

CITY OF BUFORD
BOARD OF EDUCATION
A COMPONENT UNIT OF THE CITY OF BUFORD, GEORGIA

ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2011
(Including Independent Auditor's Reports)

CITY OF BUFORD BOARD OF EDUCATION - GWINNETT COUNTY

- TABLE OF CONTENTS -

Page

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	3
D	RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS	4
E	STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS	5
F	RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES	6
G	STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUNDS	7
H	NOTES TO THE BASIC FINANCIAL STATEMENTS	9

SCHEDULES

REQUIRED SUPPLEMENTARY INFORMATION

1	SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL GENERAL FUND	23

CITY OF BUFORD BOARD OF EDUCATION - GWINNETT COUNTY

- TABLE OF CONTENTS -

Page

SECTION I

FINANCIAL

SCHEDULES

SUPPLEMENTARY INFORMATION

2	SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	24
3	SCHEDULE OF STATE REVENUE	25
4	SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS	26
5	ALLOTMENTS AND EXPENDITURES GENERAL FUND - QUALITY BASIC EDUCATION PROGRAMS (QBE) BY PROGRAM	27

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 *GOVERNMENT AUDITING STANDARDS*

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

CITY OF BUFORD BOARD OF EDUCATION - GWINNETT COUNTY

- 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

September 13, 2012

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
City of Buford 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 H) of the City of Buford Board of Education, as of and for the year ended June 30, 2011, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Buford 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 City of Buford Board of Education, as of June 30, 2011, 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 September 13, 2012, on our consideration of the City of Buford 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 ix and page 23 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, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Buford 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 information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, the information is fairly stated, in all material respects, in relation to the 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 submitted,



Greg S. Griffin
State Auditor

GSG:as
2011ARL-11

CITY OF BUFORD BOARD OF EDUCATION - GWINNETT COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

The discussion and analysis of the City of Buford School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2011 are as follows:

- ✓ The School District's financial status increased during fiscal year 2011. Net assets increased approximately $2.87 million. This increase was due to an increase in State funding.

- ✓ General revenues accounted for $21.6 million in revenue, or 55 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for $17.6 million or 45 percent of total revenues. Total revenues were $39.2 million.

- ✓ The School District had $36.3 million in expenses related to governmental activities; only $17.6 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues of $21.6 million were adequate to provide for these programs.

- ✓ Among major funds, the general fund had $30.8 million in revenues, $5.2 million in net other financing sources and $35.5 million in expenditures. The general fund's balance increased to $7.4 million from $6.9 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 City of Buford 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 School District as a whole, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds. In the case of the City of Buford Board of Education, the general fund is the most significant fund.

Reporting the School District as a Whole

Statement of Net Assets and *Statement of Activities*

While these documents contain the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2011?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include *all assets and all liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

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

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

The School District as a Whole

The perspective of the Statement of Net Assets is of the School District as a whole. Table 1 provides a summary of the School District's net assets for fiscal year 2011 compared to fiscal year 2010.

Table 1
Net Assets

	Governmental Activities	
	Fiscal Year 2010	Fiscal Year 2011
Assets		
Current and Other Assets	$ 14,894,751	$ 14,927,632
Capital Assets, Net	50,034,232	49,841,522
Total Assets	$ 64,928,983	$ 64,769,154
Liabilities		
Current and Other Liabilities	$ 5,995,214	$ 4,887,076
Long-Term Liabilities	8,942,158	7,024,809
Total Liabilities	$ 14,937,372	$ 11,911,885
Net Assets		
Invested in Capital Assets, Net of Related Debt	$ 39,763,332	$ 43,211,924
Restricted	462,500	1,167,458
Unrestricted	9,765,779	8,477,887
Total Net Assets	$ 49,991,611	$ 52,857,269

Chart 1 provides a visual summary of the School District's net assets for fiscal year 2011.

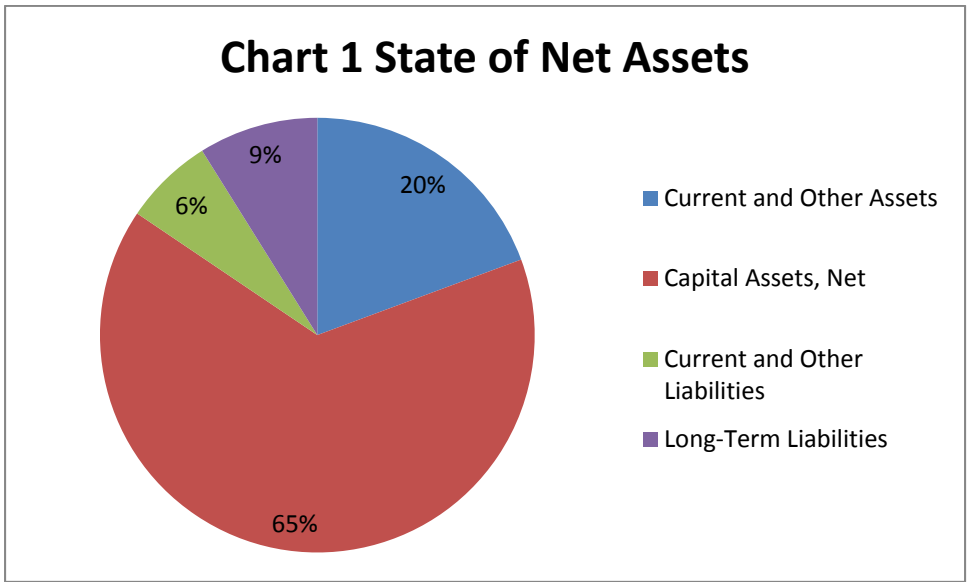


Chart 2 shows revenues for fiscal year 2011.

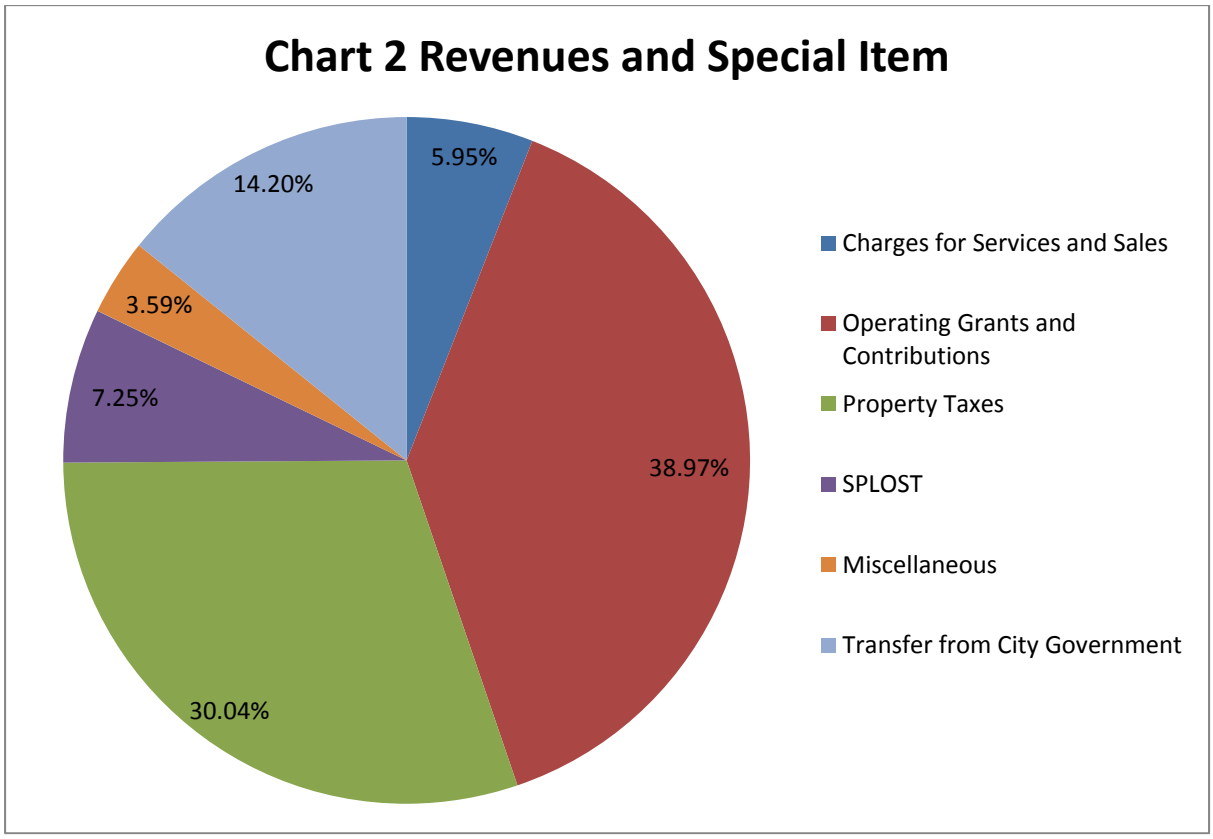


Chart 3 shows expenditures for the school district for fiscal year 2011.

