



OCONEE COUNTY BOARD OF EDUCATION  
WATKINSVILLE, GEORGIA

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED  
JUNE 30, 2012

(INCLUDING INDEPENDENT AUDITOR'S REPORTS)

OCONEE COUNTY BOARD OF EDUCATION

- TABLE OF CONTENTS -

Page

SECTION I

FINANCIAL

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

REQUIRED SUPPLEMENTARY INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS	i
--------------------------------------	---

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

STATEMENT OF NET ASSETS	1
STATEMENT OF ACTIVITIES	2

FUND FINANCIAL STATEMENTS

BALANCE SHEET	
GOVERNMENTAL FUNDS	3
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	
GOVERNMENTAL FUNDS	4
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	5
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES FIDUCIARY FUND	7
NOTES TO THE BASIC FINANCIAL STATEMENTS	8

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL  
GENERAL FUND

OCONEE COUNTY BOARD OF EDUCATION

- TABLE OF CONTENTS -

	<u>Page</u>
SECTION I	
FINANCIAL	
SUPPLEMENTARY INFORMATION	
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	27
SCHEDULE OF STATE REVENUE	29
SCHEDULE OF APPROVED LOCAL OPTION SALES TAX (ELOST) PROJECTS	30
ALLOTMENTS AND EXPENDITURES	
GENERAL FUND - QUALITY BASIC EDUCATION PROGRAMS (QBE)	
BY PROGRAM	31
SECTION II	
COMPLIANCE AND INTERNAL CONTROL REPORTS	
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 <i>GOVERNMENT AUDITING STANDARDS</i>	
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	
SECTION III	
AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS	
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS	
SECTION IV	
FINDINGS AND QUESTIONED COSTS	
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	

OCONEE COUNTY BOARD OF EDUCATION

- TABLE OF CONTENTS -

SECTION V

MANAGEMENT'S RESPONSES

SCHEDULE OF MANAGEMENT'S RESPONSES

SECTION I

FINANCIAL



## DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

March 15, 2013

Honorable Nathan Deal, Governor  
Members of the General Assembly  
Members of the State Board of Education  
and  
Superintendent and Members of the  
Oconee 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 of the Oconee 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 Oconee 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 Oconee 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 March 15, 2013, on our consideration of the Oconee 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 viii and page 26 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 Oconee County Board of Education's financial statements as a whole. The accompanying supplementary information 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

***Oconee County Board of Education***  
***Management's Discussion and Analysis for Fiscal Year Ended June 30, 2012***

## **INTRODUCTION**

This discussion and analysis of the Oconee County Board of Education's financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2012. The intent of the discussion and analysis is to look at the School District's financial performance as a whole; readers should 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 the district-wide financial statements, the assets of the School District exceeded liabilities by \$97.30 million, or an increase of \$3.61 million when compared to 2011.
- The School District had \$61.02 million in expenses relating to governmental activities; only \$31.63 million of these expenses were offset by program specific charges for services, grants and contributions. However, general revenues (primarily property and sales taxes) of \$33.0 million were more than adequate to provide for these programs.
- As stated above, General Revenues accounted for \$33.0 million or about 51% of all revenues totaling \$64.64 million. Program specific revenues in the form of charges for services, grants and contributions accounted for the rest.
- The School District's M&O millage rate was 16.50 mills for the 2008-09 school year and continues at that rate for the 2011-12 school year. The current Bond millage rate is 1 mill. The District's overall millage rate is 17.50 mills. However without digest growth, which is either limited by current economic conditions, and/or by legislative action that adversely affects local governments ability to properly assess real property, the Board of Education may need to consider a millage increase in future years in order to maintain quality services.
- The School District is in very stable financial condition despite current economic conditions. The General fund balance reflects the full accrual of contracted salaries and benefits unpaid at June 30 in full compliance of GASB 34 and 54 regulations.

## **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.

The fund financial statements focus on individual parts of the School District, reporting the School District's operation in more detail. The 'Governmental Funds' statements disclose how basic services are financed in the short-term as well as what remains for future spending. The 'Fiduciary Funds' statements



provide information about the financial relationships in which the School District acts solely as a trustee or agent for the benefit of others. In the case of the Oconee County Board of Education, the General Fund, Capital Projects Funds, and Debt Service Funds are all considered to be major funds. The District has no nonmajor funds as defined by GASB Statement 34 for the purposes of this report.

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

### **District-Wide Statements**

Since the Oconee County Board of Education 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 now 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 District's assets and liabilities and uses the **accrual basis of accounting** similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and any changes in those assets. The change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the results of many factors, including those not under the School District's control, such as the property tax base, facility conditions, required educational programs, student-teacher ratios, 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 the School District's significant or major funds. As discussed previously, the District has no nonmajor Funds as defined by GASB Statement 34.

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 be 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 government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds are reconciled in the financial statements.

Fiduciary Funds – The School District is the trustee, or fiduciary, for assets that belong to others and 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 Oconee County Board of Education, assets exceeded liabilities by \$97.30 million 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 \$97.30 million of net assets, \$4.79 million was restricted for continuation of federal programs, debt service, and completion of ongoing capital projects. Accordingly, these funds were not available to meet the District's ongoing obligations to citizens and creditors.

In addition, the District had \$81.40 million (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 \$11.10 million may be used to meet the District's ongoing obligations to citizens and creditors. The funds are used to meet payroll and operational costs through the month of September; after which, local tax revenues are received and permit the infusion of cash necessary to operate the school system. **Table 1** provides a summary of the School District's net assets for the current fiscal year and for prior year fiscal year 2011.

<b>Table 1</b>			
<b>Net Assets</b>			
	Governmental Activities	Governmental Activities	Current Year to Prior Year
	FY 2012	FY 2011	Difference
<b>Assets</b>			
Current and Other Assets	\$ 33,094,904	\$ 22,520,513	\$ 10,574,391
Capital Assets, Net	97,300,199	95,211,906	2,088,293
<b>Total Assets</b>	<b>\$ 130,395,103</b>	<b>\$ 117,732,419</b>	<b>\$ 12,662,684</b>
<b>Liabilities</b>			
Current and Other Liabilities	\$ 16,787,041	\$ 7,085,313	\$ 9,701,728
Long-Term Liabilities	16,306,697	16,961,073	(654,376)
<b>Total Liabilities</b>	<b>\$ 33,093,738</b>	<b>\$ 24,046,386</b>	<b>\$ 9,047,352</b>
<b>Net Assets</b>			
Invested in Capital Assets,			
Net of Related Debt	\$ 81,400,430	\$ 78,250,833	\$ 3,149,597
Restricted	4,795,932	3,742,529	1,053,403
Unrestricted	\$ 11,105,003	\$ 11,692,671	\$ (587,668)
<b>Total Net Assets</b>	<b>\$ 97,301,365</b>	<b>\$ 93,686,033</b>	<b>\$ 3,615,332</b>

