

PUTNAM COUNTY BOARD OF EDUCATION

ANNUAL FINANCIAL REPORT
(Including Independent Auditor's Reports)

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2012**

PUTNAM COUNTY BOARD OF EDUCATION

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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

August 2, 2013

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

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

Ladies and Gentlemen:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information (Exhibits A through H) of the Putnam County Board of Education, as of and for the year ended June 30, 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 Putnam County Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Putnam County Board of Education, as of June 30, 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.

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 2, 2013, on our consideration of the Putnam County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual, as presented on page 29, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures 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 Putnam County Board of Education's financial statements as a whole. The accompanying supplementary information consists of Schedules 2 through 5, which includes the Schedule of Expenditures of Federal Awards as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the financial statements. The 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

PUTNAM COUNTY BOARD OF EDUCATION

PUTNAM COUNTY BOARD OF EDUCATION

EXHIBIT "A"

STATEMENT OF NET ASSETS
JUNE 30, 2012

ASSETS	Governmental Activities
Cash and cash equivalents	\$ 1,234,834
Cash with fiscal agent	816
Investments	8,449,043
Investments with fiscal agent	1,108,745
Receivables:	
Taxes	1,310,084
Intergovernmental:	
State	1,146,549
Federal	463,558
Inventory	43,495
Deferred charges	285,890
Capital assets (nondepreciable)	4,503,793
Capital assets (net of accumulated depreciation)	61,908,627
Total assets	80,455,434
LIABILITIES	
Accounts payable	168,413
Salaries and benefits payable	3,305,693
Contracts payable	60,254
Accrued interest payable	197,868
Unearned revenue	113,169
Bonds payable due within one year	3,567,124
Bonds payable due in more than one year	17,740,624
Total liabilities	25,153,145
NET ASSETS	
Invested in capital assets, net of related debt	45,104,672
Restricted for:	
Continuation of federal programs	219,588
Capital projects	3,938,721
Debt service	911,693
Unrestricted	5,127,615
Total net assets	\$ 55,302,289

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

PUTNAM COUNTY BOARD OF EDUCATION

EXHIBIT "B"

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 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	\$ 20,919,025	\$ 442,416	\$ 7,549,874	\$ 906,297	\$ (12,020,438)
Support services:					
Pupil services	1,100,561	69,792	428,327		(602,442)
Improvement of instructional services	1,099,969		867,116		(232,853)
Educational media services	451,682		310,116		(141,566)
General administration	528,544		585,984		57,440
School administration	1,807,752		774,824		(1,032,928)
Business administration	731,880		68,222		(663,658)
Maintenance and operation of plant	2,526,487	4,300	876,559		(1,645,628)
Student transportation services	2,154,531		509,085	76,220	(1,569,226)
Central support services	579,548		237,601		(341,947)
Other support services	22,869		6,031		(16,838)
Food service operations	1,934,334	202,377	1,685,099		(46,858)
Interest on long-term debt	710,022				(710,022)
Total governmental activities	\$ 34,567,204	\$ 718,885	\$ 13,898,838	\$ 982,517	\$ (18,966,964)
General revenues:					
Taxes:					
Property taxes, levied for maintenance and operations				\$ 16,979,080	
Sales taxes, for capital projects				4,199,611	
Intangible taxes				292,820	
Transfer taxes				52,077	
Railroad equipment tax				6,569	
Unrestricted investment earnings				50,447	
Miscellaneous				182,509	
Total general revenues				21,763,113	
Change in net assets				2,796,149	
Net assets, beginning of year				52,506,140	
Net assets, end of year				\$ 55,302,289	

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

PUTNAM COUNTY BOARD OF EDUCATION

EXHIBIT "C"

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

ASSETS	General	District-Wide Capital Projects	Debt Service	Total Governmental Funds
Cash and cash equivalents	\$ 197,572	\$ 1,037,262	\$	\$ 1,234,834
Cash with fiscal agent			816	816
Investments	5,809,205	2,639,838		8,449,043
Investments with fiscal agent			1,108,745	1,108,745
Receivables:				
Taxes	980,857	329,227		1,310,084
Intergovernmental:				
State	1,146,549			1,146,549
Federal	463,558			463,558
Inventory	43,495			43,495
Total assets	<u>\$ 8,641,236</u>	<u>\$ 4,006,327</u>	<u>\$ 1,109,561</u>	<u>\$ 13,757,124</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 161,061	\$ 7,352	\$	\$ 168,413
Salaries and benefits payable	3,305,693			3,305,693
Contracts payable		60,254		60,254
Deferred revenue	930,616			930,616
Total liabilities	<u>4,397,370</u>	<u>67,606</u>		<u>4,464,976</u>
FUND BALANCES				
Nonspendable: inventory	43,495			43,495
Restricted:				
Continuation of federal programs	176,093			176,093
Debt service			1,109,561	1,109,561
Capital projects		3,938,721		3,938,721
Assigned:				
Student activities	95,235			95,235
Subsequent year's budget	2,274,731			2,274,731
Unassigned	1,654,312			1,654,312
Total fund balances	<u>4,243,866</u>	<u>3,938,721</u>	<u>1,109,561</u>	<u>9,292,148</u>
Total liabilities and fund balances	<u>\$ 8,641,236</u>	<u>\$ 4,006,327</u>	<u>\$ 1,109,561</u>	<u>\$ 13,757,124</u>