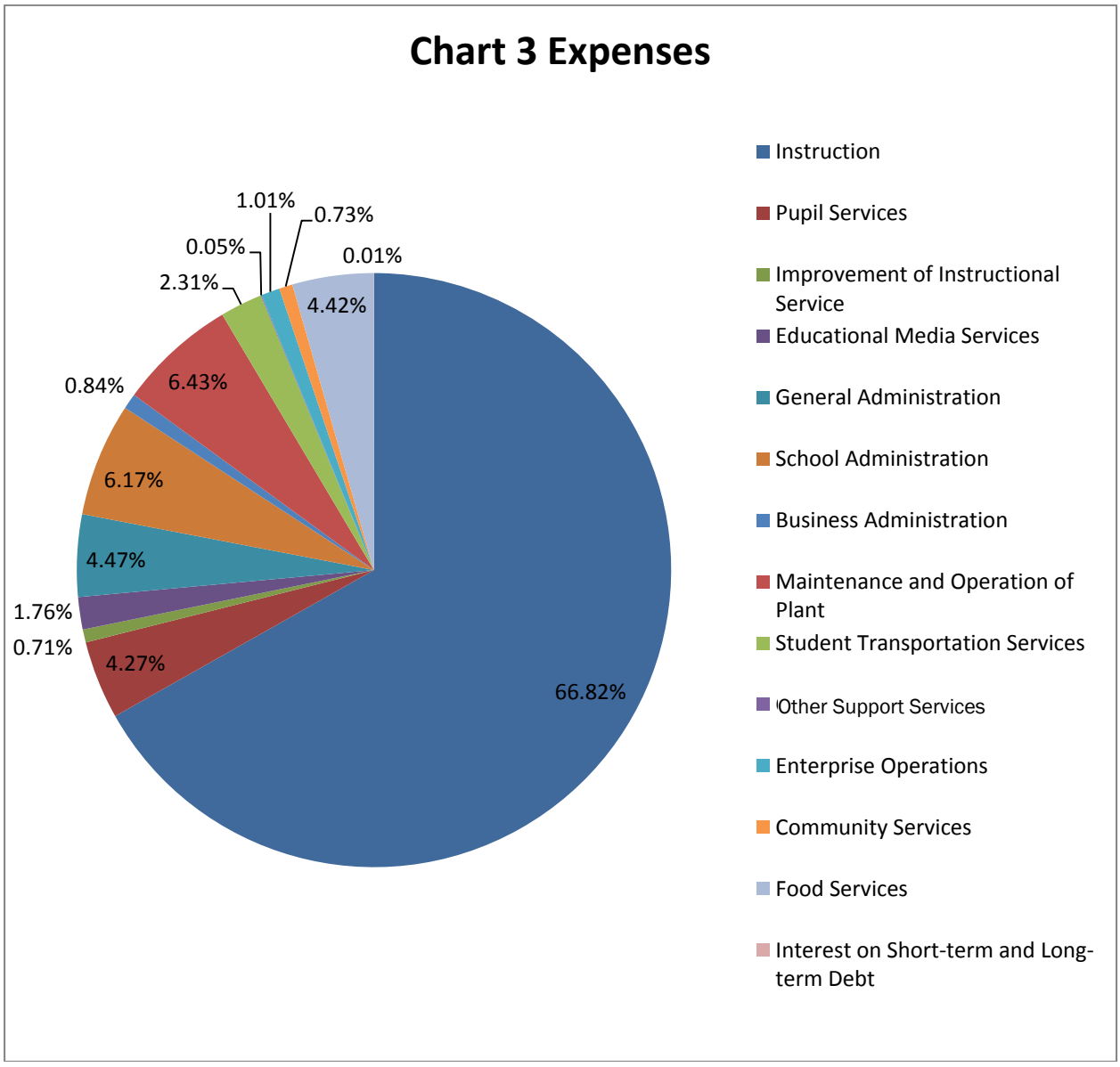


Table 2 shows the changes in net assets for fiscal year 2010 compared to the changes in net assets for fiscal year 2011.

Table 2
Change in Net Assets

	Governmental Activities	
	Fiscal Year 2010	Fiscal Year 2011
Revenues		
Program Revenues		
Charges for Services and Sales	$ 2,110,115	$ 2,329,215
Operating Grants and Contributions	14,622,699	15,260,513
Total Program Revenues	$ 16,732,814	$ 17,589,728
General Revenues:		
Taxes		
Property Taxes		
For Maintenance and Operations	$ 12,326,520	$ 11,761,804
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Capital Projects	2,784,925	2,837,465
Investment Earnings	35,617	3,212
Miscellaneous	1,179,162	1,404,406
Special Item		
Transfer from City Government	4,758,180	5,558,189
Total General Revenues and Special Item	$ 21,084,404	$ 21,565,076
Total Revenues	$ 37,817,218	$ 39,154,804
Program Expenses		
Instruction	$ 23,118,118	$ 24,247,460
Support Services		
Pupil Services	1,664,792	1,547,793
Improvement of Instructional Services	312,705	257,575
Educational Media Services	497,806	638,891
General Administration	1,423,381	1,621,724
School Administration	2,215,062	2,240,762
Business Administration	246,722	306,477
Maintenance and Operation of Plant	2,219,487	2,334,358
Student Transportation Services	800,865	837,982
Other Support Services	12,790	16,388
Operations of Non-Instructional Services		
Enterprise Operations	210,385	367,349
Community Services	277,165	264,542
Food Services	1,472,568	1,602,638
Interest on Short-Term and Long-Term Debt		5,207
Total Expenses	$ 34,471,846	$ 36,289,146
Increase in Net Assets	$ 3,345,372	$ 2,865,658

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 comparing fiscal year 2011 with fiscal year 2010. That is, 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 2010	Fiscal Year 2011	Fiscal Year 2010	Fiscal Year 2011
Instruction	$ 23,118,118	$ 24,247,460	$ 11,455,612	$ 12,495,527
Support Services:				
Pupil Services	1,664,792	1,547,793	1,486,351	1,464,138
Improvement of Instructional Services	312,705	257,575	11,296	83,077
Educational Media Services	497,806	638,891	97,061	192,721
General Administration	1,423,381	1,621,724	833,750	742,821
School Administration	2,215,062	2,240,762	1,467,853	1,418,261
Business Administration	246,722	306,477	246,196	305,776
Maintenance and Operation of Plant	2,219,487	2,334,358	1,310,946	1,342,096
Student Transportation Services	800,865	837,982	665,891	690,749
Other Support Services	12,790	16,388	-1,059	564
Operations of Non-Instructional Services:				
Enterprise Operations	210,385	367,349	209,835	-136,667
Community Services	277,165	264,542	53,654	94,697
Food Services	1,472,568	1,602,638	-98,353	452
Interest on Short-Term and Long-Term Debt		5,207		5,207
Total Expenses	$ 34,471,846	$ 36,289,146	$ 17,739,033	$ 18,699,419

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues of $33.7 million, an allotment from the city in the amount of $5.6 million, and other financing sources in the amount of $1.5 million for a total of $40.7 million in receipts. General Fund expenditures were $35.5 million and other financing uses were $0.9 million for a total of $36.4 million. Capital Projects expenditures were $3.1 million. The fund balance for the General Fund grew by $552,842. The fund balance for the Capital Projects Fund grew by $672,736.

General Fund Budgeting Highlights

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

For the General Fund, the actual revenues and other financing sources were $37.0 million. The final actual expenditures and other financing uses were $36.4 million. The School District was able to maintain its financial reserves despite the continuous precipitous decline of the economy during the fiscal year 2011 budget.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2011, the School District had $49.84 million invested in capital assets, all in governmental activities. Table 4 indicates balances at June 30, 2011.

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities	
	Fiscal Year 2010	Fiscal Year 2011
Land	$ 145,000	$ 145,000
Construction In Progress	104,960	
Land Improvements	132,872	197,997
Buildings and Improvements	48,721,571	48,748,320
Equipment	929,829	750,205
Total	$ 50,034,232	$ 49,841,522

Debt

Table 5 shows the School District's debt for compensated absences, the capital lease and the Intergovernmental Agreement.

