

**PUTNAM COUNTY  
BOARD OF EDUCATION**

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

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2015**

PUTNAM COUNTY BOARD OF EDUCATION

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SECTION I  
FINANCIAL

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## 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

July 11, 2016

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 of the Putnam County Board of Education, as of and for the year ended June 30, 2015, and the related notes to the financial statements (Exhibits A through H), 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 from 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



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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 basic financial statements referred to above 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, 2015, 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 2015, the Putnam Board of Education adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The School District restated beginning Net Position for the cumulative effect of these accounting changes. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Proportionate Share of the Net Pension Liability, Schedule of Contributions to Retirement Systems, Notes to the Required Supplementary Information and the Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual as presented on pages i through vii and pages 31 through 34 respectively, 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 5 through 8, is presented for the

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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 July 11, 2016, 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 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:er  
2015ARL-11

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PUTNAM COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

The discussion and analysis of the Putnam County Board of Education's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

### **Financial Highlights**

Key financial highlights for fiscal year 2015 are as follows:

- The School District's financial status remained stable during fiscal year 2015. In total, net position increased \$7,382,357, which represents an increase from fiscal year 2014. This total increase was due to governmental activities since the School District has no business-type activities.
- General revenues accounted for \$23 million or 55.8 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$18.1 million or 44.2 percent of total revenues. Total revenues were \$41.1 million.
- The School District has \$33.8 million in expenses related to governmental activities; these expenses were offset by \$18.1 million in program specific charges for services, grants or contributions. General revenues and taxes of \$23 million also provided for these programs.
- Among major funds, the General Fund had \$36.1 million in revenues and \$35.4 million in expenditures and transfers out. The General Fund's fund balance increased from \$7.6 million to \$8.3 million.

### **Using the Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Putnam County Board of Education as a financial whole, or as an entire operating entity.

The *Statement of Net Position and Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a long-term view of those finances. The fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds, if any, presented in total in one column. In the case of the Putnam County Board of Education, the general fund is by far the most significant fund.

PUTNAM COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

***Reporting the School District as a Whole***

*Statement of Net Position and Statement of Activities*

While these documents contain the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2015?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include *all assets and all liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and changes in net position. This change in net position is important because it tells the reader whether, for the School District as a whole, the *financial position* of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, facility conditions, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, the School District has one distinct type of activity:

- Governmental Activities – All of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, food service, after school program, school activity accounts and various others.

***Reporting the School District's Most Significant Funds***

*Fund Financial Statements*

Fund financial statements provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these funds financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, the District-Wide Capital Projects Fund and the Debt Service Funds.

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

PUTNAM COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

***The School District as a Whole***

The perspective of the Statement of Net Position is of the School District as a whole. Table 1 provides a summary of the School District's Net Position for fiscal year 2015, compared to fiscal year 2014.

**Table 1  
Net Position**

	<b>Governmental Activities</b>	
	<b>2015</b>	<b>2014</b>
Current and other assets	\$ 16,282,722	\$ 15,036,334
Capital assets	65,622,551	63,728,823
Total assets	<u>81,905,273</u>	<u>78,765,157</u>
Deferred outflows of resources - pensions	<u>2,137,589</u>	-
Long-term liabilities outstanding	30,549,091	13,943,500
Other liabilities	3,652,196	3,899,647
Total liabilities	<u>34,201,287</u>	<u>17,843,147</u>
Deferred inflows of resources - pensions	<u>8,424,068</u>	-
Net position:		
Net investment in capital assets	54,491,175	49,785,323
Restricted	4,256,880	3,284,798
Unrestricted	(17,330,548)	7,851,889
Total net position	<u>\$ 41,417,507</u>	<u>\$ 60,922,010</u>

Note: Amounts in Table 1 above for 2014 do not reflect the restatement of net position as described in Note 17. After the restatement, ending net position as of June 30, 2014 was decreased by \$26,886,860 to \$34,035,150.

Table 2 shows the changes in the net position for fiscal year 2015 compared to fiscal year 2014. The total net position increased \$7.4 million, for fiscal year 2015, compared to a \$5.8 million increase for fiscal year 2014 (before considering the effects of the restatement related to the net pension liability).



PUTNAM COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**Table 2**  
**Change in Net Position**

	<b>Governmental Activities</b>	
	<b>2015</b>	<b>2014</b>
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 965,016	\$ 793,379
Operating grants and contributions	14,558,078	13,537,708
Capital grants and contributions	2,641,713	438,169
Total program revenues	<u>18,164,807</u>	<u>14,769,256</u>
General revenues:		
Property taxes		
For maintenance and operations	19,626,371	20,519,624
Sales taxes	2,664,965	2,614,550
Other taxes	282,946	278,459
Investment income	70,392	63,150
Miscellaneous	315,432	119,248
Total general revenues	<u>22,960,106</u>	<u>23,595,031</u>
Total revenues	<u>41,124,913</u>	<u>38,364,287</u>
<b>Expenses</b>		
Instruction	19,417,733	18,807,248
Support services		
Pupil services	1,215,838	1,183,987
Improvement of instructional services	1,056,641	731,868
Educational media services	436,995	433,855
General administration	376,568	388,358
School administration	1,786,058	1,837,108
Business services	714,581	615,661
Maintenance and operations	2,894,540	2,679,261
Student transportation	2,721,300	2,471,889
Central support services	926,558	1,205,147
Other support services	17,959	23,865
Operations of noninstructional services		
School nutrition	1,872,128	1,772,568
Interest on long-term debt	305,657	437,855
Total expenses	<u>33,742,556</u>	<u>32,588,670</u>
Increase in net position	7,382,357	5,775,617
Net position, beginning of year, as restated	<u>34,035,150</u>	<u>55,146,393</u>
Net position, end of year	<u>\$ 41,417,507</u>	<u>\$ 60,922,010</u>

Note: Amounts in Table 2 for 2014 do not reflect the restatement of net positions as described in Note 17. After the restatement, ending net position as of June 30, 2014 was decreased by \$26,886,860 to \$34,035,150.

PUTNAM COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

***Governmental Activities***

Instruction comprises 57.5 percent of governmental program expenses.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted state entitlements. Comparative data from fiscal year 2014 is also presented.

**Table 3  
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year
	2015	2014	2015	2014
Instruction	<b>\$ 19,417,733</b>	\$ 18,807,248	<b>\$ 8,024,574</b>	\$ 10,526,074
Support services				
Pupil services	<b>1,215,838</b>	1,183,987	<b>611,670</b>	670,441
Improvement of instructional services	<b>1,056,641</b>	731,868	<b>61,866</b>	88,251
Educational media services	<b>436,995</b>	433,855	<b>90,434</b>	78,365
General administration	<b>376,568</b>	388,358	<b>(153,440)</b>	(205,668)
School administration	<b>1,786,058</b>	1,837,108	<b>1,025,622</b>	997,594
Business services	<b>714,581</b>	615,661	<b>651,610</b>	552,978
Maintenance and operations	<b>2,894,540</b>	2,679,261	<b>1,990,930</b>	1,793,401
Student transportation	<b>2,721,300</b>	2,471,889	<b>2,071,588</b>	1,836,039
Central support services	<b>926,558</b>	1,205,147	<b>913,333</b>	1,189,226
Other support services	<b>17,959</b>	23,865	<b>(2,377)</b>	15,413
Operations of noninstructional services				
School nutrition	<b>1,872,128</b>	1,772,568	<b>(13,718)</b>	(160,555)
Interest on long-term debt	<b>305,657</b>	437,855	<b>305,657</b>	437,855
Total expenses	<b><u>\$ 33,742,556</u></b>	<b><u>\$ 32,588,670</u></b>	<b><u>\$ 15,577,749</u></b>	<b><u>\$ 17,819,414</u></b>

The School District is still dependent upon general revenues for governmental activities even though tax revenues make up a majority of the revenues. In 2015, state funding through capital grants was received by the School District to offset the construction of the new College Career Academy building. In addition, the District received the Connection for Classroom Grant. These capital expenditures are capitalized on the District-wide financial statements and are not included in the expenses above.

