,754,361.79
Total Revenues		
<u>EXPENDITURES</u>		
Current		
Instruction	\$ 44,024,448.11	\$ 701,621.81
Support Services		
Pupil Services	1,809,207.41	17,788.50
Improvement of Instructional Services	2,610,446.77	
Educational Media Services	1,427,377.07	
General Administration	980,367.13	4,561.00
School Administration	4,341,884.13	
Business Administration	393,315.99	
Maintenance and Operation of Plant	6,220,128.66	4,912.46
Student Transportation Services	3,271,529.04	
Central Support Services	835,930.03	
Other Support Services	426,724.59	
Enterprise Operations	465,687.39	
Community Services	310,688.11	
Food Services Operation	3,922,238.47	
Capital Outlay		1,219,452.20
Debt Services		
Principal	190,675.55	62,826.69
Dues and Fees		
Interest	2,430.25	28,363.27
	\$ 71,233,078.70	\$ 2,039,525.93
Total Expenditures		
Excess of Revenues over (under) Expenditures	\$ -3,129,961.39	\$ 3,714,835.86
<u>OTHER FINANCING SOURCES (USES)</u>		
Proceeds of Refunding Bonds		
Premiums on Bonds Sold		
Payment to Bond Refunding Escrow Agent		
Refunding Bond Issuance Cost		
Sale of Equipment	\$ 2,500.00	
Transfers In		
Transfers Out		\$ -2,125,617.21
	\$ 2,500.00	\$ -2,125,617.21
Total Other Financing Sources (Uses)		
Net Change in Fund Balances	\$ -3,127,461.39	\$ 1,589,218.65
Fund Balances - Beginning	10,490,865.19	12,946,869.87
Fund Balances - Ending	\$ 7,363,403.80	\$ 14,536,088.52

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

EXHIBIT "E"

DEBT SERVICE FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL
\$ 5,006,747.29		\$ 33,783,421.31
38,144.86		6,207,101.55
		29,787,406.80
		6,621,187.57
		1,476,084.59
7,614.49	\$ 413.12	40,597.96
	52,016.52	1,046,615.60
<u>\$ 5,052,506.64</u>	<u>\$ 52,429.64</u>	<u>\$ 78,962,415.38</u>
	\$ 3,238.85	\$ 44,729,308.77
		1,826,995.91
		2,610,446.77
		1,427,377.07
		984,928.13
		4,341,884.13
		393,315.99
		6,225,041.12
		3,271,529.04
		835,930.03
		426,724.59
		465,687.39
		310,688.11
		3,922,238.47
		1,219,452.20
\$ 1,970,000.00		2,223,502.24
3,725.00		3,725.00
<u>3,605,752.86</u>		<u>3,636,546.38</u>
<u>\$ 5,579,477.86</u>	<u>\$ 3,238.85</u>	<u>\$ 78,855,321.34</u>
<u>\$ -526,971.22</u>	<u>\$ 49,190.79</u>	<u>\$ 107,094.04</u>
\$ 58,525,000.00		\$ 58,525,000.00
10,339,542.25		10,339,542.25
-68,396,326.19		-68,396,326.19
-468,216.06		-468,216.06
		2,500.00
2,125,617.21		2,125,617.21
		-2,125,617.21
<u>\$ 2,125,617.21</u>		<u>\$ 2,500.00</u>
\$ 1,598,645.99	\$ 49,190.79	\$ 109,594.04
<u>5,492,875.71</u>	<u>26,396.37</u>	<u>28,957,007.14</u>
<u>\$ 7,091,521.70</u>	<u>\$ 75,587.16</u>	<u>\$ 29,066,601.18</u>

JACKSON COUNTY BOARD OF EDUCATION
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
 REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2012

EXHIBIT "F"

Total Net Change in Fund Balances - Governmental Funds (Exhibit "E") \$ 109,594.04

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Capital Outlays are reported as expenditures in Governmental Funds. However, in the Statement of Activities, the cost of Capital Assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital Outlay	\$ 1,442,202.89	
Depreciation Expense	-4,232,937.10	
Excess of Capital Outlay over Depreciation Expense		-2,790,734.21

Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. -386,823.12

Bond proceeds provide current financial resources to Governmental Funds; however, issuing debt increases Long-Term Liabilities in the Statement of Net Assets. In the current period, proceeds were received from:

Refunding Bonds Issued, Including Premium of \$10,339,542.25		-68,864,542.25
--	--	----------------

Bond issuance costs, deferred gains on refundings and similar items when debt is first issued are reported as an expenditure in Governmental Funds, but are reported as deferred charges on the Statement of Net Assets and amortized over the term of the debt, using the straight-line method. The details of this difference in the current period are as follows:

Net Change in Deferral of Bond Issuance Costs	\$ 412,607.83	
Deferral of Loss on Refunding of Bonds	106,662.15	
Amortization of Deferred Loss on Refunding of Bonds	-131,201.28	
Total Bond Issuance Costs		388,068.70

Repayment of Long-Term Debt is reported as an expenditure in Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Assets. In the current year, these amounts consist of:

Bond Principal Retirements	\$ 1,970,000.00	
Capital Lease Payments	190,675.55	
Installment Sales Agreement	62,826.69	
Payments to Bond Refunding Agent	68,396,326.19	
Total Long-Term Debt Repayments		70,619,828.43

Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in Governmental Funds. These activities consist of:

Decrease in Accrued Interest on Issuance of Bonds	\$ 462,874.72	
Increase in Compensated Absences	-7,878.85	
Amortization of Bond Premium	373,486.15	
Total Additional Expenditures		828,482.02

Change in Net Assets of Governmental Activities (Exhibit "B") \$ -96,126.39

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

JACKSON COUNTY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012

EXHIBIT "G"

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ <u>201,151.36</u>
<u>LIABILITIES</u>	
Funds Held for Others	\$ <u>201,151.36</u>

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

NOTE 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

REPORTING ENTITY

The Jackson 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 Jackson County Board of Education.