**Table 2** shows categorical **Changes in Net Assets** for the current fiscal year and for prior year fiscal year 2011.

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

	Governmental Activities	
	FY 2012	FY 2011
<b>Revenues</b>		
Program Revenues:		
Charges for Services and Sales	\$ 1,724,024	\$ 1,755,648
Operating Grants and Contributions	29,362,159	31,255,390
Capital Grants and Contributions	547,454	228,876
Total Program Revenues	\$ 31,633,637	\$ 33,239,914
General Revenues:		
Property Taxes for		
Maintenance and Operations	\$ 23,987,072	\$ 24,651,480
Debt Service	1,492,261	1,535,531
Sales Taxes		
Special Purpose Local Option		
For Debt Service	5,464,240	5,181,911
Intangible Recording & Real Estate Transfer	554,426	390,402
Investment Earnings	75,502	82,244
Miscellaneous	1,435,646	1,323,090
Special Item: Gain on sale of assets	0	11,767
Total General Revenues and Special Item	\$ 33,009,147	\$ 33,176,425
<b>Total Revenues</b>	<b>\$ 64,642,784</b>	<b>\$ 66,416,339</b>
<b>Program Expenses</b>		
Instruction	\$ 39,707,224	\$ 39,290,831
Support Services		
Pupil Services	1,611,171	1,576,579
Improvement of Instructional Services	1,065,242	1,067,828
Educational Media Services	1,026,166	978,732
General Administration	1,280,171	1,116,230
School Administration	5,058,782	5,026,829
Business Administration	333,179	345,619
Maintenance and Operation of Plant	4,150,173	4,180,965
Student Transportation Services	2,954,036	2,918,842
Central Support Services	136,994	165,092
Other Support Services	305,037	298,175
Operations of Non-Instructional Services		
Enterprise Operations	532,826	602,372
Food Services	2,240,482	2,218,709
Interest on Short-Term/Long-Term Debt	625,969	735,551
<b>Total Expenses</b>	<b>\$ 61,027,452</b>	<b>\$ 60,522,354</b>
 Increase in Net Assets	 \$ 3,615,332	 \$ 5,893,985

## 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. Data are presented for the current fiscal year and for prior fiscal year fiscal year 2011. 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 costs reflect the financial burden on the School District's taxpayers by each activity.**

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

	Total Cost of Services	Total Cost of Services	Net Cost of Services	Net Cost of Services
	FY 2012	FY 2011	FY 2012	FY 2011
Instruction	\$39,707,224	\$39,290,831	\$ 18,379,151	\$ 17,136,470
Support Services				
Pupil Services	1,611,171	1,576,579	1,305,048	1,191,339
Improvement of Instructional Services	1,065,242	1,067,828	592,166	542,904
Educational Media Services	1,026,166	978,732	181,089	107,206
General Administration	1,280,171	1,116,230	74,119	(198,308)
School Administration	5,058,782	5,026,829	3,015,318	2,762,680
Business Administration	333,179	345,619	302,149	320,513
Maintenance and Operation of Plant	4,150,173	4,180,965	1,992,789	1,838,066
Student Transportation Services	2,954,036	2,918,842	1,985,430	1,854,230
Central Support Services	136,994	165,092	124,424	148,440
Other Support Services	305,037	298,175	238,677	210,937
Operations of Non-Instructional Services				
Enterprise Operations	532,826	602,372	532,826	602,372
Food Services	2,240,482	2,218,709	44,660	30,061
Interest on Short-term & Long-term Debt	625,969	735,551	625,969	735,530
Total Expenses	\$61,027,452	\$60,522,354	\$29,393,815	\$27,282,440

## 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 \$64.53 million and total expenditures of \$70.51 million. Included in the expenditures of \$70.51 million were capital project expenditures of \$4.70 million which do not constitute recurring expenditures and \$7.78 million in debt service payments.

### General Fund Budget 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 amended its general fund budget as needed. The School District uses site-based budgeting as a part of the budget process. The budgeting systems are designed to control total site budgets but provide flexibility for site management.

For the General Fund, the final actual revenues of \$57.52 million were more than the final budgeted amounts of \$55.18 million, a difference of \$2.34 million. This major portion of the difference demonstrates that the District underestimated its final revenues which are primarily the result of mid-year state and Federal budget additions and greater than projected tax collections.

The final actual expenditures of \$58.02 million **are less than** the final budgeted amount of \$58.50 million by \$480 thousand. This difference (final actual vs. final budget) was due to a combination of expenditure controls and revenue conservation efforts.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2012, the School District had \$97.30 million invested in capital assets, including land, buildings and furniture and equipment for its governmental activities. **Table 4** reflects a summary of these balances net of accumulated depreciation for the current year and for the prior year of fiscal year 2011. Oconee County School District began a capital project building campaign that includes an all-sports field house addition at one high school, and the renovations of one elementary and one high school.

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

	Governmental Activities FY 2012	Governmental Activities FY 2011
<b>Land</b>	\$ 4,753,482	\$ 4,753,482
<b>Construction in Progress</b>	3,742,934	
<b>Land Improvements</b>	4,725,290	4,806,645
<b>Buildings</b>	81,021,093	82,434,876
<b>Equipment</b>	3,057,400	3,216,903
<b>Total</b>	<u>\$ 97,300,199</u>	<u>\$ 95,211,906</u>

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

### Debt

At June 30, 2012, the School District had \$23.88 million in debt outstanding. This debt is the result of General Obligation Bonds (repaid through a property tax levy) originally sold by the District in 1993 and 1995 (refinanced in 2004 and 2005) for the purpose of the acquisition, construction, equipping, renovating, and repairing of school facilities. In the fall of 2006, the School District sold \$24 million in Revenue Bonds (repaid through local option sales tax) for the purpose of the acquisition of land for future schools, construction of new classrooms, renovations of current facilities, a new elementary school, and other facilities as approved by the board of Education. In February of 2012, the district sold \$13.5 million in new Revenue Bonds (to be repaid by the extension of the special purpose local option sales tax) for the purpose of additions, modifications and renovations to school facilities and for system-wide technology.

Oconee County School District's most recent rating (January 2012) by *Moody's Investors Service, Inc.* and *Standard and Poor's Ratings Services* have assigned underlying bond ratings to the District of "Aa2" and "AA+", respectively. Part of the basis for the ratings is the inclusion of the bond indebtedness in the State Aid Intercept Program. **Table 5** summarizes the School District's debt.

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

	Governmental Activities FY 2012	Governmental Activities FY 2011
Installment Sales Agreement	\$ 200,283	\$ 220,852
General Obligation Bonds	22,990,000	16,575,000
Bond Premium	698,007	165,221
Total Debt Outstanding	\$ 23,888,290	\$ 16,961,073
Installment Sales Agreement	21,593	
General Obligation Bonds	7,560,000	7,085,000
Due within One Year	\$ 7,581,593	\$ 7,085,000

Additional Information can be found on the District's Debt obligations in the Notes to the Financial Statements.

### FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE

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:

- Local Revenue – Oconee County School Districts' priority on academic instruction continues to attract new residents and businesses into the county because of the public school system's focus on quality instructional programs. The District consistently ranks within the top five (5) achieving school systems in Georgia. In February 2012, *Caterpillar, Inc.* announced that it would begin immediately to build a \$200 million manufacturing plant on land shared by Oconee and Clarke counties. The plant has the potential to bring over 2,000 jobs to the area. In addition, the county continues to experience local commercial development centered around U.S. Highway 316, Oconee Connector and the U.S. 10 Loop.

Oconee County generally collects above 98% of the assessed taxes. This consistent collection of property taxes has assisted the local school district to meet financial obligations. Current economic conditions, a local digest that has decreased by over 6%, and recent state legislation has adversely affected the district's ability to maintain the fiscal year 2012 millage levy of 16.5 mills for M&O and 1 mill for debt service. The district actually raised the M&O rate to 17.5 mills for fiscal year 2013 and will need to consider reducing permanent expenses in order to maintain quality instructional services for fiscal year 2014. Less than 18% of the local property digest consists of commercial, utility and retail properties.

