

HABERSHAM COUNTY SCHOOL SYSTEM
SPLOST PROJECT EXPENDITURES
YEAR ENDED JUNE 30, 2011.

Michelle Bennett, CPA
Rick L. Evans, CPA
E. J. Maddocks, CPA
Jay Sanders, CPA
Abram J. Serotta, CPA
Andrea Usry, CPA
Paul Wade, CPA



INDEPENDENT ACCOUNTANTS' REPORT

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, 2011. 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, 2011.

Serotta Maddocks Evans & Co.

Serotta Maddocks Evans & Co., CPAs

Augusta, Georgia
November 28, 2011

HABERSHAM COUNTY SCHOOL SYSTEM
 SCHEDULE OF SPLOST PROJECT EXPENDITURES
 YEAR ENDED JUNE 30, 2011

PROJECT	SPLOST 2003	SPLOST 2008	TOTALS
Debt service, including principal and interest	\$ 647,992	\$ 4,041,735	\$ 4,689,727
Ninth Grade Academy	-	1,791,326	1,791,326
Fairview Elementary	-	17,689	17,689
New Habersham Central High	-	16,407,379	16,407,379
Technology	120,561	-	120,561
	<u>\$ 768,553</u>	<u>\$ 22,258,129</u>	<u>\$ 23,026,682</u>

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

**COMPLIANCE AUDIT PROGRAM
FOR THE YEAR ENDED JUNE 30, 2011**

1. Obtain copies of the Habersham County School System SPLOST resolutions and review the terms for design of compliance testing.
2. Compare the terms of the Habersham County School System SPLOST resolutions 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 resolutions 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. Observe that all SPLOST funds are being maintained separately from other funds in separate bank accounts.
7. Test the allocation of earnings from the Georgia Fund 1 (formerly LGIP) and other investments to Habersham County School System SPLOST funds.
8. Trace Habersham County School System SPLOST disbursement records for a sample of 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 resolutions.
10. Confirm the payment of principal and interest on Habersham County School System bond debt per the SPLOST resolutions and/or 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.
13. Read bid proceedings, budgeted to actual cost and comparative data for similar projects for analysis of effective and efficient use of SPLOST funds.
14. Test a sample of transfers in and out of SPLOST funds to insure funds are properly identified, segregated and spent for the educational purposes described in the Habersham County School System SPLOST resolutions.
15. Determine that required annual reporting to the public by Habersham County School System on the results of SPLOST projects was performed.

**SUMMARY OF EXAMINATION PROCEDURES
FOR THE YEAR ENDED JUNE 30, 2011**

REPORT ON COMPLIANCE

- Report confirms the Habersham County 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., CPAs 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 read the resolutions to impose the sales and use tax for educational purposes for both SPLOST 2003 and SPLOST 2008.
- We read the bond resolution agreements for the Series 2003 and Series 2005 general obligation bonds.
- We agreed to the bond resolution amortization schedule the following debt service payments:

Series 2003	Principal	\$ 595,000
	Interest	52,992

- We confirmed the bond payable balance at June 30, 2011 with the financial institution as follows:

Series 2003	\$ 1,245,000
-------------	--------------

- We confirmed and tested the following debt service payments:

Series 2005	Principal	\$ 1,500,000
	Interest	2,541,735

- We compared the SPLOST resolutions with budget and actual records of receipt and disbursement of sales tax funds.
- We tested SPLOST project disbursements of \$16,027,939 for the year ended June 30, 2011. 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, 2011**

- We tested the accounting system internal controls as follows:
 - Read the bid packages for the construction of the Ninth Grade Academy renovations and compared certain attributes to Habersham County School System's internal bid policies;
 - Tested purchase and invoice approval process on expenditures for all SPLOST projects in progress for the year ended June 30, 2011;
 - Read the reconciliations for SPLOST-related cash accounts and agreed related balances to the general ledger and bank statements.
- We confirmed sales tax receipts of \$5,148,076 during the year ended June 30, 2011 with the Georgia Department of Revenue and reconciled amounts to the general ledger and bank statements. We observed sales tax receipts of \$5,148,076 were deposited into separate bank accounts for SPLOST funds only.
- We confirmed SPLOST-related cash and investment balances of \$9,106,633 at June 30, 2011.
- We tested SPLOST-related interest earnings of \$38,934 for the year ended June 30, 2011, and agreed amounts to the general ledger.
- We performed a site visit of the Habersham County High School. Construction blueprints and cost information were read prior to making all site visits.
- We compared the cost of construction for the Habersham County High School to comparable construction projects in various counties around the state noting reasonableness.
- We tested transfers of \$44,344,218 noting they were reasonable and appropriate given the spending constraints of the SPLOST resolutions.
- We viewed the annual newspaper advertisement dated December 17, 2010 of SPLOST project results published for public review.