District-wide Statements:

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

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

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

Fund Financial Statements:

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

The School District reports the following major governmental funds:

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

The School District reports the following nonmajor governmental fund:

- Permanent fund accounts for and reports financial resources that are legally restricted to the extent that only earnings and not principal, may be used for purposes that support the reporting government or its citizenry.

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, clubs, governments or individuals.

BASIS OF ACCOUNTING

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

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. Property taxes, sales taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and compensated absences, 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, acquisitions under an installment sales agreement, 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.

CASH AND CASH EQUIVALENTS

Composition of Deposits

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

INVESTMENTS

Composition of Investments

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

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

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

RECEIVABLES

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

PROPERTY TAXES

The Jackson County Board of Commissioners fixed the property tax levy for the 2011 tax digest year (calendar year) on August 30, 2011 (levy date). Taxes were due on December 20, 2011 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2011 tax digest are reported as revenue in the governmental funds for fiscal year 2012. The Jackson County Tax Commissioner bills and collects the property taxes for the School District, withholds 2.5% of taxes collected as a fee for tax collection and remits the balance of taxes collected to the School District. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2012, for maintenance and operations amounted to \$28,744,263.87 and for school bonds amounted to \$5,006,747.29.

JACKSON COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

EXHIBIT "H"

Tax millage rates levied for the 2011 tax year (calendar year) for the Jackson County Board of Education were as follows (a mill equals \$1 per thousand dollars of assessed value):

School Operations	18.90 mills
School Bonds	<u>3.10 mills</u>
	<u>22.00 mills</u>

SALES TAXES

Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to \$5,737,293.15 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.

Consumable Supplies Inventory

Inventories of consumable supplies are reported on the Combined Balance Sheet at Cost (weighted average). The School District uses the consumption method to account for consumable supplies in accordance with which an asset is recorded when purchased and expenses/expenditures are recorded as the inventory items are used.

PREPAID ITEMS

Payments made to vendors for services that will benefit periods subsequent to June 30, 2012, are recorded as prepaid items.

CAPITAL ASSETS

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

JACKSON COUNTY BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2012

EXHIBIT "H"

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

	Capitalization Policy	Estimated Useful Life
Land	All	N/A
Land Improvements	\$ 5,000.00	20 years
Buildings and Improvements	\$ 5,000.00	15 to 20 years
Equipment	\$ 5,000.00	5 to 20 years
Intangible Assets	\$ 20,000.00	20 years
Software	\$ 200,000.00	10 years

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

Amortization of intangible assets such as water, timber, and mineral rights, easements, patents, trademarks, copyrights and internally generated software is computed using the straight-line method over the estimated useful lives of the assets, generally 10 to 20 years.

COMPENSATED ABSENCES

Members of the Teachers' Retirement System of Georgia (TRS) may apply unused sick leave toward early retirement. The liability for early retirement will be borne by TRS rather than by the individual school districts. Otherwise, sick leave does not vest with the employee, and no liability is reported in the School District's financial statements.

Vacation leave of 10 days is awarded on a fiscal year basis to all full time personnel employed on a twelve month basis. No other employees are eligible to earn vacation leave. Vacation leave not utilized during the fiscal year may be carried over to the next fiscal year, providing such vacation leave does not exceed 20 days.

	Beginning of Year Liability	Increases	Decreases	End of Year Liability
2010	\$ 291,602.34	\$ 307,947.96	\$ 257,684.98	\$ 341,865.32
2011	\$ 341,865.32	\$ 299,522.48	\$ 347,536.03	\$ 293,851.77
2012	\$ 293,851.77	\$ 290,111.39	\$ 282,232.54	\$ 301,730.62

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

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 resources for 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 cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - Constraints are placed on the use of resources are either (1) externally imposed conditions by creditors, grantors, contributors, or laws and regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Education. The Board of Education is the School District's highest level of decision-making authority, and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution approved by the Board. Committed fund balance also should incorporate contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts that are constrained by the School District's *intent* to be used for specific purposes, but are neither restricted nor committed. The intent should be expressed by (1) the Board of Education or (2) the budget or finance committee, or the Superintendent, or designee, to assign amounts to be used for specific purposes.

Unassigned - The residual classification for the General Fund. This classification represents fund balances that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

JACKSON COUNTY BOARD OF EDUCATION
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 JUNE 30, 2012

EXHIBIT "H"

Fund Balances of the Governmental Funds at June 30, 2012, are as follows:

Nonspendable			
Inventories	\$	94,576.74	
Permanent Funds Principal		25,000.00	
Prepaid Assets		390,667.85	\$ 510,244.59
Restricted			
Continuation of Federal Programs	\$	490,166.01	
Capital Projects		14,483,730.33	
Debt Service		7,359,567.22	
Permanent Funds		50,587.16	22,384,050.72
Committed			
School Activity Accounts			419,888.91
Unassigned			5,752,416.96
Fund Balance, June 30, 2012			\$ 29,066,601.18

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

USE OF ESTIMATES

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

NOTE 3: BUDGETARY DATA

The budget is a complete financial plan for the School District's fiscal year, and is based upon careful estimates of expenditures together with probable funding sources. The budget is legally adopted each year for the general, debt service, and capital projects funds. There is no statutory prohibition regarding over expenditure of the budget at any level. The budget for all governmental funds is prepared and adopted by fund and function. The legal level of budgetary control was established by the Board at the aggregate fund level. The budget for the General Fund was prepared in accordance with accounting principles generally accepted in the United States of America.

