

**PUTNAM COUNTY
BOARD OF EDUCATION**

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

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

PUTNAM COUNTY BOARD OF EDUCATION

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PUTNAM COUNTY BOARD OF EDUCATION

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SECTION I
FINANCIAL



DEPARTMENT OF AUDITS AND ACCOUNTS

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

June 9, 2014

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

Ladies and Gentlemen:

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express

no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the financial statements, in 2013, the Putnam County Board of Education adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinion is not modified with respect to this matter.

As discussed in Note 16 to the financial statements, in 2013, the Putnam County Board of Education restated the prior period financial statements to properly recognize debt issuance costs resulting from the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require 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.

Accounting principles generally accepted in the United States of America require that the Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual, as presented on page 31 be presented to supplement the basic financial statements. 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Putnam County Board of Education's basic financial statements. The accompanying supplementary information, consisting of Schedules 2 through 5, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic 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 basic financial statements. Such 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2014, 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* in considering Putnam County Board of Education's internal control over financial reporting and compliance.

A copy of this report has been filed as a permanent record in the office of the State Auditor and made available to the press of the State, as provided for by Official Code of Georgia Annotated section 50-6-24.

Respectfully submitted,



Greg S. Griffin
State Auditor

GSG:as
2013ARL-11

PUTNAM COUNTY BOARD OF EDUCATION

PUTNAM COUNTY BOARD OF EDUCATION

EXHIBIT "A"

**STATEMENT OF NET POSITION
JUNE 30, 2013**

ASSETS	Governmental Activities
Cash and cash equivalents	\$ 1,212,382
Cash with fiscal agent	464
Investments	7,049,298
Investments with fiscal agent	1,413,816
Receivables:	
Taxes	1,091,872
Intergovernmental:	
State	1,120,287
Federal	641,160
Inventory	20,427
Capital assets (nondepreciable)	4,628,651
Capital assets (net of accumulated depreciation)	59,508,124
Total assets	<u>76,686,481</u>
LIABILITIES	
Accounts payable	293,743
Salaries and benefits payable	3,133,750
Accrued interest payable	160,472
Bonds payable due within one year	3,797,124
Bonds payable due in more than one year	13,943,500
Total liabilities	<u>21,328,589</u>
NET POSITION	
Net investment in capital assets	46,396,151
Restricted for:	
Continuation of federal programs	268,488
Capital projects	2,243,120
Debt service	1,253,808
Unrestricted	5,196,325
Total net position	<u>\$ 55,357,892</u>

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

PUTNAM COUNTY BOARD OF EDUCATION

EXHIBIT "B"

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
Instruction	\$ 20,063,590	\$ 434,783	\$ 7,118,371	\$ -	\$ (12,510,436)
Support services:					
Pupil services	1,125,128	136,991	373,892	-	(614,245)
Improvement of instructional services	821,989	-	722,157	-	(99,832)
Educational media services	426,493	-	356,273	-	(70,220)
General administration	411,947	-	661,342	-	249,395
School administration	1,979,477	-	960,796	-	(1,018,681)
Business administration	647,859	-	46,634	-	(601,225)
Maintenance and operation of plant	2,447,189	5,963	859,411	-	(1,581,815)
Student transportation services	2,280,006	-	581,446	76,220	(1,622,340)
Central support services	530,452	-	237,456	-	(292,996)
Other support services	22,028	-	4,814	-	(17,214)
Food service operations	1,987,263	200,331	1,733,581	-	(53,351)
Interest on long-term debt	581,289	-	-	-	(581,289)
Total governmental activities	<u>\$ 33,324,710</u>	<u>\$ 778,068</u>	<u>\$ 13,656,173</u>	<u>\$ 76,220</u>	<u>\$ (18,814,249)</u>
General revenues:					
Taxes:					
Property taxes, levied for maintenance and operations				\$ 16,565,045	
Sales taxes, for capital projects				3,027,088	
Intangible taxes				292,523	
Transfer taxes				63,481	
Unrestricted investment earnings				60,935	
Miscellaneous				206,603	
Special item				(1,059,933)	
Total general revenues and special item				<u>19,155,742</u>	
Change in net assets				341,493	
Net position, beginning of year, as restated					55,016,399
Net position, end of year					<u>\$ 55,357,892</u>