Education-Special-Purpose-Local-Option-Sales-Tax (ELOST) receipts may be used to pay for specified capital improvements. Receipts continue to be dependent on the local businesses and the citizens' ability to spend. There has been, and continues to be, increased commercial development.

The current ELOST was extended by the voters in November 2012 and therefore will continue to collect the extra one-cent on most retail goods sold in the county through December 2018. The District sold \$13.5 million in bonds in January 2012. Bond proceeds will be used to fund the renovation of two current facilities, the completion of an All-Sports athletic facility and to fund system-wide technology improvements.

- Capital Improvements – The School District continues to implement the capital improvement plan approved by the Board in 2006. District enrollment is expected to remain relatively consistent and therefore no new permanent classroom space is considered necessary at this time.

- State Revenue – Legislation over the past years has reduced revenue sources available for education, and when coupled with poor economic conditions, the state has had to drastically reduce funding available to public schools and other state services. State funds are providing no more than 50% of the local budget where a number of years ago the state funded closer to 60%.

The upcoming General Assembly (January 2013) must carefully examine the impact, on both the citizens and the quality of services, of not adequately funding education and other state services that support education (health care, social and judicial services). Additionally, the General Assembly must follow through on analyzing the impact of tax exemptions and credits on the state's revenue streams in order to fund services and then be bold enough to take action based on the analysis in order to preserve and protect the economic stability of the State of Georgia.

**Despite these challenges, the Oconee County Board of Education is strong financially and we remain optimistic about the ability of the School District to maximize all of the financial resources to provide an exceptional educational experience for our students.** However, the District may find it challenging to maintain services for school year fiscal year 2014 (2013/14) if state funding for K-12 education are not restored. The challenge will be to balance revenue streams (the state not fully funding education, the expiration of federal stimulus funds, and a decline in the local tax digest) with occurring increases in expenses (personnel, employer paid benefits, and operational costs). The long-term solution can only be found when the state implements consist funding for public education. The School District continues to maintain a very active process of monitoring departments and programs for efficiency and to evaluate areas to sustain services without additional personnel or operational costs.

#### **CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Randy Morrison, Assistant Superintendent for Financial Operations, Oconee County Board of Education, Post Office Box 146, 34-B School Street, Watkinsville, Georgia 30677. You may also email your questions to Mr. Morrison at [rmorrison@oconeeschools.org](mailto:rmorrison@oconeeschools.org).

OCONEE COUNTY BOARD OF EDUCATION



# OCONEE COUNTY BOARD OF EDUCATION

## STATEMENT OF NET ASSETS JUNE 30, 2012

		Governmental Activities
<b>ASSETS</b>		
Cash and cash equivalents	\$	22,015,855
Investments		5,042,255
Receivables:		
Taxes		1,409,342
Intergovernmental:		
State		4,093,704
Federal		166,233
Inventory		79,147
Deferred charges		288,368
Capital assets (nondepreciable)		8,496,416
Capital assets (net of accumulated depreciation)		88,803,783
Total assets		<u>130,395,103</u>
<b>LIABILITIES</b>		
Accounts payable		500
Salaries and benefits payable		6,951,565
Contracts payable		1,636,280
Accrued interest payable		254,182
Retainage payable		362,921
Bonds payable due within one year		7,560,000
Bonds payable due in more than one year		16,128,007
Installment sales agreement due within one year		21,593
Installment sales agreement due in more than one year		178,690
Total liabilities		<u>33,093,738</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt		81,400,430
Restricted for:		
Continuation of federal programs		211,638
Capital projects		289,492
Debt service		4,294,802
Unrestricted		11,105,003
Total net assets	\$	<u>97,301,365</u>

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

# OCONEE COUNTY BOARD OF EDUCATION

## STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
Instruction	\$ 39,707,224	\$ 553,203	\$ 20,256,909	\$ 517,961	\$ (18,379,151)
Support services:					
Pupil services	1,611,171	-	306,123	-	(1,305,048)
Improvement of instructional services	1,065,242	-	472,661	415	(592,166)
Educational media services	1,026,166	-	843,258	1,819	(181,089)
General administration	1,280,171	-	1,205,637	415	(74,119)
School administration	5,058,782	-	2,040,775	2,689	(3,015,318)
Business administration	333,179	-	24,139	6,891	(302,149)
Maintenance and operation of facilities	4,150,173	3,410	2,144,863	9,111	(1,992,789)
Student transportation services	2,954,036	-	968,606	-	(1,985,430)
Central support services	136,994	-	11,176	1,394	(124,424)
Other support services	305,037	-	66,360	-	(238,677)
Enterprise operation	532,826	-	-	-	(532,826)
Food services operation	2,240,482	1,167,411	1,021,652	6,759	(44,660)
Interest on long-term debt	625,969	-	-	-	(625,969)
Total governmental activities	<u>\$ 61,027,452</u>	<u>\$ 1,724,024</u>	<u>\$ 29,362,159</u>	<u>\$ 547,454</u>	<u>(29,393,815)</u>
General revenues:					
Taxes:					
Property taxes, levied for general purposes					23,987,072
Property taxes, levied for debt service					1,492,261
Sales taxes:					
For debt service					5,464,240
Other taxes					554,426
Miscellaneous revenues					1,435,646
Unrestricted investment earnings					75,502
Total general revenues					<u>33,009,147</u>
Change in net assets					<u>3,615,332</u>
Net assets, beginning of year					<u>93,686,033</u>
Net assets, end of year					<u>\$ 97,301,365</u>

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

# OCONEE COUNTY BOARD OF EDUCATION

## BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2012

ASSETS	General	District- Wide Capital Projects	Debt Service	Total Governmental Funds
Cash and cash equivalents	\$ 13,026,389	\$ 4,946,591	\$ 4,042,875	\$ 22,015,855
Investments		5,042,255		5,042,255
Receivables:				
Taxes	885,465		523,877	1,409,342
Intergovernmental:				
State	3,698,690	395,014		4,093,704
Federal	166,233			166,233
Inventory	79,147			79,147
Total assets	<u>\$ 17,855,924</u>	<u>\$ 10,383,860</u>	<u>\$ 4,566,752</u>	<u>\$ 32,806,536</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 500	\$	\$	\$ 500
Salaries and benefits payable	6,951,565			6,951,565
Retainage payable		362,921		362,921
Contracts payable		1,636,280		1,636,280
Deferred revenue	286,892	395,014	17,768	699,674
Total liabilities	<u>7,238,957</u>	<u>2,394,215</u>	<u>17,768</u>	<u>9,650,940</u>
<b>FUND BALANCES</b>				
Nonspendable for inventory	79,147			79,147
Restricted for capital projects		7,989,645		7,989,645
Restricted for debt service			4,548,984	4,548,984
Restricted for continuance of federal programs	166,233			166,233
Assigned for future debt service	1,500,000			1,500,000
Assigned for appropriation of fund balance for next year's budget	1,000,000			1,000,000
Assigned for principal discretionary funds	699,921			699,921
Unassigned	7,171,666			7,171,666
Total fund balances	<u>10,616,967</u>	<u>7,989,645</u>	<u>4,548,984</u>	<u>23,155,596</u>
Total liabilities and fund balances	<u>\$ 17,855,924</u>	<u>\$ 10,383,860</u>	<u>\$ 4,566,752</u>	
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				
	Cost		118,591,617	
	Less accumulated depreciation		<u>(21,291,418)</u>	97,300,199
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.				
	Property taxes		304,660	
	GSFIC Funding		<u>395,014</u>	699,674
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.				
	Bonds		(22,990,000)	
	Bond premium, net of amortization		(698,007)	
	Bond issuance costs, net of amortization		288,368	
	Accrued interest		(254,182)	
	Installment sales agreement		<u>(200,283)</u>	(23,854,104)
Net assets of governmental activities				<u>\$ 97,301,365</u>