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

The Superintendent has authority to amend the budget without Board approval. Financial statements are presented to the Board monthly for review and discussion of actual revenues, expenditures and changes in fund balance compared to budget.

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

NOTE 4: DEPOSITS AND INVESTMENTS

COLLATERALIZATION OF DEPOSITS

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

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

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

CATEGORIZATION OF DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At June 30, 2012, the bank balances were \$5,147,901.81. The amounts exposed to custodial credit risk are classified into three categories as follows:

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

JACKSON COUNTY BOARD OF EDUCATION
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EXHIBIT "H"

The School District's deposits by custodial risk category at June 30, 2012, are as follows:

<u>Custodial Credit Risk Category</u>	<u>Bank Balance</u>
1	\$ 0.00
2	3,963,345.79
3	<u>0.00</u>
Total	<u>\$ 3,963,345.79</u>

CATEGORIZATION OF INVESTMENTS

The School District's investments as of June 30, 2012, are presented below. All investments are presented by investment type and debt securities are presented by maturity.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturity Less than 1 Year</u>
Debt Securities		
U. S. Treasury		
Money Market Funds	\$ 215,687.33	\$ <u>215,687.33</u>
Investment Pools		
Office of State Treasurer		
Georgia Fund 1	<u>27,504,819.58</u>	
Total Investments	<u>\$ 27,720,506.91</u>	

The Georgia Fund 1, formerly referred to as LGIP, administered by the State of Georgia, Office of the State Treasurer 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 1 (Primary Liquidity Portfolio) does not provide for investment in derivatives or similar investments. Additional information on the Georgia Fund 1 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 <http://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 and 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, 2012, was 48 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 for investments.

JACKSON COUNTY BOARD OF EDUCATION
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EXHIBIT "H"

At June 30, 2012, \$215,687.33 of the School District's applicable investments were uninsured and unregistered, with securities held by the counterparty's trust department or agent in the name of the School District.

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 custodial credit risk.

The investments subject to credit quality risk are reflected below:

	Fair Value	Quality Ratings AAAm
<u>Rated Debt Investments</u>		
Debt Securities		
U. S. Treasuries		
Money Market Funds	\$ 215,687.33	\$ 215,687.33

NOTE 5: NON-MONETARY TRANSACTIONS

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

NOTE 6: CAPITAL ASSETS

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

	Balances July 1, 2011	Increases	Decreases	Balances June 30, 2012
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 5,897,288.45	\$ 105,252.72		\$ 6,002,541.17
Construction in Progress	148,322.97	1,094,504.70	\$ 187,757.89	1,055,069.78
Total Capital Assets Not Being Depreciated	\$ 6,045,611.42	\$ 1,199,757.42	\$ 187,757.89	\$ 7,057,610.95
Capital Assets Being Depreciated				
Buildings and Improvements	\$ 160,066,058.16	\$ 187,757.89		\$ 160,253,816.05
Equipment	11,521,025.46	222,750.69	\$ 22,000.00	11,721,776.15
Land Improvements	3,210,406.42	19,694.78		3,230,101.20
Less Accumulated Depreciation for:				
Buildings and Improvements	28,789,729.31	3,357,303.24		32,147,032.55
Equipment	7,564,858.99	785,812.39	22,000.00	8,328,671.38
Land Improvements	2,088,513.25	89,821.47		2,178,334.72
Total Capital Assets, Being Depreciated, Net	\$ 136,354,388.49	\$ -3,802,733.74	\$ 0.00	\$ 132,551,654.75
Governmental Activity Capital Assets - Net	\$ 142,399,999.91	\$ -2,602,976.32	\$ 187,757.89	\$ 139,609,265.70

JACKSON COUNTY BOARD OF EDUCATION
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Capital Assets being acquired under installment sales agreement as of June 30, 2012, are as follows:

	Governmental Funds
Buildings	\$ 784,882.94
Less: Accumulated Depreciation	54,790.42
	\$ 730,092.52

Current year depreciation expense by function is as follows:

Instruction		\$ 3,003,155.72
Support Services		
Pupil Services	\$ 54,955.66	
Improvements of Instructional Services	2,195.88	
Educational Media Services	97,601.16	
General Administration	33,139.22	
School Administration	165,864.36	
Business Administration	921.75	
Maintenance and Operation of Plant	77,951.96	
Student Transportation Services	473,389.60	
Central Support Services	50,782.50	956,802.09
Food Services		272,979.29
		\$ 4,232,937.10

NOTE 7: INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2012, consisted of the following:

	Transfers From
<u>Transfer to</u>	District-wide Capital Projects
Debt Service Fund	\$ 2,125,617.21

Transfers are used to move sales tax revenues collected by the District-wide Capital Projects Fund to the Debt Service Fund for the payment of bonds.

NOTE 8: RISK MANAGEMENT

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

The School District has obtained commercial insurance for risk of loss associated with torts, assets, errors or omissions, job related illness or injuries to employees, and acts of God. However, the errors or omissions policy excludes coverage for sexual harassment and discrimination. 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.