PUTNAM COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**The School District's Funds**

The School District's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues and other financing sources of \$44.8 million and expenditures and other financing uses of \$43.3 million. There was an increase in fund balance of approximately \$795 thousand in the District-wide Capital Projects Fund due to the decrease in transfers out. The fund balance of the General Fund had an increase of over \$668 thousand to ensure funding is available for debt service and capital needs previously funded through special purpose local option sales tax. There was an increase in fund balance of approximately \$56 thousand in the Debt Service Fund. This was because of the interest earned on the QZAB-Series 2007 Bond.

***General Fund Budgeting Highlights***

The School District's budget is prepared according to Georgia law. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2015, the School District amended its General Fund budget as needed. The School District used function-based budgeting. The budgeting systems are designed to tightly control total function budgets but provide flexibility for site management.

For the General Fund, budgeted revenue increased from \$35.6 million to \$35.9 million while budgeted expenditures decreased from \$34.8 million to \$34.5 million. Budgeted revenues increased due to the receipt of additional state and federal grant funds. The budgeted expenditures decreased due to the transfer of funds to capital projects.

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal year 2015, the School District had \$65.6 million invested in capital assets, all in governmental activities. Table 4 indicates balances at June 30, 2015. Capital asset comparisons to fiscal year 2014 are also included.

**Table 4  
Capital Assets  
(Net of Depreciation)**

	<b>Governmental Activities</b>	
	<b>Fiscal Year 2015</b>	<b>Fiscal Year 2014</b>
Land	\$ 2,481,910	\$ 2,481,910
Construction in progress	2,402,888	2,695,835
Land improvements	587,676	642,286
Buildings and improvements	58,126,776	56,569,361
Equipment	2,023,301	1,339,431
Total	<b>\$ 65,622,551</b>	<b>\$ 63,728,823</b>

PUTNAM COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

*Debt*

**Long - Term Liabilities**

At fiscal year ended June 30, 2015, the School District had \$11.1 million in long-term liabilities outstanding. Table 5 summarizes the School District's liabilities as compared to the prior fiscal year.

**Table 5  
Long-Term Liabilities**

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Due Within One Year
Governmental activities:					
Bonds payable	\$ 13,615,000	\$ -	\$ (2,730,000)	\$ 10,885,000	\$ 2,840,000
Premium	328,500	-	(82,124)	246,376	82,124
Governmental activities					
Long-term liabilities	<u>\$ 13,943,500</u>	<u>\$ -</u>	<u>\$ (2,812,124)</u>	<u>\$ 11,131,376</u>	<u>\$ 2,922,124</u>

**Current Issues**

The Putnam County Board of Education's system goals are:

- To ensure high levels of performance for all students in Putnam County
- To ensure fiscal responsibility and effective resource stewardship
- To develop leadership and staff capacity throughout the school system
- To actively engage students, parents and community stakeholders

The Board anticipates continued financial challenges over the next several years due to the lack of economic growth in Putnam County, increases in health insurance and retirement costs, and the property tax impact of a major industrial complex being phased out of production.

As discussed in Note 17, in fiscal year 2015, the School District implemented a new accounting pronouncement requiring the School District to record its portion of the net pension liability for the Teachers Retirement System of Georgia (TRS). The impact of this pronouncement resulted in a significant decrease to the net position of the governmental activities of the School District.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact Coretta Harris, Finance/Business Services Director, 158 Old Glenwood Springs Road, Eatonton, Georgia 31024. You may also email your questions to [coretta\\_harris@putnam.k12.ga.us](mailto:coretta_harris@putnam.k12.ga.us).

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PUTNAM COUNTY BOARD OF EDUCATION

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**PUTNAM COUNTY BOARD OF EDUCATION**

**EXHIBIT "A"**

**STATEMENT OF NET POSITION  
JUNE 30, 2015**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,406,274
Cash with fiscal agent	319
Investments	9,929,602
Investments with fiscal agent	1,524,619
Receivables:	
Taxes	1,264,041
Intergovernmental:	
State	1,239,217
Federal	748,503
Other	23,612
Inventory	30,095
Prepaid items	116,440
Capital assets (nondepreciable)	4,884,798
Capital assets (net of accumulated depreciation)	60,737,753
Total assets	<u>81,905,273</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Related to pension plans	<u>2,137,589</u>
<b>LIABILITIES</b>	
Accounts payable	204,374
Salaries and benefits payable	3,238,647
Contracts payable	108,017
Accrued interest payable	89,895
Retainage payable	11,263
Bonds payable due within one year	2,922,124
Bonds payable due in more than one year	8,209,252
Net pension liability, due in more than one year	19,417,715
Total liabilities	<u>34,201,287</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Related to pension plans	<u>8,424,068</u>
<b>NET POSITION</b>	
Net investment in capital assets	54,491,175
Restricted for:	
Continuation of federal programs	599,792
Capital projects	2,222,045
Debt service	1,435,043
Unrestricted (Deficit)	(17,330,548)
Total net position	<u>\$ 41,417,507</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, 2015**

<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	\$ 19,417,733	\$ 568,250	\$ 8,260,416	\$ 2,564,493	\$ (8,024,574)
Support services:					
Pupil services	1,215,838	210,995	393,173	-	(611,670)
Improvement of instructional services	1,056,641	-	994,775	-	(61,866)
Educational media services	436,995	-	346,561	-	(90,434)
General administration	376,568	-	530,008	-	153,440
School administration	1,786,058	-	760,436	-	(1,025,622)
Business administration	714,581	-	62,971	-	(651,610)
Maintenance and operation of plant	2,894,540	5,175	898,435	-	(1,990,930)
Student transportation services	2,721,300	-	572,492	77,220	(2,071,588)
Central support services	926,558	-	13,225	-	(913,333)
Other support services	17,959	-	20,336	-	2,377
Food service operations	1,872,128	180,596	1,705,250	-	13,718
Interest on long-term debt	305,657	-	-	-	(305,657)
Total governmental activities	<u>\$ 33,742,556</u>	<u>\$ 965,016</u>	<u>\$ 14,558,078</u>	<u>\$ 2,641,713</u>	<u>\$ (15,577,749)</u>
General revenues:					
Taxes:					
Property taxes, levied for maintenance and operations				\$ 19,626,371	
Sales taxes, for capital projects				2,664,965	
Intangible taxes				201,649	
Transfer taxes				72,953	
Railroad taxes				8,344	
Unrestricted investment earnings				70,392	
Miscellaneous				315,432	
Total general revenues				<u>22,960,106</u>	
Change in net position				7,382,357	
Net position, beginning of year, as restated				<u>34,035,150</u>	
Net position, end of year				<u>\$ 41,417,507</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, 2015**