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

**OCONEE COUNTY BOARD OF EDUCATION**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<b>General</b>	<b>District - Wide Capital Projects</b>	<b>Debt Service</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>				
Property taxes	\$ 24,256,968	\$	\$ 1,509,554	\$ 25,766,522
Sales taxes			5,464,240	5,464,240
Other taxes	522,744		31,682	554,426
State funds	26,289,591			26,289,591
Federal funds	3,225,008			3,225,008
Charges for services	1,724,024			1,724,024
Investment earnings	71,941	1,124	2,437	75,502
Miscellaneous	1,435,646			1,435,646
Total revenues	<u>57,525,922</u>	<u>1,124</u>	<u>7,007,913</u>	<u>64,534,959</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	37,842,783			37,842,783
Support services:				
Pupil services	1,611,171			1,611,171
Improvement of instructional services	1,063,172			1,063,172
Educational media services	1,017,085			1,017,085
General administration	1,247,295	30,803		1,278,098
School administration	5,045,360			5,045,360
Business administration	248,604			248,604
Maintenance and operation of facilities	4,048,132	56,554		4,104,686
Student transportation services	2,696,937			2,696,937
Central support services	130,040			130,040
Other support services	271,295			271,295
Enterprise operations	532,826			532,826
Food services operation	2,240,482			2,240,482
Capital outlay		4,357,062		4,357,062
Debt service:				
Principal retirement	20,569		7,085,000	7,105,569
Interest and fees	9,609		696,563	706,172
Bond issuance cost		262,381		262,381
Total expenditures	<u>58,025,360</u>	<u>4,706,800</u>	<u>7,781,563</u>	<u>70,513,723</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(499,438)</u>	<u>(4,705,676)</u>	<u>(773,650)</u>	<u>(5,978,764)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in			2,815,422	2,815,422
Transfers out	(748,405)	(2,067,017)		(2,815,422)
Bonds issued		13,500,000		13,500,000
Premium on bonds sold		641,635		641,635
Total other financing sources (uses)	<u>(748,405)</u>	<u>12,074,618</u>	<u>2,815,422</u>	<u>14,141,635</u>
Net changes in fund balance	(1,247,843)	7,368,942	2,041,772	8,162,871
<b>FUND BALANCE, beginning of year</b>	<u>11,864,810</u>	<u>620,703</u>	<u>2,507,212</u>	<u>14,992,725</u>
<b>FUND BALANCE, end of year</b>	<u>\$ 10,616,967</u>	<u>\$ 7,989,645</u>	<u>\$ 4,548,984</u>	<u>\$ 23,155,596</u>

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

**OCONEE COUNTY BOARD OF EDUCATION**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

---

Amounts reported for governmental activities in the statement of activities are different because

Net change in fund balances - total governmental funds	\$	8,162,871
--	----	-----------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of

Capital outlay	\$	4,060,330	
Depreciation expense		<u>(1,972,037)</u>	2,088,293

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes	(287,189)	
GSFIC Funding	<u>395,014</u>	107,825

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments - bonds	\$	7,085,000	
Principal payments - installment sales agreements		20,569	
Issuance of general obligation debt		(13,500,000)	
Bond premium		(641,635)	
Bond premium amortization expense		108,849	
Bond issuance costs		262,381	
Bond issuance costs amortization expense		<u>(50,175)</u>	(6,715,011)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds

Change in accrued interest	<u>(28,646)</u>
----------------------------	-----------------

Change in net assets - governmental activities	<u><u>\$</u></u>	<u>3,615,332</u>
--	------------------	------------------

The accompanying notes are an integral part of these financial statements

(This page left intentionally blank)

**OCONEE COUNTY BOARD OF EDUCATION**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUND  
JUNE 30, 2012**

---

	<b>ASSETS</b>	<b>Agency Fund</b>
Cash		<u>\$ 145,876</u>
	<b>LIABILITIES</b>	
Funds held for others		<u>\$ 145,876</u>

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

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

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

**Reporting Entity**

The Oconee County Board of Education (the "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 Oconee 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.



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

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The School District reports the following major governmental funds:

- *General Fund* is the School District's primary operating fund. It accounts for all financial resources of the School District, except those resources required to be accounted for in another fund.
- *District-Wide Capital Projects Fund* accounts for financial resources including Special Purpose Local Option Sales Tax (SPLOST), Bond Proceeds and grants from Georgia State Financing and Investment Commission to be used for the acquisition, construction or renovation of major capital facilities.
- *Debt Service Fund* accounts for taxes (property and sales) legally restricted for the payment of general long-term principal, interest and paying agent's fees.

The School District reports the following fiduciary fund type:

- *Agency Fund* accounts for assets held by the School District as an agent for various governments or individuals.

**Basis of Accounting**

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

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end, except for reimbursement grants. Reimbursement grants are considered to be available if they are collected within 120 days after year-end. Property taxes, sales taxes and interest are considered

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

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

**Cash and Cash Equivalents**

**COMPOSITION OF DEPOSITS**

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

**Investments**

**COMPOSITION OF INVESTMENTS**

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

- (1) Obligations issued by the State of Georgia or by other states,
- (2) Obligations issued by the United States government,
- (3) Obligations fully insured or guaranteed by the United States government or a United States government agency,
- (4) Obligations of any corporation of the United States government,
- (5) Prime banker's acceptances,

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

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- (6) The Local Government Investment Pool administered by the State of Georgia, Office of Treasury and Fiscal Services,
- (7) Repurchase agreements, and
- (8) Obligations of other political subdivisions of the State of Georgia.

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

**Receivables**

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

**Property Taxes**

The Oconee County Board of Commissioners fixed the property tax levy for the 2011 tax digest year (calendar year) on August 2, 2011 (levy date). Taxes were due on November 15, 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 Oconee 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 \$24,256,968 and for school bonds amounted to \$1,509,554.

The Georgia Constitution, Article VIII, Section VI, Paragraph I requires the board of education of each school system to annually certify to its fiscal authority or authorities a school tax not greater than 20 mills per dollar for the support and maintenance of education. The Oconee County Board of Education is in compliance with this law. Tax millage rates levied for the 2011 tax year (calendar year) for the Oconee County Board of Education were as follows (a mill equals \$1 per thousand dollars of assessed value):

School Operations	16.50 mills
School Bonds	<u>1.00</u> mills
Total	<u>17.50</u> mills

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

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Sales Taxes**

Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to \$5,464,240 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

**Inventories**

**FOOD INVENTORIES**

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

**Capital Assets**

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

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

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
Land	All	N/A
Land Improvements	\$25,000	70 years
Buildings and Improvements	\$25,000	15 to 70 years
All Equipment	\$5,000	5 to 25 years
Intangible Assets	\$25,000	15 to 20 years

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

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

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the debt.

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

**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.

**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, except the various school activity (principal) accounts, is prepared and adopted by fund, function and object. The legal level of budgetary control was established by the Board at the aggregate function level. The budget for the General Fund was prepared in accordance with accounting principles generally accepted in the United States of America.