Table 5
Debt at June 30

	Governmental Activities	
	Fiscal Year 2010	Fiscal Year 2011
Capital Leases		$ 362,630
Compensated Absences	$ 42,777	32,581
Intergovernmental Agreement	8,899,381	6,629,598
Total	$ 8,942,158	$ 7,024,809

Current Issues

The City of Buford School District is buffered from some of the financial hardships other school districts experience by the financial support of a well run and fiscally responsible city government. However, changes in the student clientele, State and Federal regulations, and legal requirements continue to impact system operations and finance.

- With 2011 State mandates but flexibility in expenditure controls, the school system provided the same level of service to our students.

- With the increase in 2011 of revenues, the school system was able to maintain the ending fund equity to provide for a stable financial future and absorb some of the downturn in the economy.

- The School District has employed appropriate personnel and funded all programs adequately.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact Mrs. Angela Adams, Director of Finance, City of Buford School District, 2625 Sawnee Avenue, Buford, Georgia 30518. You may also email your questions to angela.adams@bufordcityschools.org.

CITY OF BUFORD BOARD OF EDUCATION - GWINNETT COUNTY

CITY OF BUFORD BOARD OF EDUCATION - GWINNETT COUNTY
STATEMENT OF NET ASSETS
JUNE 30, 2011

EXHIBIT "A"

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and Cash Equivalents	$ 5,916,178.77
Investments	200,000.00
Accounts Receivable, Net	
Taxes	1,954,947.36
State Government	1,777,342.59
Federal Government	590,179.57
Local Government	4,242,697.20
Other	4,411.56
Inventories	35,280.94
Prepaid Items	206,594.23
Capital Assets, Non-Depreciable	145,000.00
Capital Assets, Depreciable (Net of Accumulated Depreciation)	49,696,521.88
Total Assets	$ 64,769,154.10
LIABILITIES	
Accounts Payable	$ 1,094,144.15
Salaries and Benefits Payable	3,253,391.37
Payroll Withholdings Payable	5,847.10
Funds Held for Others	411,338.50
Deferred Revenue	122,355.01
Long-Term Liabilities	
Due Within One Year	213,896.22
Due in More Than One Year	6,810,912.62
Total Liabilities	$ 11,911,884.97
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	$ 43,211,924.44
Restricted for	
Bus Replacement	21,052.00
Continuation of Federal Programs	204,590.20
Capital Projects	742,182.50
Debt Service	199,633.44
Unrestricted	8,477,886.55
Total Net Assets	$ 52,857,269.13
Total Liabilities and Net Assets	$ 64,769,154.10

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

CITY OF BUFORD BOARD OF EDUCATION - GWINNETT COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

EXHIBIT "B"

	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS	NET (EXPENSES) REVENUES AND CHANGES IN NET ASSETS
GOVERNMENTAL ACTIVITIES				
Instruction	$ 24,247,459.88	$ 1,196,517.57	$ 10,555,415.42	$ -12,495,526.89
Support Services				
Pupil Services	1,547,793.45		83,655.61	-1,464,137.84
Improvement of Instructional Services	257,575.32		174,497.96	-83,077.36
Educational Media Services	638,890.74		446,169.84	-192,720.90
General Administration	1,621,724.45		878,903.24	-742,821.21
School Administration	2,240,762.04		822,501.43	-1,418,260.61
Business Administration	306,476.67		700.90	-305,775.77
Maintenance and Operation of Plant	2,334,357.78		992,261.79	-1,342,095.99
Student Transportation Services	837,981.87		147,232.88	-690,748.99
Other Support Services	16,388.13		15,824.46	-563.67
Operations of Non-Instructional Services				
Enterprise Operations	367,349.28	503,318.52	697.76	136,667.00
Community Services	264,541.51	169,844.49		-94,697.02
Food Services	1,602,637.81	459,534.23	1,142,651.63	-451.95
Interest on Short-Term and Long-Term Debt	5,207.32			-5,207.32
Total Governmental Activities	$ 36,289,146.25	$ 2,329,214.81	$ 15,260,512.92	$ -18,699,418.52
General Revenues				
Taxes				
Property Taxes				
For Maintenance and Operations				$ 11,761,803.99
Sales Taxes				
Special Purpose Local Option Sales Tax				
For Capital Projects				2,837,465.00
Investment Earnings				3,211.60
Miscellaneous				1,404,406.51
Special Item				
Transfer from City Government				5,558,189.17
Total General Revenues and Special Item				$ 21,565,076.27
Change in Net Assets				$ 2,865,657.75
Net Assets - Beginning of Year				49,991,611.38
Net Assets - End of Year				$ 52,857,269.13

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

CITY OF BUFORD BOARD OF EDUCATION - GWINNETT COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

EXHIBIT "C"

	GENERAL FUND	DISTRICT-WIDE CAPITAL PROJECTS FUND	TOTAL
ASSETS			
Cash and Cash Equivalents	$ 5,916,178.77		$ 5,916,178.77
Investments	200,000.00		200,000.00
Accounts Receivable, Net			
Taxes	1,705,313.92	$ 249,633.44	1,954,947.36
State Government	1,777,342.59		1,777,342.59
Federal Government	590,179.57		590,179.57
Local Government	2,931,633.06	1,311,064.14	4,242,697.20
Other	4,411.56		4,411.56
Inventories	35,280.94		35,280.94
Prepaid Items	206,594.23		206,594.23
Total Assets	$ 13,366,934.64	$ 1,560,697.58	$ 14,927,632.22
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	$ 886,601.01	$ 207,543.14	$ 1,094,144.15
Salaries and Benefits Payable	3,253,391.37		3,253,391.37
Payroll Withholdings Payable	5,847.10		5,847.10
Funds Held for Others		411,338.50	411,338.50
Deferred Revenue	1,775,968.65		1,775,968.65
Total Liabilities	$ 5,921,808.13	$ 618,881.64	$ 6,540,689.77
FUND BALANCES			
Nonspendable	$ 241,875.17		$ 241,875.17
Restricted	190,361.26	$ 941,815.94	1,132,177.20
Unassigned	7,012,890.08		7,012,890.08
Total Fund Balances	$ 7,445,126.51	$ 941,815.94	$ 8,386,942.45
Total Liabilities and Fund Balances	$ 13,366,934.64	$ 1,560,697.58	$ 14,927,632.22

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

CITY OF BUFORD BOARD OF EDUCATION - GWINNETT COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011

EXHIBIT "D"

Total Fund Balances - Governmental Funds (Exhibit "C")		$ 8,386,942.45
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 in the funds. These assets consist of:		
Land	$ 145,000.00	
Land Improvements	743,066.77	
Buildings and Improvements	56,560,278.71	
Equipment	2,840,179.05	
Accumulated Depreciation	-10,447,002.65	
Total Capital Assets		49,841,521.88
Taxes that are not available to pay for current period expenditures are deferred in the funds.		1,653,613.64
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:		
Intergovernmental Agreement	$ -6,629,597.44	
Capital Lease	-362,630.37	
Compensated Absences	-32,581.03	
Total Long-Term Liabilities		-7,024,808.84
Net Assets of Governmental Activities (Exhibit "A")		$ 52,857,269.13

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

CITY OF BUFORD BOARD OF EDUCATION - GWINNETT COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

EXHIBIT "E"

	GENERAL FUND	DISTRICT-WIDE CAPITAL PROJECTS FUND	TOTAL
REVENUES			
Property Taxes	$ 11,846,363.17		$ 11,846,363.17
Sales Taxes		$ 2,837,465.00	2,837,465.00
State Funds	12,252,219.28		12,252,219.28
Federal Funds	3,008,293.64		3,008,293.64
Charges for Services	2,329,214.81		2,329,214.81
Investment Earnings	3,211.60		3,211.60
Miscellaneous	1,404,406.51		1,404,406.51
Total Revenues	$ 30,843,709.01	$ 2,837,465.00	$ 33,681,174.01
EXPENDITURES			
Current			
Instruction	$ 23,375,762.54		$ 23,375,762.54
Support Services			
Pupil Services	1,544,312.25		1,544,312.25
Improvement of Instructional Services	257,575.32		257,575.32
Educational Media Services	638,890.74		638,890.74
General Administration	1,570,711.98		1,570,711.98
School Administration	2,243,269.75		2,243,269.75
Business Administration	308,968.50		308,968.50
Maintenance and Operation of Plant	2,422,251.27		2,422,251.27
Student Transportation Services	731,948.52		731,948.52
Other Support Services	16,388.13		16,388.13
Enterprise Operations	367,349.28		367,349.28
Community Services	264,541.51		264,541.51
Food Services Operation	1,546,953.25		1,546,953.25
Capital Outlay		$ 812,500.55	812,500.55
Debt Services			
Principal	181,315.19	2,269,784.14	2,451,099.33
Interest	5,207.32		5,207.32
Total Expenditures	$ 35,475,445.55	$ 3,082,284.69	$ 38,557,730.24
Excess of Revenues over (under) Expenditures	$ -4,631,736.54	$ -244,819.69	$ -4,876,556.23
OTHER FINANCING SOURCES (USES)			
Transfers from City Government	$ 5,558,189.17		$ 5,558,189.17
Capital Lease	543,945.56		543,945.56
Transfers In		$ 917,555.25	917,555.25
Transfers Out	-917,555.25		-917,555.25
Total Other Financing Sources (Uses)	$ 5,184,579.48	$ 917,555.25	$ 6,102,134.73
Net Change in Fund Balances	$ 552,842.94	$ 672,735.56	$ 1,225,578.50
Fund Balances - Beginning	6,892,283.57	269,080.38	7,161,363.95
Fund Balances - Ending	$ 7,445,126.51	$ 941,815.94	$ 8,386,942.45

