



**THOMAS COUNTY BOARD OF EDUCATION
THOMASVILLE, GEORGIA**

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

(Including Independent Auditor's Reports)

THOMAS COUNTY BOARD OF EDUCATION

- TABLE OF CONTENTS -

	<u>Page</u>
SECTION I	
FINANCIAL	
INDEPENDENT AUDITOR'S COMBINED REPORT ON BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	
REQUIRED SUPPLEMENTARY INFORMATION	
MANAGEMENT'S DISCUSSION AND ANALYSIS	i
EXHIBITS	
BASIC FINANCIAL STATEMENTS	
DISTRICT-WIDE FINANCIAL STATEMENTS	
A STATEMENT OF NET ASSETS	1
B STATEMENT OF ACTIVITIES	2
FUND FINANCIAL STATEMENTS	
C BALANCE SHEET	
GOVERNMENTAL FUNDS	4
D RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS	5
E STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	
GOVERNMENTAL FUNDS	6
F RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES	7
G STATEMENT OF FIDUCIARY NET ASSETS	
FIDUCIARY FUNDS	8
H STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS	
FIDUCIARY FUNDS	9
I NOTES TO THE BASIC FINANCIAL STATEMENTS	11
SCHEDULES	
REQUIRED SUPPLEMENTARY INFORMATION	
1 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL GENERAL FUND	29
SUPPLEMENTARY INFORMATION	
2 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	30

THOMAS COUNTY BOARD OF EDUCATION

- TABLE OF CONTENTS -

	<u>Page</u>
SECTION I	
FINANCIAL	
SCHEDULES	
SUPPLEMENTARY INFORMATION	
3 SCHEDULE OF STATE REVENUE	31
4 SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS	32
5 ALLOTMENTS AND EXPENDITURES	
GENERAL FUND - QUALITY BASIC EDUCATION PROGRAMS (QBE)	
BY PROGRAM	33
SECTION II	
COMPLIANCE AND INTERNAL CONTROL REPORTS	
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	
SECTION III	
AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS	
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS	
SECTION IV	
FINDINGS AND QUESTIONED COSTS	
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	

THOMAS COUNTY BOARD OF EDUCATION

- TABLE OF CONTENTS -

SECTION V

MANAGEMENT'S RESPONSES

SCHEDULE OF MANAGEMENT'S RESPONSES

SECTION I
FINANCIAL



DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

March 20, 2013

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

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

Ladies and Gentlemen:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information (Exhibits A through I) of the Thomas County Board of Education, as of and for the year ended June 30, 2012, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Thomas County Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Thomas County Board of Education, as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2013, on our consideration of the Thomas County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and the Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual, as presented on pages i through xi and page 29 respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Thomas County Board of Education's financial statements as a whole. The accompanying supplementary information consists of Schedules 2 through 5, which includes the Schedule of Expenditures of Federal Awards as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Respectfully,



Greg S. Griffin
State Auditor

GSG:as
2012ARL-11

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

The discussion and analysis of Thomas County Board of Education's financial performance provides an overall review of the Board's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the Board'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 Board's financial performance.

Financial Highlights

Key financial highlights for 2012 are as follows:

- ❑ On the District-wide financial statements, the assets of the Board exceeded liabilities by \$65.5 million, an increase of \$0.6 million over fiscal year 2011. Of the \$65.5 million, \$4.3 million is unrestricted and is available for spending at the School Board's discretion.
- ❑ The Board had \$49.5 million in expenses relating to governmental activities; only \$31.0 million of these expenses are offset by program specific charges for services, grants and contributions. General revenues (primarily property and sales taxes) of \$19.1 million were adequate to provide for these programs.
- ❑ As stated above, general revenues accounted for \$19.1 million or 38 percent of all revenues totaling \$50.1 million. Program specific revenues in the form of charges for services, grants and contributions accounted for \$31.0 million, or 62 percent of total revenues.
- ❑ Among major funds, the General Fund had \$45.2 million in revenue and \$46.0 million in expenditures, plus \$0.1 million in other sources. The General Fund's balance decreased to \$5.4 million from \$6.1 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 the Thomas County Board of Education as a financial whole, or as an entire operating entity.

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole Board, presenting both an aggregate view of the Board's finances and a longer-term view of those finances. *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 Board's most significant funds. In the case of the Thomas County Board of Education, the General Fund is by far the most significant fund.

Reporting the Board as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the Board to provide programs and activities for the schools, the view of the Board as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2012?" The Statement of Net Assets and the Statement of Activities answers this question. These statements include all *assets* and *liabilities* using the economic resources focus and *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 the cash is received or paid.

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

These two statements report the Board's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the Board as a whole, the *financial position* of the Board 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 Board's property tax base, facility conditions, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the Board has one distinct type of activity:

- Governmental Activities** - All of the Board's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, food service, student activity accounts and various others.

Reporting the Board's Most Significant Funds

Fund Financial Statements

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

Governmental Funds Most of the Board's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the current financial resources measurement focus and the *modified accrual* accounting method, 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 Board's general government operations and the basic services it provides. Governmental fund information helps determine whether there are adequate 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 Assets and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.

Fiduciary Funds The Board is the trustee, or *fiduciary*, for assets that belong to others, such as school clubs and organizations within the principals' accounts. The 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 district excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

The Board as a Whole

The perspective of the statement of net assets is of the Board as a whole. Table 1 provides a summary of the Board's net assets for fiscal year 2012, and the comparative amounts for fiscal year 2011.

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

Table 1
Net Assets at June 30, 2012 and 2011

	Governmental Activities	
	Fiscal Year 2012	Fiscal Year 2011
Assets		
Current and Other Assets	\$ 37,168,693	\$ 21,884,909
Capital Assets, Net	62,245,434	61,624,279
Total Assets	\$ 99,414,127	\$ 83,509,188
Liabilities		
Current and Other Liabilities	\$ 6,725,610	\$ 6,556,207
Long-Term Liabilities	27,194,245	12,102,078
Total Liabilities	\$ 33,919,855	\$ 18,658,285
Net Assets		
Invested in Capital Assets, Net of Related Debt	\$ 50,577,690	\$ 50,484,701
Restricted	10,618,849	8,588,749
Unrestricted	4,297,733	5,777,453
Total Net Assets	\$ 65,494,272	\$ 64,850,903

Total net assets increased by \$0.6 million in fiscal year 2012. Current assets increased by \$15.3 million and capital assets increased by \$0.6 million in fiscal year 2012. The increase in current assets is primarily due to the sale of \$16 million in SPLOST bonds in April, 2012. Net capital assets increased because capital projects completed during the year exceeded the annual charge for depreciation.

Table 2 shows the changes in net assets for fiscal year 2012 compared to changes in net assets for fiscal year 2011.

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

Table 2
Change in Net Assets

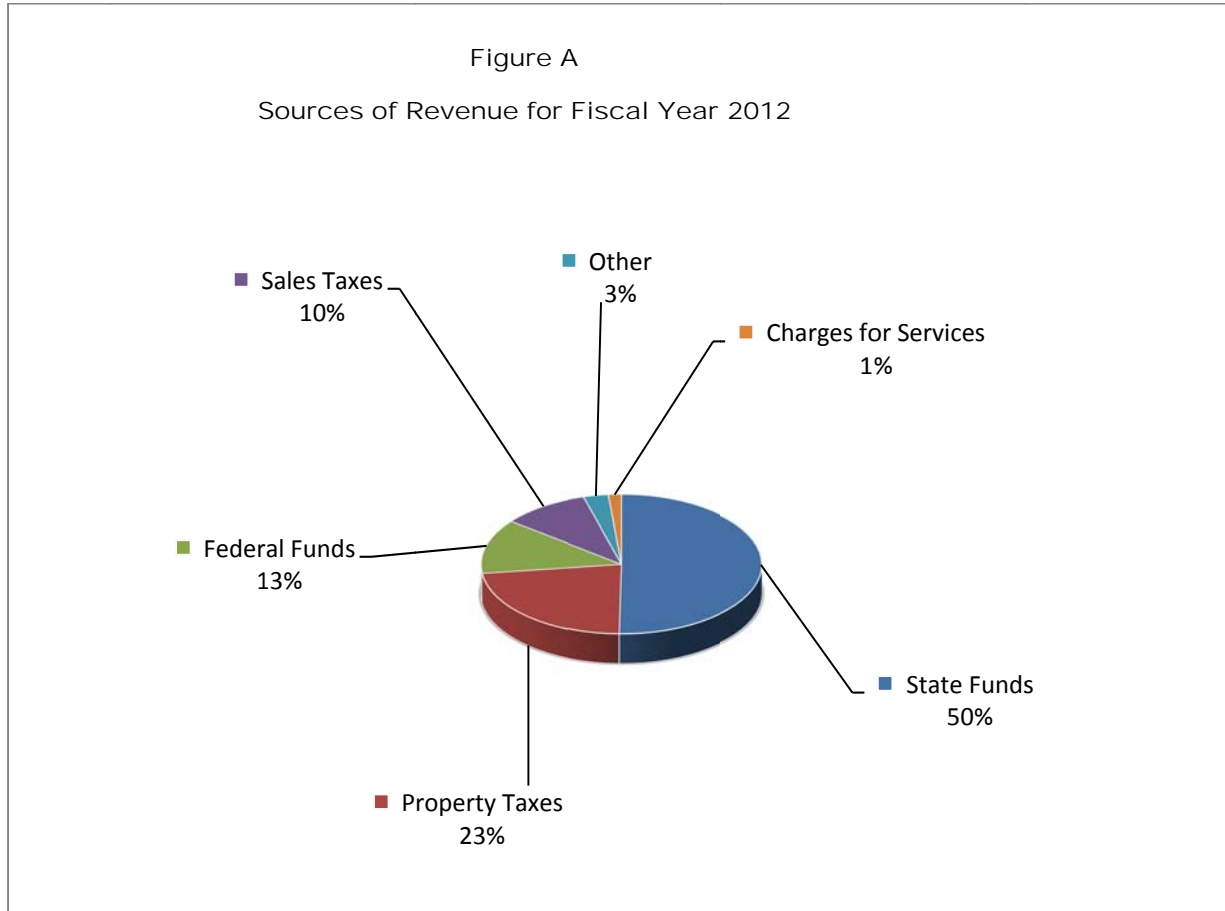
	Governmental Activities	
	Fiscal Year	Fiscal Year
	2012	2011
Revenues		
Program Revenues:		
Charges for Services and Sales	\$ 756,813	\$ 806,159
Operating Grants and Contributions	30,046,687	33,356,796
Capital Grants and Contributions	152,439	474,875
Total Program Revenues	\$ 30,955,939	\$ 34,637,830
General Revenues:		
Taxes		
Property Taxes		
For Maintenance and Operations	\$ 11,353,409	\$ 11,092,635
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Debt Service and Capital Projects	4,921,748	4,863,744
Other Sales Tax	132,655	147,169
Grants and Contributions not		
Restricted to Specific Programs	1,309,274	1,570,864
Investment Earnings	159,038	238,160
Miscellaneous	1,269,933	1,154,641
Special Item		
Sale of Land and Buildings		453,143
Total General Revenues and Special Item	\$ 19,146,057	\$ 19,520,356
Total Revenues	\$ 50,101,996	\$ 54,158,186
Program Expenses:		
Instruction	\$ 30,599,340	\$ 31,345,873
Support Services		
Pupil Services	2,732,604	2,604,951
Improvement of Instructional Services	2,189,129	2,122,875
Educational Media Services	722,382	714,011
General Administration	676,916	561,006
School Administration	2,551,947	2,724,045
Business Administration	383,876	361,618
Maintenance and Operation of Plant	3,219,046	3,149,246
Student Transportation Services	2,095,751	1,950,663
Central Support Services	387,034	468,751
Other Support Services	150,104	294,119
Operations of Non-Instructional Services		
Enterprise Operations	246,876	275,629
Food Services	3,101,356	2,940,025
Interest on Short-Term and Long-Term Debt	402,266	388,988
Total Expenses	\$ 49,458,627	\$ 49,901,800
Increase in Net Assets	\$ 643,369	\$ 4,256,386