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.

**Fund Balance**

Generally, the fund balance represents the difference between assets and liabilities under the current financial resources measurement focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on extent to which the School Board is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

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

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fund Balance (Continued)**

- (1) **Nonspendable** - Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.
- (2) **Restricted** - Fund balances are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- (3) **Committed** - Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the School District Board through the adoption of a resolution. Only the School District Board may modify or rescind the commitment.
- (4) **Assigned** - Fund balances are reported as assigned when amounts are constrained by the School District's intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the School District Board has authorized the School District's finance committee or the School District's finance director to assign funds.
- (5) **Unassigned** - Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The School District reports positive unassigned fund balance only in the general fund. Negative fund balances may be reported in all funds.

**Flow Assumptions** - When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the School District's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the School District's policy to use fund balance in the following order:

- Committed
- Assigned
- Unassigned

**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 and 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, 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.

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

**Note 3: DEPOSITS AND INVESTMENTS**

**COLLATERALIZATION OF DEPOSITS**

Official Code of Georgia Annotated (OCGA) Section 45-8-12 provides that there shall not be on deposit at any time in any depository for a period longer than ten days a sum of money which has not been secured by surety bond, by guarantee of insurance, or by collateral. The aggregate of the face value of such surety bond and the market value of securities pledged shall be equal to not less than 110 percent of the public funds being secured after the deduction of the amount of deposit insurance. If a depository elects the pooled method (OCGA 45-8-13.1) the aggregate of the market value of the securities pledged to secure a pool of public funds shall be not less than 110 percent of the daily pool balance. At June 30, 2012, all deposits were secured by surety bond, insurance or collateral as specified above.

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

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

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

**Note 3: DEPOSITS AND INVESTMENTS (Continued)**

**INVESTMENTS**

The School District's investments as of June 30, 2012, are presented below.

<u>Investment Type</u>	<u>Maturities</u>	<u>Rating*</u>	<u>Fair Value</u>	<u>Concentration</u>
U. S. Treasury Bill	1 year		\$ 1,399,938	33%
Federal Home Loan MTG Corp Note	10 years	AAA	522,055	12%
Federal Home Loan MTG Corp Medium Term Note	3 years	AAA	2,360,142	55%
Total			4,282,135	100%
Other Certificate of Deposits			760,120	
Total Investments			\$ 5,042,255	

Certificates of deposits noted above were considered in the collateralization of deposits disclosure.

\* Rating as per Moody's

**INTEREST RATE RISK**

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

**CUSTODIAL CREDIT RISK**

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

**CREDIT QUALITY RISK**

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

**CONCENTRATION OF CREDIT RISK**

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The School District does not have a formal policy for managing concentration of credit risk



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

**Note 4: NON-MONETARY TRANSACTIONS**

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

**Note 5: CAPITAL ASSETS**

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

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Capital assets not being depreciated				
Land	\$ 4,753,482	\$	\$	\$ 4,753,482
Construction in progress		3,742,934		3,742,934
Total capital assets not being depreciated	4,753,482	3,742,934		8,496,416
Capital assets being depreciated				
Buildings and improvements	96,900,890	29,857	(98,984)	96,831,763
Equipment	7,293,630	287,539	(12,600)	7,568,569
Land improvements	5,694,869			5,694,869
Total capital assets being depreciated	109,889,389	317,396	(111,584)	110,095,201
Less accumulated depreciation for				
Buildings and improvements	(14,466,014)	(1,443,640)	98,984	(15,810,670)
Equipment	(4,076,727)	(447,042)	12,600	(4,511,169)
Land improvements	(888,224)	(81,355)		(969,579)
Total accumulated depreciation	(19,430,965)	(1,972,037)	111,584	(21,291,418)
Total capital assets being depreciated, net	90,458,424	(1,654,641)		88,803,783
Total governmental activities capital assets, net	\$ 95,211,906	\$ 2,088,293	\$ -	\$ 97,300,199

Current year depreciation expense by function is as follows.

Instruction	\$ 1,567,709
Support Services	
Improvement of Instructional Services	2,070
Educational Media Services	9,081
General Administration	2,073
School Administration	13,422
Business Administration	34,400
Maintenance and Operations of Facilities	45,487
Student Transportation Services	257,099
Central Support Services	6,954
Food Services Operation	33,742
	<u>\$ 1,972,037</u>

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

**Note 6: INTERFUND TRANSFERS**

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

Transfers To	Transfers From		Total
	District-Wide Capital Projects Fund	General Fund	
Debt Service Fund	\$ 2,067,017	\$ 748,405	\$ 2,815,422

Transfers are used to move funds from the General Fund and District-Wide Capital Projects Fund to the Debt Service Fund to pay debt service.

**Note 7: RISK MANAGEMENT**

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

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

The School District has obtained commercial insurance for all losses related to acts of God. The School District has not experienced any losses related to this risk in the past three years.

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

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

	Beginning of Year Liability	Claims and Changes in Estimates	Claims Paid	End of Year Liability
2011	\$ 1,650	\$ 8,203	\$ 9,853	\$ -
2012	\$ -	\$ 7,260	\$ 7,260	\$ -

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

**Note 7: RISK MANAGEMENT (Continued)**

The School District pays an annual premium to the Fund for its general insurance coverage. Additional insurance coverage is provided through an agreement by the Fund with the Safety National Casualty Corporation to provide coverage for potential losses sustained by the Fund in excess of \$400,000 loss per occurrence, up to \$1,000,000.

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

<u>Position Covered</u>	<u>Amount</u>
Superintendent	\$100,000

**Note 8: LONG - TERM DEBT**

**INSTALLMENT SALES AGREEMENT**

The Oconee County Board of Education entered into an agreement dated June 1, 2006, with the Northeast Georgia Regional Educational Service Agency 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. This balance was immaterial to the financial statements for the current year.

**GENERAL OBLIGATION DEBT OUTSTANDING**

General Obligation Bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amounts</u>
General Government - Refunding -Series 2004	3.16%	\$ 3,785,000
General Government - Series 2006	4.00% - 5.00%	5,705,000
General Government - Series 2012	1.50% - 4.00%	13,500,000
		<u>\$ 22,990,000</u>

In February 2012, the Oconee County School District issued \$13,500,000 of General Obligation Bonds Series 2012. The 2012 bonds were issued to (i) finance certain capital outlay projects, (ii) pay all or a portion of the principal and interest on certain general obligation bonds maturing on April 1, 2012, (iii) pay capitalized interest, and (iv) pay expenses incident to the issuance of the Bonds. Interest on the Bonds is payable semiannually, on February 1 and August 1 of each year, commencing August 1, 2012.

