

CLARKE COUNTY BOARD OF EDUCATION
ATHENS, GEORGIA

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

CLARKE COUNTY BOARD OF EDUCATION

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FINANCIAL

DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 1-156
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Greg S. Griffin
STATE AUDITOR
(404) 656-2174

October 1, 2012

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

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

Ladies and Gentlemen:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information (Exhibits A through H) of the Clarke County 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 Clarke County Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Clarke County 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 October 1, 2012, on our consideration of the Clarke County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and the Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual, as presented on pages i through ix and page 29 respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures, 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 Clarke County Board of Education's financial statements as a whole. The accompanying supplementary information consists of Schedules 2 through 5, which includes the Schedule of Expenditures of Federal Awards as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* are presented for purposes of additional analysis and are not a required part of the financial statements. The 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

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2011ARL-11

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INTRODUCTION

The School District's financial statements for the fiscal year ended June 30, 2011, includes a series of basic financial statements that report financial information for the School District as a whole, its funds, and its fiduciary responsibilities. The Statement of Net Assets and the Statement of Activities provide financial information about all of the School District's activities and present both a short-term and long-term view of the District's finances on a global basis. The fund financial statements provide information about all of the School District's funds. Information about these funds, such as the School District's General Fund, is important in its own right, but will also give insight into the School District's overall soundness as reported in the Statement of Net Assets and the Statement of Activities.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2011 are as follows:

On the District-wide financial statements:

- District-wide net assets at June 30, 2011, were $264.7 million. Net assets reflect the difference between all assets of the School District (including capital assets, net of depreciation) and all liabilities, both short-term and long-term. The net assets at June 30, 2011, of $264.7 million represented an increase of $21.0 million in net assets when compared to the prior year as restated.

- The School District had $160.3 million in expenses relating to governmental activities; only $87.9 million of these expenses were offset by program specific charges for services, grants and contributions. However, general revenues (primarily property and sales taxes) of $93.3 million were adequate to provide for these programs.

- As stated above, general revenues accounted for $93.3 million or about 51.4% of all revenues totaling almost $181.2 million. Program specific revenues in the form of charges for services, grants, and contributions accounted for the balance of these revenues.

On the fund financial statements:

- Among major funds, the General Fund had nearly $158.9 million in revenues and $154.5 million in expenditures. The General Fund balance of $30.9 million at June 30, 2011, increased by almost $4.4 million from the prior year as restated.

OVERVIEW OF THE FINANCIAL STATEMENTS

These financial Statements consists of three parts; management's discussion and analysis (this section), the basic financial statements including notes to the financial statements and required supplementary information. The basic financial statements include two levels of statements that present different views of the School District. These include the District-wide and fund financial statements.

The District-wide financial statements include the 'Statement of Net Assets' and 'Statement of Activities'. These statements provide information about the activities of the School District presenting both short-term and long-term information about the School District's overall financial status.

The fund financial statements focus on individual parts of the School District, reporting the School District's operation in more detail. The 'Governmental Funds' statements disclose how basic services are financed in the short-term as well as what remains for future spending. The 'Fiduciary Funds' statements provide information about the financial relationships in which the School District acts solely as a trustee or agent for the benefit of others. In the case of the Clarke County School District, the General Fund, Capital Projects Funds, and Debt Service Funds are all considered to be major funds. The District has no nonmajor funds as defined by GASB Statement 34 for the purposes of this report.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements. Additionally, other supplementary information (not required) is also presented that further supplements understanding of the financial statements.

District-wide Statements

Since Clarke County School District has no operations that have been classified as "Business Activities", the District-wide financial statements are basically a consolidation of all of the School District's operating funds into one column called governmental activities. In reviewing the District-wide financial statements, a reader might ask the question, are we in a better financial position now than last year? The 'Statement of Net Assets' and the 'Statement of Activities' provides the basis for answering this question. These financial statements include all School District's assets and liabilities and uses 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 any changes in those assets. The change in net assets is important because it tells the reader that, 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 results of many factors, including those not under the School District's control, such as the property tax base, facility conditions, required educational programs, student-teacher ratios, and other factors.

When analyzing District-wide financial statements, it is important to remember these statements are prepared using an economic resources measurement focus (accrual accounting) and involve the following steps to format the Statement of Net Assets:

- Capitalize current outlays for capital assets
- Depreciate capital assets
- Report long-term debt as a liability
- Calculate revenue and expense using the economic resources measurement focus and the accrual basis of accounting
- Allocate net assets as follows:
    - *Net Assets invested in capital assets, net of related debt*
    - *Restricted net assets* are those with constraints placed on the use by external sources such as creditors, grantors, contributors or laws and regulations.
    - *Unrestricted net assets* are net assets that do not meet any of the above restrictions.

Fund Financial Statements

The School District uses many funds or sub-funds to account for a multitude of financial transactions during the fiscal year. The fund financial statements presented in this report provide detail information about the School District's significant or major funds. As discussed previously, the School District has no nonmajor funds as defined by generally accepted accounting principles.

The School District has two kinds of funds as discussed below:

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 the **modified accrual method of accounting** which measures cash and all other financial assets that can be 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 determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The differences between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds are reconciled in the financial statements.

Fiduciary Funds – The School District is the trustee, or fiduciary, for assets that belong to clubs, organizations and others within the principals' 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.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Net assets, which is the difference between total assets and total liabilities, is one indicator of the financial condition of the School District. When revenues exceed expenses, the result is an increase in net assets. When expenses exceed revenues, the result is a decrease in net assets. The relationship between revenues and expenses can be thought of as the School District's operating results. The School District's net assets, as measured in the Statement of Net Assets, can be one way to measure the School District's financial health, or financial position. Over time, increases or decreases in the School District's net assets as measured in the Statement of Activities are one indicator of whether its financial health is improving or deteriorating. However, the School District's goal and mission is to provide success for each child's education, not to generate profits as private corporations do. For this reason, many other nonfinancial factors should be considered in assessing the overall health of the District.

In the case of the Clarke County School District, assets exceeded liabilities by $264.7 million at June 30, 2011. To better understand the School District's actual financial position and ability to deliver services in future periods, it is necessary to review the various components of the net asset category. For example, of the $264.7 million of net assets, about $44.0 million was restricted for continuation of Federal programs, debt service and ongoing capital projects. Accordingly, these funds were not available to meet the School District's ongoing obligations to citizens and creditors.

In addition, the School District had $204.4 million (net of related debt) invested in capital assets (e.g., land, buildings, and equipment). The School District uses these capital assets to provide educational services to students within geographic boundaries served by the School District. Because of the very nature and on-going use of the assets being reported in this component of net assets, it must be recognized that this portion of the net assets is *not* available for future spending.

The remaining balance of *unrestricted net assets* of almost $16.4 million may be used to meet the School District's ongoing obligations to citizens and creditors.

Table 1 provides a summary of the School District's net assets for this fiscal year as compared to the prior fiscal year.

Table 1
Net Assets

	Governmental Activities	
	Fiscal Year 2011	Fiscal Year 2010
Assets		
Current and Other Assets	$ 93,241,254.11	$ 96,520,609.08
Capital Assets, Net	215,457,443.18	202,320,273.25
Total Assets	$ 308,698,697.29	$ 298,840,882.33
Liabilities		
Current and Other Liabilities	$ 20,899,173.17	$ 21,828,295.87
Long-Term Liabilities	23,052,224.42	33,608,091.85
Total Liabilities	$ 43,951,397.59	$ 55,436,387.72
Net Assets		
Invested in Capital Assets, Net of Related Debt	$ 204,384,891.10	$ 176,909,257.88
Restricted	44,012,021.62	51,641,720.81
Unrestricted	16,350,386.98	14,853,515.92
Total Net Assets	$ 264,747,299.70	$ 243,404,494.61

Total net assets increased $21.3 million in fiscal year 2011 from the prior year net assets as shown above. This increase includes a $0.35 million restatement of Net Assets at July 1, 2010, for various accounting matters related to correction of prior year revenue. The remaining change in net assets of $20.99 million is further summarized in Table 2 as presented below.