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

Operating grants and contributions decreased by \$3.3 million due to additional state education funding reductions. Capital grants decreased by \$0.3 million due to the completion of a project in fiscal year 2011 that received facility grants from the State of Georgia for the renovation of the HVAC System at the high school, and due to reduction in the State's bus purchase grant.

General revenues decreased by \$0.4 million due to the reduction of the Equalization Grant by the State of Georgia, plus fiscal year 2011 included a special revenue item from the sale of property. Program expenses were \$0.4 million less than the prior year. In a normal year program expenses would increase due to employees advancing a step on the salary scale, but several positions were eliminated in fiscal year 2012 through attrition.

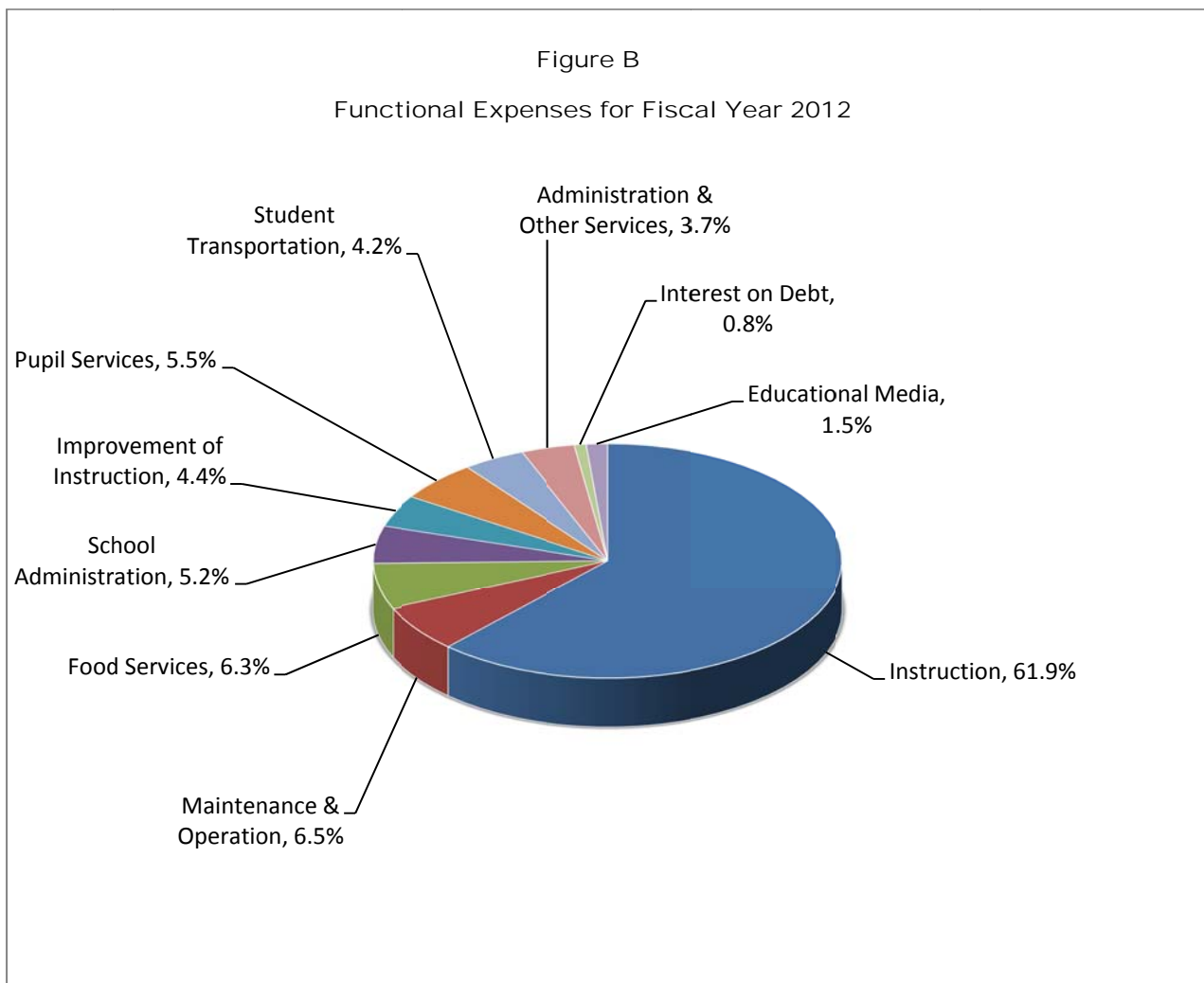
Figure A shows the funding sources for the governmental fund revenues. State grants comprise 50 percent of the Board's revenues, a 1 percent reduction from 2011. Property taxes make up 23 percent of the total funding, an increase of 3 percent over 2011, while an additional 13 percent is received from Federal sources, a decrease of 2 percent from the prior year.



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

As shown in Figure B, Instruction comprised 61.9 percent of governmental program expenses, while nine additional areas comprise the other 38.1 percent of expenses for fiscal year 2012. Administration and Other Services (3.7 percent) consists of the central office, business and warehouse, athletics and other operations of the School District. Areas with the most direct impact on student instruction comprise 73.3 percent of the expenses, which included instruction, pupil services, improvement of instruction, and media services. The total for this same category for 2011 was 73.7 percent.

All of the percentages in the graph below are similar to the percentages from 2011, with the biggest change occurring in instruction, which decreased from 62.8 percent to 61.9 percent of the total of functional expenses.



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

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. In other words, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	Fiscal Year 2012	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2011
Instruction	\$ 30,599,340	\$ 31,345,873	\$ 11,131,606	\$ 8,229,385
Support Services:				
Pupil Services	2,732,604	2,604,951	1,518,251	1,472,019
Improvement of Instructional Services	2,189,129	2,122,875	925,148	803,415
Educational Media Services	722,382	714,011	130,878	102,708
General Administration	676,916	561,006	-185,159	-474,696
School Administration	2,551,947	2,724,045	1,213,658	1,490,753
Business Administration	383,876	361,618	348,588	360,312
Maintenance and Operation of Plant	3,219,046	3,149,246	1,687,355	1,609,233
Student Transportation Services	2,095,751	1,950,663	919,144	700,544
Central Support Services	387,034	468,751	363,637	467,368
Other Support Services	150,104	294,119		
Operations of Non-Instructional Services:				
Enterprise Operations	246,876	275,629	48,381	56,078
Food Services	3,101,356	2,940,025	-1,065	57,863
Interest on Short-Term and Long-Term Debt	402,266	388,988	402,266	388,988
Total Expenses	\$ 49,458,627	\$ 49,901,800	\$ 18,502,688	\$ 15,263,970

Although *program revenues* make up a majority of the funding, the Board is still dependent upon tax revenues for governmental activities. Over 39.5 percent of instruction and support activities are supported through taxes and other general revenues, an increase of 7.6 percent from 2011, which further indicates a shift of responsibility from the state to local governments. For non-instructional activities and interest expense the general revenue support is 12.0 percent, compared to 14.0 percent for 2011.

The Board's Funds

The Board's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues and other financing sources of \$68.5 million, expenditures and other financing uses of \$53.4 million. There was an increase in the fund balance totaling \$15.1 million for the governmental funds as a whole, which was attributed to several items. First, the receipt of \$17.8 million in 2012 from the sale of bonds increased revenue and allowed the Capital Projects Fund Balance to increase by \$14.0 million. Secondly, debt service funds were intentionally increased to pay off certain bond issues in 2013 and 2015, as evidenced by the increase of \$1.8 million in the debt service fund. Finally, the general fund incurred a reduction in fund balance by \$0.7 million due overall to the reduction in state funding.

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

The significant amount of fund balance in the general fund (\$5.4 million), although less than in 2011, continues to reflect that the Board was able to adequately meet current costs.

General Fund Budgeting Highlights

The Board's budget is prepared in accordance with Georgia law. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2012, the Board amended its General Fund budget as needed. The Board uses site-based budgeting. The budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, the final budgeted *revenues and other financing sources* of \$45.0 million was higher than the original budgeted amount of \$43.6 million by \$1.4 million. The actual revenues and other financing sources of \$45.4 million exceeded the amended budgeted amount by \$0.4 million.