ASSETS	General	District - Wide Capital Projects	Debt Service	Total Governmental Funds
Cash and cash equivalents	\$ 1,278,780	\$ 127,494	\$ -	\$ 1,406,274
Cash with fiscal agent	-	-	319	319
Investments	7,928,991	2,000,611	-	9,929,602
Investments with fiscal agent	-	-	1,524,619	1,524,619
Receivables:				
Taxes	1,050,756	213,285	-	1,264,041
Intergovernmental:				
State	1,239,217	-	-	1,239,217
Federal	748,503	-	-	748,503
Other	23,612	-	-	23,612
Prepaid items	116,440	-	-	116,440
Inventory	30,095	-	-	30,095
Total assets	<u>\$ 12,416,394</u>	<u>\$ 2,341,390</u>	<u>\$ 1,524,938</u>	<u>\$ 16,282,722</u>
 <b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 204,309	\$ 65	\$ -	\$ 204,374
Salaries and benefits payable	3,238,647	-	-	3,238,647
Contracts payable	-	108,017	-	108,017
Retainage payable	-	11,263	-	11,263
Total liabilities	<u>3,442,956</u>	<u>119,345</u>	<u>-</u>	<u>3,562,301</u>
 <b>DEFERRED INFLOWS</b>				
Unavailable revenue - property taxes	661,490	-	-	661,490
	<u>661,490</u>	<u>-</u>	<u>-</u>	<u>661,490</u>
 <b>FUND BALANCES</b>				
Nonspendable:				
Inventory	30,095			30,095
Prepays	116,440			116,440
Restricted:				
Continuation of federal programs	569,697	-	-	569,697
Debt service	-	-	1,524,938	1,524,938
Capital projects	-	2,222,045	-	2,222,045
Assigned:				
Student activities	125,223	-	-	125,223
Debt service	1,494,853	-	-	1,494,853
Subsequent year's budget	1,919,393	-	-	1,919,393
Unassigned	4,056,247	-	-	4,056,247
Total fund balances	<u>8,311,948</u>	<u>2,222,045</u>	<u>1,524,938</u>	<u>12,058,931</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 12,416,394</u>	<u>\$ 2,341,390</u>	<u>\$ 1,524,938</u>	<u>\$ 16,282,722</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, 2015**

Total fund balances - governmental funds (Exhibit "C")		\$	12,058,931
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	\$	83,743,216
	Less accumulated depreciation		<u>(18,120,665)</u>
			65,622,551
Other long-term assets are not available to pay for current-period expenditures and are deferred in the funds.			
	Property taxes		661,490
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.			
This includes deferred outflows and inflows of resources related to pensions			
	Bonds	\$	(10,885,000)
	Bond premium, net of amortization		(246,376)
	Net pension liability		(19,417,715)
	Deferred outflows - pensions		2,137,589
	Deferred inflows - pensions		(8,424,068)
	Accrued interest		<u>(89,895)</u>
			<u>(36,925,465)</u>
Net position of governmental activities (Exhibit "A")		\$	<u>41,417,507</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, 2015**

	<b>General</b>	<b>District - Wide Capital Projects</b>	<b>Debt Service</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>				
Property taxes	\$ 19,680,552	\$ -	\$ -	\$ 19,680,552
Sales taxes	274,602	2,664,965	-	2,939,567
Other taxes	8,344	-	-	8,344
State funds	9,539,994	2,456,677	-	11,996,671
Federal funds	5,257,840	-	-	5,257,840
Charges for services	965,016	-	-	965,016
Investment earnings	12,487	1,621	56,284	70,392
Miscellaneous	315,432	-	-	315,432
<b>Total revenues</b>	<b>36,054,267</b>	<b>5,123,263</b>	<b>56,284</b>	<b>41,233,814</b>
<b>EXPENDITURES</b>				
Current:				
Instruction	19,323,758	-	-	19,323,758
Support services:				
Pupil services	1,194,009	-	-	1,194,009
Improvement of instructional services	1,085,720	-	-	1,085,720
Educational media services	461,619	-	-	461,619
General administration	379,450	-	-	379,450
School administration	1,836,642	-	-	1,836,642
Business administration	726,615	-	4,547	731,162
Maintenance and operation of plant	2,815,188	95,020	-	2,910,208
Student transportation services	3,081,848	16,032	-	3,097,880
Central support services	909,655	-	-	909,655
Other support services	36,891	-	-	36,891
Enterprise operations	-	-	-	-
Food services operations	1,820,445	-	-	1,820,445
Community services operations	-	-	-	-
Capital outlay	-	2,780,574	-	2,780,574
On-behalf payments	-	-	-	-
Debt service:				
Principal retirement	-	-	2,730,000	2,730,000
Interest and fees	-	-	415,994	415,994
<b>Total expenditures</b>	<b>33,671,840</b>	<b>2,891,626</b>	<b>3,150,541</b>	<b>39,714,007</b>
Excess (deficiency) of revenues over (under) expenditures	2,382,427	2,231,637	(3,094,257)	1,519,807
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	411,047	3,150,541	3,561,588
Transfers out	(1,714,318)	(1,847,270)	-	(3,561,588)
<b>Total other financing sources (uses)</b>	<b>(1,714,318)</b>	<b>(1,436,223)</b>	<b>3,150,541</b>	<b>-</b>
Net change in fund balances	668,109	795,414	56,284	1,519,807
<b>FUND BALANCE, beginning of year</b>	<b>7,643,839</b>	<b>1,426,631</b>	<b>1,468,654</b>	<b>10,539,124</b>
<b>FUND BALANCE, end of year</b>	<b>\$ 8,311,948</b>	<b>\$ 2,222,045</b>	<b>\$ 1,524,938</b>	<b>\$ 12,058,931</b>

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

**PUTNAM COUNTY BOARD OF EDUCATION**

**EXHIBIT "F"**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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Net change in fund balances - total governmental funds (Exhibit "E")	\$	1,519,807
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 capital outlay exceeds depreciation is to increase net position.		
Capital outlay	\$ 3,502,748	
Depreciation expense	<u>(1,609,020)</u>	1,893,728
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes		(54,181)
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	\$ 2,730,000	
Bond premium amortization	<u>82,124</u>	2,812,124
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.		
Pension expense		1,182,666
Change in accrued interest		<u>28,213</u>
Changes in net position of governmental activities (Exhibit "B")	\$	<u><u>7,382,357</u></u>

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

**PUTNAM COUNTY BOARD OF EDUCATION**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**FIDUCIARY FUND**  
**JUNE 30, 2015**

**EXHIBIT "G"**

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	<b>ASSETS</b>	<u>Agency Funds</u>
Cash		\$ <u>37,932</u>
	<b>LIABILITIES</b>	
Funds held for others		\$ <u>37,932</u>

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

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**PUTNAM COUNTY BOARD OF EDUCATION    EXHIBIT “H”**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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**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    EXHIBIT “H”**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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

**Fund Financial Statements**

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

The School District reports the following major governmental funds:

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

The School District reports the following fiduciary fund type:

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

**Basis of Accounting**

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

**PUTNAM COUNTY BOARD OF EDUCATION    EXHIBIT “H”**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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**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 tax revenues reported in the governmental funds to be available if they are collected within 60 days after year-end. All other revenues are considered to be available if they are collected within 120 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, typically, 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 Governmental 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    EXHIBIT “H”**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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

**New Accounting Pronouncements**

In fiscal year 2015, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. The provisions of this statement establish accounting and financial reporting standards for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts. The adoption of this statement has a significant impact on the School District’s financial statements. As noted in Note 17 – Change in Accounting Principle – Prior Period Adjustment, the School District restated Beginning Net Position for the cumulative effect of this accounting change.