Table 2
Change in Net Assets

	Governmental Activities	
	Fiscal Year 2011	Fiscal Year 2010
Revenues		
Program Revenues:		
Charges for Services and Sales	$ 2,320,683.37	$ 2,411,008.03
Operating Grants and Contributions	83,324,952.71	78,250,881.67
Capital Grants and Contributions	2,291,333.00	
Total Program Revenues	$ 87,936,969.08	$ 80,661,889.70
General Revenues:		
Taxes		
Property Taxes	$ 68,643,046.34	$ 70,274,724.14
Sales Taxes	19,702,574.68	20,550,898.96
Investment Earnings	670,948.38	808,708.85
Miscellaneous	4,331,004.99	4,875,821.39
Total General Revenues	$ 93,347,574.39	$ 96,510,153.34
Total Revenues	$ 181,284,543.47	$ 177,172,043.04
Program Expenses:		
Instruction	$ 97,559,837.46	$ 99,976,085.76
Support Services		
Pupil Services	4,988,442.17	5,000,016.12
Improvement of Instructional Services	8,607,953.09	7,131,047.55
Educational Media Services	2,055,135.51	2,181,492.91
General Administration	2,740,013.00	2,279,057.91
School Administration	7,660,549.81	7,478,446.48
Business Administration	1,620,715.04	918,278.10
Maintenance and Operation of Plant	12,749,696.41	11,538,800.18
Student Transportation Services	9,319,034.87	9,330,221.38
Central Support Services	2,342,984.27	2,114,455.60
Other Support Services	1,102,665.78	1,026,323.45
Operations of Non-Instructional Services		
Enterprise Operations	436,376.61	69,452.19
Community Srvices	605,539.66	588,142.72
Food Services	7,598,924.70	7,415,551.86
Interest on Short-Term and Long-Term Debt	901,684.22	1,656,569.00
Total Expenses	$ 160,289,552.60	$ 158,703,941.21
Increase in Net Assets	$ 20,994,990.87	$ 18,468,101.83

The total increase in net assets for fiscal year 2011 of $21.0 million, as restated, was greater than the increase in net assets that occurred in fiscal year 2010. The School District believes this fact is due to a combination of controlling costs and increased Federal funding in fiscal year 2011.

Cost of Providing Services

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting these services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. Net cost of services can be defined as the total cost less fees generated by the activities and intergovernmental revenue provided for specific programs. The net cost reflects the financial burden on the School District's taxpayers by each activity as compared to the prior fiscal year.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	Fiscal Year 2011	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2010
Instruction	$ 97,559,837.46	$ 99,976,085.76	$ 41,054,280.51	$ 48,786,217.18
Support Services:				
Pupil Services	4,988,442.17	5,000,016.12	2,608,156.30	2,052,007.84
Improvement of Instructional Services	8,607,953.09	7,131,047.55	3,059,962.52	3,098,011.31
Educational Media Services	2,055,135.51	2,181,492.91	474,844.42	655,468.79
General Administration	2,740,013.00	2,279,057.91	-150,812.57	-526,208.42
School Administration	7,660,549.81	7,478,446.48	4,244,070.72	4,118,107.70
Business Administration	1,620,715.04	918,278.10	1,548,457.20	845,287.90
Maintenance and Operation of Plant	12,749,696.41	11,538,800.18	8,692,067.15	7,861,587.95
Student Transportation Services	9,319,034.87	9,330,221.38	6,978,907.24	7,469,005.04
Central Support Services	2,342,984.27	2,114,455.60	1,997,463.92	2,078,218.53
Other Support Services	1,102,665.78	1,026,323.45	291,585.19	216,441.74
Operations of Non-Instructional Services:				
Enterprise Operations	436,376.61	69,452.19	436,376.61	69,452.19
Community Services	605,539.66	588,142.72	-23,915.47	-25,139.14
Food Services	7,598,924.70	7,415,551.86	239,455.56	-313,276.10
Interest on Short-Term and Long-Term Debt	901,684.22	1,656,569.00	901,684.22	1,656,569.00
Total Expenses	$ 160,289,552.60	$ 158,703,941.21	$ 72,352,583.52	$ 78,041,751.51

Expenses for fiscal year 2011 increased about 1.0% from prior year expenses, while the net cost of services decreased 7.3%. Even though total expenses increased in fiscal year 2011, the School District was able to achieve a decrease in its net costs of services because program revenues increased from the prior fiscal year by $7.2 million or about 9.0%. The School District does not expect to sustain this level of program revenues in the future.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

Information about the School District's governmental funds is presented starting on Exhibit "C" of this report. Governmental funds are accounted for using the modified accrual basis of accounting. The governmental funds had total revenues of $181.9 million and total expenditures of $184.7 million in fiscal year 2011. Total governmental fund balances of $71.5 million at June 30, 2011, decreased $2.8 million from the prior year. This decrease in fund balance resulted primarily from the School District making capital outlay expenditures in fiscal year 2011 from reserves that had been accumulated in prior fiscal years.

General Fund Budget Highlights

The School District's budget is prepared according to Georgia Law. The most significant budgeted fund is the General Fund. During the course of fiscal year 2011, the School District amended its general fund budget as needed.

The School District budget is adopted at the aggregate level and maintained at the program, function, object, and site levels to facilitate budgetary control. The budgeting systems are designed to control the total budget, but provide flexibility to meet the ongoing programmatic needs. The budgeting systems are also designed to control total site budgets, but provide flexibility for site management as well.

For the General Fund, the final actual revenues of over $158.9 million were less than the final budgeted amount of $160.6 million by over $1.7 million. This difference (final actual vs. final budget) was primarily attributable to a combination of revenues for Federal Funds less than the final budget of over $11.2 million, and revenues for property taxes revenue over final budget of almost $4.7 million and miscellaneous revenues over final budget of almost $2.4 million. The School District did not include revenues for school activity accounts (included in miscellaneous revenues) in the final budget.

The General Fund's final actual expenditures of almost $154.5 million were less than the final budget amount of $166.0 million by $11.5 million. This difference (final vs. budget) was primarily attributable to expenditures for instruction being less than the final budget by $10.2 million and expenditures for pupil services less than the final budget by $1.8 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the School District had $215.4 million invested in capital assets, net of accumulated depreciation, all in governmental activities. These assets are made up of a broad range of items including buildings; land; land improvements; and food service, transportation and maintenance equipment. Table 4 reflects a summary of these balances, net of accumulated depreciation, as compared to the prior fiscal year.

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities	
	Fiscal Year 2011	Fiscal Year 2010
Land	$ 2,822,503.02	$ 1,788,392.13
Construction In Progress	23,790,177.55	36,548,716.30
Land Improvements	975,937.75	850,936.88
Buildings and Improvements	179,766,849.40	153,309,049.31
Equipment	8,101,975.46	9,823,178.63
Total	$ 215,457,443.18	$ 202,320,273.25

Additional information about the School District's Capital Assets can be found in the Notes to the Basic Financial Statements.

Long-Term Debt

At June 30, 2011, the School District had $23.1 million in total debt outstanding which consisted of $21.3 million in bond debt, $0.5 million capital lease debt, $1.1 million in compensated absences debt, and almost $0.2 million in unamortized bond premiums on bonds sold. Table 5 summarizes the School District's debt as compared to the prior fiscal year.

Table 5
Change in Long-Term Debt

	Governmental Activities	
	Fiscal Year 2011	Fiscal Year 2010
Bonds Payable	$ 21,255,000.00	$ 31,240,000.00
Capital Leases	478,282.20	996,706.97
Compensated Absences	1,091,914.03	910,273.95
Unamortized Bond Premium	227,028.15	461,110.93
Total	$ 23,052,224.38	$ 33,608,091.85

Additional information about the School District's debt can be found in the Notes to the Basic Financial Statements.

FACTORS BEARING ON THE DISTRICT'S FUTURE

Currently known circumstances that are expected to have a significant effect on financial position or results of operations in future years are as follows:

- The School District is financially stable. The School District's operating millage for fiscal year 2011 was 20, which produced approximately $3.4 million per mill. The School District continues to construct additional facilities and renovate existing buildings to accommodate mild growth, improve instructional spaces and reduce portable classrooms at various schools as needed. The School District plans to fund additional capital outlays with the one percent local option sales tax revenue and state capital outlay grants.

- The School District is financially challenged by a combination of locally declining property values, which affect local revenues, and the State's flat revenues and subsequent stagnation of state revenue appropriations to local school districts. Further stagnation of State Funding is budgeted for fiscal year 2012. Additionally, sales taxes have also slowed which have negatively affected both operating and construction revenues provided through those sources. In spite of these challenges, the School District will continue to be a good steward of tax dollars while providing a quality educational opportunity.