The final budgeted *expenditures and other financing uses* of \$46.5 million was higher than the original budgeted amount of \$45.5 by \$1.0 million. The actual expenditures and other financing uses of \$46.1 million was \$0.4 million less than the final amended budget.

General Fund revenues and other financing sources was less than expenditures and other financing uses by \$0.7 million.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2012 the Board had \$62.2 million invested in capital assets, net of depreciation, all in governmental activities. Table 4 shows fiscal year 2012 balances and comparative 2011 amounts.

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

	Governmental Activities	
	Fiscal Year 2012	Fiscal Year 2011
Land	\$ 2,028,867	\$ 1,302,985
Construction In Progress	1,424,212	95,365
Buildings and Building Improvements	52,175,739	53,932,290
Equipment	4,136,067	4,091,231
Land Improvements	2,480,548	2,202,407
Total	\$ 62,245,433	\$ 61,624,278

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

The construction in progress balance at June 30, 2012, consists of the following projects:

- Athletic Practice Field Heat Shelter
- Bishop Hall School Construction (New Building)
- Classroom Technology Improvement Project
- Garrison Pilcher Annex II HVAC Project
- Hand in Hand/Thomas Co. Middle School Traffic Improvement Project
- Hand in Hand/Thomas Co. Middle School Water Detention Project
- Stadium Improvements
- Thomas Co. Central High School Canopy Improvement Project
- Thomas Co. Central High School Gymnasium Renovation
- Thomas Co. Middle School Classroom Addition
- Thomas Co. Middle School P.E. Field Construction
- Thomas Co. Middle School Soccer Field Renovation

Debt

Long-term debt of the School System increased by \$15.1 million from the prior fiscal year.

As of June 30, 2012, the Board had \$19.5 million in bonds outstanding with \$2.0 million of principal due within one year. General obligation bonds increased \$16.1 million from 2011 because of a bond issue dated April 5, 2012. This bond issue will be repaid from sales tax proceeds of a new special purpose sales tax that begins January 1, 2013, and ends December 31, 2017.

The Board had \$7.5 million in Intergovernmental Agreements outstanding as of June 30, 2012, with \$0.8 million of principal due within one year. In addition to this scheduled payment, the Board plans to pay off one of the Agreements before maturity. A principal payment of \$2.1 million will be made on March 1, 2013, from funds that have been accumulated in the Debt Service Fund. The Intergovernmental Agreements are intergovernmental contracts with the South Georgia Governmental Services Authority.

Table 5 summarizes the long-term debt outstanding at June 30, 2012, with comparative amounts for fiscal year 2011.

Table 5
Debt

	Governmental Activities	
	Fiscal Year 2012	Fiscal Year 2011
General Obligation Bonds	\$ 19,477,381	\$ 3,390,000
Intergovernmental Agreements	7,520,000	8,528,887
Compensated Absences	196,864	183,191
Total	\$ 27,194,245	\$ 12,102,078

At June 30, 2012, the Board's overall legal bonding authority was \$83.7 million based on the assessed value of taxable property as of January 1, 2012, with bonds and Intergovernmental Agreements outstanding of \$27 million. The Board has a legal debt margin of \$58.5 million at June 30, 2012. The Board's bonds have assigned ratings of "AA+" by Standards and Poor's based on the Board's participation in the Georgia state intercept program. Standard and Poor's assigned an underlying rating of "A+" for the School District's Bonds.

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

Current Issues

The Thomas County School System consists of 6 campuses located in Thomas County, which had an estimated population of 44,769 in 2010, compared to 42,815 in 2000. The University of Georgia estimates the County's population to grow to 54,499 in 2020, an increase of 22 percent, or 2 percent annually. This indicates that the County has a stable population growth, much lower than the state as a whole. Historically, the County grew 4.4 percent during the 10 year period from 2000 to 2009, compared to 16.9 percent for the state of Georgia during the same 10 year period. The County's 2010 population ranked 45th out of 159 counties in the state. Current student enrollment in the system is approximately 5,349 students in grades PreK-12. As of 2008, Thomas County's population included 15.1 percent in the 65 plus age group, compared to 10.7 percent in the state as a whole. This larger retirement age of citizens may be a factor in our stable student counts and slow growth.

The School Board's second Education Local Option Sales Tax (ELOST) began January 1, 2008. For calendar year 2012, the average monthly tax collection was \$409,794, a decrease of 1.3 percent over the average for calendar year 2011 of \$415,230. Sales tax collections have decreased or been flat in four out of the past five years, indicating that the local economy is not improving.

Thomas County's largest employer is Archbold Memorial Hospital, with 2,057 employees. The Thomas County Board of Education is the second largest employer with approximately 775 employees. The largest private employer is Flowers Foods of Thomasville, Inc., with employment of approximately 715.

The population growth of Thomas County is somewhat limited by the existence of many plantations in the county, and the absence of substantial commercial property. Much of the land in the southern part of Thomas County, which borders Florida and is in close proximity to Tallahassee, is undeveloped timber land. In fact, two of the County's ten largest taxpayers are plantation owners, and another one is a lumber processor. In 2009, 57 percent of all land in Thomas County was classified as forest land, according to the University of Georgia, compared to 51 percent in 1982. The majority of commercial property in Thomas County is not in the County School District, but is located in the Thomasville Independent City School District.

Thomas County has one large municipality and six small communities. The county seat is Thomasville, which had an estimated population of 18,413 in 2010. The county also includes the communities of Barwick, Boston, Coolidge, Meigs, Ochlocknee, and Pavo, with populations ranging from 444 to 1,417. Unincorporated Thomas County represented 48.3 percent of the County's total estimated population in 2009.

The median household income as of 2010 was \$36,036 per year. As of 2010, the per capita income was \$32,288, ranking 25th out of 159 counties in Georgia. A major reason for this high per capital income is due to the large medical community in Thomasville. According to the University of Georgia, as of 2008 Thomas County had 160 physicians, which ranks 5th in Georgia in physicians rate per county resident.

In the past, unemployment for Thomas County was relatively low. As of October, 2012, Thomas County had an unemployment rate of 7.9 percent, compared to 8.7 percent for Georgia as a whole. This rate is significantly higher than the 4 percent rate from 2007, and is evidence of the worst economic recession this State has seen for decades. For 2013, our state funding remains dramatically low and the greatest current challenge is maintaining the educational programs of the

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

system while receiving significantly less funding from the State, and, at the same time, not placing a larger burden on local taxpayers. The School System has continued with budget reductions in fiscal year 2013, including reduced staff levels, reduced work days for all staff (six days), and two fewer instructional days for students.

Contacting the Board's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Board's finances and to show the Board's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Joey N. Holland, CPA, Finance Director at the Thomas County Board of Education, 200 North Pinetree Boulevard, Thomasville, Georgia 31792. You may also email your questions to hollandj@rose.net.

THOMAS COUNTY BOARD OF EDUCATION

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

EXHIBIT "A"

		<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$	30,954,478.18
Investments		970,155.45
Accounts Receivable, Net		
Taxes		777,864.30
State Government		3,185,892.85
Federal Government		606,781.13
Local		22,380.04
Other		6,691.70
Inventories		348,172.48
Prepaid Items		29,662.50
Capitalized Bond and Other Debt Issuance Costs		266,615.25
Capital Assets, Non-Depreciable		3,453,079.35
Capital Assets, Depreciable (Net of Accumulated Depreciation)		<u>58,792,354.22</u>
Total Assets	\$	<u><u>99,414,127.45</u></u>
 <u>LIABILITIES</u>		
Accounts Payable	\$	622,345.93
Salaries and Benefits Payable		5,337,835.38
Interest Payable		245,132.71
Contracts Payable		418,071.74
Retainages Payable		102,224.85
Long-Term Liabilities		
Due Within One Year		2,903,882.26
Due in More Than One Year		<u>24,290,362.45</u>
Total Liabilities	\$	<u>33,919,855.32</u>
 <u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	\$	50,577,690.08
Restricted for		
Continuation of Federal Programs		1,352,926.77
Debt Service		6,423,776.99
Capital Projects		2,827,020.22
Charter School		15,125.39
Unrestricted		<u>4,297,732.68</u>
Total Net Assets	\$	<u>65,494,272.13</u>
Total Liabilities and Net Assets	\$	<u><u>99,414,127.45</u></u>

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

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

	EXPENSES	CHARGES FOR SERVICES
<u>GOVERNMENTAL ACTIVITIES</u>		
Instruction	\$ 30,599,339.60	\$ 73,283.14
Support Services		
Pupil Services	2,732,604.40	
Improvement of Instructional Services	2,189,129.12	
Educational Media Services	722,382.02	
General Administration	676,916.07	
School Administration	2,551,947.30	
Business Administration	383,875.45	
Maintenance and Operation of Plant	3,219,046.36	
Student Transportation Services	2,095,750.89	
Central Support Services	387,033.79	
Other Support Services	150,104.34	
Operations of Non-Instructional Services		
Enterprise Operations	246,875.88	198,494.63
Food Services	3,101,355.78	485,036.00
Interest on Short-Term and Long-Term Debt	402,266.35	
	\$ 49,458,627.35	\$ 756,813.77
General Revenues		
Taxes		
Property Taxes		
For Maintenance and Operations		
Railroad Cars		
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Debt Services		
For Capital Projects		
Other Sales Tax		
Grants and Contributions not Restricted to Specific Programs		
Investment Earnings		
Miscellaneous		
Total General Revenues		
Change in Net Assets		
Net Assets - Beginning of Year		
Net Assets - End of Year		

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

EXHIBIT "B"

PROGRAM REVENUES		NET (EXPENSES)
OPERATING	CAPITAL	REVENUES
GRANTS AND	GRANTS AND	AND CHANGES IN
CONTRIBUTIONS	CONTRIBUTIONS	NET ASSETS
\$ 19,394,449.91		\$ -11,131,606.55
1,214,352.95		-1,518,251.45
1,263,981.62		-925,147.50
591,504.45		-130,877.57
862,075.36		185,159.29
1,338,289.55		-1,213,657.75
35,287.85		-348,587.60
1,531,691.27		-1,687,355.09
1,024,167.84	\$ 152,439.01	-919,144.04
23,397.02		-363,636.77
150,104.34		0.00
		-48,381.25
2,617,384.43		1,064.65
		-402,266.35
<u>\$ 30,046,686.59</u>	<u>\$ 152,439.01</u>	<u>\$ -18,502,687.98</u>
		\$ 11,327,359.36
		26,049.42
		4,421,748.45
		500,000.00
		132,655.41
		1,309,274.00
		159,037.61
		<u>1,269,933.03</u>
		\$ <u>19,146,057.28</u>
		\$ 643,369.30
		<u>64,850,902.83</u>
		\$ <u><u>65,494,272.13</u></u>