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

PUTNAM COUNTY BOARD OF EDUCATION

EXHIBIT "D"

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012

Total fund balances - governmental funds (Exhibit "C")		\$	9,292,148
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and are not reported in the funds.			
	Cost	\$	81,787,581
	Less accumulated depreciation		<u>(15,375,161)</u>
			66,412,420
Other long-term assets are not available to pay for current-period expenditures and are deferred in the funds.			
	Property taxes		817,447
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.			
	Bonds	\$	(20,815,000)
	Bond premium, net of amortization		(492,748)
	Bond issuance costs, net of amortization		285,890
	Accrued interest		<u>(197,868)</u>
			<u>(21,219,726)</u>
Net assets of governmental activities (Exhibit "A")		\$	<u><u>55,302,289</u></u>

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

PUTNAM COUNTY BOARD OF EDUCATION

EXHIBIT "E"

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

	General	District-Wide Capital Projects	Debt Service	Total Governmental Funds
REVENUES				
Property taxes	\$ 16,944,450	\$	\$	\$ 16,944,450
Sales taxes	344,897	4,199,611		4,544,508
Other taxes	6,569			6,569
State funds	8,983,607	906,297		9,889,904
Federal funds	4,991,451			4,991,451
Charges for services	718,885			718,885
Investment earnings	6,911	2,637	40,899	50,447
Miscellaneous	182,509			182,509
Total revenues	32,179,279	5,108,545	40,899	37,328,723
EXPENDITURES				
Current:				
Instruction	19,724,409	117,461		19,841,870
Support services:				
Pupil services	1,018,833	10,843		1,029,676
Improvement of instructional services	1,099,969			1,099,969
Educational media services	451,682			451,682
General administration	515,169	357		515,526
School administration	1,756,459	4,717		1,761,176
Business administration	639,952	3,929	4,458	648,339
Maintenance and operation of plant	2,354,124	146,797		2,500,921
Student transportation services	2,022,782	19,771		2,042,553
Central support services	527,433	15,794		543,227
Other support services	22,869			22,869
Food services operations	1,853,932			1,853,932
Capital outlay		187,022		187,022
Debt service:				
Principal retirement			3,270,000	3,270,000
Interest and fees			828,702	828,702
Total expenditures	31,987,613	506,691	4,103,160	36,597,464
Excess (deficiency) of revenues over (under) expenditures	191,666	4,601,854	(4,062,261)	731,259
OTHER FINANCING SOURCES (USES)				
Transfers in			4,355,427	4,355,427
Transfers out		(4,355,427)	-	(4,355,427)
Total other financing sources (uses)		(4,355,427)	4,355,427	-
Net change in fund balances	191,666	246,427	293,166	731,259
FUND BALANCE, beginning of year	4,052,200	3,692,294	816,395	8,560,889
FUND BALANCE, end of year	\$ 4,243,866	\$ 3,938,721	\$ 1,109,561	\$ 9,292,148

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

**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**

Net change in fund balances - total governmental funds (Exhibit "E")	\$	731,259
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The net effect of the amount by which depreciation expense exceed capital outlay is to decrease net assets.

Capital outlay	\$	314,412	
Depreciation expense		<u>(1,592,984)</u>	(1,278,572)

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

Property taxes	34,630
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Issuance of long-term debt provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments - bonds	\$	3,270,000	
Bond premium amortization expense		82,124	
Bond issuance costs amortization expense		<u>(79,848)</u>	3,272,276

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>36,556</u>
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Changes in net assets of governmental activities (Exhibit "B")	\$	<u><u>2,796,149</u></u>
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The accompanying notes are an integral part of these financial statements.

PUTNAM COUNTY BOARD OF EDUCATION

EXHIBIT "G"

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2012

	ASSETS	<u>Agency Funds</u>
Cash		\$ 52,432
	LIABILITIES	
Funds held for others		\$ 52,432

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

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

EXHIBIT "H"

Note 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

Reporting Entity

The Putnam County Board of Education (School District) was established under the laws of the State of Georgia and operates under the guidance of a school board elected by the voters and a Superintendent appointed by the Board. The Board is organized as a separate legal entity and has the power to levy taxes and issue bonds. Its budget is not subject to approval by any other entity. Accordingly, the School District is a primary government and consists of all the organizations that compose its legal entity.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The School District's basic financial statements are collectively comprised of the District-Wide financial statements, fund financial statements and notes to the basic financial statements of the Putnam County Board of Education.