JACKSON COUNTY BOARD OF EDUCATION
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The School District is self-insured with regard to unemployment compensation claims. Claims are accounted for within the same fund that the employee's salary and benefits are paid. The School District accounts for claims with expenses/expenditures and liability being reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated.

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

	<u>Beginning of Year Liability</u>		<u>Claims and Changes in Estimates</u>		<u>Claims Paid</u>		<u>End of Year Liability</u>
2011	\$ 0.00	\$	109,214.00	\$	109,214.00	\$	0.00
2012	\$ 0.00	\$	45,319.00	\$	45,319.00	\$	0.00

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

<u>Position Covered</u>	<u>Amount</u>
Superintendent	\$ 50,000.00
All Employees	\$ 100,000.00

NOTE 9: OPERATING LEASES

Jackson County Board of Education has entered into various leases as lessee for copiers and postage machines. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the year ended June 30, 2012, for governmental funds amounted to \$327,048.72. Future minimum lease payments for these leases are as follows:

<u>Year Ending</u>	<u>Governmental Funds</u>
2013	\$ 287,337.33
2014	168,079.19
2015	104,929.92
2016	41,784.79
2017	5,490.00
Total	<u>\$ 607,621.23</u>

NOTE 10: SHORT-TERM DEBT

The School District issues tax anticipation notes in advance of property tax collections, depositing the proceeds in its General Fund. This short-term debt is to provide cash 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:

	<u>Beginning</u>		<u>Issued</u>		<u>Redeemed</u>		<u>Ending Balance</u>
Tax Anticipation Notes	\$ 0.00	\$	500,000.00	\$	500,000.00	\$	0.00

NOTE 11: LONG-TERM DEBT

CAPITAL LEASES

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

INSTALLMENT SALES AGREEMENT

The Jackson County Board of Education entered into an agreement with the Northeast Georgia Regional Educational Service Agency dated June 1, 2006, for the construction and subsequent lease of the Rutland Center. Under the terms of the agreement, the School District will make annual payments through July 15, 2020.

COMPENSATED ABSENCES

Compensated absences represent obligations of the School District relating to employees' rights to receive compensation for future absences based upon service already rendered. This obligation relates only to vesting accumulating leave in which payment is probable and can be reasonably estimated. Typically, the General Fund is the fund used to liquidate this long-term debt. The School District uses the vesting method to compute compensated absences.

ADVANCE REFUNDING

During fiscal year 2012, the Jackson County Board of Education issued \$58,525,000.00 in General Obligation Refunding Bonds to advance refund \$60,065,000.00 of outstanding bonds. The bond issue of \$58,525,000.00 plus premium of \$10,339,542.00 less underwriters and bond issue cost of \$468,216.06 provided net proceeds of \$68,396,326.19. The total net proceeds of \$68,396,326.19 were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on portions of the 2005 Bond issues. As a result, portions of the 2005 Series Bonds are considered defeased, and the liability for these portions has been removed from the District-wide Statement of Net Assets.

The Jackson County Board of Education refunded the aforementioned bonds to reduce its total Debt Service payments over 13 years beginning subsequent to fiscal year 2012 by \$5,463,594.58 and to obtain an economic gain (difference between the present values of total debt service payments and the old and new debt of \$4,741,153.46).

GENERAL OBLIGATION DEBT OUTSTANDING

General Obligation Bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
General Government - Series 2005	3.25% - 5.00%	\$ 9,520,000.00
General Government - Refunding - Series 2008	4.30% - 5.00%	3,260,000.00
General Government - Refunding - Series 2012	3.00% - 5.00%	<u>58,525,000.00</u>
		<u>\$ 71,305,000.00</u>

JACKSON COUNTY BOARD OF EDUCATION
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EXHIBIT "H"

The changes in Long-Term Debt during the fiscal year ended June 30, 2012, were as follows:

	Governmental Funds				
	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012	Due Within One Year
G. O. Bonds	\$ 74,815,000.00	\$ 58,525,000.00	\$ 62,035,000.00	\$ 71,305,000.00	\$ 2,415,000.00
Capital Leases	190,675.55		190,675.55	0.00	
Compensated Absences	293,851.77	290,111.39	282,232.54	301,730.62	207,916.13
Installment Sales Agreement	667,947.52		62,826.69	605,120.83	65,306.69
Bond Premiums Amortized	2,488,745.40	10,339,542.25	1,988,987.55	10,839,300.10	969,998.20
Bond Refunding Deferred Loss	0.00	-6,822,487.34	-131,201.68	-6,691,285.66	-524,806.72
	<u>\$ 78,456,220.24</u>	<u>\$ 62,332,166.30</u>	<u>\$ 64,428,520.65</u>	<u>\$ 76,359,865.89</u>	<u>\$ 3,133,414.30</u>

At June 30, 2012, payments due by fiscal year which includes principal and interest for these items are as follows:

	Installment Sales Agreement		Refunding
	Principal	Interest	Deferred Loss
<u>Fiscal Year Ended June 30:</u>			
2013	\$ 65,306.69	\$ 25,173.00	\$ -524,806.72
2014	67,786.69	22,456.24	-524,806.72
2015	71,093.36	19,636.32	-524,806.72
2016	73,573.36	16,678.83	-524,806.72
2017	76,880.03	13,618.18	-524,806.72
2018 - 2022	250,480.10	21,115.06	-2,624,033.60
2023 - 2025			-1,443,218.46
Total Principal and Interest	<u>\$ 605,120.23</u>	<u>\$ 118,677.63</u>	<u>\$ -6,691,285.66</u>
	General Obligation Debt		Unamortized
	Principal	Interest	Bond Premium
<u>Fiscal Year Ended June 30:</u>			
2013	\$ 2,415,000.00	\$ 2,675,946.82	\$ 969,998.20
2014	2,915,000.00	3,105,543.50	969,998.20
2015	3,525,000.00	3,011,950.00	969,998.20
2016	3,925,000.00	2,835,700.00	969,998.20
2017	4,355,000.00	2,639,450.00	795,349.40
2018 - 2022	29,330,000.00	9,741,050.00	3,976,747.00
2023 - 2025	24,840,000.00	2,558,500.00	2,187,210.90
Total Principal and Interest	<u>\$ 71,305,000.00</u>	<u>\$ 26,568,140.32</u>	<u>\$ 10,839,300.10</u>

NOTE 12: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of \$5,006,495.77 for health insurance and retirement contributions paid on the School District's behalf by the following State Agencies.

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Georgia Department of Education
 Paid to the Georgia Department of Community Health
 For Health Insurance of Certificated Personnel
 In the amount of \$4,906,501.00

Paid to the Teachers' Retirement System of Georgia
 For Teachers' Retirement System (TRS) Employer's Cost
 In the amount of \$16,231.77

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 \$83,763.00

NOTE 13: SIGNIFICANT COMMITMENTS

The following is an analysis of significant outstanding construction or renovation contracts executed by the School District as of June 30, 2012:

Project	Unearned Executed Contracts
Jackson Comprehensive High School Gym/ Fine Arts Building	\$ <u>9,609,068.04</u>

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

NOTE 14: 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 15: POST-EMPLOYMENT BENEFITS

GEORGIA SCHOOL PERSONNEL POST-EMPLOYMENT HEALTH BENEFIT FUND

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

Funding Policy. The contribution requirements of plan members and participating employers are established by the Board in accordance with the current Appropriations Act and may be amended by the Board. Contributions of plan members or beneficiaries receiving benefits vary based on plan election, dependent coverage, and Medicare eligibility and election. For members with fewer than

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

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

The combined active and retiree contribution rates established by the Board for employers participating in the School OPEB Fund were as follows for the fiscal year ended June 30, 2012:

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

June 2011	1.429% of covered payroll for July coverage
July 2011	18.534% of covered payroll for August coverage
August 2011 - March 2012	24.000% of covered payroll for September - April coverage
April 2012 - June 2012	3.958% of covered payroll for May - July coverage

For non-certificated school personnel:

July 2011 - August 2011	\$246.20 per member per month
September 2011 - June 2012	\$296.20 per member per month

No additional contribution was required by the Board for fiscal year 2012 nor contributed to the School OPEB Fund to prefund retiree benefits. Such additional contribution amounts are determined annually by the Board in accordance with the School plan for other post-employment benefits and are subject to appropriation.

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

<u>Fiscal Year</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>
2012	100%	\$ 6,775,952.82
2011	100%	\$ 6,241,762.02
2010	100%	\$ 6,034,644.42

NOTE 16: RETIREMENT PLANS

TEACHERS' RETIREMENT SYSTEM OF GEORGIA (TRS)

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

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

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

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

Funding Policy. TRS is funded by member and employer contributions as adopted and amended by the Board of Trustees. Members become fully vested after 10 years of service. If a member terminates with less than 10 years of service, no vesting of employer contributions occurs, but the member's contributions may be refunded with interest. Member contributions are limited by State law to not less than 5% or more than 6% of a member's earnable compensation. Member contributions as adopted by the Board of Trustees for the fiscal year ended June 30, 2012, were 5.53% of annual salary. The member contribution rate will increase to 6.00% effective July 1, 2012. Employer contributions required for fiscal year 2012 were 10.28% of annual salary as required by the June 30, 2009, 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:

Fiscal Year	Percentage Contributed	Required Contribution
2012	100%	\$ 3,989,317.47
2011	100%	\$ 3,854,568.61
2010	100%	\$ 3,906,723.51

PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS)

Bus drivers, lunchroom personnel, and maintenance and custodial personnel are members of the Public School Employees' Retirement System of Georgia. The System is funded by contributions by the employees and by the State of Georgia. The School District makes no contribution to this plan.

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JACKSON COUNTY BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2012

SCHEDULE "1"