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

PUTNAM COUNTY BOARD OF EDUCATION

EXHIBIT "C"

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013**

ASSETS	General	District - Wide Capital Projects	Debt Service	Total Governmental Funds
Cash and cash equivalents	\$ 658,668	\$ 553,714	\$ -	\$ 1,212,382
Cash with fiscal agent	-	-	464	464
Investments	5,566,447	1,482,851	-	7,049,298
Investments with fiscal agent	-	-	1,413,816	1,413,816
Receivables:				
Taxes	885,317	206,555	-	1,091,872
Intergovernmental:				
State	1,120,287	-	-	1,120,287
Federal	641,160	-	-	641,160
Inventory	20,427	-	-	20,427
Total assets	<u>\$ 8,892,306</u>	<u>\$ 2,243,120</u>	<u>\$ 1,414,280</u>	<u>\$ 12,549,706</u>
 LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 293,743	\$ -	\$ -	\$ 293,743
Salaries and benefits payable	3,133,750	-	-	3,133,750
Total liabilities	<u>3,427,493</u>	<u>-</u>	<u>-</u>	<u>3,427,493</u>
 DEFERRED INFLOWS				
Unavailable revenue - property taxes	703,475	-	-	703,475
	<u>703,475</u>	<u>-</u>	<u>-</u>	<u>703,475</u>
 FUND BALANCES				
Nonspendable: inventory	20,427	-	-	20,427
Restricted:				
Continuation of federal programs	248,061	-	-	248,061
Debt service	-	-	1,414,280	1,414,280
Capital projects	-	2,243,120	-	2,243,120
Assigned:				
Student activities	103,847	-	-	103,847
Debt service	552,336	-	-	552,336
Unassigned	3,836,667	-	-	3,836,667
Total fund balances	<u>4,761,338</u>	<u>2,243,120</u>	<u>1,414,280</u>	<u>8,418,738</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 8,892,306</u>	<u>\$ 2,243,120</u>	<u>\$ 1,414,280</u>	<u>\$ 12,549,706</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 POSITION
JUNE 30, 2013

Total fund balances - governmental funds (Exhibit "C")		\$	8,418,738
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and are not reported in the funds.			
	Cost	\$	79,503,451
	Less accumulated depreciation		<u>(15,366,676)</u>
			64,136,775
Other long-term assets are not available to pay for current-period expenditures and are deferred in the funds.			
	Property taxes		703,475
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.			
	Bonds	\$	(17,330,000)
	Bond premium, net of amortization		(410,624)
	Accrued interest		<u>(160,472)</u>
			<u>(17,901,096)</u>
Net position of governmental activities (Exhibit "A")		\$	<u>55,357,892</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, 2013**

	General	District - Wide Capital Projects	Debt Service	Total Governmental Funds
REVENUES				
Property taxes	\$ 16,679,017	\$ -	\$ -	\$ 16,679,017
Sales taxes	356,004	3,027,088	-	3,383,092
State funds	8,896,401	-	-	8,896,401
Federal funds	4,835,992	-	-	4,835,992
Charges for services	778,068	-	-	778,068
Investment earnings	7,242	1,241	52,452	60,935
Miscellaneous	206,603	-	-	206,603
Total revenues	<u>31,759,327</u>	<u>3,028,329</u>	<u>52,452</u>	<u>34,840,108</u>
EXPENDITURES				
Current:				
Instruction	18,941,123	25,783	-	18,966,906
Support services:				
Pupil services	1,049,836	-	-	1,049,836
Improvement of instructional services	821,989	-	-	821,989
Educational media services	426,493	-	-	426,493
General administration	398,119	-	-	398,119
School administration	1,930,006	-	-	1,930,006
Business administration	639,464	-	4,473	643,937
Maintenance and operation of plant	2,415,957	62,708	-	2,478,665
Student transportation services	2,159,111	-	-	2,159,111
Central support services	492,582	11,791	-	504,373
Other support services	22,028	-	-	22,028
Food services operations	1,902,816	-	-	1,902,816
Capital outlay	107,751	181,099	-	288,850
Debt service:				
Principal retirement	-	-	3,485,000	3,485,000
Interest and fees	-	-	700,809	700,809
Total expenditures	<u>31,307,275</u>	<u>281,381</u>	<u>4,190,282</u>	<u>35,778,938</u>
Excess (deficiency) of revenues over (under) expenditures	<u>452,052</u>	<u>2,746,948</u>	<u>(4,137,830)</u>	<u>(938,830)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	65,420	-	-	65,420
Transfers in	-	-	4,442,549	4,442,549
Transfers out	-	(4,442,549)	-	(4,442,549)
Total other financing sources (uses)	<u>65,420</u>	<u>(4,442,549)</u>	<u>4,442,549</u>	<u>65,420</u>
Net change in fund balances	517,472	(1,695,601)	304,719	(873,410)
FUND BALANCE, beginning of year	<u>4,243,866</u>	<u>3,938,721</u>	<u>1,109,561</u>	<u>9,292,148</u>
FUND BALANCE, end of year	<u>\$ 4,761,338</u>	<u>\$ 2,243,120</u>	<u>\$ 1,414,280</u>	<u>\$ 8,418,738</u>