In fiscal year 2015, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 69, *Government Combinations and Disposals of Government Operations*. This statement provides specific accounting and financial reporting guidance for combinations in the governmental environment. This statement also requires that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The School District did not have any activities of this type during the fiscal year and the adoption of this statement does not have a significant impact on the School District’s financial statements.

In fiscal year 2015, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB No. 68*. The objective of this statement is to improve accounting and financial reporting by addressing an issue in Statement No. 68, *Accounting and Financial Reporting for Pensions*, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of statement. This statement amends paragraph 137 of Statement No. 68 which limited recognition of pension-related deferred inflows of resources at the transition to circumstances in which it is practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions. The adoption of this statement has a significant impact on the School District’s financial statements. As noted in Note 17 – Change in Accounting Principle – Prior Period Adjustment, the School District restated Beginning Net Position for the cumulative effect of this accounting change.

**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.

**PUTNAM COUNTY BOARD OF EDUCATION    EXHIBIT “H”**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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

**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    EXHIBIT “H”**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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

**Property Taxes**

The Putnam County Board of Commissioners fixed the property tax levy for the 2014 tax digest year (calendar year) on September 5, 2014 (levy date) based on property values as of January 1, 2014. Taxes were due on December 1, 2014 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2014 tax digest are reported as revenue in the governmental funds for fiscal year 2015. The Putnam County Tax Commissioner bills and collects the property taxes for the School District, withholds 0.45% 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, 2015, for maintenance and operations amounted to \$19,033,823.

The tax millage rate levied for the 2014 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>14.285</u> mills
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Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounts to \$646,729 during the fiscal year ended June 30, 2015.

**Sales Taxes**

Education Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to \$2,664,965 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 reauthorized 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.

**Prepaid Items**

Payments made to vendors for services that will benefit periods subsequent to June 30, 2015 are recorded as prepaid items.

**PUTNAM COUNTY BOARD OF EDUCATION    EXHIBIT “H”**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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

**Capital Assets**

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

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
Intangible Assets	100,000	10 to 15 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**

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of resources that applies to future period(s) and therefore will not be recognized as an outflow of resources (expense/expenditure) until then. Under the full accrual method of accounting, the School District has reported deferred outflows of resources related to a defined benefit pension plan, as discussed in Note 15 – Retirement Plans.

**PUTNAM COUNTY BOARD OF EDUCATION    EXHIBIT “H”**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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

**Deferred Outflows / Inflows of Resources (Continued)**

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of resources that applies to future period(s) and therefore will not be recognized as an inflow of resources (revenue) until that time. Under the full accrual method of accounting, the School District has reported deferred inflows of resources related to a defined benefit pension plan, as discussed in Note 15 – Retirement Plans. The School District has one other 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 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). Bond issuance costs are recognized as an outflow of resources in the fiscal year in which the bonds are issued.

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.

**Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers Retirement System of Georgia (TRS), the Public School Employees Retirement System (PSERS) and additions to/deductions from TRS/PSERS' fiduciary net position has been determined on the same basis as they are reported by TRS/PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See Note 15 - Retirement Plans.

**PUTNAM COUNTY BOARD OF EDUCATION    EXHIBIT “H”**  
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**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Position**

The School District's net position in the District-wide Statements are 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.

**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.

Included in the net deficit reported is the School District's Net Pension Liability of \$19,417,715, which is required for financial reporting.

**Fund Balance**

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 that 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.



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

**Fund Balance (Continued)**

**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; the formal action required 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, 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 have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the General Fund. The Board will maintain an unassigned fund balance not to exceed a 15% average of the total budget projections over the subsequent three fiscal year periods.

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; the formal action required to establish, modify, or rescind a fund balance commitment is a resolution approved by the Board. Funds should be committed prior to the end of the fiscal year, although the exact amount may be determined in the subsequent fiscal year.

**Assigned Fund Balance** – The Board of Education has authorized the Superintendent and the Director of Finance as officials authorized to assign fund balance to a specific purpose in accordance with the School District's policy. The accounting records should reflect sufficient documentation to support an assignment of funds by the administration.

The fund balance of the School District's General Fund has been accumulated to meet the purpose of providing stability and flexibility to respond to unexpected adversity and/or opportunities. The School District's basic goal is to maintain annual expenditure increases necessary to provide a consistent educational environment satisfactory to its citizens and to limit expenditure increases to anticipated revenue in order to maintain a balanced budget. 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.

**PUTNAM COUNTY BOARD OF EDUCATION    EXHIBIT “H”**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

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 4 – 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.

**PUTNAM COUNTY BOARD OF EDUCATION    EXHIBIT “H”**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**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.

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, 2015, the School District had deposits with a carrying amount of \$1,444,525 and a bank balance of \$2,859,156. The bank balances insured by the Federal depository insurance were \$250,000 and the bank balances collateralized with securities by the pledging financial institution’s agent in the School District’s name were \$2,609,156.

**PUTNAM COUNTY BOARD OF EDUCATION    EXHIBIT “H”**  
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**Note 4: DEPOSITS AND INVESTMENTS (CONTINUED)**

**Categorization of Investments**

At June 30, 2015, the School System had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Rating*</u>	<u>Fair Value</u>
Georgia Fund 1	56 day weighted average	AAAf	\$ 9,929,602
U.S. Agency - Federal National Mortgage Association	October 1, 2015	AA-	1,524,619
			<u>\$ 11,454,221</u>

*\*Rating as per Standard & Poor's*

The Georgia Fund 1, (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](http://www.audits.ga.gov/SGD/CAFR.html).

The Primary Liquidity Portfolio consists of Georgia Fund 1 which is not registered with the SEC as an investment company. The investment is valued at the pool's share price, \$1.00 per share. The pool is an AAAf rated investment pool by Standard & Poor's. The weighted average maturity for Georgia Fund 1 on June 30, 2015, was 56 days.

**Interest Rate Risk** - Interest rate risk is the risk that changes in interest rates of debt investments 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 13.3% of the School District's investments.

**PUTNAM COUNTY BOARD OF EDUCATION    EXHIBIT “H”**  
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**Note 5: NON-MONETARY TRANSACTIONS**

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

**Note 6: CAPITAL ASSETS**

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

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b><u>Governmental activities:</u></b>					
Capital assets, not being depreciated:					
Land	\$ 2,481,910	\$ -	\$ -	\$ -	\$ 2,481,910
Construction in progress	2,695,835	2,462,790	-	(2,755,737)	2,402,888
Total	<u>5,177,745</u>	<u>2,462,790</u>	<u>-</u>	<u>(2,755,737)</u>	<u>4,884,798</u>
Capital assets, being depreciated:					
Buildings and improvements	68,289,316	-	-	2,755,737	71,045,053
Equipment	5,757,385	1,032,763	(325,255)	-	6,464,893
Land improvements	1,341,277	7,195	-	-	1,348,472
Total	<u>75,387,978</u>	<u>1,039,958</u>	<u>(325,255)</u>	<u>2,755,737</u>	<u>78,858,418</u>
Less accumulated depreciation for:					
Buildings and improvements	(11,719,955)	(1,208,999)	-	-	(12,928,954)
Equipment	(4,417,954)	(338,216)	325,255	-	(4,430,915)
Land improvements	(698,991)	(61,805)	-	-	(760,796)
Total	<u>(16,836,900)</u>	<u>(1,609,020)</u>	<u>325,255</u>	<u>-</u>	<u>(18,120,665)</u>
Total capital assets, being depreciated, net	<u>58,551,078</u>	<u>(569,062)</u>	<u>-</u>	<u>2,755,737</u>	<u>60,737,753</u>
Governmental activities capital assets, net	<u>\$ 63,728,823</u>	<u>\$ 1,893,728</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 65,622,551</u>