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

CITY OF BUFORD BOARD OF EDUCATION - GWINNETT COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2011

EXHIBIT "F"

Total Net Change in Fund Balances - Governmental Funds (Exhibit "E")		$ 1,225,578.50
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	$ 951,108.85	
Depreciation Expense	-1,143,819.66	
Excess of Capital Outlay over Depreciation Expense		-192,710.81
Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		-84,559.18
Some of the Capital Assets acquired this year were financed with capital leases. In Governmental Funds, a capital lease arrangement is considered a source of financing, but in the Statement of Net Assets, the lease obligation is reported as a Long-Term Liability.		-543,945.56
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:		
Capital Lease Payments	$ 181,315.19	
Intergovernmental Agreement Retirements	2,269,784.14	
Total Long-Term Debt Repayments		2,451,099.33
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:		
Decrease in Compensated Absences		10,195.47
Change in Net Assets of Governmental Activities (Exhibit "B")		$ 2,865,657.75

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

CITY OF BUFORD BOARD OF EDUCATION - GWINNETT COUNTY
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011

EXHIBIT "G"

	AGENCY FUNDS
ASSETS	
Cash and Cash Equivalents	$ 19,693.15
LIABILITIES	
Funds Held for Others	$ 19,693.15

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

(This page left intentionally blank)

Note 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

REPORTING ENTITY

The City of Buford 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 not organized as a separate legal entity and does not have the power to levy taxes or issue bonds. Its budget is subject to approval by the City of Buford, Georgia. Accordingly, the City of Buford Board of Education is determined to be a component unit of the City of Buford, Georgia, which is the primary government.

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

The School District reports the following major governmental funds:

- 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) that are restricted to the expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The School District reports the following fiduciary fund type:

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

BASIS OF ACCOUNTING

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

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.

The State of Georgia reimburses the School System for teachers' salaries and operating costs through the Quality Basic Education Formula Earnings program (QBE). Generally teachers are contracted for the school year (July 1 – June 30) and paid over a twelve month contract period, generally September 1 through August 31. In accordance with the respective rules and regulations of the QBE program, the State of Georgia reimburses the School System over the same twelve month

period in which teachers are paid. At June 30, the amount of teachers' salaries incurred but not paid until July and August of the subsequent year are accrued. Since the State of Georgia recognizes its QBE liability for the July and August salaries at June 30, the School System recognizes the same QBE as a receivable and revenue, consistent with symmetrical recognition.

NEW ACCOUNTING PRONOUNCEMENTS

In fiscal year 2011, the School District adopted the Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The provisions of this Statement establish accounting and financial reporting standards for all governments that report governmental funds. It establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental funds.

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.

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 City of Buford Board of Commissioners fixed the property tax levy for the 2010 tax digest year (calendar year) on August 2, 2010 (levy date). Taxes were due on November 20, 2010 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2010 tax digest are reported as revenue in the governmental funds for fiscal year 2011. The City of Buford City Clerk bills and collects the property taxes for the School District 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, 2011, for maintenance and operations amounted to $11,846,363.17.

The tax millage rates levied for the 2010 tax year (calendar year) for the City of Buford Board of Education was as follows (a mill equals $1 per thousand dollars of assessed value):

School Operations	13.15 mills

SALES TAXES

Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to $2,837,465.00 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

INVENTORIES

Food Inventories
On the basic financial statements, inventories of donated food commodities used in the preparation of meals are reported at their Federally assigned value and purchased foods inventories are reported at cost (first-in, first-out). The School District uses the consumption method to account for inventories whereby donated food commodities are recorded as an asset and as revenue when received, and expenses/expenditures are recorded as the inventory items are used. Purchased foods are recorded as an asset when purchased and expenses/expenditures are recorded as the inventory items are used.

PREPAID ITEMS

Payments made to vendors for services that will benefit periods subsequent to June 30, 2011, 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	$ 5,000.00	15 years
Buildings and Improvements	$ 5,000.00	15 to 60 years
Equipment	$ 5,000.00	5 to 12 years
Intangible Assets	$ 5,000.00	individually determined

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.

Prior to March 15, 2004, vacation leave not utilized during a fiscal year could be carried over to the next fiscal year. Vacation leave of 10 days was awarded on a fiscal year basis to all full time personnel employed on a twelve month basis until they have reached 15 fiscal years of service. After 15 fiscal years of service, employees earned 15 days per fiscal year. No other employees are eligible to earn vacation leave. After March 15, 2004, employees are no longer allowed to carry over unused vacation leave from one fiscal year to the next, except for the vacation days carried forward prior to these changes in the Vacation Leave Policy.

The amount of compensated absences reported at June 30, 2011, is for the unused vacation leave days for twelve month employees earned and carried forward prior to the change in the School District's Leave Policy as of June 30, 2011. The compensated absence balance was calculated by the School District using the individual employee's current daily pay rate.

	Beginning of Year Liability	Increases	Decreases	End of Year Liability
2009	$ 58,682.29	$ 2,511.15	$ 0.00	$ 61,193.44
2010	$ 61,193.44	$ 888.37	$ 19,305.31	$ 42,776.50
2011	$ 42,776.50	$ 0.00	$ 10,195.47	$ 32,581.03

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 bus replacement, 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, 2011, are as follows:

Nonspendable		
Inventories	$ 35,280.94	
Prepaid Assets	206,594.23	$ 241,875.17
Restricted		
Bus Replacement	$ 21,052.00	
Continuation of Federal Programs	169,309.26	
Capital Projects	742,182.50	
Debt Service	199,633.44	1,132,177.20
Unassigned		7,012,890.08
Fund Balance, June 30, 2011		$ 8,386,942.45

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 8.3% 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: DEPOSITS

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,

(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. At June 30, 2011, the bank balances were $6,893,656.82. The bank balances were entirely covered by Federal depository insurance.

Note 4: 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 5: CAPITAL ASSETS

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

	Balances July 1, 2010	Increases	Decreases	Balances June 30, 2011
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	$ 145,000.00			$ 145,000.00
Construction Work In Progress	104,960.15	$ 0.00	$ 104,960.15	0.00
Total Capital Assets, Not Being Depreciated	$ 249,960.15	$ 0.00	$ 104,960.15	$ 145,000.00
Capital Assets, Being Depreciated:				
Buildings and Improvements	$ 55,610,399.01	$ 949,879.70		$ 56,560,278.71
Equipment	2,845,143.75	27,589.30	$ 32,554.00	2,840,179.05
Land Improvements	664,466.77	78,600.00		743,066.77
Less: Accumulated Depreciation:				
Buildings and Improvements	6,888,827.71	923,130.83		7,811,958.54
Equipment	1,915,314.64	207,213.90	32,554.00	2,089,974.54
Land Improvements	531,594.64	13,474.93		545,069.57
Total Capital Assets, Being Depreciated, Net	$ 49,784,272.54	$ -87,750.66	$ 0.00	$ 49,696,521.88
Governmental Activity Capital Assets - Net	$ 50,034,232.69	$ -87,750.66	$ 104,960.15	$ 49,841,521.88

Current year depreciation expense by function is as follows:

Instruction		$ 894,885.64
Support Services		
Pupil Services	$ 3,481.20	
General Administration	61,823.94	
Maintenance and Operation of Plant	21,910.97	
Student Transportation Services	106,033.35	193,249.46
Food Services		55,684.56
		$ 1,143,819.66

Note 6: INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2011, consisted of the following:

	Transfers From	
Transfer to	General Fund	City of Buford
General Fund		$ 5,558,189.17
District-wide Capital Projects	$ 917,555.25	
Total	$ 917,555.25	$ 5,558,189.17

The School District receives supplemental funding from the City of Buford. In addition, transfers are used to move property tax revenues collected by the General Fund to the District-wide Capital Projects Fund as supplemental funding source for capital construction projects.