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

PUTNAM COUNTY BOARD OF EDUCATION

EXHIBIT "F"

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Net change in fund balances - total governmental funds (Exhibit "E")	\$	(873,410)
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 exceeds capital outlay is to decrease net position.		
Capital outlay	421,641	
Depreciation expense	<u>(1,571,933)</u>	(1,150,292)
Net effect of various miscellaneous transactions involving fixed assets (sales, trade-ins, donations, etc.) is to decrease net position.		
		(1,125,353)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes		(113,972)
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 position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Principal payments - bonds	3,485,000	
Bond premium amortization expense	<u>82,124</u>	3,567,124
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>37,396</u>
Changes in net position of governmental activities (Exhibit "B")	\$	<u><u>341,493</u></u>

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

PUTNAM COUNTY BOARD OF EDUCATION

EXHIBIT "G"

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2013**

	ASSETS	<u>Agency Funds</u>
Cash		\$ 56,154
	LIABILITIES	
Funds held for others		\$ 56,154

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

PUTNAM COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

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 Position 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, 2013

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, 2013

EXHIBIT "H"

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

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

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

The School District funds certain programs by a combination of specific cost-reimbursement grants, categorical grants, and general revenues. Thus, when program costs are incurred, there are both restricted and unrestricted net position 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, 2013

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, 2013

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 2012 tax digest year (calendar year) on September 13, 2012 (levy date). Taxes were due on December 1, 2012 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2012 tax digest are reported as revenue in the governmental funds for fiscal year 2013. 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, 2013, for maintenance and operations amounted to \$16,376,819.

The tax millage rate levied for the 2012 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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Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounts to \$302,198 during the fiscal year ended June 30, 2013.

Sales Taxes

Education Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to \$3,027,088 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, 2013

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:

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
Land	\$ 5,000	N/A
Land Improvements	5,000	10 to 60 Years
Buildings and Improvements	5,000	60 Years
Equipment	5,000	5 to 25 Years
Construction in Progress	5,000	N/A

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

Deferred Outflows / Inflows of Resources

The District implemented GASB Statements No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and No. 65, Items Previously Reported as Assets and Liabilities, as of July 1, 2013. These new standards establish accounting and financial reporting for deferred outflows/inflows of resources and the concept of net position as the residual of all other elements presented in a statement of net position.

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District did not have any items that qualified for reporting in this category for the year ended June 30, 2013.

PUTNAM COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

EXHIBIT "H"

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows / Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and grants and these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available.

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, are deferred and amortized over the life of the bonds using the straight-line method (which approximates the effective-interest method).

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 Position.

Net Position

The School District's net position in the District-wide Statements is classified as follows:

Net Investment in Capital Assets - 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 net investment in capital assets.

Restricted Net Position - This represents 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.

PUTNAM COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

EXHIBIT "H"

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position (Continued)

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

Fund Balances

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

Nonspendable - Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

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

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

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

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

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.