District-Wide Statements

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

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

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

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

EXHIBIT "H"

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

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

The School District reports the following major governmental funds:

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

The School District reports the following fiduciary fund type:

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

Basis of Accounting

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

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

EXHIBIT "H"

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the governmental funds to be available if they are collected within 60 days after year-end. Property taxes, sales taxes, grants, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities are reported as other financing sources.

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

The State of Georgia reimburses the School System for teachers' salaries and operating costs through the Quality Basic Education (QBE) Formula Earnings program. State of Georgia law defines the formula driven grant that determines the cost of an academic school year and the State of Georgia's share in this cost. Generally, teachers are contracted for the school year (July 1 - June 30) and paid over a 12-month contract period, generally, September 1 through August 31. In accordance with the requirements of the enabling legislation of the QBE program, the State of Georgia reimburses the School System over the same 12-month period in which teachers are paid, funding the academic school year expenditures. At June 30, the amount of teachers' salaries incurred but not paid until July and August of the subsequent year are accrued as the State of Georgia has only postponed the final payment of their share of the cost until the subsequent appropriations for cash management purposes. By June 30 of each year, the State of Georgia has a signed appropriation that includes this final amount, which represents the State of Georgia's intent to fund this final payment. Based on guidance in Government Accounting Standards Board (GASB) Statement No. 33, paragraph 74, the State of Georgia recognizes its QBE liability for the July and August salaries at June 30, and the School System recognizes the same QBE as a receivable and revenue, consistent with symmetrical recognition.

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

EXHIBIT "H"

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

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

Investments

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

Funds may be invested in the following:

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

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

Receivables

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

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

EXHIBIT "H"

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes

The Putnam County Board of Commissioners fixed the property tax levy for the 2011 tax digest year (calendar year) on September 20, 2011 (levy date). Taxes were due on December 7, 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 Putnam County Tax Commissioner bills and collects the property taxes for the School District, withholds .45% of taxes collected as a fee for tax collection and remits the balance of taxes collected to the School District. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2012, for maintenance and operations amounted to \$16,944,450.

The tax millage rate levied for the 2011 tax year (calendar year) for the Putnam County Board of Education was as follows (a mill equals \$1 per thousand dollars of assessed value):

School Operations	<u>11.750</u> mills
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Sales Taxes

Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to \$4,199,611 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

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

EXHIBIT "H"

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

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

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

	Capitalization Policy	Estimated Useful Life
Land	All	N/A
Land Improvements	\$ 5,000	10 to 60 Years
Buildings and Improvements	5,000	60 Years
Equipment	5,000	2 to 20 Years
Construction in Progress	5,000	N/A
Intangible Assets - Unspecified	5,000	10 to 20 Years

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

General Obligation Bonds

The School District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. In the District-wide financial statements, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method (which approximates the effective-interest method). Bond issuance costs are reported as deferred charges and amortized over the term of the debt.

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

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

EXHIBIT "H"

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

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

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

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

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

Fund Balances

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

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

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

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

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

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

EXHIBIT "H"

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

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

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

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

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

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

Use of Estimates

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

Note 3: 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. The legal level of budgetary control was established by the Board at the aggregate level. The budget for the General Fund was prepared in accordance with accounting principles generally accepted in the United States of America.

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

EXHIBIT "H"

Note 3: BUDGETARY DATA (Continued)

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

If expenditure of funds in any fund is anticipated to be more than the budgeted amount, the Superintendent shall request Board approval for the budget amendment. Under no circumstances is the Superintendent or other staff person authorized to spend funds that exceed the total budget without approval by the Board.

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

Note 4: DEPOSITS AND INVESTMENTS

Collateralization of Deposits - Official Code of Georgia Annotated (OCGA) Section 45-8-12 provides that there shall not be on deposit at any time in any depository for a time longer than 10 days a sum of money which has not been secured by surety bond, by guarantee of insurance, or by collateral. The aggregate of the face value of such surety bond and the market value of securities pledged shall be equal to not less than 110 percent of the public funds being secured after the deduction of the amount of deposit insurance. If a depository elects the pooled method (OCGA 45-8-13.1), the aggregate of the market value of the securities pledged to secure a pool of public funds shall be not less than 110 percent of the daily pool balance.

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

EXHIBIT "H"

Note 4: DEPOSITS AND INVESTMENTS (Continued)

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

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

Categorization of Deposits

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. At June 30, 2012, the bank balances were \$2,046,381. The bank balances were entirely covered by Federal depository insurance or collateralized with securities held by the pledging financial institution in the School District's name.