**PUTNAM COUNTY BOARD OF EDUCATION    EXHIBIT "H"**  
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**Note 6: CAPITAL ASSETS (CONTINUED)**

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

Instruction		\$	1,167,460
Support Services			
Pupil Services	\$		66,623
General Administration			12,585
School Administration			42,963
Maintenance and Operations			27,723
Student Transportation			198,909
Central Support Services			27,339
			376,142
Food Services			65,418
			65,418
 Total Depreciation Expense		 \$	 1,609,020

**Note 7: INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 2015, consisted of the following:

Transfers To	Transfers From		Total
	General Fund	District-Wide Capital Projects Fund	
District-Wide Capital Projects Fund	\$ 411,047	\$ -	\$ 411,047
Debt Service Fund	1,303,271	1,847,270	3,150,541
	\$ 1,714,318	\$ 1,847,270	3,561,588

Transfers are used to move special purpose local option sales tax revenues from the District-wide Capital Projects Fund and property tax revenues from the General Fund to the Debt Service Fund to fund debt service payments and QZAB Sinking Fund and to move property tax revenues from the General Fund to the District-wide Capital Projects Fund to supplement capital outlay projects.

**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.

**PUTNAM COUNTY BOARD OF EDUCATION    EXHIBIT “H”**  
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**Note 8: RISK MANAGEMENT (CONTINUED)**

The School District participates in the Georgia School Boards Association Risk and Insurance Management System, a public entity risk pool organized on July 1, 1994, to develop and administer a plan to reduce risk of loss on account of general liability, motor vehicle liability, or property damage, including safety engineering and other loss prevention and control techniques, and to administer one or more groups of self-insurance funds, including the processing and defense of claims brought against members of the system. The School District pays an annual premium to the system for its general insurance coverage. Additional coverage is provided through agreements by the system with other companies according to their specialty for property, boiler and machinery (including coverage for flood and earthquake), general liability (including coverage for sexual harassment, molestation and abuse), errors and omissions, crime and automobile risks. Payment of excess insurance for the system varies by line of coverage.

The School District participates in the Georgia School Boards Association Workers' Compensation Fund, a public entity risk pool organized on July 1, 1992, to develop, implement, and administer a program of workers' compensation self-insurance for its member organizations. The School District pays an annual premium to the Fund for its Workers' Compensation insurance coverage. Excess insurance coverage is provided through an agreement by the Fund with the Safety National Casualty Corporation to provide coverage for potential losses sustained by the Fund in excess of \$550 thousand loss per occurrence, up to the statutory limit. Employers' Liability insurance coverage is also provided by Safety National Casualty Corporation to provide coverage for potential losses sustained by the Fund in excess of \$550 thousand loss per occurrence, up to \$2 million. In addition to the \$550,000 per occurrence retention, the Fund also retains an additional \$200,000 per year corridor retention.

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.

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>
2014	\$ -	\$ -	\$ -	\$ -
2015	\$ -	\$ 3,743	\$ 3,743	\$ -

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	12,500

**PUTNAM COUNTY BOARD OF EDUCATION    EXHIBIT “H”**  
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**Note 9: OPERATING LEASES**

Putnam County Board of Education has entered into various leases as lessee for copiers and a postage meter. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the year ended June 30, 2015 in the governmental funds amounted to \$36,098. Future minimum lease payments are as follows:

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Principal</u>
2016	\$ 47,742
2017	47,742
2018	11,936
	<u>\$ 107,420</u>

**Note 10: LONG-TERM LIABILITIES**

General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
General Government - Series 2007	3.875% - 5.00%	\$ 7,385,000
General Government - QZAB - Series 2007	0.00%	2,000,000
General Government - Series 2009	2.00% - 3.00%	1,500,000
		<u>\$ 10,885,000</u>

Voters have authorized \$8,500,000 in general obligation debt for capital projects which was not issued as of June 30, 2015.

**Changes in Long-Term Liabilities**

The changes in long-term liabilities during the fiscal year ended June 30, 2015, were as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
General Obligation Bonds	\$ 13,615,000	\$ -	\$ (2,730,000)	\$ 10,885,000	\$ 2,840,000
Unamortized Bond Premium	328,500	-	(82,124)	246,376	82,124
Net Pension Liability	28,812,388	954,923	(10,349,596)	19,417,715	-
Total	<u>\$ 42,755,888</u>	<u>\$ 954,923</u>	<u>\$ (13,161,720)</u>	<u>\$ 30,549,091</u>	<u>\$ 2,922,124</u>



**PUTNAM COUNTY BOARD OF EDUCATION    EXHIBIT “H”**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**Note 10: LONG-TERM LIABILITIES**

**Scheduled Maturities of Long-Term Liabilities**

At June 30, 2015, payments due by fiscal year which includes principal and interest for these items are as follows:

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>General Obligation Bonds</u>		<u>Unamortized</u>
	<u>Principal</u>	<u>Interest</u>	<u>Bond</u> <u>Premium</u>
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	-	-	-
2020	-	-	-
2021-2023	2,000,000	-	-
Total Principal and Interest	<u>\$ 10,885,000</u>	<u>\$ 549,066</u>	<u>\$ 246,376</u>

**Note 11: ON-BEHALF PAYMENTS**

The School District has recognized revenues and costs in the amount of \$82,243 retirement contributions paid on the School District's behalf by the following State Agencies.

Georgia Department of Education  
 Paid to the Teachers' Retirement System  
 For Teachers' Retirement System (TRS) Employer's Cost  
 In the amount of \$1,250

Office of the State Treasurer  
 Paid to the Public School Employees Retirement System  
 For Public School Employees Retirement System (PSERS) Employer's Cost  
 In the amount of \$80,993

Funds paid on behalf of the School District are reported in governmental funds. See Note 15 – Retirement Plans for the State support related to the Net Pension Liability.

**PUTNAM COUNTY BOARD OF EDUCATION    EXHIBIT “H”**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**Note 12: SIGNIFICANT COMMITMENTS**

The following is an analysis of significant outstanding construction contracts executed by the School District as of June 30, 2015.

Project	Unearned Executed Contracts
Secured Vestibules	\$        105,972

**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

**PUTNAM COUNTY BOARD OF EDUCATION    EXHIBIT “H”**  
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**Note 14: OTHER POST EMPLOYMENT BENEFITS (CONTINUED)**

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

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

Participating employers are statutorily required to contribute in accordance with the employer contribution rates established by the Board. The contribution rates are established to fund all benefits due under the health insurance plans for both active and retired employees based on projected “pay-as-you-go” financing requirements. Contributions are not based on the actuarially calculated annual required contribution (ARC) which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 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, 2015:

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

<b>Period</b>	<b>Contribution Amount</b>
<i><b>Certificated Personnel</b></i>	
July 1, 2014 - June 30, 2015	\$945 per member per month

For non-certificated school personnel:

<b>Period</b>	<b>Contribution Amount</b>
<i><b>Non-certificated Personnel</b></i>	
July 1, 2014 - June 30, 2015	\$596.20 per member per month

No additional contribution was required by the Board for fiscal year 2015 nor contributed to the School OPEB Fund to prefund retiree benefits. Such additional contribution amounts are determined annually by the Board in accordance with the School plan for other post-employment benefits and are subject to appropriation.