- The School District will continue to be fiscally challenged in funding an innovative and comprehensive instructional program with needed supports for a student population where over 75% qualify for free and reduced hot lunch. The new state waiver for No Child Left Behind and the introduction of the common core curriculum will require new resources for implementation. With that said, the School District has a laser focus on student performance and provides multiple pathways for students to graduate from high schools and continue with the education required to enter into a career

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 financial information, contact Mr. Larry Hammel, Chief Financial Officer, Clarke County Board of Education, 240 Mitchell Bridge Road, Athens, Georgia 30606. You may also email your questions to Mr. Hammel at hammell@Clarke.k12.ga.us

CLARKE COUNTY BOARD OF EDUCATION

CLARKE COUNTY BOARD OF EDUCATION
STATEMENT OF NET ASSETS
JUNE 30, 2011

EXHIBIT "A"

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and Cash Equivalents	$ 43,799,023.96
Investments	34,323,331.04
Accounts Receivable, Net	
Interest	283.62
Taxes	3,431,505.16
State Government	7,083,286.34
Federal Government	3,815,252.85
Other	333,310.29
Inventories	306,480.81
Prepaid Items	69,494.33
Deferred Charge-Bond Issue Costs	79,285.71
Capital Assets, Non-Depreciable	26,612,680.57
Capital Assets, Depreciable (Net of Accumulated Depreciation)	188,844,762.61
Total Assets	$ 308,698,697.29
LIABILITIES	
Accounts Payable	$ 533,232.11
Salaries and Benefits Payable	15,589,933.38
Payroll Liabilities	1,499,933.49
Interest Payable	338,825.00
Contracts Payable	2,214,730.27
Retainages Payable	722,518.92
Long-Term Debt	
Due Within One Year	10,981,405.63
Due in More Than One Year	12,070,818.79
Total Liabilities	$ 43,951,397.59
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	$ 204,384,891.10
Restricted for	
Continuation of Federal/Other Programs	3,838,265.55
Capital Projects	29,753,793.57
Debt Services	10,574,412.50
Unrestricted	16,195,936.98
Total Net Assets	$ 264,747,299.70
Total Liabilities and Net Assets	$ 308,698,697.29

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

CLARKE COUNTY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

	EXPENSES	CHARGES FOR SERVICES
GOVERNMENTAL ACTIVITIES		
Instruction	$ 97,559,837.46	$ 263,123.78
Support Services		
Pupil Services	4,988,442.17	
Improvement of Instructional Services	8,607,953.09	
Educational Media Services	2,055,135.51	
General Administration	2,740,013.00	
School Administration	7,660,549.81	
Business Administration	1,620,715.04	
Maintenance and Operation of Plant	12,749,696.41	70,131.16
Student Transportation Services	9,319,034.87	588,763.02
Central Support Services	2,342,984.27	
Other Support Services	1,102,665.78	
Operations of Non-Instructional Services		
Enterprise Operations	436,376.61	
Food Services	7,598,924.70	769,210.28
Community Services	605,539.66	629,455.13
Interest on Short-Term and Long-Term Debt	901,684.22	
Total Governmental Activities	$ 160,289,552.60	$ 2,320,683.37
General Revenues		
Taxes		
Property Taxes		
For Maintenance and Operations		
Sales Taxes		
Investment Earnings		
Miscellaneous		
Total General Revenues		
Change in Net Assets		
Net Assets - Beginning of Year (Restated)		
Net Assets - End of Year		

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

PROGRAM REVENUES		NET (EXPENSES)
OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	REVENUES AND CHANGES IN NET ASSETS
$ 54,783,533.77	$ 1,458,899.40	$ -41,054,280.51
2,380,285.87		-2,608,156.30
5,543,409.09	4,581.48	-3,059,962.52
1,580,291.09		-474,844.42
2,843,715.76	47,109.81	150,812.57
3,416,479.09		-4,244,070.72
72,257.84		-1,548,457.20
3,961,049.71	26,448.39	-8,692,067.15
1,342,172.80	409,191.81	-6,978,907.24
13,882.84	331,637.51	-1,997,463.92
811,080.59		-291,585.19
		-436,376.61
6,576,794.26	13,464.60	-239,455.56
		23,915.47
		-901,684.22
$ 83,324,952.71	$ 2,291,333.00	$ -72,352,583.52

	$ 68,643,046.34
	19,702,574.68
	670,948.38
	4,331,004.99
	$ 93,347,574.39
	$ 20,994,990.87
	243,752,308.83
	$ 264,747,299.70

CLARKE COUNTY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

EXHIBIT "C"

	GENERAL FUND	DISTRICT-WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
ASSETS				
Cash and Cash Equivalents	$ 36,112,861.54	$ 7,686,162.42	$ 0.00	$ 43,799,023.96
Investments	26,422.40	34,296,908.64		34,323,331.04
Accounts Receivable, Net				
Interest		283.62		283.62
Taxes	1,814,030.07	1,617,475.09		3,431,505.16
State Government	7,083,286.34			7,083,286.34
Federal Government	3,815,252.85			3,815,252.85
Interfund	77,494.42			77,494.42
Other	221,643.80	109,516.49		331,160.29
Inventories	306,480.81			306,480.81
Prepaid Items	69,494.33			69,494.33
Total Assets	$ 49,526,966.56	$ 43,710,346.26	$ 0.00	$ 93,237,312.82
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Interfund Accounts Payable		$ 75,344.42		$ 75,344.42
Accounts Payable	$ 502,510.53	30,721.58		533,232.11
Salaries and Benefits Payable	15,589,933.38			15,589,933.38
Payroll Withholdings Payable	1,499,933.49			1,499,933.49
Contracts Payable		2,214,730.27		2,214,730.27
Retainages Payable		722,518.92		722,518.92
Deposits and Deferred Revenue	1,079,191.43			1,079,191.43
Total Liabilities	$ 18,671,568.83	$ 3,043,315.19		$ 21,714,884.02
FUND BALANCES				
Nonspendable	$ 306,480.81		$ 0.00	$ 306,480.81
Restricted	3,531,784.74	$ 40,667,031.07		44,198,815.81
Assigned	1,337,755.07			1,337,755.07
Unassigned	25,679,377.11			25,679,377.11
Total Fund Balances	$ 30,855,397.73	$ 40,667,031.07	$ 0.00	$ 71,522,428.80
Total Liabilities and Fund Balances	$ 49,526,966.56	$ 43,710,346.26	$ 0.00	$ 93,237,312.82

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

CLARKE COUNTY BOARD OF EDUCATION
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")		$ 71,522,428.80
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	$ 2,822,503.02	
Land Improvements	1,663,871.14	
Buildings	223,751,772.64	
Construction in Progress	23,790,177.55	
Machinery and Equipment	22,471,938.86	
Accumulated Depreciation	-59,042,820.03	
Total Capital Assets		215,457,443.18
Some of the School Districts tax revenues will be collected after year-end but are not available soon enough to pay for the current periods expenditures.		1,079,191.43
Bond Issuance Costs are recorded as expenditures in the Fund Statements when incurred, but in the District-wide Statements are amortized pro-ratably as expense over the life of the Bond Issue.		79,285.71
Some liabilities reported in the Statement of Activities do not require the use of current financial resources, and therefore are not reported as liabilities in the Governmental Fund Statements		
Accrued Interest on Long-Term Debt		-338,825.00
Long-Term Liabilities, including Bonds Payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-Term Liabilities at year-end consist of:		
Bonds Payable	$ -21,255,000.00	
Capital Leases	-478,282.20	
Compensated Absences	-1,091,914.03	
Unamortized Bond Premiums	-227,028.19	
Total Long-Term Liabilities		-23,052,224.42
Net Assets of Governmental Activities (Exhibit "A")		$ 264,747,299.70

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

CLARKE COUNTY BOARD OF EDUCATION
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	DEBT SERVICE FUND	TOTAL
REVENUES				
Property Taxes	$ 68,621,585.90			$ 68,621,585.90
Sales Taxes	609,106.79	$ 7,860,317.89	$ 11,233,150.00	19,702,574.68
State Funds	54,408,050.00	1,909,872.99		56,317,922.99
Federal Funds	29,298,362.72			29,298,362.72
Charges for Services	2,320,683.37			2,320,683.37
Investment Earnings	583,461.21	87,487.17		670,948.38
Miscellaneous	3,026,793.04	1,912,100.06		4,938,893.10
Total Revenues	$ 158,868,043.03	$ 11,769,778.11	$ 11,233,150.00	$ 181,870,971.14
EXPENDITURES				
Current				
Instruction	$ 94,026,539.46			$ 94,026,539.46
Support Services				
Pupil Services	4,967,998.07			4,967,998.07
Improvement of Instructional Services	8,596,000.60			8,596,000.60
Educational Media Services	2,055,135.51			2,055,135.51
General Administration	2,615,433.91			2,615,433.91
School Administration	7,645,017.67			7,645,017.67
Business Administration	1,352,496.73			1,352,496.73
Maintenance and Operation of Plant	12,625,121.43			12,625,121.43
Student Transportation Services	8,709,182.10	$ 26,339.21		8,735,521.31
Central Support Services	1,528,571.44			1,528,571.44
Other Support Services	1,065,905.35			1,065,905.35
Enterprise Operations	436,376.61			436,376.61
Community Services	605,539.66			605,539.66
Food Services Operation	7,594,242.46			7,594,242.46
Capital Outlay	94,150.70	18,967,592.57		19,061,743.27
Debt Services				
Principal	518,424.77		$ 9,985,000.00	10,503,424.77
Dues and Fees		1,000.00		1,000.00
Interest	41,066.96		1,248,150.00	1,289,216.96
Total Expenditures	$ 154,477,203.43	$ 18,994,931.78	$ 11,233,150.00	$ 184,705,285.21
Net Change in Fund Balances	$ 4,390,839.60	$ -7,225,153.67	0.00	$ -2,834,314.07
Fund Balances - Beginning (Restated)	26,464,558.13	47,892,184.74	0.00	74,356,742.87
Fund Balances - Ending	$ 30,855,397.73	$ 40,667,031.07	$ 0.00	$ 71,522,428.80