PUTNAM COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

EXHIBIT "H"

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

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, 2013

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 and 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, 2013**

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, 2013, the bank balances were \$2,053,649. 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, 2013, the School System had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Rating*</u>	<u>Fair Value</u>
Georgia Fund 1	43 day weighted average	AAAf	\$ 7,049,298
U.S. Agency - Federal National Mortgage Association	October 1, 2013	AA+	1,413,816
			<u>\$ 8,463,114</u>

**Rating as per Standard & Poor's*

PUTNAM COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

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 AAf 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, 2013, was 43 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 16.7% 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, 2013

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	\$ -	\$ (8,796)	\$ 2,481,910
Construction in progress	2,013,087	133,654	-	2,146,741
Total	4,503,793	133,654	(8,796)	4,628,651
Capital assets, being depreciated:				
Buildings and improvements	70,170,448	133,209	(2,272,954)	68,030,703
Equipment	5,773,541	131,803	(402,524)	5,502,820
Land improvements	1,339,799	22,975	(21,497)	1,341,277
Total	77,283,788	287,987	(2,696,975)	74,874,800
Less accumulated depreciation for:				
Buildings and improvements	(10,569,994)	(1,196,940)	1,157,102	(10,609,832)
Equipment	(4,207,751)	(313,840)	401,819	(4,119,772)
Land improvements	(597,416)	(61,153)	21,497	(637,072)
Total	(15,375,161)	(1,571,933)	1,580,418	(15,366,676)
Total capital assets, being depreciated, net	61,908,627	(1,283,946)	(1,116,557)	59,508,124
Governmental activities capital assets, net	\$ 66,412,420	\$ (1,150,292)	\$ (1,125,353)	\$ 64,136,775
Current year depreciation expense by function for capital assets is as follows:				
Instruction				\$ 1,124,198
Support Services				
Pupil Services			\$ 68,526	
General Administration			12,585	
School Administration			45,026	
Business Administration			3,570	
Maintenance and Operations			24,867	
Student Transportation			181,835	
Central Support Services			34,467	370,876
Food Services				76,859
Total Depreciation Expense				\$ 1,571,933

**PUTNAM COUNTY BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2013**

EXHIBIT "H"

Note 7: INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2013, consisted of the following:

Transfers To	Transfers From District-Wide Capital Projects Fund
Debt Service Fund	\$ 4,442,549

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, job related illness or injuries to employees and acts of God. However, the errors or omissions policy excludes coverage for sexual harassment and discrimination. The School District has neither significantly reduced coverage for these risks nor incurred losses (settlements) which exceeded the School District's insurance coverage in any of the past three years.

The School District has elected to self-insure for all losses related to torts, assets and acts of God. In addition, the School District has elected to self-insure for errors or omissions, which includes, among other risks, risks for sexual harassment and discrimination. The School District has not experienced any losses related to these risks 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 expenses/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, 2013**

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>
2012	\$ -	\$ 27,645	\$ 27,645	\$ -
2013	\$ -	\$ 2,752	\$ 2,752	\$ -

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, 2013, in the governmental funds amounted to \$71,623. Future minimum lease payments for these leases are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>
2014	\$ 1,330

Note 10: SHORT-TERM DEBT

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

**PUTNAM COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

EXHIBIT "H"

Note 10: SHORT-TERM DEBT (Continued)

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

	Beginning Balance	Increases	Decreases	Ending Balance
Tax Anticipation	\$ -	\$ 1,500,150	\$ (1,500,150)	\$ -

Note 11: LONG-TERM DEBT

General obligation bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
General Government - Series 2007	3.875% - 5.00%	\$ 11,740,000
General Government - Refunding - Series 2008	2.86%	1,090,000
General Government - QZAB - Series 2007	0.00%	2,000,000
General Government - Series 2009	2.00% - 3.00%	2,500,000
		\$ 17,330,000

Voters have authorized \$8,500,000 in general obligation debt for capital projects which was not issued as of June 30, 2013.