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

**Note 8: LONG - TERM DEBT (Continued)**

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

	Governmental Activities			
	Installment Sales Agreement	General Obligation Bonds	Bond Premium	Total
Balance July 1, 2011	\$ 220,852	\$ 16,575,000	\$ 165,221	\$ 16,961,073
Additions:				
G.O. Bonds	-	13,500,000	-	13,500,000
G.O. Bonds Premium	-	-	641,635	641,635
Deductions:				
Debt Retired	20,569	7,085,000	-	7,105,569
Bond Premium Amortized	-	-	108,849	108,849
Balance June 30, 2012	<u>\$ 200,283</u>	<u>\$ 22,990,000</u>	<u>\$ 698,007</u>	<u>\$ 23,888,290</u>
Due within One Year	<u>\$ 21,593</u>	<u>\$ 7,560,000</u>	<u>\$ -</u>	<u>\$ 7,581,593</u>

**Intentionally Left Blank**

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

**Note 8: LONG - TERM DEBT (Continued)**

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

	Installment Sales Agreement	
	Principal	Interest
<u>Fiscal Year Ended June 30:</u>		
2013	\$ 21,593	\$ 7,723
2014	22,413	7,311
2015	23,506	6,493
2016	24,327	5,515
2017	25,420	4,503
2018-2021	83,024	6,981
Total Principal and Interest	<u>\$ 200,283</u>	<u>\$ 38,526</u>
	General Obligation Debt	
	Principal	Interest
<u>Fiscal Year Ended June 30:</u>		
2013	\$ 7,560,000	\$ 700,216
2014	4,930,000	356,348
2015	2,500,000	233,360
2016	2,575,000	183,360
2017	2,650,000	111,360
2018	2,775,000	48,125
Total Principal and Interest	<u>\$ 22,990,000</u>	<u>\$ 1,632,769</u>

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

**Note 9: ON-BEHALF PAYMENTS**

The School District has recognized revenues and costs in the amount of \$4,544,362 for health insurance and retirement contributions paid on the School District's behalf by the following State Agencies.

Georgia Department of Education

Paid the Georgia Department of Community Health

For Health Insurance of Non-Certified Personnel

In the amount of \$ 4,428,812

Georgia Department of Education

Paid the Teachers Retirement System

For Teachers Retirement (TRS)

In the amount of \$32,961

Office of State Treasurer

Paid to the Public School Employees Retirement System

For Public School Employees Retirement (PSERS) Employer's Cost

In the amount of \$82,589

**Note 10: 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 11: SIGNIFICANT COMMITMENTS**

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

<u>Project</u>	<u>Contracts</u>
Colham Ferry Elementary School	\$ 1,544,218
North Oconee High School Field House	1,004,874
Technology Upgrades	379,252
	<u>\$ 2,928,344</u>

The amounts described in this note are not reflected in the basic financial statements.

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

**Note 12: RETIREMENT PLANS**

**TEACHERS RETIREMENT SYSTEM OF GEORGIA (TRS)**

**TRS PLAN DESCRIPTION**

Substantially all teachers, administrative and clerical personnel employed by local school systems are covered by the Teachers Retirement System of Georgia (TRS), which is a cost-sharing multiple employer defined benefit pension plan. TRS provides service retirement, disability retirement and survivors benefits for its members in accordance with State statute. 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 governmental 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, may 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. Options are available for distribution of the members monthly pension, at a reduced rate, to a designated beneficiary on the member's death. 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.

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

**Note 12: RETIREMENT PLANS (Continued)**

<u>Fiscal Year</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>
2012	100%	\$ 3,772,203
2011	100%	\$ 3,656,160
2010	100%	\$ 3,555,074

**DEFINED CONTRIBUTION PLAN**

In 1993, Oconee County Board of Education began an employer paid 403(b) annuity plan for all employees. The plan includes the group of employees covered under the Public School Employees' Retirement System (PSERS) and for other employees who are covered under Georgia Teacher Retirement System whose 403(b) contributions are in lieu of Social Security. Recognizing that PSERS was a limited defined contribution and defined benefit plan which did not provide for an adequate retirement for this group of employees, it was the Board's desire to supplement the retirement of this group.

The Board selected Cannon Financial Strategist/Lincoln National Life Insurance (Lincoln Alliance) as the provider of this plan. For each employee, the Board contributes to the plan an amount equal to 4.5 percent of the employee's pay.

The employee becomes vested in the plan at inception. Employees hired at the time the plan was implemented are vested upon enrollment.

Funds accumulated in the employer paid accounts are only available to the employee upon severance from employment with Oconee County Board of Education.

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

<u>Fiscal Year</u>	<u>Amount Contributed</u>
2012	\$ 1,666,794
2011	\$ 1,637,152
2010	\$ 1,700,968

**Note 13: POST-EMPLOYMENT BENEFITS**

**Georgia Retiree 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



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

**Note 13: POST-EMPLOYMENT BENEFITS (Continued)**

Benefit Plan administered by the Department of Community Health. The Official Code of Georgia Annotated (O.C.G.A.) assigns the authority to establish and amend the benefit provisions of the group health plans, including benefits for retirees, to the Board of Community Health (Board). The Department of Community Health, which includes the School OPEB Fund, issues a separate stand alone financial audit report and a copy can be obtained from the Georgia Department of Audits and Accounts.

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

*Certified Employees*

<u>Period</u>	<u>Percentage of Covered Payroll</u>
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

*Non-certified employees*

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 of Community Health for fiscal year 2012 nor contributed to GRHBF to prefund retire benefits. Such additional contribution amounts are determined annually by the Board of Community Health in accordance with the State plan for other post-employment benefits and are subject to appropriation.

The School District's contribution to the health insurance plans for the fiscal year ended June 30, 2012, was \$5,816,448, which equaled the required contribution.

The School District's contribution to the health insurance plans, which equaled the required contribution, for the fiscal year ended June 30, 2012, 2011, and 2010 were \$5,816,448, \$5,629,317, and \$5,389,118, respectively.

# OCONEE COUNTY BOARD OF EDUCATION

## GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Nonappropriated Budget		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 23,525,212	\$ 23,525,212	\$ 24,779,712	\$ 1,254,500
State funds	25,596,316	25,595,081	26,289,591	694,510
Federal funds	2,673,511	2,898,683	3,225,008	326,325
Charges for services	1,820,173	1,820,173	1,724,024	(96,149)
Investment earnings	23,942	23,942	71,941	47,999
Miscellaneous	1,321,588	1,321,588	1,435,646	114,058
Total revenues	54,960,742	55,184,679	57,525,922	2,341,243
<b>EXPENDITURES</b>				
Current:				
Instruction	37,936,305	37,851,246	37,842,783	8,463
Support services:				
Pupil services	1,597,678	1,577,089	1,611,171	(34,082)
Improvement of instructional services	958,120	1,047,536	1,063,172	(15,636)
Educational media services	997,380	997,380	1,017,085	(19,705)
General administration	1,200,734	1,284,721	1,247,295	37,426
School administration	5,267,464	5,267,464	5,045,360	222,104
Business administration	300,990	300,990	248,604	52,386
Maintenance and operation of facilities	4,287,163	4,287,163	4,048,132	239,031
Student transportation services	2,497,118	2,497,118	2,696,937	(199,819)
Central support services	122,985	122,985	130,040	(7,055)
Other support services	204,617	211,717	271,295	(59,578)
Enterprise operations	601,282	601,282	532,826	68,456
Food services operation	2,379,761	2,379,761	2,240,482	139,279
Debt service:				
Principal retirement	22,380	22,380	20,569	1,811
Interest and fiscal charges	57,038	57,038	9,609	47,429
Total expenditures	58,431,015	58,505,870	58,025,360	480,510
Excess (deficiency) of revenues over (under) expenditures	(3,470,273)	(3,321,191)	(499,438)	2,821,753
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets	19,147	19,147		(19,147)
Transfers out			(748,405)	(748,405)
Total other financing uses	19,147	19,147	(748,405)	(767,552)
Net change in fund balances	(3,451,126)	(3,302,044)	(1,247,843)	2,054,201
<b>FUND BALANCE, beginning of year</b>	11,864,810	11,864,810	11,864,810	
<b>FUND BALANCE, end of year</b>	\$ 8,413,684	\$ 8,562,766	\$ 10,616,967	\$ 2,054,201

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

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.