Note 7: 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.

The School District is self-insured with regard to unemployment compensation claims. The School District accounts for claims within the same fund that the employee's salary and benefits are paid. Claims are accounted for 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. The School District has not experienced any losses related to risk in the past two years.

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

Position Covered	Amount
Superintendent	$ 50,000.00
Assistant Superintendent	$ 50,000.00
Each Principal	$ 3,000.00

Note 8: LONG-TERM DEBT

CAPITAL LEASES

The City of Buford Board of Education entered into a lease agreement for the purchase of computers. 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 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

In March 2007, the Gwinnett County School District issued general obligation bonds in the amount of $425,000,000.00 to provide advance funding for Capital Outlay projects associated with the voters' approval of a Special Purpose Local Option Sales Tax ("SPLOST"). Per an Intergovernmental Agreement signed on August 4, 2006, between the Gwinnett County School District ("Gwinnett") and the City of Buford Board of Education ("Buford"). Gwinnett agreed to provide advance funding of $18,700,000.00 of proceeds from the general obligation bonds to Buford. In exchange, Buford agreed to relinquish upon receipt from the State of Georgia, its share of proceeds from the SPLOST. The agreement also allows for a reduction in this advance funding for any deficiency of collected funds from advance funds related to the prior SPLOST project.

In fiscal year 2008, Gwinnett provided the advance funding of $18,700,000.00. SPLOST proceeds of $2,076,104.54 were received and remitted by Buford to Gwinnett during the fiscal year. SPLOST proceeds of $193,679.60 were received but not yet remitted by Buford to Gwinnett. This balance is considered matured debt expense/expenditure and is reported as an accounts payable on the School District's Statement of Net Assets and Governmental Funds Balance Sheet. The remaining advance funding proceeds of $6,629,597.44 is reported as long-term debt on the School District's Statement of Net Assets.

The changes in Long-Term Debt during the fiscal year ended June 30, 2011, were as follows:

	Governmental Funds				
	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011	Due Within One Year
Compensated Absences	$ 42,776.50		$ 10,195.47	$ 32,581.03	$ 32,581.03
Intergovernmental Agreement	8,899,381.58		2,269,784.14	6,629,597.44	(1)
Capital Leases	0.00	$ 543,945.56	181,315.19	362,630.37	181,315.19
	$ 8,942,158.08	$ 543,945.56	$ 2,461,294.80	$ 7,024,808.84	$ 213,896.22

(1) Per the Intergovernmental Agreement with the Gwinnett County School District, portion of long-term debt due within one year is equal to Special Purpose Local Option Sales Tax collections to be made by the School District in the subsequent fiscal year. It is not possible to determine the specific amount of these funds to be collected.

Note 9: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of $66,927.78 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 Non-Certificated Personnel
In the amount of $55,323.78

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 $11,604.00

Note 10: 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 11: 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. On average, plan members pay approximately 25 percent of the cost of the health insurance coverage.

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, 2011:

For certificated teachers, librarians and regional educational service agencies:

July 2010 - April 2011	21.955%	of covered payroll for August - May Coverage
May 2011 - June 2011	1.429%	of covered payroll for June - July Coverage

For non-certificated school personnel:

July 2010 - December 2010	$162.72	per member per month
January 2011 - May 2011	$218.20	per member per month
June 2011	$246.20	per member per month

The Department of Education was appropriated an additional $25,081,633 for non-certificated personnel health insurance payments. The amount attributable to the School District is reflected in the On-behalf note disclosure.

No additional contribution was required by the Board for fiscal year 2011 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:

Fiscal Year	Percentage Contributed	Required Contribution
2011	100%	$ 2,736,845.75
2010	100%	$ 2,760,694.36
2009	100%	$ 2,059,541.58

Note 12: 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, 2011, 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 2011 were 10.28% of annual salary as required by the June 30, 2008, 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
2011	100%	$	1,926,519.86
2010	100%	$	1,846,138.14
2009	100%	$	1,795,058.37

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.

(This page left intentionally blank)

CITY OF BUFORD BOARD OF EDUCATION - GWINNETT COUNTY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2011

SCHEDULE "1"

	NONAPPROPRIATED BUDGETS		ACTUAL
	ORIGINAL (1)	FINAL (1)	AMOUNTS
REVENUES			
Property Taxes	$ 17,300,000.00	$ 17,300,000.00	$ 11,846,363.17
Sales Taxes			
State Funds	11,660,439.00	11,660,439.00	12,252,219.28
Federal Funds	1,183,931.00	1,183,931.00	3,008,293.64
Charges for Services	1,336,567.87	1,336,567.87	2,329,214.81
Investment Earnings	25,200.00	25,200.00	3,211.60
Miscellaneous	70,450.00	70,450.00	1,404,406.51
Total Revenues	$ 31,576,587.87	$ 31,576,587.87	$ 30,843,709.01
EXPENDITURES			
Current			
Instruction	$ 20,426,072.58	$ 20,507,281.98	$ 23,375,762.54
Support Services			
Pupil Services	1,217,192.54	1,497,465.99	1,544,312.25
Improvement of Instructional Services	151,937.52	401,911.54	257,575.32
Educational Media Services	580,718.77	641,084.95	638,890.74
General Administration	1,742,814.27	1,581,162.02	1,570,711.98
School Administration	2,122,492.27	2,233,737.99	2,243,269.75
Business Administration	343,727.95	308,273.16	308,968.50
Maintenance and Operation of Plant	2,508,797.97	2,515,446.24	2,422,251.27
Student Transportation Services	784,666.72	802,877.72	731,948.52
Other Support Services		1,300.00	16,388.13
Enterprise Operations			367,349.28
Community Services			264,541.51
Food Services Operation	1,498,467.43	1,498,467.43	1,546,953.25
Debt Service			186,522.51
Total Expenditures	$ 31,376,888.02	$ 31,989,009.02	$ 35,475,445.55
Excess of Revenues over (under) Expenditures	$ 199,699.85	$ -412,421.15	$ -4,631,736.54
OTHER FINANCING SOURCES (USES)			
Transfers From City Government			$ 5,558,189.17
Capital Lease			543,945.56
Operating Transfers to Other Funds			-917,555.25
Total Other Financing Sources (Uses)			$ 5,184,579.48
Net Change in Fund Balances	$ 199,699.85	$ -412,421.15	$ 552,842.94
Fund Balances - Beginning	7,877,354.86	6,870,839.24	6,892,283.57
Fund Balances - Ending	$ 8,077,054.71	$ 6,458,418.09	$ 7,445,126.51

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 or expenditures 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.

CITY OF BUFORD BOARD OF EDUCATION - GWINNETT COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

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	$ 1,501,160.31	(1)
Total U.S. Department of Agriculture				$ 1,501,160.31	
Education, U. S. Department of					
Education Technology State Grants Cluster					
Pass-Through From Georgia Department of Education					
Education Technology State Grants		84.318	N/A	$ 3,696.73	
Special Education Cluster					
Pass-Through From Georgia Department of Education					
Special Education					
ARRA - Grants to States	*	84.391	N/A	$ 250,036.90	
Grants to States	*	84.027	N/A	328,843.69	
Total Special Education Cluster				$ 578,880.59	
Title I, Part A Cluster					
Pass-Through From Georgia Department of Education					
ARRA - Title I Grants to Local Educational Agencies	*	84.389	N/A	$ 102,573.41	
Title I Grants to Local Educational Agencies	*	84.010	N/A	496,219.44	
Total Title I, Part A Cluster				$ 598,792.85	
Other Programs					
Pass-Through From Georgia Department of Education					
Career and Technical Education - Basic Grants to States		84.048	N/A	$ 39,575.29	
Education Jobs Fund	*	84.410	N/A	645,870.00	
English Language Acquisition Grants		84.365	N/A	65,774.98	
Improving Teacher Quality State Grants		84.367	N/A	120,466.85	
Safe and Drug-Free Schools and Communities-State Grants		84.186	N/A	1,078.80	
Total Other Programs				$ 872,765.92	
Total U. S. Department of Education				$ 2,054,136.09	
Total Expenditures of Federal Awards				$ 3,555,296.40	

N/A = Not Available

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 $57,102.99.

(2) Expenditures for the funds earned on the School Breakfast Program ($271,698.10) were not maintained separately and are included in the 2011 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 City of Buford 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.