Categorization of Investments

At June 30, 2012, the School System had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Rating*</u>	<u>Fair Value</u>
Georgia Fund 1	48 day weighted average	AAAm	\$ 8,449,043
U.S. Agency - Federal National Mortgage Association	October 1, 2012	AAAm	1,108,745
			<u>\$ 9,557,788</u>

**Rating as per Standard & Poor's*

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

EXHIBIT "H"

Note 4: DEPOSITS AND INVESTMENTS (Continued)

Categorization of Investments (Continued)

The Georgia Fund 1, formerly referred to as the Local Government Investment Pool, is administered by the State of Georgia, Office of the State Treasurer and is not required to be categorized since the School District did not own any specific identifiable securities in the pool. The investment policy of the State of Georgia, Office of the State Treasurer for the Georgia Fund 1, does not provide for investment in derivatives or similar investments. Additional information on the Georgia Fund 1 is disclosed in the *State of Georgia Comprehensive Annual Financial Report*. This audit can be obtained from the Georgia Department of Audits and Accounts at www.audits.ga.gov/SGD/CAFR.html.

The Primary Liquidity Portfolio consists of Georgia Fund 1 which is not registered with the SEC as an investment company but does operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. The investment is valued at the pool's share price, \$1.00 per share. The pool is an AAAM rated investment pool by Standard & Poor's. The weighted average maturity of Georgia Fund 1 may not exceed 60 days. The weighted average maturity for Georgia Fund 1 on June 30, 2012, was 48 days.

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

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

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

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The School District does not have a formal policy for managing concentration of credit risk. More than 5% of the School District's investments are in Federal National Mortgage Association debt securities. This investment is 11% of the School District's investments.

Note 5: NON-MONETARY TRANSACTIONS

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

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

EXHIBIT "H"

Note 6: CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 2,490,706	\$ -	\$ -	\$ 2,490,706
Construction in progress	1,880,905	132,182	-	2,013,087
Total	4,371,611	132,182	-	4,503,793
Capital assets, being depreciated:				
Buildings and improvements	70,139,451	30,997	-	70,170,448
Equipment	5,622,308	151,233	-	5,773,541
Land improvements	1,339,799	-	-	1,339,799
Total	77,101,558	182,230	-	77,283,788
Less accumulated depreciation for:				
Buildings and improvements	(9,350,437)	(1,219,557)	-	(10,569,994)
Equipment	(3,894,711)	(313,040)	-	(4,207,751)
Land improvements	(537,029)	(60,387)	-	(597,416)
Total	(13,782,177)	(1,592,984)	-	(15,375,161)
Total capital assets, being depreciated, net	63,319,381	(1,410,754)	-	61,908,627
Governmental activities capital assets, net	\$ 67,690,992	\$ (1,278,572)	\$ -	\$ 66,412,420

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

Instruction		\$ 1,141,646
Support Services		
Pupil Services	\$ 68,526	
General Administration	12,585	
School Administration	45,026	
Business Administration	3,570	
Maintenance and Operations	24,715	
Student Transportation	184,078	
Central Support Services	35,112	373,612
Food Services		77,726
Total Depreciation Expense		\$ 1,592,984

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

EXHIBIT "H"

Note 7: INTERFUND TRANSFERS

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

<u>Transfers To</u>	<u>Transfers From District-Wide Capital Projects Fund</u>
Debt Service Fund	<u>\$ 4,355,427</u>

Transfers are used to move special purpose local option sales tax revenues from the District-wide Capital Projects Fund to the Debt Service Fund to fund debt service payments.

Note 8: RISK MANAGEMENT

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

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

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

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

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

EXHIBIT "H"

Note 8: RISK MANAGEMENT (Continued)

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

	<u>Beginning of Year Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Paid</u>	<u>End of Year Liability</u>
2011	\$ -	\$ 43,413	\$ 43,413	\$ -
2012	\$ -	\$ 27,645	\$ 27,645	\$ -

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

<u>Position Covered</u>	<u>Amount</u>
Superintendent	\$ 50,000
Driver Education	2,500

Note 9: OPERATING LEASES

Putnam County Board of Education has entered into various leases as lessee for copiers. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the year ended June 30, 2012, in the governmental funds amounted to \$82,747. Future minimum lease payments for these leases are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>
2013	\$ 57,706
2014	1,330
	<u>\$ 59,036</u>

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

EXHIBIT "H"

Note 10: LONG-TERM DEBT

General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
General Government - Series 2007	3.875% - 5.00%	\$ 13,690,000
General Government - Refunding - Series 2008	2.86%	2,125,000
General Government - QZAB - Series 2007	0.00%	2,000,000
General Government - Series 2009	2.00% - 3.00%	3,000,000
		<u>\$ 20,815,000</u>

Voters have authorized \$8,500,000 in general obligation debt for capital projects which was not issued as of June 30, 2012.