Changes in Long-Term Debt

The changes in long-term debt during the fiscal year ended June 30, 2013, were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
General Obligation Bonds	\$ 20,815,000	\$ -	\$ (3,485,000)	\$ 17,330,000	\$ 3,715,000
Unamortized Bond Premium	492,748	-	(82,124)	410,624	82,124
Total	\$ 21,307,748	\$ -	\$ (3,567,124)	\$ 17,740,624	\$ 3,797,124

**PUTNAM COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

EXHIBIT "H"

Note 11: LONG-TERM DEBT (Continued)

Scheduled Maturities of Long-Term Debt

At June 30, 2013, 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>	
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	3,085,000	62,431	82,128
2019-2023	2,000,000	-	-
Total Principal and Interest	<u>\$ 17,330,000</u>	<u>\$ 1,527,427</u>	<u>\$ 410,624</u>

Note 12: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of \$1,851,295 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 \$1,775,328

Paid to the Teachers Retirement System

For Teachers Retirement System (TRS) Employer's Cost
In the amount of \$4,516

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 \$71,451

Funds paid to the Georgia Department of Community Health by the Georgia Department of Education on behalf of the School District are reported as part of the Quality Basic Education revenue allotments on Schedule 3 - Schedule of State Revenue.

PUTNAM COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

EXHIBIT "H"

Note 13: SIGNIFICANT CONTINGENT LIABILITIES

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

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

Note 14: OTHER POST EMPLOYMENT BENEFITS

Georgia School Personnel Post-employment Health Benefit Fund

Plan Description. The Georgia School Personnel Post-employment Health Benefit Fund (School OPEB Fund) is a cost-sharing multiple-employer defined benefit post-employment healthcare plan that covers eligible former employees of public school systems, libraries and regional educational service agencies. The School OPEB Fund provides health insurance benefits to eligible former employees and their qualified beneficiaries through the State Employees Health 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.

**PUTNAM COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

EXHIBIT "H"

Note 14: 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, 2013:

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

Period	Contribution Amount
<i>Certificated Personnel</i>	
July 2012 - February 2013	\$912.34 per member per month
March 2013 - June 2013	\$937.34 per member per month

For non-certificated school personnel:

Period	Contribution Amount
<i>Non-certificated Personnel</i>	
July 2012 - June 2013	\$446.20 per member per month

No additional contribution was required by the Board for fiscal year 2013 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 postemployment 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, 2013, 2012 and 2011 was \$3,176,048, \$2,976,930, and \$2,843,855, respectively, which equaled the required contribution. Currently, the State of Georgia has been making the remaining contributions to fund the pay as you go financing on behalf of all local Boards of Education (see Note 1 for discussion of on-behalf payments).

PUTNAM COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

EXHIBIT "H"

Note 15: RETIREMENT PLAN

Teachers Retirement System of Georgia (TRS)

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

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

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

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

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, 2013, were 6.00% of annual salary. Employer contributions required for fiscal year 2013 were 11.41% of annual salary as required by the June 30, 2010, actuarial valuation. The employer contribution rate will increase to 12.28% effective July 1, 2013.

**PUTNAM COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

EXHIBIT "H"

Note 15: 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>
2013	100%	\$1,901,966
2012	100%	1,772,634
2011	100%	1,795,350

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 12: On-behalf payments for information on the contributions made by the State of Georgia on behalf of the School District's employees.

Note 16: PRIOR PERIOD ADJUSTMENT

In conjunction with the implementation of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the School District is required to change its accounting treatment of debt issuance costs. The new standard requires that debt issuance costs be recognized as an expense in the period incurred rather than capitalized and recognized as an expense (amortized) in a systematic and rational manner over the duration of the related debt as was the required treatment in prior reporting periods.

Therefore, in conjunction with the implementation of Statement No. 65, the following restatements were required to the beginning net position of the Governmental Activities to properly recognize debt issuance costs as expenses in the periods in which they were incurred:

Net Position, Governmental Activities, previously reported	\$	55,302,289
Recognition of issuance costs incurred in prior periods		(285,890)
Net Position, Governmental Activities, as restated	<u>\$</u>	<u>55,016,399</u>

PUTNAM COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

EXHIBIT "H"

Note 17: SUBSEQUENT EVENT

Tax Anticipation Note

On October 25, 2013, the Putnam County Board of Education obtained a temporary loan for up to \$4,000,150 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, 2013. Two draws totaling \$1,000,150 were required to meet the cash flow needs of the School District. The note was repaid on December 13, 2013.