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

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

EXHIBIT "F"

Total Net Change in Fund Balances - Governmental Funds (Exhibit "E")		$ -2,834,314.07
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	$ 21,383,403.54	
Depreciation Expense	-7,425,031.17	
Excess of Capital Outlay over Depreciation Expense		13,958,372.37
Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		21,460.44
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, and disposals) is to decrease net assets.		-821,202.44
Bond issuance costs, deferred gains on refundings and similar items when debt is first issued are reported as an expenditure in Governmental Funds, but are reported as deferred charges on the Statement of Net Assets and amortized over the term of the debt, using the straight-line method. The details of this difference in the current period are as follows:		
Amortization of Bond Issuance Costs		-39,642.86
Repayment of Long-Term Debt is reported as an expenditure in Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Assets. In the current year, these amounts consist of:		
Bond Principal Retirements	$ 9,985,000.00	
Capital Lease Payments	518,424.77	
Amortization of Bond Premiums	234,082.74	
Total Long-Term Debt Repayments		10,737,507.51
Interest expense reported in the Statement of Activities is recorded as incurred, whereas interest expense in the governmental fund statements is reported when paid.		154,450.00
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:		
Increase in Compensated Absences		-181,640.08
Change in Net Assets of Governmental Activities (Exhibit "B")		$ 20,994,990.87

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

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CLARKE COUNTY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011

EXHIBIT "G"

	AGENCY FUNDS
ASSETS	
Cash and Cash Equivalents	$ 144,476.55
LIABILITIES	
Interfund Payable	$ 2,150.00
Funds Held for Others	142,326.55
Total Liabilities	$ 144,476.55

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

Note 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

REPORTING ENTITY

The Clarke County Board of Education (School District) was established under the laws of the State of Georgia and operates under the guidance of a school board elected by the voters and a Superintendent appointed by the Board. The Board is organized as a separate legal entity and has the power to levy taxes and issue bonds. Its budget is not subject to approval by any other entity. Accordingly, the School District is a primary government and consists of all the organizations that compose its legal entity.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The School District's basic financial statements are collectively comprised of the District-wide financial statements, fund financial statements and notes to the basic financial statements of the Clarke County Board of Education.

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

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

- Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expenses (expenses of the School District related to the administration and support of the School District's programs, such as office and maintenance personnel and accounting) are not allocated to programs.

- Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

The School District reports the following major governmental funds:

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

- District-wide Capital Projects Fund accounts for and reports financial resources including Special Purpose Local Option Sales Tax (SPLOST), Bond Proceeds and grants from Georgia State Financing and Investment Commission that are restricted, committed or assigned to the expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

- Debt Service Fund accounts for and reports financial resources that are restricted, committed, or assigned including taxes (sales) legally restricted for the payment of general long-term principal and interest.

The School District reports the following fiduciary fund type:

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

RESTATEMENT OF PRIOR YEAR NET ASSETS/FUND BALANCE

For fiscal year 2011, the School District made prior period adjustments due to a revenue recognition error, which requires the restatement of the June 30, 2010, net assets in Governmental Activities and fund balance in the General Fund. The result is an increase in Net Assets and Fund Balance at July 1, 2010, of $347,814.22. These changes are in accordance with generally accepted accounting principles.

Net Assets, July 1, 2010, as previously reported	$	243,404,494.61
Correction of Prior Year Revenues previously omitted From Financial Statements		347,814.22
Net Assets, July 1, 2010, as restated	$	243,752,308.83
Fund Balance, July 1, 2010, as previously reported	$	26,116,743.91
Correction of Prior Year Revenues previously omitted From Financial Statements		347,814.22
Fund Balance, July 1, 2010, as restated	$	26,464,558.13

CASH AND CASH EQUIVALENTS

Composition of Deposits
Cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition in authorized financial institutions. Official Code of Georgia Annotated Section 45-8-14 authorizes the School District to deposit its funds in one or more solvent banks, insured Federal savings and loan associations or insured chartered building and loan associations.

INVESTMENTS

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

(1) Obligations issued by the State of Georgia or by other states,

(2) Obligations issued by the United States government,

(3) Obligations fully insured or guaranteed by the United States government or a United States government agency,

(4) Obligations of any corporation of the United States government,

(5) Prime banker's acceptances,

(6) The Georgia Fund 1 administered by the State of Georgia, Office of the State Treasurer,

(7) Repurchase agreements, and

(8) Obligations of other political subdivisions of the State of Georgia.

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

RECEIVABLES

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

PROPERTY TAXES

The Clarke County Board of Commissioners fixed the property tax levy for the 2010 tax digest year (calendar year) on July 5, 2010 (levy date). Taxes were due on October 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 Clarke County Tax Commissioner bills and collects the property taxes for the School District, withholds 2.5% of taxes collected as a fee for tax collection and remits the balance of taxes collected to the School District. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2011, for maintenance and operations amounted to $68,621,585.90.

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

School Operations	20.0 mills

SALES TAXES

Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to $19,093,467.89 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. The most recent authorization expires on June 30, 2017.

INVENTORIES

Consumable Supplies Inventories

Inventories of consumable supplies are reported at cost using the weighted average method. The School District uses the consumption method to account for inventories whereby consumable supplies are recorded as an asset when purchased and expenses are recorded as inventory items are used..

Food Inventories

On the basic financial statements, inventories of donated food commodities used in the preparation of meals are reported at their Federally assigned value and purchased foods inventories are reported at cost (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 2011, 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 to 99 years
Buildings and Improvements	$ 5,000.00	up to 99 years
Equipment	$ 5,000.00	3 to 10 years
Intangible Assets	$ 100,000.00	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 over their useful life.

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, individually determined.

COMPENSATED ABSENCES

Vacation leave of up to 60 days may be accrued for all full time personnel employed on a twelve month basis. No other employees are eligible to earn vacation leave. Employees who depart from the District may be paid for unused accumulated leave up to the maximum allowed 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.

A comparison of the changes in compensated absences liability for the previous three fiscal years is presented below:

	Beginning of Year Liability	Increases	Decreases	End of Year Liability
2009	$ 742,625.67	$ 259,381.98	$ 340,585.22	$ 661,422.43
2010	$ 661,422.43	$ 599,913.87	$ 351,062.35	$ 910,273.95
2011	$ 910,273.95	$ 655,867.67	$ 474,227.59	$ 1,091,914.03

GENERAL OBLIGATION BONDS

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

In the fund financial statements, the School District recognizes bond premiums and discounts, as well as bond issuance costs during the fiscal year bonds are issued. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as

other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. General obligation bonds are direct obligations and pledge the full faith and credit of the government. The outstanding amount of these bonds is recorded in the Statement of Net Assets.

NET ASSETS

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

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

Restricted net assets - These represent resources for which the School District is legally or contractually obligated to spend resources for 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		$ 306,480.81
Restricted		
Continuation of Federal Programs	$ 3,303,872.22	
Continuation of Sponsored Programs	227,912.52	
Capital Projects	29,753,793.57	
Debt Service	10,913,237.50	44,198,815.81
Assigned		
School Activity Accounts	$ 617,935.67	
After School Program	211,150.67	
Other Programs	508,668.73	1,337,755.07
Unassigned		25,679,377.11
Fund Balance, June 30, 2011		$ 71,522,428.80

It is the goal of the School District to achieve and maintain an unassigned fund balance in the general fund at fiscal year end of not less than 2% of the annual budgeted revenues to cover unanticipated deficiencies in revenues or unanticipated expenditures; provided, however, the budget for any year shall not allocate to such reserve account any amounts which, when combined with the existing unassigned, assigned and committed fund balances, exceed 15 % of the total budget of the subsequent fiscal year, exclusive of any reserve balance for capital expenditures. If the unassigned fund balance at fiscal year end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

When multiple categories of fund balance are available for expenditure (e.g. a projects is being funded partly by a grant, funds set aside by the Board, and unassigned fund balance), the 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 AND INVESTMENTS

COLLATERALIZATION OF DEPOSITS

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

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

(1) Surety bond signed by a surety company duly qualified and authorized to transact business within the State of Georgia,

(2) Insurance on accounts provided by the Federal Deposit Insurance Corporation,

(3) Bonds, bills, notes, certificates of indebtedness or other direct obligations of the United States or of the State of Georgia,

(4) Bonds, bills, notes, certificates of indebtedness or other obligations of the counties or municipalities of the State of Georgia,

(5) Bonds of any public authority created by the laws of the State of Georgia, providing that the statute that created the authority authorized the use of the bonds for this purpose,

(6) Industrial revenue bonds and bonds of development authorities created by the laws of the State of Georgia, and

(7) Bonds, bills, notes, certificates of indebtedness, or other obligations of a subsidiary corporation of the United States government, which are fully guaranteed by the United States government both as to principal and interest or debt obligations issued by or securities guaranteed by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, the Central Bank for Cooperatives, the Farm Credit Banks, the Federal Home Loan Mortgage Association, and the Federal National Mortgage Association.