	NONAPPROPRIATED BUDGETS		ACTUAL AMOUNTS	VARIANCE OVER/UNDER
	ORIGINAL (1)	FINAL (1)		
REVENUES				
Property Taxes	\$ 30,015,203.00	\$ 29,817,096.95	\$ 28,776,674.02	\$ -1,040,422.93
Sales Taxes	410,000.00	410,000.00	431,663.54	21,663.54
State Funds	29,293,448.00	29,802,959.00	29,787,406.80	-15,552.20
Federal Funds	6,499,857.22	6,740,638.22	6,621,187.57	-119,450.65
Charges for Services	1,631,438.97	1,631,438.97	1,476,084.59	-155,354.38
Investment Earnings	13,133.34	13,233.34	15,501.71	2,268.37
Miscellaneous	170,841.83	222,983.35	994,599.08	771,615.73
Total Revenues	\$ 68,033,922.36	\$ 68,638,349.83	\$ 68,103,117.31	\$ -535,232.52
EXPENDITURES				
Current				
Instruction	\$ 44,290,311.73	\$ 44,453,155.12	\$ 44,024,448.11	\$ 428,707.01
Support Services				
Pupil Services	1,821,422.82	1,790,224.26	1,809,207.41	-18,983.15
Improvement of Instructional Services	2,604,775.18	2,613,432.18	2,610,446.77	2,985.41
Educational Media Services	1,480,602.95	1,493,071.76	1,427,377.07	65,694.69
General Administration	1,026,671.63	1,024,439.63	980,367.13	44,072.50
School Administration	4,474,052.45	4,478,252.45	4,341,884.13	136,368.32
Business Administration	872,881.95	872,881.95	393,315.99	479,565.96
Maintenance and Operation of Plant	6,609,335.93	6,230,958.93	6,220,128.66	10,830.27
Student Transportation Services	3,007,341.41	3,162,066.94	3,271,529.04	-109,462.10
Central Support Services	1,401,094.10	903,094.10	835,930.03	67,164.07
Other Support Services	358,480.00	392,523.00	426,724.59	-34,201.59
Enterprise Operations			465,687.39	-465,687.39
Food Services Operation	4,202,950.34	4,048,567.92	3,922,238.47	126,329.45
Community Services Operations	359,100.00	359,100.00	310,688.11	48,411.89
Debt Service			193,105.80	-193,105.80
Total Expenditures	\$ 72,509,020.49	\$ 71,821,768.24	\$ 71,233,078.70	\$ 588,689.54
Excess of Revenues over (under) Expenditures	\$ -4,475,098.13	\$ -3,183,418.41	\$ -3,129,961.39	\$ 53,457.02
OTHER FINANCING SOURCES (USES)				
Other Sources	\$ 23,350,494.40	\$ 23,348,600.45	\$ 2,500.00	\$ -23,346,100.45
Other Uses	-23,348,600.45	-23,348,600.45		23,348,600.45
Total Other Financing Sources (Uses)	\$ 1,893.95	\$ 0.00	\$ 2,500.00	\$ 2,500.00
Net Change in Fund Balances	\$ -4,473,204.18	\$ -3,183,418.41	\$ -3,127,461.39	\$ 55,957.02
Fund Balances - Beginning	10,395,070.52	10,395,070.52	10,490,865.19	95,794.67
Adjustments	-87,224.14	-49,243.34		49,243.34
Fund Balances - Ending	\$ 5,834,642.20	\$ 7,162,408.77	\$ 7,363,403.80	\$ 200,995.03

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

(1) Original and Final Budget amounts do not include actual revenues (\$608,488.99) or expenditures (\$606,753.60) of the various principal accounts.

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

See notes to the basic financial statements.

JACKSON COUNTY BOARD OF EDUCATION
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012

SCHEDULE "2"

	<u>BAND INSTRUMENT FUND</u>	<u>PHYSICAL EDUCATION EQUIPMENT AND SUPPLY FUND</u>	<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>			
Investments	\$ 25,155.46	\$ 50,431.70	\$ 75,587.16
 <u>FUND BALANCES</u>			
Nonspendable	\$ 25,000.00		\$ 25,000.00
Restricted	155.46	50,431.70	50,587.16
 Total Fund Balances	 \$ 25,155.46	 \$ 50,431.70	 \$ 75,587.16

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

JACKSON COUNTY BOARD OF EDUCATION
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2012

SCHEDULE "3"

	BAND INSTRUMENT FUND	PHYSICAL EDUCATION EQUIPMENT AND SUPPLY FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<u>REVENUES</u>			
Investment Earnings	\$ 259.09	\$ 154.03	\$ 413.12
Miscellaneous		52,016.52	52,016.52
Total Revenues	\$ 259.09	\$ 52,170.55	\$ 52,429.64
<u>EXPENDITURES</u>			
Current			
Instruction	\$ 1,500.00	\$ 1,738.85	\$ 3,238.85
Net Change in Fund Balances	\$ -1,240.91	\$ 50,431.70	\$ 49,190.79
Fund Balances - Beginning	26,396.37		26,396.37
Fund Balances - Ending	\$ 25,155.46	\$ 50,431.70	\$ 75,587.16

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

JACKSON COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

SCHEDULE "4"

FUNDING AGENCY PROGRAM/GRANT	CFDA NUMBER	PASS- THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD
Agriculture, U. S. Department of			
Child Nutrition Cluster			
Pass-Through From Georgia Department of Education			
Food Services			
School Breakfast Program	* 10.553	N/A	(2)
National School Lunch Program	* 10.555	N/A	<u>\$ 3,759,558.64</u> (1)
Total Child Nutrition Cluster			<u>\$ 3,759,558.64</u>
Other Programs			
Pass-Through From Georgia Department of Education			
Food Services			
Fresh Fruit and Vegetable Program	10.582	N/A	<u>62,560.94</u>
Total U. S. Department of Agriculture			<u>\$ 3,822,119.58</u>
Education, U.S. Department of			
Educational Technology State Grants Cluster			
Pass-Through From Georgia Department of Education			
Education Technology State Grants	84.318	N/A	<u>\$ 1,019.27</u>
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Grants to States	84.027	N/A	\$ 1,383,928.63
Preschool Grants	84.173	N/A	<u>63,096.56</u>
Total Special Education Cluster			<u>\$ 1,447,025.19</u>
Title I, Part A Cluster			
Pass-Through From Georgia Department of Education			
ARRA - Title I Grants to Local Educational Agencies	* 84.389	N/A	\$ 65,083.98
Title I Grants to Local Educational Agencies	* 84.010	N/A	<u>1,646,041.82</u>
Total Title I, Part A Cluster			<u>\$ 1,711,125.80</u>
Other Programs			
Pass-Through From Georgia Department of Education			
Career and Technical Education - Basic Grants to States	84.048	N/A	\$ 81,186.36
Education Jobs Fund	84.410	N/A	18,302.00
English Language Acquisition Grants	84.365	N/A	32,878.29
Improving Teacher Quality State Grants	84.367	N/A	227,891.62
Mathematics and Science Partnerships	84.366	N/A	170,718.00
Migrant Education - State Grant Program	84.011	N/A	<u>46,800.37</u>
Total Other Programs			<u>\$ 577,776.64</u>
Total U. S. Department of Education			<u>\$ 3,736,946.90</u>
Environmental Protection Agency, U. S.			
Pass-Through From Georgia Department of Natural Resources			
State Clean Diesel Grant Program	66.040	N/A	<u>\$ 109,380.00</u>
National Endowment for the Arts			
Pass-Through From Georgia Council for the Arts			
Promotion of the Arts - Partnership Agreements	45.025	N/A	<u>\$ 3,573.98</u>