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

EXHIBIT "C"

	GENERAL FUND	DISTRICT- WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 6,506,554.97	\$ 19,144,236.39	\$ 5,303,686.82	\$ 30,954,478.18
Investments	20,000.00		950,155.45	970,155.45
Accounts Receivable, Net				
Taxes	362,796.87		415,067.43	777,864.30
State Government	3,185,892.85			3,185,892.85
Federal Government	606,781.13			606,781.13
Local	22,380.04			22,380.04
Other	6,491.74	199.96		6,691.70
Inventories	348,172.48			348,172.48
Prepaid Items	29,662.50			29,662.50
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
 Total Assets	 <u>\$ 11,088,732.58</u>	 <u>\$ 19,144,436.35</u>	 <u>\$ 6,668,909.70</u>	 <u>\$ 36,902,078.63</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 310,821.10	\$ 311,524.83		\$ 622,345.93
Salaries and Benefits Payable	5,337,835.38			5,337,835.38
Contracts Payable		418,071.74		418,071.74
Retainages Payable		102,224.85		102,224.85
Deposits and Deferred Revenue	6,503.00			6,503.00
	<u> </u>	<u> </u>		<u> </u>
 Total Liabilities	 <u>\$ 5,655,159.48</u>	 <u>\$ 831,821.42</u>		 <u>\$ 6,486,980.90</u>
 <u>FUND BALANCES</u>				
Nonspendable	\$ 377,834.98			\$ 377,834.98
Restricted	1,166,000.82	\$ 17,572,697.18	\$ 6,668,909.70	25,407,607.70
Committed	250,000.00			250,000.00
Assigned	2,402,930.83	739,917.75		3,142,848.58
Unassigned	1,236,806.47			1,236,806.47
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
 Total Fund Balances	 <u>\$ 5,433,573.10</u>	 <u>\$ 18,312,614.93</u>	 <u>\$ 6,668,909.70</u>	 <u>\$ 30,415,097.73</u>
 Total Liabilities and Fund Balances	 <u>\$ 11,088,732.58</u>	 <u>\$ 19,144,436.35</u>	 <u>\$ 6,668,909.70</u>	 <u>\$ 36,902,078.63</u>

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

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

EXHIBIT "D"

Total Fund Balances - Governmental Funds (Exhibit "C") \$ 30,415,097.73

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

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

Land	\$	2,028,867.16	
Construction in Progress		1,424,212.19	
Land Improvements		4,898,889.86	
Buildings		68,831,142.38	
Equipment		8,552,333.93	
Accumulated Depreciation		<u>-23,490,011.95</u>	
Total Capital Assets			62,245,433.57

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

Property Taxes			6,503.00
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Long-Term Liabilities, including Bonds Payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Long-Term Liabilities at year-end consist of:

Bonds Payable	\$	-17,725,000.00	
Accrued Interest Payable		-245,132.71	
Intergovernmental Agreements Payable		-7,520,000.00	
Deferred Charge for Bond Issuance Costs		266,615.25	
Compensated Absences Payable		-196,863.83	
Unamortized Bond Premiums		<u>-1,752,380.88</u>	
Total Long-Term Liabilities			<u>-27,172,762.17</u>

Net Assets of Governmental Activities (Exhibit "A") \$ 65,494,272.13

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

EXHIBIT "E"

	GENERAL FUND	DISTRICT- WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
REVENUES				
Property Taxes	\$ 11,452,773.02			\$ 11,452,773.02
Sales Taxes	132,655.41	\$ 500,000.00	\$ 4,421,748.45	5,054,403.86
State Funds	25,180,562.21			25,180,562.21
Federal Funds	6,327,837.39			6,327,837.39
Charges for Services	756,813.77			756,813.77
Investment Earnings	69,807.57	22,993.47	66,236.57	159,037.61
Miscellaneous	1,264,884.47	5,048.56		1,269,933.03
	<u>\$ 45,185,333.84</u>	<u>\$ 528,042.03</u>	<u>\$ 4,487,985.02</u>	<u>\$ 50,201,360.89</u>
EXPENDITURES				
Current				
Instruction	\$ 28,571,863.16	\$ 581,975.75		\$ 29,153,838.91
Support Services				
Pupil Services	2,486,506.00	12,740.70		2,499,246.70
Improvement of Instructional Services	2,157,043.10	14,910.00		2,171,953.10
Educational Media Services	621,657.46			621,657.46
General Administration	642,656.35			642,656.35
School Administration	2,426,828.30			2,426,828.30
Business Administration	340,442.54	276,569.24		617,011.78
Maintenance and Operation of Plant	3,019,627.61	195,203.99		3,214,831.60
Student Transportation Services	2,007,403.68	194,685.00		2,202,088.68
Central Support Services	283,688.45			283,688.45
Other Support Services	150,104.34			150,104.34
Enterprise Operations	246,875.88			246,875.88
Food Services Operation	2,988,607.29			2,988,607.29
Capital Outlay		2,681,166.77		2,681,166.77
Debt Services				
Principal	75,400.40		\$ 2,598,486.30	2,673,886.70
Interest	7,858.60		336,394.36	344,252.96
	<u>\$ 46,026,563.16</u>	<u>\$ 3,957,251.45</u>	<u>\$ 2,934,880.66</u>	<u>\$ 52,918,695.27</u>
Excess of Revenues over (under) Expenditures	\$ -841,229.32	\$ -3,429,209.42	\$ 1,553,104.36	\$ -2,717,334.38
OTHER FINANCING SOURCES (USES)				
Proceeds of Bonds		\$ 16,000,000.00		\$ 16,000,000.00
Premiums on Bonds Sold		1,828,571.35		1,828,571.35
Transfers In	\$ 250,000.00		\$ 253,381.34	503,381.34
Transfers Out	-93,120.00	-410,261.34		-503,381.34
	<u>\$ 156,880.00</u>	<u>\$ 17,418,310.01</u>	<u>\$ 253,381.34</u>	<u>\$ 17,828,571.35</u>
Net Change in Fund Balances	\$ -684,349.32	\$ 13,989,100.59	\$ 1,806,485.70	\$ 15,111,236.97
Fund Balances - Beginning	<u>6,117,922.42</u>	<u>4,323,514.34</u>	<u>4,862,424.00</u>	<u>15,303,860.76</u>
Fund Balances - Ending	<u>\$ 5,433,573.10</u>	<u>\$ 18,312,614.93</u>	<u>\$ 6,668,909.70</u>	<u>\$ 30,415,097.73</u>

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

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

EXHIBIT "F"

Total Net Change in Fund Balances - Governmental Funds (Exhibit "E") \$ 15,111,236.97

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

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

Capital Outlay	\$ 3,174,164.55	
Depreciation Expense	-2,409,921.89	
Excess of Capital Outlay over Depreciation Expense		764,242.66

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, and disposals) is to decrease net assets. -143,087.64

Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. -99,364.24

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

General Obligation Bonds Issued, Including a Premium of \$1,828,571.35		-17,828,571.35
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Bond issuance costs, deferred gains on refundings and similar items when debt is first issued are reported as an expenditure in Governmental Funds, but are reported as deferred charges on the Statement of Net Assets and amortized over the term of the debt, using the straight-line method. The details of this difference in the current period are as follows:

Deferral of Bond Issuance Costs	\$ 267,806.24	
Amortization of Bond Issuance Costs	-31,093.79	
Amortization of Bond Premium	76,190.47	
Total Bond Issuance Costs		312,902.92

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

Bond Principal Retirements	\$ 1,665,000.00	
Intergovernmental Agreements Retirements	775,000.00	
Capital Lease Payments	233,886.70	
Total Long-Term Debt Repayments		2,673,886.70

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

Net Increase in Accrued Interest on Issuance of Bonds	\$ -134,203.85	
Increase in Compensated Absences	-13,672.87	
Total Additional Expenditures		-147,876.72

Change in Net Assets of Governmental Activities (Exhibit "B") \$ 643,369.30

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

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

EXHIBIT "G"

	PRIVATE PURPOSE TRUSTS	AGENCY FUNDS
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ <u>94,977.85</u>	\$ <u>26,420.72</u>
<u>LIABILITIES</u>		
Accounts Payable		\$ 100.00
Funds Held for Others		<u>26,320.72</u>
Total Liabilities		\$ 26,420.72
<u>NET ASSETS</u>		
Held in Trust for Private Purposes	\$ <u>94,977.85</u>	<u> </u>
 Total Liabilities and Net Assets	 \$ <u>94,977.85</u>	 \$ <u>26,420.72</u>

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

THOMAS COUNTY BOARD OF EDUCATION
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2012

EXHIBIT "H"

	<u>PRIVATE PURPOSE TRUSTS</u>
<u>ADDITIONS</u>	
Contributions Donors	\$ 2,000.00
Investment Earnings Interest	<u>1,052.23</u>
Total Additions	\$ <u>3,052.23</u>
<u>DEDUCTIONS</u>	
Scholarships	\$ <u>3,400.00</u>
Change in Net Assets	\$ -347.77
Net Assets - Beginning	<u>95,325.62</u>
Net Assets - Ending	\$ <u><u>94,977.85</u></u>

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

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NOTE 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

REPORTING ENTITY

The Thomas 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.

BLENDED COMPONENT UNIT

The Bishop Hall Charter School, Incorporated, (Charter School) is responsible for the public education of all students attending its school. The Charter School was created through a contract between the School District and the Charter School whereby all State funding associated with the students attending the Charter School and certain specified local funds are turned over to the Charter School to cover the cost of its operations. The financial statements of the Charter School have been blended with the School District's general fund.

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 Thomas County Board of Education.