Changes in Long-Term Debt

The changes in long-term debt during the fiscal year ended June 30, 2012, were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General Obligation Bonds	\$ 24,085,000	\$ -	\$ (3,270,000)	\$ 20,815,000	\$ 3,485,000
Unamortized Bond Premium	574,872		(82,124)	492,748	82,124
Total	<u>\$ 24,659,872</u>	<u>\$ -</u>	<u>\$ (3,352,124)</u>	<u>\$ 21,307,748</u>	<u>\$ 3,567,124</u>

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

EXHIBIT "H"

Note 10: LONG-TERM DEBT (Continued)

Scheduled Maturities of Long-Term Debt

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

<u>Fiscal Year Ended June 30</u>	<u>General Obligation Bonds</u>		<u>Unamortized Bond Premium</u>
	<u>Principal</u>	<u>Interest</u>	
2013	\$ 3,485,000	\$ 700,831	\$ 82,124
2014	3,715,000	562,355	82,124
2015	2,730,000	416,006	82,124
2016	2,840,000	301,997	82,124
2017	2,960,000	184,638	82,124
2018-2022	5,085,000	62,431	82,128
Total Principal and Interest	<u>\$ 20,815,000</u>	<u>\$ 2,228,258</u>	<u>\$ 492,748</u>

Note 11: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of \$1,966,741 for health insurance and retirement contributions paid on the School District's behalf by the following State Agencies.

Georgia Department of Education

Paid to the Georgia Department of Community Health

For Health Insurance of Certificated Personnel

In the amount of \$1,919,050

Paid to the Teachers Retirement System

For Teachers Retirement System (TRS) Employer's Cost

In the amount of \$6,201

Office of the State Treasurer

Paid to the Public School Employees Retirement System

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

In the amount of \$41,490

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

EXHIBIT "H"

Note 12: SIGNIFICANT CONTINGENT LIABILITIES

Amounts received or receivable principally from the Federal government are subject to audit and review by grantor agencies. This could result in requests for reimbursement to the grantor agency for any costs which are disallowed under grant terms. The School District believes that such disallowances, if any, will be immaterial to its overall financial position.

The School District is a defendant in various legal proceedings pertaining to matters incidental to the performance of routine School District operations. The ultimate disposition of these proceedings is not presently determinable, but is not believed to be material to the basic financial statements.

Note 13: OTHER POST-EMPLOYMENT BENEFITS

Georgia School Personnel Post-employment Health Benefit Fund

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

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.

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

EXHIBIT "H"

Note 13: OTHER POST-EMPLOYMENT BENEFITS (Continued)

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

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

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

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

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

For non-certificated school personnel:

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

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

Currently, the state is requiring that local Boards of Education pay only on active employees. The District's contribution to the health insurance plans for the fiscal years ended June 30, 2012, 2011 and 2010 was \$2,976,930, \$2,843,855 and \$2,435,470, respectively, which equaled the required contribution. Currently, the State of Georgia has been making the remaining contributions to fund the pay as you go financing on behalf of all local Boards of Education (see Note 11 for discussion of on-behalf payments).

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

EXHIBIT "H"

Note 14: RETIREMENT PLAN

Teachers Retirement System of Georgia (TRS)

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

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

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

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

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, 2011. Employer contributions required for fiscal year 2012 were 10.28% of annual salary as required by the June 30, 2008, actuarial valuation. The employer contribution rate will increase to 11.41% effective July 1, 2012.

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

EXHIBIT "H"

Note 14: RETIREMENT PLAN (Continued)

Teachers Retirement System of Georgia (TRS)

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

<u>Fiscal Year</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>
2012	100%	\$1,772,634
2011	100%	1,795,350
2010	100%	1,705,721

Public School Employees' Retirement System (PSERS)

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

Note 15: SUBSEQUENT EVENT

Tax Anticipation Note

On October 30, 2012, the Putnam County Board of Education obtained a temporary loan for up to \$2,000,150 in advance of property tax collections. Proceeds from this short-term loan were issued to provide cash for operations until property tax collections were received by the School District. The maturity date of the loan was December 31, 2012. Two draws totaling \$1,500,150 were required to meet the cash flow needs of the School District. The note was repaid on December 14, 2012.