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**Note 14: OTHER POST EMPLOYMENT BENEFITS (CONTINUED)**

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

Currently, the state is requiring that local Boards of Education pay only on active employees. The District’s contribution to the health insurance plans for the fiscal years ended June 30, 2015, 2014 and 2013 was \$3,435,860, \$3,378,264, and \$3,176,048, respectively, which equaled the required contribution.

**Note 15: RETIREMENT PLANS**

Putnam County Board of Education participates in various retirement plans administered by the State of Georgia, as further explained below.

**Teachers Retirement System of Georgia (TRS)**

*Plan Description.* All teachers of the District as defined in §47-3-60 of the Official Code of Georgia Annotated (O.C.G.A.) and certain other support personnel as defined by §47-3-63 are provided a pension through the Teacher Retirement System of Georgia (TRS). TRS, a cost-sharing multiple-employer defined benefit pension plan, is administered by the TRS Board of Trustees (TRS Board). Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. The Teachers Retirement System of Georgia issues a publicly available separate financial audit report that can be obtained at [www.trsga.com/publications](http://www.trsga.com/publications).

*Benefits Provided.* TRS provides service retirement, disability retirement, and death benefits. Normal retirement benefits are determined as 2% of the average of the employee’s two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. An employee 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. Ten years of service is required for disability and death benefits eligibility. Disability benefits are based on the employee’s creditable service and compensation up to the time of disability. Death benefits equal the amount that would be payable to the employee’s beneficiary had the employee retired on the date of death. Death benefits are based on the employee’s creditable service and compensation up to the date of death.

*Contributions.* Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6% of their annual pay during fiscal year 2015. The school district’s contractually required contribution rate for the year ended June 30, 2015 was 13.15% of annual school district payroll.

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**Note 15: RETIREMENT PLANS (CONTINUED)**

**Teachers Retirement System of Georgia (TRS) (Continued)**

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>
2015	100%	\$2,137,589
2014	100%	1,914,110
2013	100%	1,901,966

**Public School Employees Retirement System (PSERS)**

*Plan Description.* PSERS is a cost-sharing multiple-employer defined benefit pension plan established by the Georgia General Assembly in 1969 for the purpose of providing retirement allowances for public school employees who are not eligible for membership in the Teachers Retirement System of Georgia. The ERS Board of Trustees, plus two additional trustees, administer PSERS. Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. PSERS issues a publicly available financial report that can be obtained at [www.ers.ga.gov/formspubs/formspubs](http://www.ers.ga.gov/formspubs/formspubs).

*Benefits Provided.* A member may retire and elect to receive normal monthly retirement benefits after completion of ten years of creditable service and attainment of age 65. A member may choose to receive reduced benefits after age 60 and upon completion of ten years of service.

Upon retirement, the member will receive a monthly benefit of \$14.75, multiplied by the number of years of creditable service. Death and disability benefits are also available through PSERS. Additionally, PSERS may make periodic cost-of-living adjustments to the monthly benefits. Upon termination of employment, member contributions with accumulated interest are refundable upon request by the member. However, if an otherwise vested member terminates and withdraws his/her member contribution, the member forfeits all rights to retirement benefits.

*Contributions.* The general assembly makes an annual appropriation to cover the employer contribution to PSERS on behalf of local school employees (bus drivers, cafeteria workers, and maintenance staff). The annual employer contribution required by statute is actuarially determined and paid directly to PSERS by the State Treasurer in accordance with O.C.G.A. §47-4-29(a) and 60(b). Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Individuals who became members prior to July 1, 2012 contribute \$4 per month for nine months each fiscal year. Individuals who became members on or after July 1, 2012 contribute \$10 per month for nine months each fiscal year. The State of Georgia, although not the employer of PSERS members, is required by statute to make employer contributions actuarially determined and approved and certified by the PSERS Board of Trustees.

**PUTNAM COUNTY BOARD OF EDUCATION    EXHIBIT “H”**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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**Note 15: RETIREMENT PLANS (CONTINUED)**

**Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2015, the School District reported a liability of \$19,417,715 for its proportionate share of the net pension liability for TRS.

The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2013. An expected total pension liability as of June 30, 2014 was determined using standard roll-forward techniques. The School District’s proportion of the net pension liability was based on contributions to TRS and ERS during the fiscal year ended June 30, 2014.

At June 30, 2014, the School District’s TRS proportion was 0.153698%, which was a decrease of 0.011654% from its proportion measured as of June 30, 2013.

At June 30, 2015, the School District did not have a PSERS liability for a proportionate share of the net pension liability because of a Special Funding Situation with the State of Georgia, which is responsible for the net pension liability of the plan. The amount of the State’s proportionate share of the net pension liability associated with the School District is \$302,528.

The PSERS net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2013. An expected total pension liability as of June 30, 2014 was determined using standard roll-forward techniques. The State’s proportion of the net pension liability associated with the School District was based on actuarially determined contributions paid by the State during the fiscal year ended June 30, 2014.

For the year ended June 30, 2015, the School District recognized pension expense of \$954,923 for TRS and \$26,273 for PSERS and revenue of \$26,273 for PSERS. The revenue is support provided by the State of Georgia.

**PUTNAM COUNTY BOARD OF EDUCATION    EXHIBIT “H”**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**Note 15: RETIREMENT PLANS (CONTINUED)**

**Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

At June 30, 2015, the School District reported deferred outflows of resource and deferred inflows of resources related to pension from the following sources:

	<b>TRS</b>	
	Deferred Outflow of Resources	Deferred Inflow of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 6,769,427
Changes in proportion and differences between School District contributions and proportionate share of contributions	-	1,654,641
School District contributions subsequent to the measurement date	2,137,589	
<b>Total</b>	<b>\$ 2,137,589</b>	<b>\$ 8,424,068</b>

School District contributions subsequent to the measurement date of June 30, 2014 for TRS are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>TRS</u>
2016	\$ (2,068,411)
2017	(2,068,411)
2018	(2,068,411)
2019	(2,068,413)
2020	(150,422)
Thereafter	-

**PUTNAM COUNTY BOARD OF EDUCATION    EXHIBIT “H”**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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**Note 15: RETIREMENT PLANS (CONTINUED)**

**Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

*Actuarial Assumptions:* The total pension liability was determined by an actuarial valuation as of June 30, 2013, using the following actuarial assumptions, applied to all periods included in the measurement:

**Teachers Retirement System**

Inflation	3.00%
Salary increases	3.75 – 7.00%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females set back two years for males and set back three years for females.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2004 – June 30, 2009.

**Public School Employees Retirement System**

Inflation	3.0%
Salary increase	N/A
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table set forward one year for males for the period after service retirement, for dependent beneficiaries, and for deaths in active service, and the RP-2000 Disabled Mortality Table set back two years for males and set forward one year for females for the period after disability retirement.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2004 – June 30, 2009.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:



**PUTNAM COUNTY BOARD OF EDUCATION    EXHIBIT “H”**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**Note 15: RETIREMENT PLANS (CONTINUED)**

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return*</u>
Fixed income	30.00%	3.00%
Domestic large stocks	39.70	6.50
Domestic mid stocks	3.70	10.00
Domestic small stocks	1.60	13.00
International developed market stocks	18.90	6.50
International emerging market stocks	6.10	11.00
Total	<u>100.00%</u>	

\* Rates shown are net of the 3.00% assumed rate of inflation

*Discount Rate.* The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and nonemployer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the School District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate:* The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	<u>1% Decrease (6.50%)</u>	<u>Current discount rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
District's proportionate share of the net pension liability	\$ 35,784,243	\$ 19,417,715	\$ 5,940,219

*Pension Plan Fiduciary Net Position:* Detailed information about the pension plan’s fiduciary net position is available in the separately issued TRS financial report which is publically available at [www.trsga.com/publications](http://www.trsga.com/publications).