District-wide Statements:

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

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

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

Fund Financial Statements:

The fund financial statements provide information about the School District's funds. 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. All remaining governmental funds are aggregated and reported as nonmajor funds.

The School District reports the following major governmental funds:

- General Fund is the School District's primary operating fund. It accounts for and reports all financial resources not accounted for and reported in another fund.

- District-wide Capital Projects Fund accounts for and reports financial resources including Special Purpose Local Option Sales Tax (SPLOST) and Bond Proceeds that are restricted, committed or assigned to the expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.
- Debt Service Fund accounts for and reports financial resources that are restricted, committed, or assigned including taxes (sales) legally restricted for the payment of general long-term principal and interest.

The School District reports the following fiduciary fund types:

- Private Purpose Trust funds report trust arrangements under which principal and income benefit a scholarship program that aids in defraying college educational expenses of graduates of Thomas County Central High School.
- Agency funds account for assets held by the School District as an agent for various funds, clubs or individuals.

BASIS OF ACCOUNTING

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

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

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

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

CASH AND CASH EQUIVALENTS

Composition of Deposits

Cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition in authorized financial institutions. Official Code of Georgia Annotated Section 45-8-14 authorizes the School District to

deposit its funds in one or more solvent banks, insured Federal savings and loan associations or insured chartered building and loan associations.

INVESTMENTS

Composition of Investments

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

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

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

RECEIVABLES

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

PROPERTY TAXES

The Thomas County Board of Commissioners fixed the property tax levy for the 2011 tax digest year (calendar year) on August 12, 2011 (levy date). Taxes were due on November 15, 2011 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2011 tax digest are reported as revenue in the governmental funds for fiscal year 2012. The Thomas County Tax Commissioner bills and collects the property taxes for the School District, withholds 2.5% of taxes collected as a fee for tax collection and remits the balance of taxes collected to the School District. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2012, for maintenance and operations amounted to \$11,426,723.60.

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

School Operations	<u>13.342</u> mills
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SALES TAXES

Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to \$4,921,748.45 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

INVENTORIES

Supplies Inventories

Inventories of consumable supplies are reported on the Balance Sheet at average cost. The School District uses the consumption method to account for the inventories. The consumable supplies inventories are recorded as an asset when purchased and expenditures are recorded as the inventory items are used.

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 (weighted average). 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, 2012, are recorded as prepaid items.

CAPITAL ASSETS

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

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

	Capitalization Policy	Estimated Useful Life
Land	All	N/A
Land Improvements	All	15 to 30 years
Buildings and Improvements	\$ 5,000.00	20 to 80 years
Equipment	\$ 5,000.00	5 to 40 years
Intangible Assets	\$ 50,000.00	10 to 20 years

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

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

COMPENSATED ABSENCES

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

Vacation leave of 10 days is awarded on a fiscal year basis to all full time personnel employed on a twelve month basis, and 5 days is awarded to personnel employed on a 11 ½ month basis. No other employees are eligible to earn vacation leave. Vacation leave not utilized during the fiscal year may be carried over to the next fiscal year, providing such vacation leave does not exceed 5 days.

	Beginning of Year Liability	Increases	Decreases	End of Year Liability
2010	\$ 249,334.87	\$ 161,635.38	\$ 158,621.33	\$ 252,348.92
2011	\$ 252,348.92	\$ 97,742.04	\$ 166,900.00	\$ 183,190.96
2012	\$ 183,190.96	\$ 148,527.58	\$ 134,854.71	\$ 196,863.83

GENERAL OBLIGATION BONDS

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

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

NET ASSETS

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

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

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

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

FUND BALANCES

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

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

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

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

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

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

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

Nonspendable			
Inventories	\$	348,172.48	
Prepaid Assets		29,662.50	\$ 377,834.98
Restricted			
Continuation of Federal Programs	\$	1,150,875.43	
Capital Projects		17,572,697.18	
Debt Service		6,668,909.70	
Charter School		15,125.39	25,407,607.70
Committed			
Innovative Instructional Project			250,000.00
Assigned			
Local Capital Outlay Projects	\$	739,917.75	
Subsequent Period Expenditures		1,813,366.00	
School Activity Accounts		297,507.57	
Self-Insurance		292,057.26	3,142,848.58
Unassigned			1,236,806.47
Fund Balance, June 30, 2012			\$ 30,415,097.73

It is the goal of the School District to achieve and maintain a committed, assigned, and unassigned fund balance in the general fund at fiscal year end of not less than 5% of expenditures, not to exceed 15% of the total budget of the subsequent fiscal year, in compliance with Official Code of Georgia Annotated Section 20-2-167(a)5. If the unassigned fund balance at fiscal year end falls below the goal, the School District shall develop a restoration plan to achieve and maintain the minimum fund balance.

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

USE OF ESTIMATES

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

NOTE 3: BUDGETARY DATA

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

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

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

NOTE 4: DEPOSITS AND INVESTMENTS

COLLATERALIZATION OF DEPOSITS

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

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

1. Surety bond signed by a surety company duly qualified and authorized to transact business within the State of Georgia,
2. Insurance on accounts provided by the Federal Deposit Insurance Corporation,
3. Bonds, bills, notes, certificates of indebtedness or other direct obligations of the United States or of the State of Georgia,
4. Bonds, bills, notes, certificates of indebtedness or other obligations of the counties or municipalities of the State of Georgia,

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

EXHIBIT "I"

5. Bonds of any public authority created by the laws of the State of Georgia, providing that the statute that created the authority authorized the use of the bonds for this purpose,
6. Industrial revenue bonds and bonds of development authorities created by the laws of the State of Georgia, and
7. Bonds, bills, notes, certificates of indebtedness, or other obligations of a subsidiary corporation of the United States government, which are fully guaranteed by the United States government both as to principal and interest or debt obligations issued by or securities guaranteed by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, the Central Bank for Cooperatives, the Farm Credit Banks, the Federal Home Loan Mortgage Association, and the Federal National Mortgage Association.

CATEGORIZATION OF DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At June 30, 2012, the bank balances were \$32,204,412.99. The amounts exposed to custodial credit risk are classified into three categories as follows:

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

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

Custodial Credit Risk Category	Bank Balance
1	\$ 0.00
2	1,109,380.28
3	24,627,365.76
Total	\$ 25,736,746.04

CATEGORIZATION OF INVESTMENTS

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturity Less Than 1 Year</u>
Debt Securities		
U. S. Treasuries	\$ 1,286.54	\$ 1,286.54
U. S. Agencies		
Implicitly Guaranteed	<u>948,867.14</u>	<u>948,867.14</u>
	\$ 950,153.68	<u>\$ 950,153.68</u>
Investment Pools		
Office of the State Treasurer		
Georgia Fund 1	<u>1.77</u>	
Total Investments	<u>\$ 950,155.45</u>	

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

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

Interest Rate Risk

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

Custodial Credit Risk

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

At June 30, 2012, \$950,153.68 of the School District's applicable investments were (1) uninsured and unregistered, with securities held by the counterparty's trust department or agent in the name of the School District and (2) uninsured or unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the School District's name.

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

EXHIBIT "I"

Credit Quality Risk

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

The investments subject to credit quality risk are reflected below:

<u>Rated Debt Investments</u>	<u>Fair Value</u>	<u>Quality Ratings</u>
		<u>Unrated</u>
Debt Securities		
U. S. Treasuries	\$ 1,286.54	\$ 1,286.54
U. S. Agencies		
Implicitly Guaranteed	<u>948,867.14</u>	<u>948,867.14</u>
Totals by Quality Ratings	<u>\$ 950,153.68</u>	<u>\$ 950,153.68</u>

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 Home Loan Bank Debt Securities. This investment is 99% of the School District's total investments.

NOTE 5: NON-MONETARY TRANSACTIONS

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

NOTE 6: CAPITAL ASSETS

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

	<u>Balances</u>		<u>Increases</u>	<u>Decreases</u>	<u>Balances</u>
	<u>July 1, 2011</u>				<u>June 30, 2012</u>
Governmental Activities					
Capital Assets, Not Being Depreciated:					
Land	\$ 1,302,984.91	\$ 725,882.25			\$ 2,028,867.16
Construction in Progress	<u>95,365.14</u>	<u>1,901,951.96</u>	<u>\$ 573,104.91</u>		<u>1,424,212.19</u>
Total Capital Assets Not Being Depreciated	<u>\$ 1,398,350.05</u>	<u>\$ 2,627,834.21</u>	<u>\$ 573,104.91</u>		<u>\$ 3,453,079.35</u>
Capital Assets Being Depreciated					
Buildings and Improvements	\$ 68,852,106.38	\$ 26,720.00	\$ 47,684.00		\$ 68,831,142.38
Equipment	8,451,739.09	519,610.34	419,015.50		8,552,333.93
Land Improvements	4,506,730.46	573,104.91	180,945.51		4,898,889.86
Less Accumulated Depreciation for:					
Buildings and Improvements	14,919,816.15	1,781,580.18	45,993.00		16,655,403.33
Equipment	4,360,507.86	449,562.90	393,804.14		4,416,266.62
Land Improvements	<u>2,304,323.42</u>	<u>178,778.81</u>	<u>64,760.23</u>		<u>2,418,342.00</u>
Total Capital Assets, Being Depreciated, Net	<u>\$ 60,225,928.50</u>	<u>\$ -1,290,486.64</u>	<u>\$ 143,087.64</u>		<u>\$ 58,792,354.22</u>
Governmental Activity Capital Assets - Net	<u>\$ 61,624,278.55</u>	<u>\$ 1,337,347.57</u>	<u>\$ 716,192.55</u>		<u>\$ 62,245,433.57</u>

Capital assets being acquired under capital leases as of June 30, 2012, are as follows:

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

EXHIBIT "I"

		Governmental Funds
Buildings and Improvements	\$	12,237,781.89
Equipment		390,095.00
Less: Accumulated Depreciation		2,097,278.16
	\$	10,530,598.73

Current year depreciation expense by function is as follows:

Instruction		\$ 1,511,674.19
Support Services		
Pupil Services	\$	132,270.13
Improvements of Instructional Services		18,609.50
Educational Media Services		100,724.56
General Administration		21,385.77
School Administration		99,642.58
Business Administration		6,694.89
Maintenance and Operation of Plant		44,792.14
Student Transportation Services		236,691.64
Central Support Services		102,341.57
Food Services		763,152.78
		135,094.92
Total Depreciation	\$	2,409,921.89

NOTE 7: INTERFUND TRANSFERS

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

	Transfers From	
	General Fund	District-wide Capital Projects
General Fund	\$	250,000.00
Debt Service Fund	\$	160,261.34
Total	\$	\$ 410,261.34

Transfers are used to move property tax revenues collected by the General Fund to cover required deposits into the Qualified Zone Academy Bonds sinking fund account maintained in the Debt Service Fund, to establish an Innovative Projects account in the General Fund from board-approved Capital Projects Funds, and to account for bond proceeds used to pay off capital bus leases in the Debt Service Fund.