CATEGORIZATION OF DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At June 30, 2011, the bank balances were $49,056,313.41. The amounts exposed to custodial credit risk are classified into three categories as follows:

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

The School District's deposits by custodial credit risk category at June 30, 2011, are as follows:

Custodial Credit Risk Category	Bank Balance
1	$ 0.00
2	0.00
3	48,050,958.68
Total	$ 48,050,958.68

CATEGORIZATION OF INVESTMENTS

The School District's investments as of June 30, 2011, are presented below. All investments are presented by investment type and debt securities are presented by maturity.

Investment Type	Fair Value
Other Investments	
U. S. Treasury	
Money Market Funds	$ 32,770,895.86
Investment Pools	
Office of State Treasurer	
Georgia Fund 1	19,581.47
Total Investments	$ 32,790,477.33

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

The Primary Liquidity Portfolio consists of Georgia Fund 1 which is not registered with the SEC as an investment company but does operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. The investment is valued at the pool's share price, $1.00 per share. The pool is an AAAm rated investment pool by Standard and Poor's. The weighted average maturity of Georgia Fund 1 may not exceed 60 days. The weighted average maturity for Georgia Fund 1 on June 30, 2011, was 59 days.

The U. S. Treasury Money Market Funds of $32,770,895.86 are in the Advantage Government Money Market Fund (GVIXX) managed by Wells Fargo Funds Management LLC. The objective of this fund is current income, while preserving capital and liquidity. The Fund invests in high-quality, short term money market instruments that consist of U. S. Government obligations and repurchase agreements collateralized by U. S. Government Obligations. This fund is rated AAAm by Standard and Poor's and Aaa by Moody's. The weighted average maturity of the fund is approximately 27 days.

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	$ 1,788,392.13	$ 1,034,110.89		$ 2,822,503.02
Construction Work In Progress	36,548,716.30	20,764,370.48	$ 33,522,909.23	23,790,177.55
Total Capital Assets, Not Being Depreciated	$ 38,337,108.43	$ 21,798,481.37	$ 33,522,909.23	$ 26,612,680.57
Capital Assets, Being Depreciated:				
Buildings and Improvements	$ 193,050,894.66	$ 31,678,642.98	$ 977,765.00	$ 223,751,772.64
Equipment	22,429,472.55	1,215,360.57	1,172,894.26	22,471,938.86
Land Improvements	1,450,043.29	213,827.85		1,663,871.14
Less: Accumulated Depreciation:				
Buildings and Improvements	39,741,845.35	4,837,585.19	594,507.30	43,984,923.24
Equipment	12,606,293.92	2,498,619.00	734,949.52	14,369,963.40
Land Improvements	599,106.41	88,826.98		687,933.39
Total Capital Assets, Being Depreciated, Net	$ 163,983,164.82	$ 25,682,800.23	$ 821,202.44	$ 188,844,762.61
Governmental Activity Capital Assets - Net	$ 202,320,273.25	$ 47,481,281.60	$ 34,344,111.67	$ 215,457,443.18

Capital assets being acquired under capital leases as of June 30, 2011, are as follows:

	Governmental Funds
Equipment	$ 1,059,240.00
Less: Accumulated Depreciation	264,810.00
	$ 794,430.00

Current year depreciation expense by function is as follows:

Instruction		$ 5,123,153.68
Support Services		
Improvements of Instructional Services	$ 16,088.63	
General Administration	165,433.51	
Maintenance and Operation of Plant	92,877.78	
Student Transportation Services	815,597.48	
Central Support Services	1,164,597.06	2,254,594.46
Food Services		47,283.03
		$ 7,425,031.17

Note 6: INTERFUND ASSETS AND LIABILITIES

Due to and due from other funds are recorded for interfund receivables and payables which arise from interfund transactions. Interfund balances at June 30, 2011, consisted of the following:

	Due From Other Funds	Due To Other Funds
General Fund	$ 77,494.42	
District-wide Capital Projects		$ 75,344.42
Fiduciary Funds - Agency Funds		2,150.00
	$ 77,494.42	$ 77,494.42

The General Fund has temporarily advanced funds to Capital Projects and Agency Funds to provide short-term financing. These amounts are expected to be repaid in the subsequent fiscal year.

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, unemployment compensation and dental, optical, hearing care of employees.

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

The School District has established a limited risk management program for dental, optical, and hearing claims for its employees. A premium is charged when needed by the General Fund to each user program on the basis of employee participation in order to cover estimated claims budgeted by management based on known claims and prior experience. The School District accounts for claims with expenses/expenditures and the associated liability reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated.

Changes in dental, optical, and hearing claims liability during the last two fiscal years are as follows:

	Beginning of Year Liability	Claims and Changes in Estimates	Claims Paid	End of Year Liability
2010	$ 0.00	$ 1,192,995.09	$ 1,192,995.09	$ 0.00
2011	$ 0.00	$ 992,187.32	$ 992,187.32	$ 0.00

The School District is self-insured with regard to unemployment compensation claims. A premium is charged when needed by the General Fund to each user program on the basis of the percentage of that fund's payroll to total payroll in order to cover estimated claims budgeted by management based on known claims and prior experience. The School District accounts for claims with expenses/expenditures and the related liability being reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated.

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

	Beginning of Year Liability	Claims and Changes in Estimates	Claims Paid	End of Year Liability
2010	$ 0.00	$ 123,594.89	$ 123,594.89	$ 0.00
2011	$ 0.00	$ 162,301.86	$ 162,301.86	$ 0.00

The School District participates in the Georgia School Boards Association Workers' Compensation Fund, a public entity risk pool organized on July 1, 1992, to develop, implement, and administer a program of workers' compensation self-insurance for its member organizations. The School District pays an annual premium to the Fund for its general insurance coverage. Additional insurance coverage is provided through an agreement by the Fund with the Safety National Casualty Corporation to provide coverage for potential losses sustained by the Fund in excess of $500,000.00 loss per occurrence, up to the statutory limit. Employers' Liability insurance coverage is also provided by Safety National Casualty Corporation to provide coverage for potential losses sustained by the Fund in excess of $500,000.00 loss per occurrence, up to $2,000,000.00.

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

Position Covered	Amount
Superintendent	$ 250,000.00

Note 8: LONG-TERM DEBT

CAPITAL LEASES

The Clarke County Board of Education entered into various lease agreements for the acquisition of buses and computer equipment. These lease agreements qualify as capital leases for accounting purposes, and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their 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.

GENERAL OBLIGATION DEBT OUTSTANDING

General Obligation Bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
General Government - Series 2007	4.00% - 5.00%	$ 21,255,000.00

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
G. O. Bonds	$ 31,240,000.00		$ 9,985,000.00	$ 21,255,000.00	$ 10,405,000.00
Capital Leases	996,706.97		518,424.77	478,282.20	259,377.44
Compensated Absences	910,273.95	$ 655,867.67	474,227.59	1,091,914.03	90,000.00
Unamortized Bond Premiums	461,110.93		234,082.74	227,028.19	227,028.19
	$ 33,608,091.85	$ 655,867.67	$ 11,211,735.10	$ 23,052,224.42	$ 10,981,405.63

At June 30, 2011, payments due by fiscal year which includes principal and interest for these items are as follows:

	Capital Leases	
	Principal	Interest
Fiscal Year Ended June 30:		
2012	$ 259,377.44	$ 17,406.42
2013	218,904.76	7,552.32
Total Principal and Interest	$ 478,282.20	$ 24,958.74

	General Obligation Debt		Unamortized
	Principal	Interest	Bond Premium
Fiscal Year Ended June 30:			
2012	$ 10,405,000.00	$ 764,925.00	$ 227,028.19
2013	10,850,000.00	256,687.50	
Total Principal and Interest	$ 21,255,000.00	$ 1,021,612.50	$ 227,028.19

Note 9: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of $539,797.35 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 $297,978.11

Paid to the Teachers' Retirement System of Georgia
For Teachers' Retirement System (TRS) Employer's Cost
In the amount of $160,592.24

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 $81,227.00

Note 10: SIGNIFICANT COMMITMENTS

The following is an analysis of significant outstanding construction or renovation contracts executed by the School District as of June 30, 2011, together with funding available:

Project	Unearned Executed Contracts	Funding Available From State
Fowler Drive Elementary School	$ 5,250.00	
Howard B. Stroud Elementary School	284,525.20	
Whit Davis Elementary School	284,525.20	
H. T. Edwards Learning Center	1,072,405.23	$ 725,492.31
Transportation Administrative Building	699,317.15	
	$ 2,346,022.78	$ 725,492.31

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

Note 11: 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 12: RELATED PARTY TRANSACTIONS

One of the School District's Board members is an agent with Coldwell Banker Upchurch Realty. The School District has an ongoing business contract for real estate services with this Firm, which commenced in 2007, and continues with annual extensions. The contract went into effect prior to the election of this Board member. The Board member has abstained on related votes that come before the Board.