Note 18: SPECIAL ITEM

On August 17, 2009, the Board declared the former Butler-Baker property as surplus due to age and lack of a cost effective way to restore the property to a serviceable state. In addition, the property was no longer needed due to the building of a new school facility and the retro-fitting of other School District facilities. In February 2012, the Board of Education authorized the issuance of a request for proposal for the sale of the Butler-Baker property. Responses were received and the Board of Education authorized the Superintendent to finalize the sale during a called meeting on October 8, 2012. The sale was finalized in November 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, 2013**

	Nonappropriated Budget		Actual	Variance With Final Budget
	Original ⁽¹⁾	Final ⁽¹⁾		
REVENUES				
Property taxes	\$ 16,177,417	\$ 16,177,417	\$ 16,679,017	\$ 501,600
Sales taxes	300,000	300,000	356,004	56,004
State funds	8,617,161	8,627,664	8,896,401	268,737
Federal funds	4,084,487	5,727,458	4,835,992	(891,466)
Charges for services	233,567	233,567	778,068	544,501
Investment earnings	5,000	5,000	7,242	2,242
Miscellaneous	236,250	236,250	206,603	(29,647)
Total revenues	<u>29,653,882</u>	<u>31,307,356</u>	<u>31,759,327</u>	<u>451,971</u>
EXPENDITURES				
Current:				
Instruction	18,802,676	19,179,509	18,941,123	238,386
Support services:				
Pupil services	1,309,301	1,480,950	1,049,836	431,114
Improvement of instructional services	473,913	1,057,488	821,989	235,499
Educational media services	477,454	442,809	426,493	16,316
General administration	474,282	530,026	398,119	131,907
School administration	1,811,523	1,928,230	1,930,006	(1,776)
Business administration	633,526	653,203	639,464	13,739
Maintenance and operation of plant	2,455,682	2,599,452	2,415,957	183,495
Student transportation services	2,265,895	2,213,443	2,159,111	54,332
Central support services	659,414	584,405	492,582	91,823
Other support services	35,947	58,414	22,028	36,386
Food services operations	1,928,104	1,928,104	1,902,816	25,288
Capital outlay	-	-	107,751	(107,751)
Total expenditures	<u>31,327,717</u>	<u>32,656,033</u>	<u>31,307,275</u>	<u>1,348,758</u>
Excess (deficiency) of revenues over (under) expenditures	(1,673,835)	(1,348,677)	452,052	1,800,729
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	-	65,420	65,420
Transfers in	200,000	200,000	-	(200,000)
Transfers out	(200,000)	(200,000)	-	200,000
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>65,420</u>	<u>65,420</u>
Net change in fund balance	(1,673,835)	(1,348,677)	517,472	1,866,149
FUND BALANCE, beginning of year	<u>4,243,866</u>	<u>4,243,866</u>	<u>4,243,866</u>	<u>-</u>
FUND BALANCE, end of year	<u>\$ 2,570,031</u>	<u>\$ 2,895,189</u>	<u>\$ 4,761,338</u>	<u>\$ 1,866,149</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 (\$422,686) or expenditures (\$414,074) 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, 2013**