NOTE 8: RISK MANAGEMENT

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

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

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

EXHIBIT "I"

The School District is self-insured with regard to unemployment compensation claims. In connection with this program, a self-insurance reserve has been established within the General Fund by the School District. The School District accounts for claims within the General Fund with expenses/expenditures and liability being reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated.

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

		<u>Beginning of Year Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Paid</u>	<u>End of Year Liability</u>
2011	\$	0.00	\$ 16,231.00	\$ 16,231.00	\$ 0.00
2012	\$	0.00	\$ 14,575.00	\$ 14,575.00	\$ 0.00

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

<u>Position Covered</u>	<u>Amount</u>
Superintendent	\$ 100,000.00
All Other Employees (Per Loss)	\$ 100,000.00

NOTE 9: LONG-TERM DEBT

CAPITAL LEASES

The Thomas County Board of Education entered into a lease agreement for the purchase of school buses. This lease agreement qualifies as a capital lease for accounting purposes, and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of its inception.

COMPENSATED ABSENCES

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

INTERGOVERNMENTAL CONTRACT

The Thomas County Board of Education entered into a contract with the South Georgia Governmental Services Authority, dated June 6, 2003, for the issuance of Revenue Bonds (Thomas County School District Project QZAB Projects), Series 2003A, to provide funds to renovate, repair and equip Garrison-Pilcher and Cross Creek Elementary School in the School District. Under the terms of the contract, the South Georgia Governmental Services Authority issued \$1,715,000.00 in Revenue bonds on behalf of the School District.

The Thomas County Board of Education entered into a contract with the South Georgia Governmental Services Authority, dated June 6, 2003, for the issuance of Revenue Bonds (Thomas County School District Project), Series 2003B, to provide funds to acquire, construct and equip a Pre-K/Kindergarten school and related facilities in the School District. Under the terms of the contract, the South Georgia Governmental Services Authority issued \$5,000,000.00 in Revenue bonds on behalf of the School District.

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

EXHIBIT "I"

The Thomas County Board of Education entered into a contract with the South Georgia Governmental Services Authority, dated October 21, 2004, for the issuance of Revenue Bonds (Thomas County School District Project), Series 2004, to provide funds to acquire, construct, and equip a new middle school in the School District. Under the terms of the contract, the South Georgia Governmental Services Authority issued \$6,000,000.00 in Revenue bonds on behalf of the School District.

The obligation of the School District is absolute and unconditional so long as any of the bonds remain outstanding. Under the contracts, the School District will exercise its power of taxation to the extent necessary to pay the amounts required to be paid by the contracts.

GENERAL OBLIGATION DEBT OUTSTANDING

General Obligation Bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
General Government - Series 2007	2.96%	\$ 1,725,000.00
General Government - Series 2012	2.0% - 5.0%	<u>16,000,000.00</u>
		<u>\$ 17,725,000.00</u>

Voters have authorized \$5,000,000.00 in general obligation debt for capital outlay which was not issued as of June 30, 2012.

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

	<u>Governmental Funds</u>				
	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2012</u>	<u>Due Within One Year</u>
G. O. Bonds	\$ 3,390,000.00	\$ 16,000,000.00	\$ 1,665,000.00	\$ 17,725,000.00	\$ 1,725,000.00
Intergovernmental Agreements	8,295,000.00		775,000.00	7,520,000.00	800,000.00
Capital Lease	233,886.70		233,886.70	0.00	
Compensated Absences	183,190.96	148,527.58	134,854.71	196,863.83	74,120.37
Bond Premiums Amortized	0.00	1,828,571.35	76,190.47	1,752,380.88	304,761.89
	<u>\$ 12,102,077.66</u>	<u>\$ 17,977,098.93</u>	<u>\$ 2,884,931.88</u>	<u>\$ 27,194,244.71</u>	<u>\$ 2,903,882.26</u>

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

EXHIBIT "I"

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

<u>Fiscal Year Ended June 30:</u>	<u>Intergovernmental Agreements</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 800,000.00	\$ 206,536.50
2014	830,000.00	178,043.50
2015	865,000.00	148,480.00
2016	895,000.00	117,673.00
2017	925,000.00	85,795.50
2018 - 2019	<u>3,205,000.00</u>	<u>71,504.50</u>
Total Principal and Interest	<u>\$ 7,520,000.00</u>	<u>\$ 808,033.00</u>

<u>Fiscal Year Ended June 30:</u>	<u>General Obligation Debt</u>		<u>Unamortized</u>
	<u>Principal</u>	<u>Interest</u>	<u>Bond Premium</u>
2013	\$ 1,725,000.00	\$ 659,435.94	\$ 304,761.89
2014	3,080,000.00	671,750.00	304,761.89
2015	3,135,000.00	517,750.00	304,761.89
2016	3,190,000.00	361,000.00	304,761.89
2017	3,255,000.00	297,200.00	304,761.89
2018	<u>3,340,000.00</u>	<u>167,000.00</u>	<u>228,571.43</u>
Total Principal and Interest	<u>\$ 17,725,000.00</u>	<u>\$ 2,674,135.94</u>	<u>\$ 1,752,380.88</u>

NOTE 10: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of \$3,348,691.20 for health insurance and retirement contributions paid on the School District's behalf by the following State Agencies.

Georgia Department of Education

Paid to the Georgia Department of Community Health
 For Health Insurance of Certificated Personnel
 In the amount of \$3,274,058.00

Paid to the Teachers' Retirement System of Georgia
 For Teachers' Retirement System (TRS) Employer's Cost
 In the amount of \$28,837.20

Office of the State Treasurer

Paid to the Public School Employees' Retirement System
 For Public School Employees' Retirement (PSERS) Employer's Cost
 In the amount of \$45,796.00

NOTE 11: SIGNIFICANT COMMITMENTS

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

Project	Unearned Executed Contracts
Thomas County Central High School - Athletic Renovation	\$ 2,560.84
Thomas County Central High School - Bleachers/Flooring	388,726.00
Thomas County Central High School Modification Project	266,905.00
Garrison Pilcher Annex II - HVAC Project	58,470.77
	\$ 716,662.61

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

NOTE 12: SIGNIFICANT CONTINGENT LIABILITIES

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

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

NOTE 13: POST-EMPLOYMENT BENEFITS

GEORGIA SCHOOL PERSONNEL POST-EMPLOYMENT HEALTH BENEFIT FUND

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

Funding Policy. The contribution requirements of plan members and participating employers are established by the Board in accordance with the current Appropriations Act and may be amended by the Board. Contributions of plan members or beneficiaries receiving benefits vary based on plan election, dependent coverage, and Medicare eligibility and election. For members with fewer than five years of service as of January 1, 2012, contributions also vary based on years of service. On average, members with five years or more of service as of January 1, 2012, pay approximately 25 percent of the cost of the health insurance coverage. In accordance with the Board resolution dated December 8, 2011, for members with fewer than five years of service as of January 1, 2012, the State provides a premium subsidy in retirement that ranges from 0% for fewer than 10 years of service to 75% (but no greater than the subsidy percentage offered to active employees) for 30 or more years of service. The subsidy for eligible dependents ranges from 0% to 55% (but no greater than the subsidy percentage offered to dependents of active employees minus 20%). No subsidy is

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

EXHIBIT "I"

available to Medicare eligible members not enrolled in a Medicare Advantage Option. The Board of Community Health sets all member premiums by resolution and in accordance with the law and applicable revenue and expense projections. Any subsidy policy adopted by the Board may be changed at any time by Board resolution and does not constitute a contract or promise of any amount of subsidy.

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

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

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

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

For non-certificated school personnel:

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

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

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

<u>Fiscal Year</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>
2012	100%	\$ 4,603,256.48
2011	100%	\$ 4,572,577.61
2010	100%	\$ 4,445,593.35

NOTE 14: RETIREMENT PLANS

TEACHERS' RETIREMENT SYSTEM OF GEORGIA (TRS)

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

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

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

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

Funding Policy. TRS is funded by member and employer contributions as adopted and amended by the Board of Trustees. Members become fully vested after 10 years of service. If a member terminates with less than 10 years of service, no vesting of employer contributions occurs, but the member's contributions may be refunded with interest. Member contributions are limited by State law to not less than 5% or more than 6% of a member's earnable compensation. Member contributions as adopted by the Board of Trustees for the fiscal year ended June 30, 2012, were 5.53% of annual salary. The member contribution rate will increase to 6.00% effective July 1, 2012. Employer contributions required for fiscal year 2012 were 10.28% of annual salary as required by the June 30, 2009, actuarial valuation. The employer contribution rate will increase to 11.41% effective July 1, 2012.