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PUTNAM COUNTY BOARD OF EDUCATION

SCHEDULE "1"

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 ⁽¹⁾	Final ⁽¹⁾		
REVENUES				
Property taxes	\$ 16,900,490	\$ 16,900,490	\$ 16,944,450	\$ 43,960
Sales taxes	300,000	300,000	344,897	44,897
Other taxes			6,569	6,569
State funds	8,718,737	8,750,335	8,983,607	233,272
Federal funds	4,463,595	5,431,721	4,991,451	(440,270)
Charges for services	276,555	286,955	718,885	431,930
Investment earnings	5,000	5,000	6,911	1,911
Miscellaneous	240,077	248,477	182,509	(65,968)
Total revenues	<u>30,904,454</u>	<u>31,922,978</u>	<u>32,179,279</u>	<u>256,301</u>
EXPENDITURES				
Current:				
Instruction	19,722,918	19,932,363	19,724,409	207,954
Support services:				
Pupil services	1,044,319	1,036,589	1,018,833	17,756
Improvement of instructional services	573,619	1,339,080	1,099,969	239,111
Educational media services	477,454	477,454	451,682	25,772
General administration	553,137	574,324	515,169	59,155
School administration	1,760,591	1,767,726	1,756,459	11,267
Business administration	636,453	643,553	639,952	3,601
Maintenance and operation of plant	2,431,323	2,431,323	2,354,124	77,199
Student transportation services	1,908,366	1,995,546	2,022,782	(27,236)
Central support services	550,457	784,593	527,433	257,160
Other support services	41,753	43,605	22,869	20,736
Food services operations	1,928,672	1,934,283	1,853,932	80,351
Total expenditures	<u>31,629,062</u>	<u>32,960,439</u>	<u>31,987,613</u>	<u>972,826</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(724,608)</u>	<u>(1,037,461)</u>	<u>191,666</u>	<u>1,229,127</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	183,000	183,000		(183,000)
Transfers out	<u>(183,000)</u>	<u>(183,000)</u>		<u>183,000</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(724,608)	(1,037,461)	191,666	1,229,127
FUND BALANCE, beginning of year,	<u>4,052,200</u>	<u>4,052,200</u>	<u>4,052,200</u>	<u>-</u>
FUND BALANCE, end of year	<u>\$ 3,327,592</u>	<u>\$ 3,014,739</u>	<u>\$ 4,243,866</u>	<u>\$ 1,229,127</u>

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

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

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

See notes to the basic financial statements.

PUTNAM COUNTY BOARD OF EDUCATION

SCHEDULE "2"

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 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	\$ (1)
National School Lunch Program	* 10.555	N/A	1,723,710 (2)
Total Child Nutrition Cluster			<u>1,723,710</u>
Other Programs			
Pass-Through From Georgia Department of Education			
Fresh Fruits and Vegetables Grant	10.582	N/A	68,276
Pass-Through From Office of the State Treasurer			
National Forest Reserve Funds	10.665	N/A	(3)
Total U. S. Department of Agriculture			<u>1,791,986</u>
Education, U. S. Department of			
Pass-Through From Georgia Department of Education			
Special Education Cluster			
Grants to States	84.027	N/A	538,892
Preschool Grants	84.173	N/A	18,876
Total Special Education Cluster			<u>557,768</u>
Education Jobs Fund	84.410	N/A	7,074
Title I, Part A Cluster			
Title I, Part A	* 84.010	N/A	1,081,240
ARRA - Title I, Part A	* 84.389	N/A	68,331
Total Title I, Part A Cluster			<u>1,149,571</u>
Education Technology State Grants Cluster			
Education Technology State Grants	84.318	N/A	5,830
Other Programs			
Pass-Through From Georgia Department of Education			
English Language Acquisition Grants	84.365	N/A	8,475
Improving Teacher Quality State Grants	84.367	N/A	210,496
Migrant Education - State Grant Program	84.011	N/A	18,415
Rural Education	84.358	N/A	76,771
Safe and Drug-Free Schools and Communities - State Grants	84.186	N/A	1,083
Career and Technical Education - Basic Grants to States	84.048	N/A	41,092
Pass-Through From Oconee Regional Educational Service Agency			
Mathematics and Science Partnerships	84.366	N/A	4,659
Total U. S. Department of Education			<u>2,081,234</u>
Health and Human Services, U. S. Department of			
Direct			
Head Start Cluster	93.600		1,165,632
Defense, U. S. Department of			
Direct			
Department of the Air Force			
R.O.T.C. Program			60,416
Total Expenditures of Federal Awards			<u>\$ 5,099,268</u>

N/A = Not Available

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

Notes to the Schedule of Expenditures of Federal Awards

- (1) Expenditures for the funds earned on the School Breakfast Program (\$418,754) were not maintained separately and are included in the 2012 National School Lunch Program.
- (2) Includes the Federally assigned value of nonmonetary assistance for donated commodities received and/or consumed by the School District during the current fiscal year in the amount of \$127,279.
- (3) Funds earned on this program in the amount of \$35,531 do not require reporting of expenditures.