CITY OF BUFORD BOARD OF EDUCATION - GWINNETT COUNTY
SCHEDULE OF STATE REVENUE
YEAR ENDED JUNE 30, 2011

SCHEDULE "3"

AGENCY/FUNDING	GOVERNMENTAL FUND TYPE GENERAL FUND
GRANTS	
Education, Georgia Department of	
Quality Basic Education	
Direct Instructional Cost	
Kindergarten Program	$ 1,045,753.00
Kindergarten Program - Early Intervention Program	60,958.00
Primary Grades (1-3) Program	2,589,955.00
Primary Grades - Early Intervention (1-3) Program	89,288.00
Upper Elementary Grades (4-5) Program	1,220,775.00
Upper Elementary Grades - Early Intervention (4-5) Program	45,826.00
Middle School (6-8) Program	1,771,926.00
High School General Education (9-12) Program	1,573,594.00
Vocational Laboratory (9-12) Program	367,671.00
Students with Disabilities	1,715,938.00
Gifted Student - Category VI	517,779.00
Remedial Education Program	160,738.00
Alternative Education Program	135,547.00
English Speakers of Other Languages (ESOL)	310,111.00
Media Center Program	324,396.00
20 Days Additional Instruction	98,919.00
Staff and Professional Development	57,408.00
Indirect Cost	
Central Administration	460,457.00
School Administration	588,076.00
Facility Maintenance and Operations	724,729.00
Categorical Grants	
Pupil Transportation	
Regular	118,443.00
Nursing Services	64,493.00
Food Services	45,792.94
Vocational Education	26,544.70
Amended Formula Adjustment	-1,973,209.00
Other State Programs	
CTAE - Middle School Support Grant	6,157.00
Dual Enrollment	1,152.00
Health Insurance	55,323.78
Industry Certification Related Equipment - State Bonds	5,000.00
Math and Science Supplements	30,873.86
Move On When Ready	200.00
Office of State Treasurer	
Public School Employees Retirement	11,604.00
	$ 12,252,219.28

See notes to the basic financial statements.

CITY OF BUFORD BOARD OF EDUCATION - GWINNETT COUNTY
SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS
YEAR ENDED JUNE 30, 2011

SCHEDULE "4"

PROJECT	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3)	AMOUNT EXPENDED IN PRIOR YEARS (3)	PROJECT STATUS
Hall County SPLOST Projects: acquiring, constructing and equipping additional classrooms, instructional and support space and remodeling, renovating, and equipping existing classrooms, instructional and support space; acquiring, constructing and equipping new middle schools; acquiring and installing technology improvements system-wide; and renovating existing school buildings and facilities.	$ 3,000,000.00	$ 3,000,000.00	$ 0.00	$ 1,797,667.81	Ongoing

(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 project. Includes all cost from project inception to completion.

(3) The voters of Hall County approved the imposition of a 1% sales tax to fund the above project and retire associated debt. Amounts expended for this project may include sales tax proceeds, state, local property taxes and/or other funds over the life of the project.

See notes to the basic financial statements.

CITY OF BUFORD BOARD OF EDUCATION - GWINNETT COUNTY
GENERAL FUND - QUALITY BASIC EDUCATION PROGRAMS (QBE)
ALLOTMENTS AND EXPENDITURES - BY PROGRAM
YEAR ENDED JUNE 30, 2011

SCHEDULE "5"

DESCRIPTION	ALLOTMENTS FROM GEORGIA DEPARTMENT OF EDUCATION (1) (2)	ELIGIBLE QBE PROGRAM COSTS SALARIES	OPERATIONS	TOTAL
Direct Instructional Programs				
Kindergarten Program	$ 1,376,079.00	$ 1,364,252.81	$ 47,630.30	$ 1,411,883.11
Kindergarten Program-Early Intervention Program	79,928.00	179,406.93		179,406.93
Primary Grades (1-3) Program	3,144,180.00	3,132,330.62	124,096.10	3,256,426.72
Primary Grades-Early Intervention (1-3) Program	119,919.00	193,644.36		193,644.36
Upper Elementary Grades (4-5) Program	1,589,936.00	1,708,304.05	70,541.05	1,778,845.10
Upper Elementary Grades-Early Intervention (4-5) Program	66,467.00	160,133.44		160,133.44
Middle School (6-8) Program	2,359,952.00	3,348,149.46	187,015.71	3,535,165.17
High School General Education (9-12) Program	2,087,824.00	2,815,713.68	373,260.31	3,188,973.99
Vocational Laboratory (9-12) Program	489,339.00	402,060.82	42,566.78	444,627.60
Students with Disabilities	2,297,032.00			
Category I		209,618.24	345,090.14	554,708.38
Category II			594.17	594.17
Category III		1,278,328.41	267.45	1,278,595.86
Category IV		579,979.95		579,979.95
Gifted Student - Category VI	669,032.00	326,116.66	469.18	326,585.84
Remedial Education Program	185,604.00		355.93	355.93
Alternative Education Program	181,261.00	68,658.60		68,658.60
English Speakers of Other Languages (ESOL)	422,456.00	357,813.26	200.00	358,013.26
TOTAL DIRECT INSTRUCTIONAL PROGRAMS	$ 15,069,009.00	$ 16,124,511.29	$ 1,192,087.12	$ 17,316,598.41
Media Center Program	429,288.00	522,644.66	114,984.37	637,629.03
Staff and Professional Development	76,506.00	70,112.53		70,112.53
TOTAL QBE FORMULA FUNDS	$ 15,574,803.00	$ 16,717,268.48	$ 1,307,071.49	$ 18,024,339.97

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

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

See notes to the basic financial statements.

SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS

DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

September 13, 2012

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
City of Buford 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 City of Buford Board of Education as of and for the year ended June 30, 2011, which collectively comprise City of Buford Board of Education's basic financial statements and have issued our report thereon dated September 13, 2012. 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 City of Buford Board of Education is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered City of Buford 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 City of Buford Board of Education's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Buford Board of Education's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses and therefore, there can be no assurances that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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. We consider items FS-7641-11-03, FS-7641-11-05 and FS-7641-11-06 in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider items FS-7641-11-01, FS-7641-11-02, FS-7641-11-04 and FS-7641-11-07 in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Buford 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-7641-11-06.

We also noted certain matters that we have reported to management of City of Buford Board of Education in a separate letter dated September 13, 2012.

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

This report is intended solely for the information and use of management, members of the City of Buford 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 submitted,



Greg S. Griffin
State Auditor

GSG:as
2011YB-60

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

September 13, 2012

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
City of Buford 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 City of Buford 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, 2011. City of Buford 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 City of Buford Board of Education's management. Our responsibility is to express an opinion on City of Buford 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 City of Buford 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 City of Buford Board of Education's compliance with those requirements.

In our opinion, the City of Buford 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, 2011.

Internal Control Over Compliance

Management of City of Buford 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 City of Buford 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 City of Buford 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. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying Schedule of Findings and Questioned Costs as item FA-7641-11-01. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

City of Buford 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 City of Buford 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 City of Buford 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 submitted,



Greg S. Griffin
State Auditor

GSG:as
2011SA-30

SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

CITY OF BUFORD BOARD OF EDUCATION - GWINNETT COUNTY
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FINDING CONTROL NUMBER AND STATUS

FS-7641-09-01	Further Action Not Warranted
FS-7641-09-02	Further Action Not Warranted
FS-7641-09-03	Previously Reported Corrective Action Implemented
FS-7641-09-04	Further Action Not Warranted
FS-7641-09-05	Further Action Not Warranted
FS-7641-09-06	Further Action Not Warranted
FS-7641-10-01	Unresolved - See Corrective Action/Responses
FS-7641-10-02	Partially Resolved - See Corrective Action/Responses
FS-7641-10-03	Partially Resolved - See Corrective Action/Responses
FS-7641-10-04	Unresolved - See Corrective Action/Responses
FS-7641-10-05	Unresolved - See Corrective Action/Responses

CORRECTIVE ACTION/RESPONSES

CASH AND CASH EQUIVALENTS
Inadequate Internal Control Procedures
Finding Control Number: FS-7641-10-01

The School District will begin the process of including an administrative staff member to assure that there is separation of those who perform monthly bank reconciliations. The Board has implemented controls so that an error due to fraud or misstatement is reduced.

CASH AND CASH EQUIVALENTS
REVENUES/RECEIVABLES/RECEIPTS
EXPENDITURES/LIABILITIES/DISBURSEMENTS
GENERAL LEDGER
Inadequate Internal Controls over School Activity Accounts
Finding Control Number: FS-7641-10-02

The School District is implementing controls to reduce the risk of misstatements to the financial statements. New software is being implemented in fiscal year 2012. Principals open the bank statement and sign prior to the bookkeeper reconciling. All cash funds collected are receipted. All cash funds collected are collected by someone other than the school bookkeeper. Each school has someone independent of the bookkeeper making the deposits.