Note 13: SUBSEQUENT EVENTS

In the subsequent fiscal year, voters authorized the School District to issue general obligation bonds in the amount of $50,000,000.00. The proceeds from these bonds will be used for various capital outlay projects throughout the School District. The referendum also provided for continuation of the imposition and collection of a one percent sales and use tax not to exceed $120,000,000.00 to be used to supplement the approved projects as well as provide for debt retirement for the associated general obligation bonds.

Note 14: 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%	$ 13,153,173.67
2010	100%	$ 11,431,252.02
2009	100%	$ 10,414,344.81

Note 15: 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%	$	8,272,853.67
2010	100%	$	7,751,225.17
2009	100%	$	7,214,271.42

PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS)

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

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CLARKE COUNTY BOARD OF EDUCATION
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	FINAL	AMOUNTS
REVENUES			
Property Taxes	$ 63,932,217.00	$ 63,932,217.00	$ 68,621,585.90
Sales Taxes	255,000.00	255,000.00	609,106.79
State Funds	52,822,089.50	53,464,925.50	54,408,050.00
Federal Funds	33,814,145.00	40,464,021.00	29,298,362.72
Charges for Services	1,459,700.00	1,473,700.00	2,320,683.37
Investment Earnings	451,200.00	451,200.00	583,461.21
Miscellaneous	498,151.00	603,190.00	3,026,793.04
Total Revenues	$ 153,232,502.50	$ 160,644,253.50	$ 158,868,043.03
EXPENDITURES			
Current			
Instruction	$ 100,464,369.63	$ 104,248,023.96	$ 94,026,539.46
Support Services			
Pupil Services	6,359,657.00	6,724,476.18	4,967,998.07
Improvement of Instructional Services	7,942,827.00	10,621,736.10	8,596,000.60
Educational Media Services	2,206,435.00	2,206,435.00	2,055,135.51
General Administration	2,861,983.00	3,177,392.89	2,615,433.91
School Administration	7,657,867.00	7,669,057.00	7,645,017.67
Business Administration	1,005,509.00	1,055,640.00	1,352,496.72
Maintenance and Operation of Plant	9,988,307.00	10,208,718.00	12,625,121.43
Student Transportation Services	7,355,283.00	8,065,088.50	8,709,182.10
Central Support Services	1,563,291.00	1,521,942.00	1,528,571.44
Other Support Services	1,282,383.00	1,201,030.00	1,065,905.35
Food Services Operation	7,907,721.00	7,930,871.00	436,376.61
Enterprise Operations			605,539.66
Community Services Operations	452,335.00	477,902.00	7,594,242.46
Capital Outlay	917,761.00	917,761.00	94,150.70
Debt Service			559,491.73
Total Expenditures	$ 157,965,728.63	$ 166,026,073.63	$ 154,477,203.43
Excess of Revenues over (under) Expenditures	$ -4,733,226.13	$ -5,381,820.13	$ 4,390,839.60
OTHER FINANCING SOURCES (USES)			
Operating Transfers from Other Funds	$ 370,000.00	$ 370,000.00	
Operating Transfers to Other Funds	-370,000.00	-370,000.00	
Total Other Financing Sources (Uses)	$ 0.00	$ 0.00	
Net Change in Fund Balances	$ -4,733,226.13	$ -5,381,820.13	$ 4,390,839.60
Fund Balances - Beginning (Restated)	21,958,071.21	25,539,427.06	26,464,558.13
Fund Balances - Ending	$ 17,224,845.08	20,157,606.93	30,855,397.73

Notes to the Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual

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.

CLARKE COUNTY BOARD OF EDUCATION
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	$ 7,314,886.97	(1)
Total Child Nutrition Cluster				$ 7,314,886.97	
Other Programs					
Fresh Fruit and Vegetable Program		10.582	N/A	22,045.87	
Total U. S. Department of Agriculture				$ 7,336,932.84	
Education, U. S. Department of					
Impact Aid Cluster					
Direct					
Impact Aid		84.041		(3)	
Education of Homeless Children and Youth Cluster					
Pass-Through From Georgia Department of Education					
ARRA - Education for Homeless Children and Youth		84.387	N/A	$ 36,946.18	
Education for Homeless Children and Youth		84.196	N/A	42,108.05	
Total Education of Homeless Children and Youth Cluster				$ 79,054.23	
Educational Technology State Grants Cluster					
Pass-Through From Georgia Department of Education					
Education Technology State Grants		84.318	N/A	$ 91,313.36	
Special Education Cluster					
Pass-Through From Georgia Department of Education					
Special Education					
ARRA - Grants to States	*	84.391	N/A	$ 1,234,475.71	
ARRA - Preschool Grants	*	84.392	N/A	57,439.26	
Grants to States	*	84.027	N/A	2,945,454.89	
Preschool Grants	*	84.173	N/A	68,763.64	
Total Special Education Cluster				$ 4,306,133.50	
Title I, Part A Cluster					
Pass-Through From Georgia Department of Education					
ARRA - Title I Grants to Local Educational Agencies		84.389	N/A	$ 1,153,327.20	
Title I Grants to Local Educational Agencies		84.010	N/A	6,228,265.59	
Total Title I, Part A Cluster				$ 7,381,592.79	
Other Programs					
Direct					
Early Reading First		84.359		$ 2,257,226.65	
Pass-Through From Georgia Department of Education					
Career and Technical Education - Basic Grants to States		84.048	N/A	178,997.41	
Education Jobs Fund	*	84.410	N/A	2,590,471.00	
English Language Acquisition Grants		84.365	N/A	403,873.59	
Improving Teacher Quality State Grants		84.367	N/A	779,105.58	
Mathematics and Science Partnerships		84.366	N/A	144,961.95	
Migrant Education - State Grant Program		84.011	N/A	96,642.09	
Safe and Drug-Free Schools and Communities - State Grants		84.186	N/A	947.30	
Twenty-First Century Community Learning Centers		84.287	N/A	610,785.18	
Total Other Programs				$ 7,063,010.75	
Total U. S. Department of Education				$ 18,921,104.63	

CLARKE COUNTY BOARD OF EDUCATION
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
Health and Human Services, U. S. Department of				
Child Care and Development Fund Cluster				
Pass-Through From Bright From the Start:				
Georgia Department of Early Care and Learning				
ARRA - Child Care and Development Block Grant		93.713	N/A	$ 1,199.88
Head Start Cluster				
Direct				
ARRA - Head Start	*	93.708	N/A	$ 788,306.23
ARRA - Early Head Start	*	93.709	N/A	1,583,583.12
Head Start	*	93.600	N/A	1,667,827.29
Total Head Start Cluster				$ 4,039,716.64
Total U. S. Department of Health and Human Services				$ 4,040,916.52
Defense, U. S. Department of				
Direct				
Department of the Army				
R.O.T.C. Program				$ 493,939.48
Total Expenditures of Federal Awards				$ 30,792,893.47

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 $367,189.77.
(2) Expenditures for the funds earned on the School Breakfast Program ($1,717,697.29) were not maintained separately and are included in the 2011 National School Lunch Program.
(3) Funds earned on the Impact Aid Program, in the amount of $48,928.26, do not require reporting of expenditures.

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

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

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

See notes to the basic financial statements.

CLARKE COUNTY BOARD OF EDUCATION
SCHEDULE OF STATE REVENUE
YEAR ENDED JUNE 30, 2011

SCHEDULE "3"

AGENCY/FUNDING	GOVERNMENTAL FUND TYPES GENERAL FUND	CAPITAL PROJECTS FUND	TOTAL
GRANTS			
Bright From the Start:			
Georgia Department of Early Care and Learning			
Pre-Kindergarten Program	$ 3,292,959.58		$ 3,292,959.58
Education, Georgia Department of			
Quality Basic Education			
Direct Instructional Cost			
Kindergarten Program	4,040,867.00		4,040,867.00
Kindergarten Program - Early Intervention Program	655,375.00		655,375.00
Primary Grades (1-3) Program	7,853,817.00		7,853,817.00
Primary Grades - Early Intervention (1-3) Program	1,964,661.00		1,964,661.00
Upper Elementary Grades (4-5) Program	3,447,310.00		3,447,310.00
Upper Elementary Grades - Early Intervention (4-5) Program	1,364,409.00		1,364,409.00
Middle Grades (6-8) Program	12,686.00		12,686.00
Middle School (6-8) Program	5,647,406.00		5,647,406.00
High School General Education (9-12) Program	5,216,228.00		5,216,228.00
Vocational Laboratory (9-12) Program	1,652,794.00		1,652,794.00
Students with Disabilities	8,684,814.00		8,684,814.00
Gifted Student - Category VI	3,767,566.00		3,767,566.00
Remedial Education Program	830,405.00		830,405.00
Alternative Education Program	429,976.00		429,976.00
English Speakers of Other Languages (ESOL)	1,727,565.00		1,727,565.00
Media Center Program	1,209,322.00		1,209,322.00
20 Days Additional Instruction	340,211.00		340,211.00
Staff and Professional Development	236,618.00		236,618.00
Indirect Cost			
Central Administration	1,547,192.00		1,547,192.00
School Administration	2,583,357.00		2,583,357.00
Facility Maintenance and Operations	2,719,807.00		2,719,807.00
Categorical Grants			
Pupil Transportation			
Regular	1,060,343.00		1,060,343.00
Nursing Services	182,871.00		182,871.00
Mid-term Adjustment Hold-Harmless	180,659.00		180,659.00
Vocational Supervisors	29,270.00		29,270.00
Food Services	206,956.00		206,956.00
Vocational Education	243,917.78		243,917.78
Amended Formula Adjustment	-8,223,408.00		-8,223,408.00
Other State Programs			
Charter Schools - Facilities	57,883.00		57,883.00
CTAE - Middle School Support Grant	7,791.60		7,791.60
Dual Enrollment Funding	6,769.00		6,769.00
Health Insurance	297,978.11		297,978.11
Industry Certification Related Equipment - State Bonds	18,904.04		18,904.04
Math and Science Supplements	134,631.76		134,631.76
Move On When Ready	400.00		400.00
Preschool Handicapped Program	214,764.00		214,764.00
Pupil Transportation - State Bonds	381,460.00		381,460.00
Teachers' Retirement	160,592.24		160,592.24
Virtual Schools Grant	500.00		500.00
Georgia State Financing and Investment Commission			
Reimbursement on Construction Projects		$ 1,909,872.99	1,909,872.99
Human Resources, Georgia Department of			
Family Connection Program	42,250.00		42,250.00
Right Start Program	96,944.89		96,944.89
Office of the State Treasurer			
Public School Employees Retirement	81,227.00		81,227.00
	$ 54,408,050.00	$ 1,909,872.99	$ 56,317,922.99