# OCONEE COUNTY BOARD OF EDUCATION

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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 - Cash	10.555	N/A	2,043,506
National School Lunch Program - Commodities (1)	10.555	N/A	138,753
Total U. S. Department of Agriculture			2,182,259
Education, U. S. Department of Special Education Cluster Pass-Through From Georgia Department of Education Special Education			
Grants to States	84.027	N/A	1,231,716
Preschool Grants	84.173	N/A	41,529
Preschool Grants - American Recovery and Reinvestment Act	84.391	N/A	316,695
Total Special Education Cluster			1,589,940
Title I, Part A Cluster Pass-Through From Georgia Department of Education Title I, Part A			
Title I Grants to Local Education Agencies	84.010	N/A	443,981
ARRA - Title I Grants to Local Education Agencies	84.389	N/A	1,297
Total Title I, Part A Cluster			445,278
Other Programs Pass-Through From Georgia Department of Education Title II			
Improving Teacher Quality State Grants	84.367	N/A	128,381
Title III English Language Acquisition Grant	84.365	N/A	11,581
Vocational Education-Basic Grants to States Career and Technical Education	84.048	N/A	34,103
Education Jobs Fund	84.410	N/A	16,244
Total U. S. Department of Education			2,225,527
Total Expenditures of Federal Awards			\$ 4,407,786

N/A = Not Available

**OCONEE COUNTY BOARD OF EDUCATION**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

---

Notes to the Schedule of Expenditures of Federal Awards

- (1) The amounts shown for the Food Donation Program represent the Federally assigned value of nonmonetary assistance for donated commodities received and/or consumed by the School District during the current fiscal year.
- (2) Expenditures for the funds earned on the School Breakfast Program were not maintained separately and are included in the National School Lunch Program.

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 Oconee 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.

# OCONEE COUNTY BOARD OF EDUCATION

## SCHEDULE OF STATE REVENUE FOR THE FISCAL YEAR ENDED JUNE 30, 2012

<u>Agency/Funding</u>	<u>Governmental Fund Types General Fund</u>
<b>Grants</b>	
Education, Georgia Department of	
Quality Basic Education	
Direct Instructional Cost	
Kindergarten Program	\$ 1,663,063
Kindergarten Program - Early Intervention Program	(999)
Primary Grades (1-3) Program	3,906,747
Primary Grades - Early Intervention (1-3) Program	3,631
Upper Elementary Grades (4-5) Program	2,175,657
Primary Grades - Early Intervention (4-5) Program	12,745
Middle Grades (6-8) Program	3,457,129
High School General Education (9-12) Program	3,091,593
Vocational Laboratory (9-12) Program	803,365
Students with Disabilities	3,374,332
Program for Intellectually Gifted Students - Category VI	1,497,304
Remedial Education Program	426,329
Alternative Education Program	270,883
English Speakers of Other Languages (ESOL)	169,891
Media Center Program	591,772
20 Days Additional Instruction	179,599
Staff and Professional Development	118,880
Indirect Cost	
Central Administration	804,297
School Administration	1,240,299
Facility Maintenance and Operations	1,509,929
Categorical Grants	
Pupil Transportation	
Pupil Transportation	666,432
Nursing Services	107,149
State Health Reimbursement	4,428,812
Vocational Supervisors	28,189
Food Services	73,032
Vocational Education	86,073
Amended Formula Adjustment	(4,833,681)
Preschool Handicapped Program	149,930
Teachers' Retirement	32,961
	<u>26,035,343</u>
Office of State Treasurer	
Public School Retirement	<u>82,589</u>
Other Grants From Georgia Department of Education	
Pupil Transportation - State Bonds	152,439
Dual Enrollment	11,892
Virtual Schools Grant	5,125
Math And Science Supplement	1,903
Move on When Ready Grant	300
	<u>171,659</u>
Total State Funds	<u><u>\$ 26,289,591</u></u>

See notes to the basic financial statements.

# OCONEE COUNTY BOARD OF EDUCATION

## SCHEDULE OF APPROVED LOCAL OPTION SALES TAX (ELOST) PROJECTS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Original Estimated Cost(1)	Current Estimated Costs(2)	Expended In Current Year (3) (4)	Expended In Prior Years (3) (4)	Total Completion Cost	Excess Proceeds Not Expended (6) (7)	Estimated Completion Date
<b>2006 Referendum - ELOST III Projects</b>							
Providing funds to pay the costs of:							
1. Acquiring real property (improved or unimproved) for future school sites;	\$ 1,000,000	\$ 964,000	\$ -	\$ 815,747	\$ 815,747	\$ 148,253	FY 2009
2. Acquiring, constructing and equipping a new elementary school;	\$ 10,914,803	\$ 11,222,896	\$ -	\$ 11,222,896	\$ 11,222,896	\$ -	FY 2007
3. Adding to, renovating, repairing, improving and equipping existing educational buildings, properties and facilities of the School District, including, without limitation, athletic facilities, road improvement and technology infrastructure and equipment, and to the extent there are additional funds available, constructing additional new schools and administrative facilities	\$ 21,972,577	\$ 12,448,296	\$ 522,512	\$ 11,027,184	\$ -	\$ -	FY 2014
4. And pay expenses incident thereto, including the payment of any capitalized interest at a cost of approximately \$38,000,000 and the issuance of general obligation debt of Oconee County School principal amount of \$24,000,000 for the above purpose.	\$ 4,112,620	\$ 4,321,590	\$ 550,750	\$ 3,485,590	\$ -	\$ -	FY 2013
<b>TOTAL - ELOST III</b>	<b>\$ 38,000,000</b>	<b>\$ 28,956,782</b>	<b>\$ 1,073,262</b>	<b>\$ 26,551,417</b>	<b>\$ 12,038,643</b>	<b>\$ 148,253</b>	<b>FY 2014</b>
<b>2012 Referendum - ELOST IV Projects</b>							
Providing funds to pay the costs of:							
1. Adding to, renovating, repairing, improving and equipping existing educational buildings, properties and facilities of the School District, including, without limitation, athletic facilities, concession areas, road improvements, heating and air systems, classrooms and technology infrastructure and equipment;	\$ 27,353,853	\$ 27,500,000	\$ 3,845,085	\$ -	\$ -	\$ -	FY 2018
2. Retiring that portion of the School District's series 2006 general obligation bonds maturing April 1, 2012, at a maximum cost of \$3,000,000;	\$ 3,000,000	\$ 1,800,000	\$ 1,800,000	\$ -	\$ 1,800,000	\$ -	FY 2012
3. Paying expenses incident thereto (including capitalized interest);	\$ 711,892	\$ 268,852	\$ 268,852	\$ -	\$ 268,852	\$ -	FY 2012
4. And, to the extent there are funds available, acquiring real property (improved or unimproved) for future school sites; constructing additional new schools and administrative facilities and purchasing school buses and equipment for the Maintenance Department;	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	FY 2018
5. Payment of principal and interest on bonds not to exceed \$16,000,000; and	\$ 14,666,925	\$ 14,666,925	\$ -	\$ -	\$ -	\$ -	FY 2018
6. Paying up to \$1,000,000 in debt service due July 1, 2013 and January 1, 2014 on the School District's 2004 general obligation bonds.	\$ 1,000,000	\$ 1,000,000	\$ -	\$ -	\$ -	\$ -	FY 2014
<b>TOTAL - ELOST IV</b>	<b>\$ 46,732,670</b>	<b>\$ 45,235,777</b>	<b>\$ 5,913,937</b>	<b>\$ -</b>	<b>\$ 2,068,852</b>	<b>\$ -</b>	<b>FY 2018</b>
<b>TOTAL - ELOST III and ELOST IV</b>	<b>\$ 84,732,670</b>	<b>\$ 74,192,559</b>	<b>\$ 6,987,199</b>	<b>\$ 26,551,417</b>	<b>\$ 14,107,495</b>	<b>\$ 148,253</b>	<b>FY 2018</b>
(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 Oconee County approved the imposition of a 1% sales tax to fund the above projects and retire associated debt. Amounts expended for these projects may include sales tax proceeds, state, local property taxes and/or other funds over the life of the projects.							
(4) In addition to the expenditures shown above, the School District has incurred interest to provide advance funding for the above projects as follows:							
Prior Years	899,474						
Current Year	-						
Total	899,474						
(5) During fiscal year 2012, the Oconee County Board of Education DID NOT issue General Obligation Refunding Bonds.							
(6) Project 3/SPLOST III is underfunded as of June 30, 2012 by \$9,524,281. The lack of funds is due to the decrease in Sales Taxes experienced in the past five years. To compensate for the decrease in projected revenues, the School District has limited the scope of the project specific to technology.							
(7) Project 1/SPLOST III was completed in June 2009 with total actual expenditures of \$815,747. The previous estimated cost was \$ 1,000,000. The surplus of SPLOST proceeds will be reallocated and used to pay debt service.							