CAPITAL ASSETS
Failure to Properly Maintain Capital Assets
Finding Control Number: FS-7641-10-03

The School District drafted a new capital assets policy and procedures to ensure that capital assets are properly classified, booked and depreciated. School District has allotted personnel for this area. The Operations Manager is responsible for maintaining the capital asset listing. The capital asset listing is reviewed every June and July.

CITY OF BUFORD BOARD OF EDUCATION - GWINNETT COUNTY
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

CORRECTIVE ACTION/RESPONSES

GENERAL LEDGER
Inadequate Approval of Journal Entries
Finding Control Number: FS-7641-10-04

The School District is implementing procedures in fiscal year 2012 to ensure that there are adequate separation of duties as it relates to journal entries. All journal entries will be proposed and made by the Operations Manager or the Central Office Bookkeeper. The Finance Director will review all journal entries for classification, documentation, and accuracy.

FINANCIAL REPORTING
Inadequate Controls over Financial Reporting
Finding Control: FS-7641-10-05

The School District will insure that all financial statements are prepared before November 1st following the close of each fiscal year. This will allow questions and concerns to be addressed and corrected before the audit is complete. The Financial Director will work closely with the Financial Review section of Georgia Department of Education and the Georgia Department of Audits to ensure that the financial statements are completed in a timely fashion.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING CONTROL NUMBER	AUDITEE'S RESPONSE/STATUS
FA-7641-10-01	Partially Resolved -- See Corrective Action/Responses
FA-7641-10-02	Partially Resolved -- See Corrective Action/Responses
FA-7641-10-03	Partially Resolved -- See Corrective Action/Responses
FA-7641-10-04	Partially Resolved -- See Corrective Action/Responses

CORRECTIVE ACTION/RESPONSES

ACTIVITIES ALLOWED/UNALLOWED
ALLOWABLE COSTS/COST PRINCIPLES
Inadequate Internal Control Procedures
U. S. Department of Education
Through Georgia Department of Education
Title I Grants to Local Educational Agencies (CFDA 84.389)
Questioned Cost: $10,015.36
Finding Control Number: FA-7641-10-01

We are awaiting a final resolution from the Georgia Department of Education Financial Review.

CITY OF BUFORD BOARD OF EDUCATION - GWINNETT COUNTY
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

CORRECTIVE ACTION/RESPONSES

ALLOWABLE COSTS/COST PRINCIPLES
Time and Attendance Records not Utilized
U. S. Department of Education
Through Georgia Department of Education
Special Education Cluster (CFDA 84.027 and 84.391)
Title I Grants to Local Educational Agencies (CFDA 84.010 and 84.389)
Finding Control Number: FA-7641-10-02

We are awaiting a final resolution from the Georgia Department of Education Financial Review.

ELIGIBILITY
Failure to Document Eligibility Determinations
U. S. Department of Education
Through Georgia Department of Education
Title I Grants to Local Educational Agencies (CFDA 84.010 and 84.389)
Questioned Cost: $560.00
Finding Control Number: FA-7641-10-03

We are awaiting a final resolution from the Georgia Department of Education Financial Review.

SPECIAL TESTS AND PROVISIONS
Inadequate Schoolwide Program Plans
U. S. Department of Education
Through Georgia Department of Education
Title I Grants to Local Educational Agencies (CFDA 84.010 and 84.389)
Finding Control Number: FA-7641-10-04

We are awaiting a final resolution from the Georgia Department of Education Financial Review.

SECTION IV

FINDINGS AND QUESTIONED COSTS

CITY OF BUFORD BOARD OF EDUCATION - GWINNETT COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issue:

Governmental Activities; General Fund; Capital Projects Fund; Aggregate Remaining Fund Information	Unqualified

Internal control over financial reporting:

▪ Material weaknesses identified?	Yes
▪ Significant deficiencies identified?	Yes

Noncompliance material to financial statements noted:	Yes

Federal Awards

Internal Control over major programs:

▪ Material weakness identified?	No
▪ Significant deficiency identified?	Yes

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)?	Yes

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.010, 84.389	Title I, Part A Cluster
84.027, 84.391	Special Education Cluster
84.410	Education Jobs Fund

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

GENERAL LEDGER
Inadequate Approval of Journal Entries
Significant Deficiency
Finding Control Number: FS-7641-11-01

Condition:
This is a repeat finding (FS-7641-10-04, FS-7641-09-05, and FS-7641-08-03) from the fiscal years ended June 30, 2010, June 30, 2009, and June 30, 2008, respectively. School District personnel did not ensure that journal entries were properly approved based on the policies and procedures.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Criteria:
The School District's management is responsible for designing and maintaining internal controls that provide reasonable assurance that journal entries are properly approved, documented, and processed.

Questioned Cost:
N/A

Information:
There was no evidence provided to document that journal entries were reviewed and approved by someone independent of the general ledger journal entry function.

Cause:
These deficiencies were a result of management's failure to adequately monitor and implement procedures to ensure that journal entries are properly documented and approved before posting to the accounting records.

Effect:
The lack of adequate controls over the journal entry process may result in errors in financial reporting and increases the risk of material misstatements, including misstatements due to fraud.

Recommendation:
The School District should strengthen internal controls over the journal entry process to ensure journal entries are properly approved.

CASH AND CASH EQUIVALENTS
Inadequate Internal Control Procedures
Significant Deficiency
Finding Control Number: FS-7641-11-02

Condition:
This is a repeat finding (FS-7641-10-01 and FS-7641-09-01) from the fiscal years ended June 30, 2010, and June 30, 2009, respectively. The accounting procedures of the School District were insufficient to provide adequate internal controls over Cash and Cash Equivalents.

Criteria:
The School District's management is responsible for designing and maintaining internal controls over Cash and Cash Equivalents.

Questioned Cost:
N/A

Information:
Weaknesses in internal controls relating to Cash and Cash Equivalents were noted as follows:

- Bank reconciliations were not performed by someone independent of the general ledger function.
- The School District could not provide evidence that someone reviews and/or approves bank reconciliations.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

- Bank accounts were not properly reconciled to the general ledger resulting in unidentified variances.

Cause:
The School District did not design internal controls to properly reconcile and maintain cash activity on the general ledger.

Effect:
Failure to maintain adequate internal controls over cash activity increases the risk that significant misstatements could occur in the financial statements due to error or fraud.

Recommendation:
The School District should design and implement controls over cash to ensure that bank reconciliations are performed by someone independent of the general ledger function and a supervisory review is performed over bank reconciliations.

FINANCIAL REPORTING
Inadequate Internal Controls over Financial Reporting
Material Weakness
Finding Control Number: FS-7641-11-03

Condition:
This is a repeat finding (FS-7641-10-05, FS-7641-09-06, and FS-7641-08-05) from the fiscal years ended June 30, 2010, June 30, 2009, and June 30, 2008, respectively. The School District did not have adequate internal controls in place over the financial statement reporting process.

Criteria:
Chapter 22A *Annual Financial Reporting* of the Financial Management for Georgia Local Units of Administration provides that School Districts must prepare their financial statements in accordance with generally accepted accounting principles.

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) *Internal Control - Integrated Framework* states that an essential attribute to reliable financial reporting is the timely performance of procedures.

Questioned Cost:
N/A

Information:
The Governmental Accounting Standards Board (GASB) Statement 34 reporting model requires the preparation of both fund and entity-wide level statements in the School District's financial statements. The School District has not implemented an adequate level of internal control to ensure that financial data is processed and reported. Auditor prepared the School District's fund level and entity-wide level financial statements, including note disclosures.

Cause:
The School District did not implement an adequate system of internal control over the financial statement reporting process.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Effect:
The School District does not have adequate internal controls in place to ensure that the financial statements are properly prepared in accordance with generally accepted accounting principles.

Recommendation:
The School District should implement an adequate level of internal control to ensure that all required financial data is processed timely and accurately included in the financial statements.

CASH AND CASH EQUIVALENTS
REVENUES/RECEIVABLES/RECEIPTS
EXPENDITURES/LIABILITIES/DISBURSEMENTS
Inadequate Internal Controls over School Activity Accounts
Significant Deficiency
Finding Control Number: FS-7641-11-04

Condition:
This is a repeat finding (FS-7641-10-02, FS-7641-09-02, and FS-7641-08-01) from the fiscal years ended June 30, 2010, June 30, 2009, and June 30, 2008, respectively. The accounting procedures of the School District were insufficient to provide adequate internal controls over school activity accounts.

Criteria:
The School District's management is responsible for designing and maintaining internal controls that provide reasonable assurance that transactions are processed according to established procedures and provide assurance of proper separation of duties, which would limit any one individual's access to both physical assets and the related accounting records.