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

The School District did not provide Federal Assistance to any Subrecipient.

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the Putnam County Board of Education and is presented on the modified accrual basis of accounting used in the presentation of the fund financial statements.

PUTNAM COUNTY BOARD OF EDUCATION

SCHEDULE "3"

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

<u>Agency/Funding</u>	<u>Governmental Fund Types</u>		<u>Totals</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>	
Grants			
Early Care and Learning, Georgia Department of Lottery Programs			
Pre-Kindergarten	\$ 631,140	\$	\$ 631,140
Education, Georgia Department of Quality Basic Education			
Direct Instructional Cost			
Kindergarten Program	517,066		517,066
Kindergarten Program - Early Intervention Program	61,884		61,884
Primary Grades (1-3) Program	922,360		922,360
Primary Grades - Early Intervention (1-3) Program	113,911		113,911
Upper Elementary Grades (4-5) Program	466,833		466,833
Upper Elementary Grades - Early Intervention (4-5) Program	10,161		10,161
Middle Grades (6-8) Program	805,672		805,672
High School General Education (9-12) Program	623,904		623,904
Vocational Laboratory (9-12) Program	200,905		200,905
Students with Disabilities	1,464,938		1,464,938
Gifted Students - Category VI	216,634		216,634
Remedial Education Program	88,146		88,146
Alternative Education Program	61,232		61,232
English Speakers of Other Languages (ESOL)	46,123		46,123
Media Center Program	147,902		147,902
20 Days Additional Instruction	42,353		42,353
Staff and Professional Development	33,082		33,082
Indirect Cost			
Central Administration	253,269		253,269
School Administration	300,820		300,820
Facility Maintenance and Operations	385,911		385,911
Categorical Grants			
Pupil Transportation			
Regular	334,122		334,122
State Bonds	76,220		76,220
Nursing Services	56,108		56,108
Vocational Supervisors	7,047		7,047
Food Services	41,724		41,724
Vocational Education	245,382		245,382
Amended Formula Adjustment	(1,425,357)		(1,425,357)
Other State Programs			
Charter Schools	233,136		233,136
Dual Enrollment	12,405		12,405
Industry Certification Related Equipment - State Bonds	2,395		2,395
Preschool Handicapped Program	35,838		35,838
Virtual Schools Grant	3,600		3,600

PUTNAM COUNTY BOARD OF EDUCATION

SCHEDULE "3"

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

<u>Agency/Funding</u>	<u>Governmental Fund Types</u>		<u>Totals</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>	
Grants (Continued)			
Georgia State Financing and Investment Commission			
Reimbursement on Construction Projects	\$ -	\$ 906,297	\$ 906,297
On-Behalf Payments			
Georgia Department of Education			
Paid to the Georgia Department of Community Health	1,919,050		1,919,050
Paid to the Teachers Retirement System	6,201		6,201
Office of State Treasurer			
Paid to the Public School Employees Retirement System	41,490		41,490
	<u>\$ 8,983,607</u>	<u>\$ 906,297</u>	<u>\$ 9,889,904</u>

See notes to the basic financial statements.

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

<u>Project</u>	<u>Original Estimated Cost (1)</u>	<u>Current Estimated Costs (2)</u>	<u>Expended In Current Year (3) (4)</u>	<u>Expended In Prior Years (3)</u>	<u>Total Completion Cost (5)</u>	<u>Estimated Completion Date</u>
Acquiring, constructing, equipping, furnishing, and planning a new school and other school buildings and facilities; adding to, renovating, repairing, improving, and equipping the existing high school and other school buildings and facilities; acquiring new school equipment, school buses, and vehicles; and acquiring any capital property necessary or desirable, both real and personal.	\$ 6,900,000	\$ 11,090,142	\$	\$ 10,735,142	\$ 10,735,142	Complete
Retiring a portion of the School District's General Obligation Refunding Bonds, Series 1998.	3,000,000	3,000,000		2,937,649	2,937,649	Complete
Paying a portion of the principal and interest due on the School District's Series 1998 General Obligation Bonds from February 1, 2012 through and including February 1, 2014.	3,232,454	3,232,454	1,065,285		1,065,285	February 1, 2014
Paying a portion of the principal and interest due on the School District's Series 2007, Series 2009 and QZAB General Obligation Bonds due in 2007 through 2012.	20,490,000	15,157,137	3,037,875	8,538,256	11,576,131	October 2013
Acquiring, constructing, and equipping new schools and facilities including one new high school; adding to, renovating, repairing, improving, and equipping existing school buildings and school system facilities, including but not limited to a school bus transportation center; acquiring miscellaneous new equipment, fixtures, and furnishings for the school system, including technology equipment and safety and security equipment; acquiring school buses and transportation and maintenance equipment; acquiring textbooks for the school system; paying expenses incidental to accomplishing the foregoing.	<u>33,277,546</u>	<u>41,878,962</u>	<u>506,691</u>	<u>41,154,407</u>	<u>41,661,098</u>	June 2013
	<u>\$ 66,900,000</u>	<u>\$ 74,358,695</u>	<u>\$ 4,609,851</u>	<u>\$ 63,365,454</u>	<u>\$ 67,975,305</u>	