Funding Agency <u>Program/Grant</u>	<u>CFDA Number</u>	<u>Pass-Through Entity ID Number</u>	<u>Expenditures In Period</u>
Agriculture, U. S. Department of			
Child Nutrition Cluster			
Pass-Through From Georgia Department of Education			
Food Services			
School Breakfast Program	* 10.553	N/A	\$ (1)
National School Lunch Program	* 10.555	N/A	<u>1,774,416 (2)</u>
Total Child Nutrition Cluster			<u>1,774,416</u>
Other Programs			
Pass-Through From Georgia Department of Education			
Fresh Fruits and Vegetables Grant	10.582	N/A	<u>66,691</u>
Pass-Through From Office of the State Treasurer			
National Forest Reserve Funds	10.665	N/A	<u>(3)</u>
Total U. S. Department of Agriculture			<u>1,841,107</u>
Health and Human Services, U. S. Department of			
CCDF Cluster			
Pass-Through From Georgia Department of Early Care and Learning			
Child Care and Development Block Grant	93.575	N/A	<u>3,500</u>
Total CCDF Cluster			<u>3,500</u>
Education, U. S. Department of			
Pass-Through From Georgia Department of Education			
Special Education Cluster			
Grants to States	84.027	N/A	608,092
Preschool Grants	84.173	N/A	<u>17,576</u>
Total Special Education Cluster			<u>625,668</u>
Education Jobs Fund	84.410	N/A	<u>1,145</u>
Title I, Part A Cluster			
Title I, Part A	84.010	N/A	<u>1,008,739</u>
Other Programs			
Pass-Through From Georgia Department of Education			
English Language Acquisition Grants	84.365	N/A	10,364
Improving Teacher Quality State Grants	84.367	N/A	156,315
Migrant Education - State Grant Program	84.011	N/A	23,741
Rural Education	84.358	N/A	27,120
Career and Technical Education - Basic Grants to States	84.048	N/A	39,464
Pass-Through From Oconee Regional Educational			
Services Agency			
Mathematics and Science Partnerships	84.366	N/A	<u>2,745</u>
Total U. S. Department of Education			<u>1,895,301</u>
Health and Human Services, U. S. Department of			
Direct			
Head Start Cluster	* 93.600		<u>1,191,764</u>
Defense, U. S. Department of			
Direct			
Department of the Air Force			
R.O.T.C. Program	12.unknown		35,640
Total Expenditures of Federal Awards			<u>\$ 4,967,312</u>

N/A = Not Available

PUTNAM COUNTY BOARD OF EDUCATION

SCHEDULE "2"

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Notes to the Schedule of Expenditures of Federal Awards

- (1) Expenditures for the funds earned on the School Breakfast Program (\$431,680) were not maintained separately and are included in the 2013 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 \$109,035.
- (3) Funds earned on this program in the amount of \$42,627 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.

See notes to the basic financial statements.

PUTNAM COUNTY BOARD OF EDUCATION

SCHEDULE "3"

SCHEDULE OF STATE REVENUE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

<u>Agency/Funding</u>	<u>Governmental Fund Type General Fund</u>
Grants	
Education, Georgia Department of	
Quality Basic Education (1)	
Direct Instructional Cost	
Kindergarten Program	\$ 649,604
Kindergarten Program - Early Intervention Program	66,743
Primary Grades (1-3) Program	1,281,405
Primary Grades - Early Intervention (1-3) Program	120,940
Upper Elementary Grades (4-5) Program	581,259
Upper Elementary Grades - Early Intervention (4-5) Program	13,010
Middle School (6-8) Program	1,052,808
High School General Education (9-12) Program	727,308
Vocational Laboratory (9-12) Program	237,851
Students with Disabilities	1,817,449
Gifted Students - Category VI	353,002
Remedial Education Program	269,619
Alternative Education Program	73,081
English Speakers of Other Languages (ESOL)	69,937
Media Center Program	191,845
20 Days Additional Instruction	55,418
Staff and Professional Development	37,541
Charter School Adjustment	233,136
Indirect Cost	
Central Administration	323,735
School Administration	382,575
Facility Maintenance and Operations	435,721
Categorical Grants	
Pupil Transportation	
Regular	337,883
State Bonds	76,220
Nursing Services	56,846
Vocational Supervisors	7,031
Food Services	44,688
Vocational Education	31,607
Amended Formula Adjustment	(1,417,276)
Other State Programs	
Math and Science Supplements	16,741
Preschool Handicapped Program	36,354
Career Academies	112,500
Lottery Programs	
Pre-Kindergarten	543,853
On-Behalf Payments	
Georgia Department of Education	
Paid to the Teachers Retirement System	4,516
Office of State Treasurer	
Paid to the Public School Employees Retirement System	71,451
	\$ 8,896,401

(1) Payments to the Georgia Department of Community Health by the Georgia Department of Education on behalf of the School District in the amount of \$1,775,328 are included as part of the Quality Basic Education revenue.