Questioned Cost:
N/A

Information:
Cash and Cash Equivalents

- The bank reconciliation function was not separate from record keeping and voucher payment functions.
- Bank accounts were not properly reconciled to the general ledger resulting in unidentified variances.

Revenues/Receivables/Receipts

- The deposit preparation function was not separated from record keeping and cash custody.

Expenditures/Liabilities/Disbursements

- The check writing functions were not separated from record keeping or processing of signed checks.

Cause:
The deficiencies were a result of management's failure to ensure that internal controls were established, implemented, and functioning at the school level. The School District also has not assigned responsibilities to achieve appropriate separation of duties.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Effect:
Failure to maintain adequate internal controls over school activity accounts increases the risk that misstatements could occur in the financial statements due to error or fraud.

Recommendation:
The School District should revise and implement internal controls to ensure that proper separation of duties is established, account processes are adequately monitored, and the central office ledger is reconciled to any subsidiary school ledgers.

CAPITAL ASSETS
Failure to Properly Maintain Capital Assets
Material Weakness
Finding Control Number: FS-7641-11-05

Condition:
This is a repeat finding (FS-7641-10-03, FS-7641-09-04, and FS-7641-08-02) from the fiscal years ended June 30, 2010, June 30, 2009, and June 30, 2008, respectively. Adequate policies and procedures are not in place to ensure that capital assets inventory records are properly maintained.

Criteria:
Chapter 37 *Implementing a Capital Assets Management System* of the Financial Management for Georgia Local Units of Administration provides that School Districts must establish fixed asset policies, define system requirements, implement a fixed asset system, and maintain fixed asset inventory records.

Questioned Cost:
N/A

Information:
A review of the School District's capital assets inventory records noted deficiencies as discussed below:

- Failure to maintain an ongoing analysis of capital projects resulted in unrecorded deletions to Construction in Progress and unrecorded additions to Buildings and Improvements.
- Failure to accurately maintain the capital assets inventory records by function resulted in incorrect depreciation by function.

Cause:
The School District did not design internal controls to properly maintain capital assets activity.

Effect:
Failure to properly maintain capital assets inventory records could lead to inaccurate internal and external reporting, as well as noncompliance with generally accepted accounting principles.

Recommendation:
The School District should design and implement controls over capital assets to ensure that (1) an ongoing analysis of capital projects is maintained and (2) capital assets inventory records are reviewed for accuracy and appropriate adjustments are made as necessary.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

ACCOUNTING CONTROLS
Inadequate Internal Controls over DE046 Reporting
Material Weakness
Material Noncompliance
Finding Control Number: FS-7641-11-06

Condition:
The School District did not have adequate controls in place to ensure that all required activity was included in the DE046 financial report submitted to the Georgia Department of Education.

Criteria:
Chapter 1, *Introduction to LUA Accounting*, of the Financial Management for Georgia Local Units of Administration states that "accounting records must provide meaningful, reliable, accurate and timely information to the many persons and groups with legitimate interests in the financial affairs of an LUA."

Questioned Cost:
N/A

Information:
School Activity Accounts information was not recorded in the School District's general ledger.

Cause:
The School District did not implement an adequate system of internal control to ensure that Georgia Department of Education's policies and procedures were followed.

Effect:
The School District did not comply with reporting requirements set forth by State law and Georgia Department of Education.

Recommendation:
The School District should implement controls to ensure that activity is properly recorded in the general ledger, that Georgia Department of Education's policies and procedures are followed, and that all financial data is submitted to the Georgia Department of Education, as required.

ACCOUNTING CONTROLS
Inadequate Internal Controls over Grants
Significant Deficiency
Finding Control Number: FS-7641-11-07

Condition:
The accounting procedures of the School District were insufficient to provide adequate internal controls over state and Federal programs funds.

Criteria:
The School District's management is responsible of designing and maintaining internal controls that provide reasonable assurance that transactions are processed according to established procedures.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Questioned Cost:
N/A

Information:
Several of the School District's Federal programs maintained deficit fund balances at year end related to current year and/or prior year grants

- Title I - $113,525.92
- English Language Acquisition Grants - $4,039.98
- Education Technology State Grants - $1,003.85
- Career and Technical Education - $16,449.09
- School Lunch Equipment Grant - $31.27

Cause:
This deficiency was a result of management's failure to ensure that Federal programs were properly closed out at year end.

Effect:
Errors and/or irregularities may not be detected in a timely manner.

Recommendation:
The School District should implement internal controls to ensure that all Federal programs are properly closed out at year end.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

CASH MANAGEMENT
Excessive Cash Balances
Significant Deficiency
U. S. Department of Education
Through Georgia Department of Education
Special Education Cluster (CFDA 84.027 and 84.391)
Finding Control Number: FA-7641-11-01

Condition:
The School District made cash drawdowns that were in excess of immediate cash needs.

Criteria:
In accordance with 34 CFR 80.21, when funds are advanced, School Districts must follow procedures to minimize the time lapsing between the transfer of funds from the Georgia Department of Education and disbursement.

Questioned Cost:
N/A

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Information:

- The School District maintained excessive cash balances for four months.
- A review of several cash drawdowns revealed that the supporting documentation did not tie to the amounts drawn down.

Cause:

The School District failed to accurately forecast the actual cash needs of the programs.

Effect:

Failure to monitor the cash needs of the program can result in material noncompliance with requirements of the Federal grants.

Recommendation:

The School District should implement procedures to accurately forecast the actual cash needs of the Special Education programs and maintain supporting documentation for the cash drawdowns. Management should implement procedures to ensure that funds are not requested for reimbursement until after the School District has disbursed its own funds for grant expenditures. The Georgia Department of Education should review this matter to determine if a reimbursement of funds is necessary.

SECTION V

MANAGEMENT'S RESPONSES

CITY OF BUFORD BOARD OF EDUCATION - GWINNETT COUNTY
SCHEDULE OF MANAGEMENT'S RESPONSES
YEAR ENDED JUNE 30, 2011

Finding Control Number: FS-7641-11-01

We concur with this finding. The Board has implemented steps to ensure adequate documentation and approvals of journal entries occur. These steps include utilizing journal entry forms and attaching backup documentation and utilizing current staff for preparation of journal entries. Each Journal entry form has a place for preparer, entry and approval signatures. The Board anticipates correcting this significant deficiency by September 2012.

Finding Control Number: FS-7641-11-02

We concur with this finding. Due to budgetary constraints, no additional staff can be added at this time. However, the Board will have an administrator independent of the general ledger review the bank statements on a monthly basis. The Board anticipates correcting this significant deficiency by September 2012.

Finding Control Number: FS-7641-11-03

We concur with this finding. The Board will complete the financial statements for the Department of Audits no later than December 2012 to insure there is adequate time to review and revise statements before the arrival of the audit team. The finance department will review all points and findings from prior year to ensure that issues are resolved.

Finding Control Number: FS-7641-11-04

We concur with this finding. Due to budgetary constraints, no additional staff can be added at this time. However, the Board has implemented steps to ensure that internal controls and adequate separation of duties exist. These steps include meetings with individual school administration staffs to review the procedures necessary to ensure separation of duties exist. The Board anticipates correcting this inadequate separation of duties by November 2012.

Finding Control Number: FS-7641-11-05

We concur with this finding. The Board has implemented steps to ensure that capital assets are adequately maintained. These steps include a more in depth review of possible capital assets items from the fiscal year expenditure records. The Board anticipates correcting this failure to adequately maintain capital assets by November 2012.

Finding Control Number: FS-7641-11-06

We concur with this finding. The Board has implemented deadline requirements from each school to insure that School Activity Accounts information is received by the central office in a timely manner in order to report the activity on the DE046. The Board anticipates correcting this failure to report School Activity Accounts on the DE046 by September 2012.

Finding Control Number: FS-7641-11-07

We concur with this finding. The Board has implemented internal controls to ensure that all Federal programs are properly closed at year end. The Board anticipates correcting this significant deficiency by September 2012.

CITY OF BUFORD BOARD OF EDUCATION - GWINNETT COUNTY
SCHEDULE OF MANAGEMENT'S RESPONSES
YEAR ENDED JUNE 30, 2011

Finding Control Number: FA-7641-11-01

We concur with this finding. The Board has implemented internal controls to ensure that cash drawdowns occur after the expense, therefore mitigating the risk of excess cash drawdowns. All cash drawdowns tie to the general ledger. The Board corrected this significant deficiency September 2011.

Contact Person: Angela Adams, Director of Finance
Telephone: (770) 945-5035
Fax: (770) 945-4629
Email: angela.adams@bufordcityschools.org