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

Fiscal Year	Percentage Contributed	Required Contribution
2012	100%	\$ 2,660,780.35
2011	100%	\$ 2,768,105.23
2010	100%	\$ 2,684,387.87

PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS)

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

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

SCHEDULE "1"

	NONAPPROPRIATED BUDGETS		ACTUAL AMOUNTS	VARIANCE OVER/UNDER
	ORIGINAL (1)	FINAL (1)		
REVENUES				
Property Taxes	\$ 11,075,000.00	\$ 11,176,000.00	\$ 11,452,773.02	\$ 276,773.02
Sales Taxes	140,000.00	133,000.00	132,655.41	-344.59
State Funds	24,385,050.00	25,116,844.00	25,180,562.21	63,718.21
Federal Funds	6,482,389.00	6,888,398.00	6,327,837.39	-560,560.61
Charges for Services	737,700.00	716,765.00	756,813.77	40,048.77
Investment Earnings	75,000.00	62,200.00	69,807.57	7,607.57
Miscellaneous	660,581.00	736,848.00	1,264,884.47	528,036.47
Total Revenues	\$ 43,555,720.00	\$ 44,830,055.00	\$ 45,185,333.84	\$ 355,278.84
EXPENDITURES				
Current				
Instruction	\$ 28,851,591.00	\$ 28,825,555.00	\$ 28,571,863.16	\$ 253,691.84
Support Services				
Pupil Services	2,254,755.00	2,357,644.00	2,486,506.00	-128,862.00
Improvement of Instructional Services	1,904,616.00	2,268,751.00	2,157,043.10	111,707.90
Educational Media Services	605,046.00	614,838.00	621,657.46	-6,819.46
General Administration	618,739.00	526,988.00	642,656.35	-115,668.35
School Administration	2,246,893.00	2,175,315.00	2,426,828.30	-251,513.30
Business Administration	329,253.00	343,439.00	340,442.54	2,996.46
Maintenance and Operation of Plant	3,007,558.00	3,074,248.00	3,019,627.61	54,620.39
Student Transportation Services	1,824,493.00	2,180,176.00	2,007,403.68	172,772.32
Central Support Services	277,364.00	282,550.00	283,688.45	-1,138.45
Other Support Services	149,472.00	171,298.00	150,104.34	21,193.66
Enterprise Operations			246,875.88	-246,875.88
Food Services Operation	3,375,134.00	3,371,942.00	2,988,607.29	383,334.71
Capital Outlay			75,400.40	-75,400.40
Debt Service			7,858.60	-7,858.60
Total Expenditures	\$ 45,444,914.00	\$ 46,192,744.00	\$ 46,026,563.16	\$ 166,180.84
Excess of Revenues over (under) Expenditures	\$ -1,889,194.00	\$ -1,362,689.00	\$ -841,229.32	\$ 521,459.68
OTHER FINANCING SOURCES (USES)				
Other Sources	\$ 4,000.00	\$ 195,392.00	\$ 250,000.00	\$ 54,608.00
Other Uses	-97,120.00	-288,512.00	-93,120.00	195,392.00
Total Other Financing Sources (Uses)	\$ -93,120.00	\$ -93,120.00	\$ 156,880.00	\$ 250,000.00
Net Change in Fund Balances	\$ -1,982,314.00	\$ -1,455,809.00	\$ -684,349.32	\$ 771,459.68
Fund Balances - Beginning	6,117,922.42	6,117,922.42	6,117,922.42	0.00
Fund Balances - Ending	\$ 4,135,608.42	\$ 4,662,113.42	\$ 5,433,573.10	\$ 771,459.68

Notes 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 (\$765,785.94) or expenditures (\$77,003.85) of the various principal accounts.

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

See notes to the basic financial statements.

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

SCHEDULE "2"

FUNDING AGENCY PROGRAM/GRANT	CFDA NUMBER	PASS- THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD
Agriculture, U. S. Department of			
Child Nutrition Cluster			
Pass-Through From Georgia Department of Education			
Food Services			
School Breakfast Program	* 10.553	N/A	(2)
National School Lunch Program	* 10.555	N/A	\$ 2,924,245.35 (1)
Total Child Nutrition Cluster			\$ 2,924,245.35
Other Programs			
Pass-Through From Georgia Department of Education			
Food Services			
Fresh Fruit and Vegetable Program	10.582	N/A	87,324.79
Total U. S. Department of Agriculture			\$ 3,011,570.14
Education, U. S. Department of			
Education of Homeless Children and Youth Cluster			
Pass-Through From Georgia Department of Education			
Education for Homeless Children and Youth	84.196	N/A	\$ 48,033.00
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Grants to States	84.027	N/A	\$ 1,600,722.36
Preschool Grants	84.173	N/A	47,910.00
Total Special Education Cluster			\$ 1,648,632.36
Title I, Part A Cluster			
Pass-Through From Georgia Department of Education			
Title I Grants to Local Educational Agencies	* 84.010	N/A	\$ 1,505,252.20
Other Programs			
Pass-Through From Georgia Department of Education			
Career and Technical Education - Basic Grants to States	84.048	N/A	\$ 54,939.00
Education Jobs Fund	84.410	N/A	12,055.00
English Language Acquisition Grants	84.365	N/A	4,715.93
Improving Teacher Quality State Grants	84.367	N/A	271,594.01
Migrant Education - State Grant Program	84.011	N/A	67,955.22
Rural Education	84.358	N/A	175,412.24
Total Other Programs			\$ 586,671.40
Total U. S. Department of Education			\$ 3,788,588.96
Total Expenditures of Federal Awards			\$ 6,800,159.10

Notes to the Schedule of Expenditures of Federal Awards

- (1) Includes the Federally assigned value of donated commodities for the Food Donation Program in the amount of \$280,574.99.
- (2) Expenditures for the funds earned on the School Breakfast Program of \$761,067.66 were not maintained separately and included in the 2012 National School Lunch Program.

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

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

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the Thomas County Board of Education and is presented on the modified accrual basis of accounting which is the basis of accounting used in the presentation of the fund financial statements.

See notes to the basic financial statements.

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

SCHEDULE "3"

AGENCY/FUNDING	GOVERNMENTAL FUND TYPE <u>GENERAL</u> <u>FUND</u>
GRANTS	
Bright From the Start:	
Georgia Department of Early Care and Learning	
Pre-Kindergarten Program	\$ 867,218.72
Education, Georgia Department of	
Quality Basic Education	
Direct Instructional Cost	
Kindergarten Program	1,119,080.00
Kindergarten Program - Early Intervention Program	132,540.00
Primary Grades (1-3) Program	2,174,830.00
Primary Grades - Early Intervention (1-3) Program	680,019.00
Upper Elementary Grades (4-5) Program	1,290,858.00
Upper Elementary Grades - Early Intervention (4-5) Program	252,304.00
Middle School (6-8) Program	2,788,817.00
High School General Education (9-12) Program	2,049,179.00
Vocational Laboratory (9-12) Program	910,420.00
Students with Disabilities	3,862,645.00
Gifted Student - Category VI	1,000,172.00
Remedial Education Program	330,018.00
Alternative Education Program	212,783.00
English Speakers of Other Languages (ESOL)	55,197.00
Media Center Program	443,395.00
20 Days Additional Instruction	130,442.00
Staff and Professional Development	103,628.00
Indirect Cost	
Central Administration	612,882.00
School Administration	862,747.00
Facility Maintenance and Operations	1,230,889.00
Amended Formula Adjustment	-3,945,295.00
Categorical Grants	
Pupil Transportation	
Regular	786,423.00
Education Equalization Funding Grant	1,309,274.00
Food Services	78,136.00
Nursing Services	86,351.00
Other State Programs	
Dual Enrollment Funding	55,815.00
GNETS State Grant	1,997,762.00
Health Insurance	3,274,058.00
Math and Science Supplements	2,188.44
Move on When Ready	8,080.85
Preschool Handicapped Program	93,752.00
Pupil Transportation - State Bonds	152,439.00
Special Project - Equalization	29,003.00
Teachers' Retirement	28,837.20
Virtual Schools Grant	650.00
Vocational Education	67,228.00
Office of the State Treasurer	
Public School Employees' Retirement	<u>45,796.00</u>
Totals	<u>\$ 25,180,562.21</u>

See notes to the basic financial statements.

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

SCHEDULE "4"

PROJECT	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3)	AMOUNT EXPENDED IN PRIOR YEARS (3)	TOTAL COMPLETION COST	EXCESS PROCEEDS NOT EXPENDED	PROJECT STATUS
SPLOST II - January 1, 2008 to December 31, 2012:							
Hand in Hand Primary School Projects	\$ 175,000.00	\$ 0.00					Postponed
Garrison Pilcher Elementary School Projects	3,450,001.00	3,013,618.82		\$ 3,013,098.50	\$ 3,013,098.50	\$ 520.32	Completed
Cross Creek Elementary School Projects	358,321.00	102,516.00	\$ 20,970.00	59,646.00			June 30, 2013
Thomas County Middle School Projects	154,000.00	233,525.82	14,649.83	163,876.59			December 31, 2012
Thomas County Central High School Projects	11,527,068.00	10,629,184.45	887,704.89	9,230,872.44			March 31, 2013
Transportation and Maintenance Facilities; Purchase of Buses, Equipment and Vehicles	557,611.00	698,283.70	244,445.70	190,858.00			December 31, 2012
Renovations and Improvements to Athletic Facilities and Equipment	319,254.00	854,679.76	417,076.12	294,654.54			December 31, 2012
Acquisition of Classroom Technology and Administrative Software Systems	335,000.00	564,282.86	163,386.28	328,136.11			June 30, 2013
Textbooks	220,000.00	603,432.52	290,400.80	254,645.81			June 30, 2013
Retirement of Previously Incurred Debt for Capital Outlay Projects (Middle and Primary Schools)	11,040,574.00	11,083,574.00	1,009,140.50	3,886,897.50			March 1, 2015
Instructional Equipment	30,000.00	64,475.64	23,854.13	29,979.33			June 30, 2013
Interest on SPLOST II Bonds	777,985.00	777,985.00	100,479.60	626,375.00			March 1, 2013
Annual SPLOST Audit	27,400.00	27,400.00	5,200.00	16,100.00			February 28, 2013
Classroom and Other Furniture		260,353.75	69,619.75				June 30, 2013
Contingency Based on Future SPLOST Collections	<u>3,283,786.00</u>						June 30, 2013
Total - SPLOST II	\$ 32,256,000.00	\$ 28,913,312.32	\$ 3,246,927.60	\$ 18,095,139.82	\$ 3,013,098.50	\$ 520.32	
SPLOST III - January 1, 2013 to December 31, 2017:							
Hand in Hand Primary School Projects	\$ 60,000.00	\$ 60,000.00	\$ 12,545.46	\$ 0.00	\$ 0.00	\$ 0.00	December 31, 2017
Garrison Pilcher Elementary School Projects	239,271.00	239,271.00	111,281.25				December 31, 2017
Cross Creek Elementary School Projects	29,057.00	29,057.00	3,065.54				December 31, 2017
Thomas County Middle School Projects	2,480,000.00	2,480,000.00	18,672.60				December 31, 2017
Thomas County Central High School Projects	768,661.00	768,661.00	246,086.10				December 31, 2017
New Construction for special schools and programs	2,617,000.00	2,617,000.00	22,442.00				December 31, 2017
Transportation, Maintenance and Administrative Facilities; Purchase of Buses, Equipment and Vehicles	1,095,626.00	1,095,626.00	15,125.96				December 31, 2017
Renovations and Improvements to Athletic Facilities and Equipment	341,813.00	341,813.00	194,413.58				December 31, 2017
Acquisition of System-wide Classroom and Administrative Technology	3,252,000.00	3,252,000.00	51,642.60				December 31, 2017
Textbooks	500,000.00	500,000.00	25,798.98				December 31, 2017
Instructional Equipment	300,000.00	300,000.00	120,490.39				December 31, 2017
Classroom and Other Furniture	200,000.00	200,000.00	1,128.00				December 31, 2017
Playground Equipment	100,000.00	100,000.00	0.00				December 31, 2017
Interest on SPLOST III Bonds	2,623,006.94	2,623,006.94	0.00				March 1, 2018
Bond Issuance Costs - SPLOST III Bonds	271,369.24	271,369.24	271,369.24				Completed
Annual SPLOST Audit	30,000.00	30,000.00					February 28, 2018
Funds for Educational Purposes not yet allocated to Specific Projects	<u>13,442,195.82</u>	<u>7,892,195.82</u>					December 31, 2017
Total - SPLOST III	\$ 28,350,000.00	\$ 22,800,000.00	\$ 1,094,061.70	\$ 0.00	\$ 0.00	\$ 0.00	
	\$ 60,606,000.00	\$ 51,713,312.32	\$ 4,340,989.30	\$ 18,095,139.82	\$ 3,013,098.50	\$ 520.32	