See notes to the basic financial statements.

PUTNAM COUNTY BOARD OF EDUCATION

SCHEDULE "4"

**SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

<u>Project</u>	<u>Original Estimated Cost (1)</u>	<u>Current Estimated Costs (2)</u>	<u>Expended In Current Year (3) (4)</u>	<u>Expended In Prior Years (3) (4)</u>	<u>Total Completion Cost (5)</u>	<u>Estimated Completion Date</u>
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	3,239,529	1,097,400	1,065,285	2,162,685	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	3,092,882	11,576,131	14,669,013	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>41,989,712</u>	<u>281,381</u>	<u>41,661,098</u>	<u>41,942,479</u>	2013
	<u>\$ 66,900,000</u>	<u>\$ 74,476,520</u>	<u>\$ 4,471,663</u>	<u>\$ 67,975,305</u>	<u>\$ 72,446,968</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, 2013, there were no excess proceeds which were not yet expended.

See notes to the basic financial statements.

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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, 2013**

Description	Allotments From Georgia Department of Education (1) & (2) & (3)	Eligible QBE Program Costs		
		Salaries	Operations	Total
Direct Instructional Funds:				
Kindergarten Program	\$ 1,204,501	\$ 1,158,145	\$ 17,707	\$ 1,175,852
Kindergarten Program - Early Intervention Program	129,772	136,941	981	137,922
Primary Grades (1-3) Program	2,354,966	2,344,958	42,810	2,387,768
Primary Grades - Early Intervention (1-3) Program	230,878	387,082	2,683	389,765
Upper Elementary Grades (4-5) Program	1,086,811	1,462,740	14,642	1,477,382
Upper Elementary Grades-Early Intervention (4-5) Program	26,324	89,131	583	89,714
Middle School (6-8) Program	1,950,482	2,519,286	44,005	2,563,291
High School General Education (9-12) Program	1,370,832	2,055,594	101,311	2,156,905
Vocational Laboratory (9-12) Program	445,751	398,830	70,514	469,344
Students with Disabilities	3,388,180	-	-	-
Category II	-	-	62	62
Category III	-	3,310,197	93,699	3,403,896
Gifted Student - Category VI	633,662	402,273	6,123	408,396
Remedial Education Program	459,430	135,952	-	135,952
Alternative Education Program	137,246	112,252	-	112,252
English Speakers of Other Languages (ESOL)	126,453	103,231	8,974	112,205
TOTAL DIRECT INSTRUCTIONAL PROGRAMS	13,545,288	14,616,612	404,094	15,020,706
Media Center Program	354,277	395,958	29,108	425,066
Staff and Professional Development	69,272	-	-	61,453
TOTAL QBE FORMULA FUNDS	\$ 13,968,837	\$ 15,012,570	\$ 433,202	\$ 15,507,225

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

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

(3) Allotments do not include the State Health payments made by the Georgia Department of Education to the Georgia Department of Community Health for certified employees.

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

June 9, 2014

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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Putnam County Board of Education as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Putnam County Board of Education's basic financial statements and have issued our report thereon dated June 9, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Putnam County Board of Education's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Putnam County Board of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of the Putnam County Board of Education's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

We noted a certain matter that we have reported to management of Putnam County Board of Education in a separate letter dated June 9, 2014.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, not to provide an opinion on the effectiveness of the Putnam County Board of Education's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Putnam County Board of Education's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Greg S. Griffin
State Auditor

GSG:as
2013YB-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

June 9, 2014

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 FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Ladies and Gentlemen:

Report on Compliance for Each Major Federal Program

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, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

Auditor's Responsibility

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

Opinion on Each Major Federal Program

In our opinion, the Putnam County Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2013.

Report on Internal Control over Compliance

Management of Putnam County Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Putnam County Board of Education's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Respectfully submitted,



Greg S. Griffin
State Auditor

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, 2013

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, 2013

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	Unmodified
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	Unmodified
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
93.600	Head Start 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.