See notes to the basic financial statements.

**OCONEE COUNTY BOARD OF EDUCATION**

**SCHEDULE OF QUALITY BASIC EDUCATION PROGRAMS (QBE)  
ALLOTMENTS AND EXPENDITURES BY PROGRAM  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Description	Allotments From Georgia Department of Education (1)(2)	Eligible QBE Program Costs		
		Salaries	Operations	Total
<b>Direct Instructional Funds:</b>				
Kindergarten Program	\$ 2,138,621	\$ 2,460,460	\$ 58,793	\$ 2,519,253
Kindergarten Program - Early Intervention Program	-	-	50	50
Primary Grades (1-3) Program	5,075,561	6,203,667	185,276	6,388,943
Primary Grades - Early Intervention (1-3) Program	17,795	185,000	50	185,050
Upper Elementary Grades (4-5) Program	2,808,664	3,930,059	85,921	4,015,980
Upper Elementary Grades-Early Intervention (4-5) Program	23,664	-	50	50
Middle School (6-8) Program	4,500,661	6,093,198	175,719	6,268,917
High School General Education (9-12) Program	3,975,985	6,358,666	223,433	6,582,099
Vocational Laboratory (9-12) Program	1,063,051	1,292,079	122,906	1,414,985
Students with Disabilities	4,249,206	-	-	-
Category I	-	238,681	8,333	247,014
Category II	-	151,204	14,251	165,455
Category III	-	2,913,007	29,126	2,942,133
Category IV	-	58,468	305	58,773
Gifted Student - Category VI	1,938,203	2,371,036	18,716	2,389,752
Remedial Education Program	532,833	-	1,976	1,976
Alternative Education Program	351,213	387,747	2,045	389,792
English Speakers of Other Languages (ESOL)	218,509	196,996	4,967	201,963
<b>TOTAL DIRECT INSTRUCTIONAL PROGRAMS</b>	<b>26,893,966</b>	<b>32,840,268</b>	<b>931,917</b>	<b>33,772,185</b>
Media Center Program	765,682	810,218	109,231	919,449
Staff and Professional Development	153,794	89,061	-	89,061
<b>TOTAL QBE FORMULA FUNDS</b>	<b>\$ 27,813,442</b>	<b>\$ 33,739,547</b>	<b>\$ 1,041,148</b>	<b>\$ 34,780,695</b>

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

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

## 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

March 15, 2013

Honorable Nathan Deal, Governor  
Members of the General Assembly  
Members of the State Board of Education  
and  
Superintendent and Members of the  
Oconee 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 Oconee County Board of Education as of and for the year ended June 30, 2012, which collectively comprise Oconee County Board of Education's basic financial statements and have issued our report thereon dated March 15, 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 Oconee County Board of Education is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Oconee 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 Oconee County Board of Education's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Oconee 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. However, we consider item FS-7081-12-01, described in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Oconee 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 Oconee County Board of Education in a separate letter dated March 15, 2013.

Oconee County Board of Education's response to the finding identified in our audit is described in the accompanying Schedule of Management's Responses. We did not audit Oconee County Board of Education's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of management, members of the Oconee 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-30



## 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

March 15, 2013

Honorable Nathan Deal, Governor  
Members of the General Assembly  
Members of the State Board of Education  
and  
Superintendent and Members of the  
Oconee 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 Oconee 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 its major Federal program for the year ended June 30, 2012. Oconee County Board of Education's major Federal program is 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 its major Federal program is the responsibility of Oconee County Board of Education's management. Our responsibility is to express an opinion on Oconee 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 Oconee 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 Oconee County Board of Education's compliance with those requirements.

In our opinion, the Oconee 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 its major Federal program for the year ended June 30, 2012.

## Internal Control Over Compliance

Management of Oconee 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 Oconee 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 Oconee 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 Oconee 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

OCONEE 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

OCONEE 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? Yes

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 the major program:  
Child Nutrition Cluster 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 program:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	Child Nutrition Cluster

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

Auditee qualified as low-risk auditee? Yes

**II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS**

**FINANCIAL REPORTING**

**Inadequate Internal Controls over School Activity Accounts**

**Significant Deficiency**

Finding Control Number: FS-7081-12-01

**Condition:**

A review of principal account activity revealed that agency funds were inappropriately reported as governmental funds.



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

## II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

### Criteria:

The School District's management is responsible for designing and maintaining internal controls that provide reasonable assurance that transactions are processed according to established procedures. According to the entity's Financial Guidelines for System and School Funds, all agency fund activity is coded to fund 705 and is used for all funds that are specific to students and all other funds as governmental.

### Questioned Cost:

N/A

### Information:

The auditor noted that agency fund cash and liabilities were understated by \$36,219. An adjustment was proposed by the auditors and recorded by the entity to correct the financial statements.

### Cause:

The School District had incorrectly classified certain funds as governmental type funds in violation of its Financial Guidelines for System and School Funds procedures. These funds should have been classified as agency funds.

### Effect:

Potential misstatement to agency fund cash and liabilities.

### Recommendation:

Management should revise and monitor controls to provide reasonable assurance that transactions are processed according to established procedures.

## III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

## SECTION V

### MANAGEMENT'S RESPONSES

OCONEE COUNTY BOARD OF EDUCATION  
SCHEDULE OF MANAGEMENT'S RESPONSES  
YEAR ENDED JUNE 30, 2012

Finding Control Number: FS-7081-12-01

We concur with this finding. The annual close-out procedure for school activity accounts now requires that school bookkeepers have sign-offs by the principal and Assistant Superintendent prior to entering final balances.

Contact Person:	Randall Morrison
Title:	Superintendent for Financial Operations
Telephone:	(706) 769-5130 X 1109
Fax:	(706) 769-3500
Email:	<a href="mailto:rmorrison@oconeeshools.org">rmorrison@oconeeshools.org</a>