(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 Thomas 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 project(s).

See notes to the basic financial statements.

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

SCHEDULE "5"

DESCRIPTION	ALLOTMENTS FROM GEORGIA DEPARTMENT OF EDUCATION (1) (2)	ELIGIBLE QBE PROGRAM COSTS		
		SALARIES	OPERATIONS	TOTAL
Direct Instructional Programs				
Kindergarten Program	\$ 1,350,002.00	\$ 1,078,362.00	\$ 31,954.55	\$ 1,110,316.55
Kindergarten Program-Early Intervention Program	132,637.00	339,292.51	2,290.30	341,582.81
Primary Grades (1-3) Program	2,666,715.00	3,363,307.87	94,580.25	3,457,888.12
Primary Grades-Early Intervention (1-3) Program	796,855.00	556,759.70	4,416.95	561,176.65
Upper Elementary Grades (4-5) Program	1,570,008.00	1,665,407.13	49,016.05	1,714,423.18
Upper Elementary Grades-Early Intervention (4-5) Program	317,844.00	369,919.17	819.10	370,738.27
Middle School (6-8) Program	3,318,697.00	3,590,692.65	90,544.91	3,681,237.56
High School General Education (9-12) Program	2,510,910.00	4,519,356.71	164,771.05	4,684,127.76
Vocational Laboratory (9-12) Program	1,070,228.00	1,063,686.16	64,260.37	1,127,946.53
Students with Disabilities	4,590,785.00			
Category I			630.39	630.39
Category II			6,218.07	6,218.07
Category III		4,198,892.98	159,828.78	4,358,721.76
Category IV		435,490.90	4,680.50	440,171.40
Gifted Student - Category VI	1,109,541.00	654,377.30	7,311.45	661,688.75
Remedial Education Program	424,725.00	28,730.44		28,730.44
Alternative Education Program	255,036.00	406,953.49	2,960.35	409,913.84
English Speakers of Other Languages (ESOL)	64,746.00	53,988.56	634.54	54,623.10
TOTAL DIRECT INSTRUCTIONAL PROGRAMS	\$ 20,178,729.00	\$ 22,325,217.57	\$ 684,917.61	\$ 23,010,135.18
Media Center Program	532,955.00	565,443.45	47,367.61	612,811.06
Staff and Professional Development	124,137.00	39,448.40	34,719.66	74,168.06
TOTAL QBE FORMULA FUNDS	\$ 20,835,821.00	\$ 22,930,109.42	\$ 767,004.88	\$ 23,697,114.30

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

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

SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS



DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

March 20, 2013

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

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

Ladies and Gentlemen:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Thomas County Board of Education as of and for the year ended June 30, 2012, which collectively comprise Thomas County Board of Education's basic financial statements and have issued our report thereon dated March 20, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Thomas County Board of Education is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Thomas County Board of Education's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Thomas County Board of Education's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Thomas County Board of Education's internal control over financial reporting.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Thomas County Board of Education's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item FS-7361-12-01.

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

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

Respectfully,



Greg S. Griffin
State Auditor

GSG:as
2012YB-20



DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

March 20, 2013

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

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

Ladies and Gentlemen:

Compliance

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

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

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

Internal Control Over Compliance

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

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

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

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

Respectfully,



Greg S. Griffin
State Auditor

GSG:as
2012SA-10

SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

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

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV

FINDINGS AND QUESTIONED COSTS

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

I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issue:
 Governmental Activities; General Fund; Capital Projects Fund; Debt Service Fund; Aggregate Remaining Fund Information Unqualified

Internal control over financial reporting:
 ■ Material weakness identified? No
 ■ Significant deficiency identified? None Reported

Noncompliance material to financial statements noted: Yes

Federal Awards

Internal Control over major programs:
 ■ Material weakness identified? No
 ■ Significant deficiency identified? None Reported

Type of auditor's report issued on compliance for major programs:
 All major programs Unqualified

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)? No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	Child Nutrition Cluster
84.010	Title I, Part A Cluster

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

Auditee qualified as low-risk auditee? No

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

EXPENDITURES/LIABILITIES/DISBURSEMENTS

Improper Use of Bond Proceeds
 Material Noncompliance
 Finding Control Number: FS-7361-12-01

Condition:

Improper use of Bond Proceeds issued in conjunction with the imposition of the Special Purpose Local Option Sales Tax (SPLOST).

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

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Criteria:

The Official Code of Georgia Annotated (O.C.G.A.) §48-8-121 states, "The proceeds received from the tax authorized by this part shall be used ... exclusively for the purpose or purposes specified in the resolution or ordinance calling for imposition of the tax". The SPLOST resolution as passed by the voters of Thomas County read as follows:

"Shall a one percent sales and use tax for educational purposes be reimposed in Thomas County for a period of time not to exceed twenty calendar quarters and for the raising of not more than \$45,000,000, (a) Approximately \$28,350,000 (63%) of which shall be received by Thomas County School District for the purposes of renovations, new construction, improvements to and equipment for Hand-in-Hand Primary, Garrison Pilcher Elementary, Cross Creek Elementary, Thomas County Middle, and Thomas County Central High Schools; renovations and/or new construction of facilities for specials schools and programs including Bishop Hall Charter School, CrossRoads Alternative School, Pathways, the PREP Academy, and Science, Technology, Engineering, and Math programs; renovation or new construction of facilities for central services including administrative and support buildings, maintenance facilities, central storage facilities and warehousing; acquisition of school buses, maintenance and other motor pool vehicles, driver education vehicles, movers, forklifts, maintenance equipment including floor machines and other tools; acquisition of system-wide classroom and administrative technology including software systems for the individual schools and programs and for the school system, adaptive technology for special needs students, laptop computers, video conferencing equipment for the schools and the central office, netbooks, and e-readers; renovations, construction, and/or improvements to athletic facilities and equipment to include new lighting; cheerleading and wrestling mats; new rooms and equipment, storage facilities, fencing, signage, seating renovations and replacement; restroom and concessions renovations or new construction; drainage improvements; support facilities; other equipment; and landscaping; property acquisitions; and textbooks, classroom maps and globes, and (b) Approximately \$16,650,000 (37%) of which shall be received by the Thomasville School District to be used for ... "

If reimposition of the tax is approved by the voters, such vote shall also constitute approval of (i) the issuance of general obligation debt of the Thomas County School District in the maximum principal amount of \$16,000,000 for the purpose of financing the cost of the capital outlay projects of the Thomas County School District described above and for the payment of capitalized interest on such debt, and (ii) the issuance of general obligation debt of the City of Thomasville ...?"

Questioned Cost:

\$160,261.34

Information:

On April 5, 2012, the School District used general obligation bond proceeds issued in conjunction with the imposition of the SPLOST referendum in the amount of \$160,261.34 to repay existing capital lease debt instead of acquiring, constructing and equipping new projects as approved in the SPLOST referendum.

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

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Cause:

The School District assumed that expenditures for previously incurred debt met the definition of the projects detailed in the SPLOST referendum approved on November 8, 2011, because the ballot question approved by the voters of Thomas County references "acquisition of school buses". However, the debt payment in question was for expenditures incurred in 2009. Previous purchases made by the School District were not included in the ballot question presented and approved by the voters of Thomas County on November 8, 2011.

Effect:

The repayment of debt related to expenditures incurred in 2009 appears to be a violation of the referendum voted and approved by the citizens of Thomas County on November 8, 2011.

Recommendation:

The School District should establish policies and procedures to ensure expenditures are an appropriate use of SPLOST funds in accordance with State law and the SPLOST referendum as approved by the voters of Thomas County.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION V
MANAGEMENT'S RESPONSES

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

Finding Control Number: FS-7361-12-01

We do not agree with this finding and will take no corrective action. In April 2012, prior to paying remaining bus leases with SPLOST bond proceeds, we obtained an opinion from our bond attorney, Gray Pannell & Woodward, LLP, regarding the legality of using SPLOST bonds to complete the acquisition of buses that were originally leased in December, 2009. A copy of the attorney's opinion has been provided to the State Auditor. While generally accepted accounting principles require capital leases to be recorded as debt, and the SPLOST referendum did not include repayment of debt as an allowed project, title to the buses did not transfer to Thomas County Board of Education until the final lease payment was made. Acquisition of school buses was included in the SPLOST referendum and we believe the bus lease payment was a proper use of SPLOST bond proceeds.

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