JACKSON COUNTY BOARD OF EDUCATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2012

SCHEDULE "4"

FUNDING AGENCY PROGRAM/GRANT	<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 Army R.O.T.C. Program			\$ <u>112,915.36</u>
Total Expenditures of Federal Awards			\$ <u><u>7,784,935.82</u></u>

N/A = Not Available

Notes to the Schedule of Expenditures of Federal Awards

- (1) Includes the Federally assigned value of donated commodities for the Food Donation Program in the amount of \$198,777.49.
- (2) Expenditures for the funds earned on the School Breakfast Program (\$671,600.70) were not maintained separately and are included in the 2012 National School Lunch Program.

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 Jackson County Board of Education and is presented on the modified accrual basis of accounting which is the basis of accounting used in the presentation of the fund financial statements.

See notes to the basic financial statements.

JACKSON COUNTY BOARD OF EDUCATION
SCHEDULE OF STATE REVENUE
YEAR ENDED JUNE 30, 2012

SCHEDULE "5"

<u>AGENCY/FUNDING</u>	<u>GOVERNMENTAL FUND TYPE GENERAL FUND</u>
GRANTS	
Bright From the Start:	
Georgia Department of Early Care and Learning	
Pre-Kindergarten Program	\$ 677,861.93
Education, Georgia Department of	
Quality Basic Education	
Direct Instructional Cost	
Kindergarten Program	1,642,043.00
Kindergarten Program - Early Intervention Program	442,653.00
Primary Grades (1-3) Program	4,062,822.00
Primary Grades - Early Intervention (1-3) Program	694,566.00
Upper Elementary Grades (4-5) Program	1,935,464.00
Upper Elementary Grades - Early Intervention (4-5) Program	434,033.00
Middle School (6-8) Program	3,337,920.00
High School General Education (9-12) Program	2,489,018.00
Vocational Laboratory (9-12) Program	970,887.00
Students with Disabilities	4,423,702.00
Gifted Student - Category VI	1,117,576.00
Remedial Education Program	292,673.00
Alternative Education Program	244,901.00
English Speakers of Other Languages (ESOL)	253,773.00
Media Center Program	611,217.00
20 Days Additional Instruction	178,749.00
Staff and Professional Development	133,459.00
Indirect Cost	
Central Administration	800,097.00
School Administration	1,358,782.00
Facility Maintenance and Operations	1,595,250.00
Mid-term Adjustment Hold-Harmless	349,076.00
Amended Formula Adjustment	-4,841,648.00
Categorical Grants	
Pupil Transportation	
Regular	865,266.00
Food Services	105,442.00
Nursing Services	117,414.00
State Health Reimbursement	4,906,501.00
Vocational Supervisors	28,189.00
Other State Programs	
Dual Enrollment Funding	10,446.00
Math and Science Supplements	28,486.13
Move on When Ready	100.00
Preschool Handicapped Program	86,837.00
Pupil Transportation - State Bonds	152,439.00
Teachers' Retirement	16,231.77
Virtual Schools Grant	250.00
Vocational Education	181,166.97
Office of the State Treasurer	
Public School Employees Retirement	<u>83,763.00</u>
	<u>\$ 29,787,406.80</u>

See notes to the basic financial statements.

JACKSON COUNTY BOARD OF EDUCATION
 SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS
 YEAR ENDED JUNE 30, 2012

SCHEDULE "6"