- (1) The School District's original cost estimate as specified in the resolution calling for the imposition of the Local Option Sales Tax.
- (2) The School District's current estimate of total cost for the projects. Includes all cost from project inception to completion.
- (3) The voters of Putnam County approved the imposition of a 1% sales tax to fund the above projects and retire associated debt. Amounts expended for these projects may include sales tax proceeds, state, local property taxes and/or other funds over the life of the projects.
- (4) The 1998 General Obligation Bonds were retired through the sale of the 2008 Refunding Bond Issue. The School District will utilize the SPLOST proceeds for this project, plus any excess SPLOST proceeds to retire the Series 2008 Refunding Bond Issue.
- (5) As of June 30, 2012, there were no excess proceeds which were not yet expended.

See notes to the basic financial statements.

PUTNAM COUNTY BOARD OF EDUCATION

SCHEDULE "5"

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

Description	Allotments From Georgia Department of Education (1) & (2)	Eligible QBE Program Costs		
		Salaries	Operations	Total
Direct Instructional Funds:				
Kindergarten Program	\$ 1,045,901	\$ 1,187,141	\$ 17,030	\$ 1,204,171
Kindergarten Program - Early Intervention Program	143,961	83,438	1,556	84,994
Primary Grades (1-3) Program	1,936,397	2,142,702	53,303	2,196,005
Primary Grades - Early Intervention (1-3) Program	235,049	380,972	3,328	384,300
Upper Elementary Grades (4-5) Program	992,427	1,729,758	48,536	1,778,294
Upper Elementary Grades-Early Intervention (4-5) Program	34,304	123,440	57,316	180,756
Middle School (6-8) Program	1,686,220	2,464,989	275,569	2,740,558
High School General Education (9-12) Program	1,314,078	2,188,381	110,113	2,298,494
Vocational Laboratory (9-12) Program	418,949	373,318	89,763	463,081
Students with Disabilities	3,046,642	-	-	-
Category III	-	3,625,371	24,952	3,650,323
Category V	-	62	-	62
Gifted Student - Category VI	440,845	324,996	3,634	328,630
Remedial Education Program	187,620	60,246	-	60,246
Alternative Education Program	128,440	67,102	1,301	68,403
English Speakers of Other Languages (ESOL)	92,901	116,057	869	116,926
TOTAL DIRECT INSTRUCTIONAL PROGRAMS	11,703,734	14,867,973	687,270	15,555,243
Media Center Program	309,725	404,025	46,754	450,779
Staff and Professional Development	68,719	5,285	56,482	61,767
TOTAL QBE FORMULA FUNDS	\$ 12,082,178	\$ 15,277,283	\$ 790,506	\$ 16,067,789

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

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

See notes to the basic financial statements.

SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS



DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

August 2, 2013

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

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

Ladies and Gentlemen:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Putnam County Board of Education as of and for the year ended June 30, 2012, which collectively comprise Putnam County Board of Education's basic financial statements and have issued our report thereon dated August 2, 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 Putnam County Board of Education is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Putnam County Board of Education's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Putnam County Board of Education's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Putnam County Board of Education's internal control over financial reporting.

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

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

Compliance and Other Matters

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

We noted certain matters that we have reported to management of Putnam County Board of Education in a separate letter dated August 2, 2013.

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

Respectfully submitted,



Greg S. Griffin
State Auditor

GSG:as
2012YB-10



DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

August 2, 2013

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

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

Ladies and Gentlemen:

Compliance

We have audited Putnam County Board of Education's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2012. Putnam County Board of Education's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of Putnam County Board of Education's management. Our responsibility is to express an opinion on Putnam County Board of Education's compliance based on our audit.

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

In our opinion, the Putnam County Board of Education complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of Putnam County Board of Education is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Putnam County Board of Education's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Putnam County Board of Education's internal control over compliance.

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

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

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

Respectfully submitted,



Greg S. Griffin
State Auditor

GSG:as
2012SA-10

SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

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

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

I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Federal Awards

Internal Control over major programs:	
▪ Material weakness identified?	No
▪ Significant deficiency identified?	None Reported
Type of auditor's report issued on compliance for major programs: All major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)?	No
Identification of major programs:	
<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	Child Nutrition Cluster
84.010, 84.389	Title I, Part A Cluster
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.