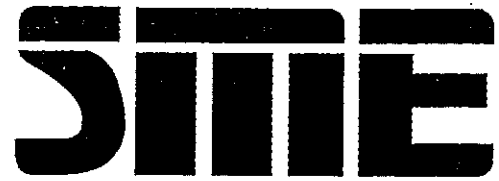


HABERSHAM COUNTY SCHOOL SYSTEM  
SPLOST PROJECT EXPENDITURES  
YEAR ENDED JUNE 30, 2008

INDEPENDENT ACCOUNTANTS' REPORT



SEROTTA MADDOCKS EVANS & CO  
CERTIFIED PUBLIC ACCOUNTANTS

To the Habersham County Board of Education  
Clarkesville, Georgia

We have examined the Habersham County School System's attached Schedule of SPLOST Project Expenditures and their compliance with Article VIII, Section VI, Paragraph IV of the Georgia Constitution and Official Code of Georgia (O.C.G.A.) 48-8-141 regarding expenditure of sales tax for educational purposes during the year ended June 30, 2008. Management is responsible for the School System's compliance with those requirements. Our responsibility is to express an opinion on the School System's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the School System's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Habersham County School System's compliance with specified requirements.

In our opinion, Habersham County School System complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2008.

*Serotta Maddocks Evans & Co.*

Serotta Maddocks Evans & Co., CPA's

Augusta, Georgia  
January 21, 2009

HABERSHAM COUNTY SCHOOL SYSTEM  
 SCHEDULE OF SPLOST PROJECT EXPENDITURES  
 YEAR ENDED JUNE 30, 2008

<u>Project</u>	<u>SPLOST 2003</u>	<u>SPLOST 2008</u>	<u>GSFIC</u>	<u>LOCAL</u>	<u>TOTALS</u>
Debt service, including principal and interest	\$ 4,788,544	\$ 2,663,248	\$ -	\$ -	\$ 7,451,792
Future land site	2,000,707	-	-	61,002	2,061,709
Level Grove Elementary	50,629	-	-	9,814	60,443
Habersham Ninth Grade Academy	38,239	-	-	-	38,239
Middle school athletic fields	-	121,396	-	-	121,396
Habersham Central High School exterior renovations	-	125,728	-	-	125,728
Sports relocation to Habersham Ninth Grade Academy	-	300,461	-	-	300,461
New Fairview Elementary	-	11,699,594	504,628	-	12,204,222
New high school	-	158,313	-	-	158,313
New classrooms/Cornelia & Level Grove	-	506,555	-	-	506,555
	<u>\$ 6,878,119</u>	<u>\$15,575,295</u>	<u>\$504,628</u>	<u>\$ 70,816</u>	<u>\$23,028,858</u>

**Note:** Amounts expended for these projects may include sales tax proceeds, state, local property taxes and/or other funds over the life of the projects.

COMPLIANCE AUDIT PROGRAM  
FOR YEAR ENDED JUNE 30, 2008

1. Obtain a copy of the Habersham County School System SPLOST resolution and review the terms for design of compliance testing.
2. Compare the terms of the Habersham County School System SPLOST resolution with Article VIII, Section VI, Paragraph IV of the Georgia Constitution and Official Code of Georgia (O.C.G.A.) 48-8-141 to insure compliance with state law.
3. Compare the terms of the Habersham County School System SPLOST resolution with detail budget and actual records for receipt and disbursement of SPLOST funds during the year.
4. Test accounting system internal controls and procedures for the following:
  - a. Contract bidding and approval process
  - b. Reconciliation of accounting records
  - c. Invoice approval process
  - d. Cash disbursement approval process
5. Confirm receipt of SPLOST funds with the state of Georgia.
6. Trace receipt of funds from the state of Georgia to Habersham County School System SPLOST investment and/or cash accounts.
7. Test the allocation of earnings from the Local Government Investment Pool (LGIP) and other investment accounts to Habersham County School System SPLOST funds.
8. Trace Habersham County School System SPLOST disbursement records for individual payments to invoices and/or contract approval and cancelled checks.
9. Verify that these disbursements are for the educational purposes described in the Habersham County School System SPLOST resolution.
10. Confirm the payment of principal and interest on Habersham County School System bond debt per the SPLOST resolution and trace to bond amortization schedules.
11. Test and confirm Habersham County School System SPLOST cash and investment balances.
12. Verify the existence of capital assets funded by Habersham County School System SPLOST proceeds.

SUMMARY OF EXAMINATION PROCEDURES  
FOR THE YEAR ENDED JUNE 30, 2008

REPORT ON COMPLIANCE

- Report confirms the School System's compliance with Georgia Code Section cited in the report.

RESPONSIBILITIES

- Habersham County School System is to maintain sufficient evidence to support compliance with Georgia Code for the expenditure of SPLOST funds.
- Serotta Maddocks Evans & Co., CPA's is to design examination program to test the Habersham County School System's compliance with the Georgia Code, perform such examination procedures, and issue an opinion on the System's compliance with the Code.

SUMMARY OF PROCEDURES PERFORMED

- We examined the resolution to impose the sales and use tax for educational purposes for both SPLOST 2003 beginning on January 1, 2003 and ending on December 31, 2007, and SPLOST 2008 beginning on January 1, 2008 and continue through December 31, 2012.
- We examined the bond resolution agreements for the Series 2002, 2003, and 2005 general obligation bonds.
- We confirmed and tested the following debt service payments:

Series 2002	Principal	\$ 4,095,000
	Interest	57,600
Series 2003	Principal	535,000
	Interest	100,944
Series 2005	Principal	-
	Interest	2,663,248

- We compared the SPLOST resolutions with budget and actual records of receipt and disbursement of sales tax funds.
- We tested SPLOST project disbursements of \$13,192,472 for the year ended June 30, 2008. We verified that all tested disbursements were for projects approved by the voters of the Habersham County in the applicable SPLOST resolutions.

SUMMARY OF EXAMINATION PROCEDURES  
FOR THE YEAR ENDED JUNE 30, 2008

- We tested the accounting system internal controls as follows:
  - Reviewed bid procedures for Level Grove Elementary and Cornelia Elementary classroom additions, Fairview Elementary and Habersham Central High exterior renovations and improvements;
  - Reviewed purchase and invoice approval process on expenditures for the future land site, Level Grove Elementary, Habersham Ninth Grade Academy, Middle school athletic fields, Habersham Central High School exterior renovations, sports relocation to Habersham Ninth Grade Academy, new Fairview Elementary, new high school and new classrooms for Cornelia and Level Grove Elementary Schools;
  - Examined reconciliation procedures for SPLOST-related cash accounts and agreed related balances to the general ledger and bank statements.
- We confirmed sales tax receipts of \$6,851,603 during the year ended June 30, 2008 with the Georgia Department of Revenue and agreed amounts to the general ledger and bank statements.
- We confirmed SPLOST-related cash balances of \$45,927,618 at June 30, 2008.
- We tested SPLOST-related interest earnings of \$2,067,725 for the year ended June 30, 2008, and agreed amounts to the general ledger.
- We performed a site visit and walk-through of Fairview Elementary. Construction blueprints and cost information were reviewed prior to making the site visit.