PROJECT	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3)	AMOUNT EXPENDED IN PRIOR YEARS (3)	TOTAL COMPLETION COST	EXCESS PROCEEDS NOT EXPENDED	ESTIMATED COMPLETION DATE
SPLOST III							
(1) Paying all or a portion of the debt service on outstanding Series 2005 General Obligation Bonds previously issued.	\$ 10,000,000.00	\$ 22,902,579.38	\$ 3,856,234.71	\$ 17,326,826.52			3/1/2016
<i>All Projects Below</i>	53,015,000.00	53,015,000.00					
(2) Acquiring, constructing and equipping new school buildings and other buildings or facilities useful or desirable in connection therewith,			940,636.84	16,864,915.33			7/31/2013
(3) acquiring new school equipment,				1,227,280.09			7/31/2013
(4) adding to, renovating, repairing, improving, and equipping existing school buildings or facilities useful or desirable in connection therewith, and			902,006.12	3,536,950.50			6/30/2013
(5) acquiring a portion of a psychoeducational facility,			91,395.95	786,297.57			8/1/2020
(6) acquiring land, and			105,488.62				6/30/2013
(7) acquiring any property necessary or desirable therefore, both real and personal.							6/30/2013
SPLOST IV							
(1) Paying all or a portion of the debt service on outstanding Series 2005 General Obligation Bonds previously issued.	30,000,000.00	30,000,000.00					3/1/2016
<i>All Projects Below</i>	32,699,000.00	32,699,000.00					
(2) Acquiring, constructing and equipping new school buildings and other buildings or facilities useful or desirable in connection therewith, including a new middle school							6/30/2017
(3) acquiring new technology equipment, safety and security equipment and other school equipment							6/30/2017
(4) adding to, renovating, repairing, improving, equipping and furnishing existing school buildings or other buildings or facilities useful or desirable in connection therewith							6/30/2017
(5) acquiring a portion of a psychoeducational facility,							8/1/2020
(6) acquiring land,							6/30/2017
(7) purchasing textbooks and band instruments							6/30/2017
(8) purchasing school buses and school vehicles;							6/30/2017
(9) acquiring any property necessary or desirable therefore, both real and personal.							6/30/2017
	<u>\$ 125,714,000.00</u>	<u>\$ 138,616,579.38</u>	<u>\$ 5,895,762.24</u>	<u>\$ 39,742,270.01</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 Jackson County approved the imposition of a 1% sales tax to fund the above projects and retire associated debt. Amounts expended for these projects may include sales tax proceeds, state, local property taxes and/or other funds over the life of the projects.

See notes to the basic financial statements.

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JACKSON COUNTY BOARD OF EDUCATION
GENERAL FUND - QUALITY BASIC EDUCATION PROGRAMS (QBE)
ALLOTMENTS AND EXPENDITURES BY PROGRAM
YEAR ENDED JUNE 30, 2012

SCHEDULE "7"

DESCRIPTION	ALLOTMENTS FROM GEORGIA		ELIGIBLE QBE PROGRAM COSTS		
	DEPARTMENT OF		SALARIES	OPERATIONS	TOTAL
	EDUCATION (1) (2)				
Direct Instructional Programs					
Kindergarten Program	\$ 2,228,790.00	\$ 2,934,752.78	\$ 3,757.59	\$	2,938,510.37
Kindergarten Program-Early Intervention Program	543,774.00	421,445.29	119.90		421,565.19
Primary Grades (1-3) Program	5,429,611.00	6,424,957.70	147,977.83		6,572,935.53
Primary Grades-Early Intervention (1-3) Program	881,476.00	714,798.64	324.26		715,122.90
Upper Elementary Grades (4-5) Program	2,557,390.00	3,749,018.12	126,689.20		3,875,707.32
Upper Elementary Grades-Early Intervention (4-5) Program	557,865.00	455,872.18	231.96		456,104.14
Middle School (6-8) Program	4,405,181.00	5,855,105.56	155,777.63		6,010,883.19
High School General Education (9-12) Program	3,301,994.00	6,297,002.75	196,981.41		6,493,984.16
Vocational Laboratory (9-12) Program	1,304,601.00	1,574,492.49	180,223.78		1,754,716.27
Students with Disabilities	5,856,828.00				
Category II		1,030,763.43			1,030,763.43
Category III		5,266,528.06			5,266,528.06
Category IV		570,702.53			570,702.53
Gifted Student - Category VI	1,471,505.00	888,450.52	807.88		889,258.40
Remedial Education Program	361,968.00	105,354.12			105,354.12
Alternative Education Program	325,524.00	521,854.24	1,284.15		523,138.39
English Speakers of Other Languages (ESOL)	332,929.00	478,695.80	607.33		479,303.13
TOTAL DIRECT INSTRUCTIONAL PROGRAMS	\$ 29,559,436.00	\$ 37,289,794.21	\$ 814,782.92	\$	\$ 38,104,577.13
Media Center Program	809,242.00	1,306,169.56	118,951.71		1,425,121.27
Staff and Professional Development	176,360.00				103,674.99
TOTAL QBE FORMULA FUNDS	\$ 30,545,038.00	\$ 38,595,963.77	\$ 933,734.63	\$	\$ 39,633,373.39

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

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

See notes to the basic financial statements.

SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS



DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

May 24, 2013

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
Jackson 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 Jackson County Board of Education as of and for the year ended June 30, 2012, which collectively comprise Jackson County Board of Education's basic financial statements and have issued our report thereon dated May 24, 2013. 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 Jackson County Board of Education is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Jackson 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 Jackson County Board of Education's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Jackson 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 Jackson 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 Jackson County Board of Education in a separate letter dated May 24, 2013.

This report is intended solely for the information and use of management, members of the Jackson 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
2012YB-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

May 24, 2013

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
Jackson 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 Jackson 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, 2012. Jackson 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 Jackson County Board of Education's management. Our responsibility is to express an opinion on Jackson 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 Jackson 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 Jackson County Board of Education's compliance with those requirements.

In our opinion, the Jackson 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, 2012.

Internal Control Over Compliance

Management of Jackson 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 Jackson 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 Jackson 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 Jackson 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
2012SA-10

SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

JACKSON COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV

FINDINGS AND QUESTIONED COSTS

JACKSON COUNTY BOARD OF EDUCATION
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2012

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