See notes to the basic financial statements.

CLARKE COUNTY BOARD OF EDUCATION
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) (4)	AMOUNT EXPENDED IN PRIOR YEARS (3) (4)	PROJECT STATUS
SPLOST II					
Providing funds for the purpose of replacing approximately 80 portable classrooms with permanent classrooms, which may involve additions to existing schools or may involve the construction of new school facilities, renovations and/or additions to Clarke Central High School, Clark Middle School, Alps Road Elementary School, Gaines Elementary School, Cedar Shoals High School, Barnett Shoals Elementary School, Barrow Elementary School, Burney Harris Lyons Middle School, Chase Street Elementary School, Cleveland Road Elementary School, Coile Middle School, Fourth Street Elementary School *(now Howard B. Stroud Elementary School)* , Fowler Drive Elementary School, H.T. Edwards Building, Hilsman Middle School, Oglethorpe Avenue Elementary School, Timothy Road Elementary School, West Broad School Building, Whit Davis Elementary School, Whitehead Road Elementary School, Winterville Elementary School, the acquisition construction and equipping of an alternative learning center, acquiring any necessary real or personal property and equipment (including acquiring improved or unimproved land and existing buildings to renovate for future school sites) and adding to, renovating, repairing, improving and equipping other existing education buildings, properties and facilities of the School District, including, without limitation, Old Winterville High School, athletic, transportation, maintenance and plant services facilities and technology upgrades to all School District facilities, and paying expenses incident thereto, at a cost of approximately $87,849,000.00.	$ 87,849,000.00	$ 107,400,736.32	$ 10,021,862.07	$ 94,811,982.45	Ongoing
SPLOST III					
Providing funds to pay the cost of acquiring additions real property (improved or unimproved) for future school sites; construction of new school facilities; construction of facilities for vocational instruction; construction of, renovations of, additions to, repairs and improvements to and equipping of existing educational buildings, properties and facilities of the School District, which may include, without limitation, existing schools including, Alps Road Elementary School, Barnett Shoals Elementary School, David C. Barrow Elementary School, Chase Street Elementary School, Cleveland Road Elementary School, Fourth Street Elementary School *(now Howard B. Stroud Elementary School)* , Fowler Drive Elementary School, Gaines Elementary School, Oglethorpe Avenue Elementary School, Timothy Road Elementary School, Whit Davis Elementary School, Whitehead Road Elementary School, Winterville Elementary School, Burney-Harris-Lyons Middle School, Clarke Middle School, W.R. Coile Middle School, Hilsman Middle School, Cedar Shoals High School, Clarke Central High School, Clarke County Alternative Education Program, H.T. Edwards Sr. Teaching and Learning Center and Classic City High School - A Performance Learning Center, athletic facilities, transportation facilities (including bus driver training facilities), maintenance facilities and district services facilities; technology upgrades and additions to School District Facilities; security upgrades to School District Facilities, purchase and/or lease payoff of school buses; conversion of School District facilities currently on septic systems to public sewer; the acquisition and installation of software for administrative and educational purposes; reimbursement of the School District's expenditures for the 10-year strategic plan for facilities; and paying expenses incident thereto (including the payment of any capitalized interest), at a cost of approximately $104,000,000.00.	104,000,000.00	133,586,842.36	8,973,069.71	57,480,066.37	Ongoing
	$ 191,849,000.00	$ 240,987,578.68	$ 18,994,931.78	$ 152,292,048.82	

(1) The School District's original cost estimate as specified in the resolution calling for the imposition of the Local Option Sales Tax.

(2) The School District's current estimate of total cost for the projects. Includes all cost from project inception to completion.

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

(4) In addition to the expenditures shown above, the School District has incurred interest to provide advance funding for the above projects as follows:

Prior Years	$	17,253,361.21
Current Year		1,248,150.00
Total	$	18,501,511.21

See notes to the basic financial statements.

CLARKE COUNTY BOARD OF EDUCATION
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	$ 5,245,918.00	$ 5,014,829.96	$ 60,434.87	$ 5,075,264.83
Kindergarten Program-Early Intervention Program	829,913.00	415,880.97	4,611.96	420,492.93
Primary Grades (1-3) Program	10,229,770.00	13,668,025.67	142,722.21	13,810,747.88
Primary Grades-Early Intervention (1-3) Program	2,448,544.00	2,014,221.15	9,150.37	2,023,371.52
Upper Elementary Grades (4-5) Program	4,368,498.00	6,573,525.54	71,366.42	6,644,891.96
Upper Elementary Grades-Early Intervention (4-5) Program	1,756,954.00	1,775,711.30	6,134.20	1,781,845.50
Middle Grades (6-8) Program	13,292.00		10,461.28	10,461.28
Middle School (6-8) Program	6,694,698.00	8,768,797.67	47,930.50	8,816,728.17
High School General Education (9-12) Program	6,124,883.00	8,413,246.10	692,306.42	9,105,552.52
Vocational Laboratory (9-12) Program	2,147,158.00	1,555,352.79	224,572.99	1,779,925.78
Students with Disabilities	11,190,937.00			
Category I		28,359.45	14,629.52	42,988.97
Category II		585,955.10	9,308.96	595,264.06
Category III		12,881,647.10	80,005.67	12,961,652.77
Category IV		186,266.63	14,028.50	200,295.13
Category V			25,163.99	25,163.99
Gifted Student - Category VI	4,796,916.00	3,508,033.72	52,758.27	3,560,791.99
Remedial Education Program	1,048,729.00	364,973.24	2,912.00	367,885.24
Alternative Education Program	555,326.00	13,511.60	937,093.75	950,605.35
English Speakers of Other Languages (ESOL)	2,239,608.00	2,003,024.50	9,722.03	2,012,746.53
TOTAL DIRECT INSTRUCTIONAL PROGRAMS	$ 59,691,144.00	$ 67,771,362.49	$ 2,415,313.91	$ 70,186,676.40
Media Center Program	1,560,309.00	1,885,294.23	156,527.43	2,041,821.66
Staff and Professional Development	307,579.00			217,952.70
TOTAL QBE FORMULA FUNDS	$ 61,559,032.00	$ 69,656,656.72	$ 2,571,841.34	$ 72,446,450.76

(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

October 1, 2012

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

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

Ladies and Gentlemen:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clarke County Board of Education as of and for the year ended June 30, 2011, which collectively comprise Clarke County Board of Education's basic financial statements and have issued our report thereon dated October 1, 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 Clarke County Board of Education is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Clarke County Board of Education's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Clarke County Board of Education's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Clarke County 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 a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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 item FS-6291-11-01 in the accompanying Schedule of Findings and Questioned Costs to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clarke County Board of Education's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

We noted certain matters that we have reported to management of Clarke County Board of Education in a separate letter dated October 1, 2012.

Clarke County 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 Clarke County Board of Education's response and, accordingly, we express no opinion on it.

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

Respectfully submitted,



Greg S. Griffin
State Auditor

GSG:as
2011YB-41

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

October 1, 2012

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

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

Ladies and Gentlemen:

Compliance

We have audited Clarke County Board of Education's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2011. Clarke County Board of Education's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of Clarke County Board of Education's management. Our responsibility is to express an opinion on Clarke County Board of Education's compliance based on our audit.