**PUTNAM COUNTY BOARD OF EDUCATION    EXHIBIT “H”**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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**Note 16: SUBSEQUENT EVENT**

**Tax Anticipation Note**

On October 29, 2015, the Putnam County Board of Education obtained a temporary loan for up to \$3,500,250 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, 2015. No amounts were drawn on the loan. The School District did incur an origination fee and accrued interest on the origination fee totaling \$251, which was repaid on December 11, 2015.

**Note 17: CHANGE IN ACCOUNTING PRINCIPLE - PRIOR PERIOD ADJUSTMENT**

In fiscal year 2015, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The provisions of these statements establish accounting and financial reporting standards for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts. Implementation of this statement required the School District to record a liability for its proportionate share of the Net Pension Liability of the Teachers Retirement System (TRS). The following adjustment was required to net position of governmental activities to record the net pension liability as of July 1, 2014:

Net Position, Governmental Activities, previously reported	\$     60,922,010
Deferred outflows, contributions subsequent to measurement date	1,925,528
Proportionate share of Net TRS pension liability	<u>(28,812,388)</u>
Net Position, Governmental Activities, as restated	<u>\$     34,035,150</u>

This change is in accordance with generally accepted accounting principles.

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**PUTNAM COUNTY BOARD OF EDUCATION**

**SCHEDULE "1"**

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHERS' RETIREMENT SYSTEM OF GEORGIA  
FOR THE FISCAL YEAR ENDED JUNE 30**

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	<u>2015</u>
School District's proportion of the net pension liability	0.153698%
School District's proportionate share of the net pension liability	\$ 19,417,715
School District's covered-employee payroll	\$ 15,680,195
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	123.84%
Plan fiduciary net position as a percentage of the total pension liability	84.03%

Note: The measurement period for the year ended June 30, 2015 is June 30, 2014. The schedule above is intended to show information for the last ten fiscal years. Additional years will be displayed as they become available.

**PUTNAM COUNTY BOARD OF EDUCATION**

**SCHEDULE "2"**

**SCHEDULE OF CONTRIBUTIONS  
TEACHERS' RETIREMENT SYSTEM OF GEORGIA  
FOR THE FISCAL YEAR ENDED JUNE 30**

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	<u>2015</u>
Contractually required contribution	\$ 2,137,589
Contributions in relation to the contractually required contribution	<u>\$ 2,137,589</u>
Contribution deficiency (excess)	\$ -
School District's covered-employee payroll	\$ 16,255,430
Contributions as a percentage of covered-employee payroll	13.15%

Note: The schedule above is intended to show information for the last ten fiscal years. Additional years will be displayed as they become available.

PUTNAM COUNTY BOARD OF EDUCATION

SCHEDULE "3"

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
TEACHERS' RETIREMENT SYSTEM OF GEORGIA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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**Changes of assumptions :** In 2010 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In 2010, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

**Method and assumptions used in calculations of actuarially determined contributions :** The actuarially determined contribution rates in the schedule of contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the contractually required contributions for the year ended June 30, 2015 reported in that schedule:

Valuation date	June 30, 2012
Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	30 years
Asset valuation method	Seven-year smoothed market
Inflation rate	3.00%
Salary increases	3.75 – 7.00%, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

**PUTNAM COUNTY BOARD OF EDUCATION**

**SCHEDULE "4"**

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	Nonappropriated Budget		Actual	Variance With Final Budget
	Original <sup>(1)</sup>	Final <sup>(1)</sup>		
<b>REVENUES</b>				
Property taxes	\$ 20,040,189	\$ 20,040,189	\$ 19,680,552	\$ (359,637)
Sales taxes	300,000	300,000	274,602	(25,398)
Other taxes	-	-	8,344	8,344
State funds	9,232,148	9,281,702	9,539,994	258,292
Federal funds	5,628,214	5,874,184	5,257,840	(616,344)
Charges for services	206,157	194,814	965,016	770,202
Investment earnings	5,000	5,000	12,487	7,487
Miscellaneous	208,000	230,000	315,432	85,432
Total revenues	<u>35,619,708</u>	<u>35,925,889</u>	<u>36,054,267</u>	<u>128,378</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	19,319,238	19,303,819	19,323,758	(19,939)
Support services:				
Pupil services	1,095,390	1,177,480	1,194,009	(16,529)
Improvement of instructional services	1,220,174	1,365,761	1,085,720	280,041
Educational media services	483,279	472,529	461,619	10,910
General administration	422,194	406,350	379,450	26,900
School administration	1,871,801	1,864,041	1,836,642	27,399
Business administration	722,301	745,178	726,615	18,563
Maintenance and operation of plant	3,763,027	3,029,877	2,815,188	214,689
Student transportation services	3,082,126	3,152,189	3,081,848	70,341
Central support services	827,814	928,128	909,655	18,473
Other support services	40,668	46,678	36,891	9,787
Food services operations	1,974,814	1,959,551	1,820,445	139,106
Total expenditures	<u>34,822,826</u>	<u>34,451,581</u>	<u>33,671,840</u>	<u>779,741</u>
Excess of revenues over expenditures	<u>796,882</u>	<u>1,474,308</u>	<u>2,382,427</u>	<u>908,119</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	110,000	145,000	-	(145,000)
Transfers out	(1,497,616)	(2,149,951)	(1,714,318)	435,633
Total other financing sources (uses)	<u>(1,387,616)</u>	<u>(2,004,951)</u>	<u>(1,714,318)</u>	<u>290,633</u>
Net change in fund balance	(590,734)	(530,643)	668,109	1,198,752
<b>FUND BALANCE, beginning of year</b>	<u>7,643,839</u>	<u>7,643,839</u>	<u>7,643,839</u>	<u>-</u>
<b>FUND BALANCE, end of year</b>	<u>\$ 7,053,105</u>	<u>\$ 7,113,196</u>	<u>\$ 8,311,948</u>	<u>\$ 1,198,752</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 (\$564,363) or expenditures (\$521,385) 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 "5"**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

<u>Funding Agency 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	1,726,751 (2)
Total Child Nutrition Cluster			<u>1,726,751</u>
Other Programs			
Pass-Through From Georgia Department of Education			
State Administrative Expenses	10.560	N/A	<u>2,688</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>1,729,439</u>
Health and Human Services, U. S. Department of			
Direct			
Head Start Cluster	* 93.600		<u>1,217,618</u>
Education, U. S. Department of			
Pass-Through From Georgia Department of Education			
Special Education Cluster			
Grants to States	84.027	N/A	620,232
Preschool Grants	84.173	N/A	16,440
Total Special Education Cluster			<u>636,672</u>
Other Programs			
Pass-Through From Georgia Department of Education			
Title I, Part A, Grants to Local Educational Agencies	84.010	N/A	1,019,623
English Language Acquisition Grants	84.365	N/A	12,719
Improving Teacher Quality State Grants	84.367	N/A	111,731
Migrant Education - State Grant Program	84.011	N/A	18,818
ARRA - Race to the Top	84.395	N/A	4,482
Rural Education	84.358	N/A	36,183
Career and Technical Education - Basic Grants to States	84.048	N/A	35,175
Pass-Through From Oconee Regional Educational Services Agency			
Mathematics and Science Partnerships	84.366	N/A	<u>9,888</u>
Total U. S. Department of Education			<u>1,885,291</u>
Labor, U. S. Department of			
Direct			
Youthbuild	* 17.274		<u>443,600</u>
Defense, U. S. Department of			
Direct			
Department of the Air Force			
R.O.T.C. Program			52,080
Total Expenditures of Federal Awards			<u>\$ 5,328,028</u>

N/A = Not Available



**PUTNAM COUNTY BOARD OF EDUCATION**

**SCHEDULE "5"**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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**Notes to the Schedule of Expenditures of Federal Awards**

- (1) Expenditures for the funds earned on the School Breakfast Program (\$439,195) were not maintained separately and are included in the 2015 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 \$103,090.
- (3) Funds earned on this program in the amount of \$47,608 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 "6"**

**SCHEDULE OF STATE REVENUE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

<u>Agency/Funding</u>	<b>Governmental Fund Types</b>		<b>Totals</b>
	<b>General Fund</b>	<b>Capital Projects Fund</b>	
<b>Grants</b>			
Education, Georgia Department of			
Quality Basic Education			
Direct Instructional Cost			
Kindergarten Program	\$ 633,825	\$ -	\$ 633,825
Kindergarten Program - Early Intervention Program	46,774	-	46,774
Primary Grades (1-3) Program	1,493,099	-	1,493,099
Primary Grades - Early Intervention (1-3) Program	133,937	-	133,937
Upper Elementary Grades (4-5) Program	601,522	-	601,522
Upper Elementary Grades - Early Intervention (4-5) Program	9,541	-	9,541
Middle School (6-8) Program	1,006,086	-	1,006,086
High School General Education (9-12) Program	787,520	-	787,520
Vocational Laboratory (9-12) Program	298,980	-	298,980
Students with Disabilities	1,772,266	-	1,772,266
Gifted Students - Category VI	308,952	-	308,952
Remedial Education Program	132,121	-	132,121
Alternative Education Program	69,936	-	69,936
English Speakers of Other Languages (ESOL)	113,759	-	113,759
Media Center Program	194,895	-	194,895
20 Days Additional Instruction	57,056	-	57,056
Staff and Professional Development	35,079	-	35,079
Principal, Staff, and Professional Development	745	-	745
Charter School Adjustment	227,960	-	227,960
Indirect Cost			
Central Administration	294,535	-	294,535
School Administration	386,713	-	386,713
Facility Maintenance and Operations	453,748	-	453,748
Categorical Grants			
Pupil Transportation			
Regular	335,272	-	335,272
State Bonds	77,220	-	77,220
Nursing Services	51,619	-	51,619
Vocational Supervisors	6,534	-	6,534
Food Services	45,472	-	45,472
Vocational Education	143,363	-	143,363
Amended Formula Adjustment	(786,346)	-	(786,346)
Other State Programs			
Math and Science Supplements	45,754	-	45,754
Preschool Handicapped Program	21,259	-	21,259
Teacher of the Year	1,014	-	1,014
Lottery Programs			
Pre-Kindergarten	457,541	-	457,541
On-Behalf Payments			
Georgia Department of Education			
Paid to the Teachers' Retirement System	1,250	-	1,250
Office of Treasury and Fiscal Services			
Paid to the Public School Employees Retirement System	80,993	-	80,993
Technical College System of Georgia			
Career Academy	-	2,138,891	2,138,891
Governor's Office of Student Achievement			
Connections for Classrooms	-	317,786	317,786
	<u>\$ 9,539,994</u>	<u>\$ 2,456,677</u>	<u>\$ 11,996,671</u>

See notes to the basic financial statements.

**PUTNAM COUNTY BOARD OF EDUCATION**

**SCHEDULE "7"**

**SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

<u>Project</u>	<u>Original Estimated Cost (1)</u>	<u>Current Estimated Costs (2)</u>	<u>Expended In Current Year (3) (4) (5) (6)</u>	<u>Expended In Prior Years (3) (4)</u>	<u>Total Completion Cost</u>	<u>Estimated Completion Date</u>
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	\$ 21,445,140	\$ 3,150,541	\$ 17,829,729	\$ 20,980,270	October 2016
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; and paying expenses incidental to accomplishing the foregoing.	33,277,546	41,989,872	23,904	41,965,289	41,989,193	June 2016
	<u>\$ 53,767,546</u>	<u>\$ 63,435,012</u>	<u>\$ 3,174,445</u>	<u>\$ 59,795,018</u>	<u>\$ 62,969,463</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, 2015, there were no excess proceeds which were not yet expended.
- (6) Expenditures in the District-wide Capital Projects Fund include \$2,867,722 not related to any SPLOST projects.

See notes to the basic financial statements.

**PUTNAM COUNTY BOARD OF EDUCATION**

**SCHEDULE "8"**

**SCHEDULE OF QUALITY BASIC EDUCATION PROGRAM (QBE)  
ALLOTMENTS AND EXPENDITURES BY PROGRAM  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

<u>Description</u>	<u>Allotments From Georgia Department of Education (1) (2)</u>	<u>Eligible QBE Program Costs</u>		
		<u>Salaries</u>	<u>Operations</u>	<u>Total</u>
<b>Direct Instructional Funds:</b>				
Kindergarten Program	\$ 1,162,616	\$ 1,189,858	\$ 20,918	\$ 1,210,776
Kindergarten Program - Early Intervention Program	76,024	-	281	281
Primary Grades (1-3) Program	2,640,109	2,219,293	64,740	2,284,033
Primary Grades - Early Intervention (1-3) Program	243,031	337,423	1,696	339,119
Upper Elementary Grades (4-5) Program	1,076,634	1,447,758	18,647	1,466,405
Upper Elementary Grades - Early Intervention (4-5) Program	19,140	65,724	500	66,224
Middle School (6-8) Program	1,810,186	2,475,435	45,124	2,520,559
High School General Education (9-12) Program	1,403,541	2,020,171	97,087	2,117,258
Vocational Laboratory (9-12) Program	530,055	400,924	36,362	437,286
Students with Disabilities	3,160,344	-	-	-
Category III	-	3,741,969	61,551	3,803,520
Gifted Student - Category VI	547,291	294,720	10,073	304,793
Remedial Education Program	249,547	151,565	1,500	153,065
Alternative Education Program	124,558	65,953	676	66,629
English Speakers of Other Languages (ESOL)	197,736	120,706	939	121,645
<b>TOTAL DIRECT INSTRUCTIONAL PROGRAMS</b>	<b>13,240,812</b>	<b>14,531,499</b>	<b>360,094</b>	<b>14,891,593</b>
Media Center Program	348,795	429,373	32,246	461,619
Staff and Professional Development	62,872	26,246	40,122	66,368
<b>TOTAL QBE FORMULA FUNDS</b>	<b>\$ 13,652,479</b>	<b>\$ 14,987,118</b>	<b>\$ 432,462</b>	<b>\$ 15,419,580</b>

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

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

See notes to the basic financial statements.

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SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS

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## 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

July 11, 2016

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, 2015, 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 July 11, 2016.

### **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.



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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 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 July 11, 2016.

### **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:er  
2015YB-10

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## 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

July 11, 2016

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, 2015. 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.

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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, 2015.

### **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

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SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS



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PUTNAM COUNTY BOARD OF EDUCATION  
AUDITEE'S RESPONSE  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2015

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

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SECTION IV

FINDINGS AND QUESTIONED COSTS

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PUTNAM COUNTY BOARD OF EDUCATION  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED JUNE 30, 2015

**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
17.274	Youthbuild
93.600	Head Start Cluster
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000.00
Auditee qualified as low-risk auditee?	No

**II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS**

No matters were reported.

**III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.