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

As described in item FA-6291-11-01, in the accompanying Schedule of Findings and Questioned Costs, Clarke County Board of Education did not comply with requirements regarding Allowable Costs/Cost Principles that are applicable to its Special Education Cluster program. Compliance with such requirements is necessary, in our opinion, for Clarke County Board of Education to comply with requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, Clarke County Board of Education complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item FA-6291-11-01 to be a material weakness.

Clarke County Board of Education's responses to the findings identified in our audit are described in the accompanying Schedule of Management's Responses. We did not audit Clarke County Board of Education's responses and, accordingly, we express no opinion on the responses.

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

Respectfully submitted,



Greg S. Griffin
State Auditor

GSG:as
2011SA-65

SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

CLARKE COUNTY BOARD OF EDUCATION
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-6291-09-01	Further Action Not Warranted
FS-6291-09-02	Further Action Not Warranted
FS-6291-09-03	Further Action Not Warranted
FS-6291-10-01	Unresolved - See Corrective Action/Responses
FS-6291-10-02	Previously Reported Corrective Action Implemented
FS-6291-10-03	Previously Reported Corrective Action Implemented

CORRECTIVE ACTION/RESPONSES

CASH AND CASH EQUIVALENTS
Inadequate Internal Control Procedures
Finding Control Number: FS-6291-10-01

The Board is in the process of instituting new procedures to ensure that bank reconciliations are completed on a timely basis. Other items showing in the finding will be given a high priority to be resolved. This action will be completed during fiscal year 2012.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING CONTROL NUMBER AND STATUS

FA-6291-10-01	Previously Reported Corrective Action Implemented

SECTION IV

FINDINGS AND QUESTIONED COSTS

CLARKE COUNTY BOARD OF EDUCATION
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; Debt Service Fund; Aggregate Remaining Fund Information — Unqualified

Internal control over financial reporting:
- Material weakness identified? — Yes
- Significant deficiency identified? — None reported

Noncompliance material to financial statements noted: — No

Federal Awards

Internal Control over major programs:
- Material weakness identified? — Yes
- Significant deficiency identified? — None reported

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

Unqualified for all major programs except for Special Education Cluster program, which was qualified.

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
10.553, 10.555	Child Nutrition Cluster
84.027, 84.173, 84.391, 84.392	Special Education Cluster
93.600, 93.708, 93.709	Head Start Cluster
84.410	Education Jobs Fund

Dollar threshold used to distinguish between Type A and Type B programs: $923,976.27

Auditee qualified as low-risk auditee? — No

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

CASH AND CASH EQUIVALENTS
Inadequate Internal Control Procedures
Material Weakness
Finding Control Number: FS-6291-11-01

Condition:
This is a repeat finding (FS-6291-10-01, FS-6291-09-01 and FS-6291-08-01) from the years ending June 30, 2010, June 30, 2009, and June 30, 2008, respectively. The School District's accounting procedures were insufficient to provide for adequate internal controls over cash and cash equivalents.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Criteria:

The School District's management is responsible for designing and maintaining an adequate system of internal controls that ensure that all cash accounts are supported by and reconciled to either cash on hand or bank accounts held at authorized financial institutions.

Questioned Cost:

N/A

Information:

Weaknesses in internal controls related to Cash and Cash Equivalents were as follows:

- A review of adjustments made to tie the General Account's reconciled cash to cash recorded on the financial statements identified the following:
  1. The School District incorrectly included school activity cash ledger balances in the general ledger cash balances used to reconcile cash. These same school activity ledger balances were also used in reconciling to the various school activity bank statements. This resulted in an entity adjustment that overstated the General Fund cash by the school activity account cash ledger balances.
  2. Head Start program cash receipts reported on the bank statement were never recorded on the general ledger. At year end, the School District recorded revenue and accounts receivable for negative cash balances identified from the general ledger. This resulted in cash being understated and accounts receivable being overstated.
  3. Auditors proposed, and the School District accepted, an adjustment increasing cash by $759,847.77, reducing accounts receivable by $545,461.55 and reducing expenditures by $214,386.22 to reverse entity posted journal entries.

- The School District adjusted the general ledger to agree with bank reconciliations for the Dental Reimbursement Account, Local Account, Payroll Account, School Nutrition Account, SPLOST II Account and SPLOST III Account totaling $827,374.48. We were unable to determine the validity of these adjustments.

- The reconciliations of the Dental Reimbursement Account, Local Account, School Nutrition Account, SPLOST II Account and SPLOST III Account were not performed in a timely manner.

- The entity's policies and procedures for handling unclaimed property (outstanding checks) do not appear to be in accordance with the *Disposition of Unclaimed Property Act*. The School District currently cancels outstanding checks and redistributes the funds back into their current year operations. The School District identified unclaimed property that should be reported to the Georgia Department of Revenue, but had not remitted the funds as of June 30, 2011. There were outstanding checks issued from the payroll account which appeared to be wage payments to employees which were greater than one year old that should potentially be remitted to the Georgia Department of Revenue.

Cause:

These deficiencies were a result of management's failure to ensure that internal control policies and procedures were established, implemented and functioning as intended with regard to Cash and Cash Equivalents.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Effect:
The lack of adequate control over cash increases the risk of theft, fraud, or misuse of School District resources that may result in errors and/or irregularities which would not be detected in a timely manner.

Recommendation:
The School District should establish policies and procedures to ensure that bank reconciliations are completed in a timely manner, all bank accounts are recorded in the School District's accounting records, and administrative reviews are performed to determine that bank reconciliations are correct and that all required adjustments are made and are properly documented.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

ALLOWABLE COSTS/COST PRINCIPLES
Time and Attendance Records not Utilized
Material Weakness
Material Noncompliance
U. S. Department of Education
Through Georgia Department of Education
Special Education Cluster (CFDA 84.027, 84.173, 84.391 and 84.392)
Title 1, Part A Cluster (CFDA 84.010 and 84.389)
Finding Control Number: FA-6291-11-01

Condition:
We identified deficiencies in internal controls related to employee compensation expenses paid from the Special Education and Title 1, Part A Cluster programs.

Criteria:
Provisions of *OMB Circular A-87*, *Cost Principles for State, Local and Indian Tribal Governments,* require that salaries be documented as follows:

(a) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.
(b) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports (PARs) or equivalent documentation. Such documentary support will be required where employees work on more than one Federal award, or a Federal award and a non-Federal award. PARs must reflect an after-the-fact distribution of the actual activity of each employee, account for the total activity for which the employee is compensated, be prepared at least monthly and must coincide with one or more pay periods, and be signed by the employee.

Questioned Cost:
$85,499.66 Special Education Cluster (CFDA 84.027, 84.173, 84.391 and 84.392)
$53,286.16 Title I, Part A Cluster (CFDA 84.010 and 84.389)

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Information:

Testing of employee compensation payments charged to the Special Education Cluster and Title I, Part A Cluster programs revealed that personnel activity reports or equivalent documentation had not been completed for the employees who worked on multiple activities to document actual time worked in the program. In addition, periodic certification forms were also not completed for employees who worked full time on the Special Education Cluster.

Cause:

Management failed to implement appropriate procedures to ensure compliance with Federal guidelines regarding charges for salaries and wages being supported by periodic certifications or personnel activity reports.

Effect:

Without the required PARs documenting the employee's time and effort on the various activities, the School District was unable to substantiate and we were unable to determine the correct amount that should have been charged to the Special Education and Title I, Part A Cluster programs.

Failure to adequately monitor compliance related to employee compensation expenses paid from Federal award programs could result in material noncompliance with the requirements of these Federal grants.

Recommendation

In accordance with Federal regulations, the School District should implement procedures to ensure that appropriate time and attendance records are prepared and maintained for all personnel working on Federal programs. Management should ensure that all salaries charged to the Federal programs are commensurate with actual time devoted to those Federal programs. The Georgia Department of Education should review this matter to determine if a reclaim of funds is appropriate.

SECTION V

MANAGEMENT'S RESPONSES

CLARKE COUNTY BOARD OF EDUCATION
SCHEDULE OF MANAGEMENT'S RESPONSES
YEAR ENDED JUNE 30, 2011

Finding Control Number: FS-6291-11-01

We concur with this finding. The school district hired a new CFO in March of 2012 who assumed the responsibility to evaluate the bank reconciliation process and to investigate and record monthly reconciling items and adjustments in a timely manner. This review procedure was implemented with the May 2012 bank reconciliation process. The new CFO worked closely with the state auditors during the FY 2011 audit process and collaborated to develop accounting procedures to ensure the necessary adjustments are made to correct the financial statements for the Clarke County School District.

Finding Control Number: FA-6291-11-01

We concur with this finding. The School District has reviewed the semi-annually certification process for the Special Education and Title 1, Part A Cluster employees to assure that the form is completed on a timely basis with all supporting documentation related to wages paid for one Federal award, or a Federal award and a non-Federal award. We revised our practice to include the signature of the semi-annually certificate and the inclusion of personnel activity reports (PARs) or equivalent documentation. This process was implemented with the FY2012 school year.

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