# CITY OF DECATUR
# BOARD OF EDUCATION

**ANNUAL FINANCIAL REPORT**
**FOR THE**
**FISCAL YEAR ENDED JUNE 30, 2011**

# CITY OF DECATUR BOARD OF EDUCATION
## ANNUAL FINANCIAL REPORT
## FOR THE FISCAL YEAR ENDED JUNE 30, 2011

## TABLE OF CONTENTS


| I. FINANCIAL SECTION | Page |
|---|---|
| Independent Auditor's Report | 1 and 2 |
| Management's Discussion and Analysis | 3-8 |
| Basic Financial Statements: | |
| Government-wide Financial Statements: | |
| Statement of Net Assets | 9 |
| Statement of Activities | 10 |
| Fund Financial Statements: | |
| Balance Sheet – Governmental Funds | 11 |
| Reconciliation of the Governmental Funds Balance Sheet to the Government-wide Statement of Net Assets | 12 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds | 13 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 14 |
| General Fund - Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual | 15 |
| Statement of Assets and Liabilities – Agency Fund | 16 |
| Notes to Financial Statements | 17-36 |
| Combining and Individual Fund Statements and Schedules: | |
| Combining Balance Sheet – Nonmajor Governmental Funds | 37 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds | 38 |
| Schedule of Expenditures of Special Purpose Local Option Sales Tax Proceeds | 39 |

| II. CONTINUING DISCOSURE SECTION | |
|---|---|
| General Information – CUSIPS | 40 |
| School Buildings | 41 |
| Active Personnel | 42 |
| Sales & Use Tax Receipts | 43 |
| Legal Debt Margin Information – City of Decatur, Georgia | 44 |
| Tax Digest History | 45 |
| Property Tax Rates – Direct and Overlapping Governments | 46 |
| Property Tax Levies and Collections | 47 |
| Tax Revenue Sources – City of Decatur, Georgia | 48 |
| Principal Property Taxpayers | 49 |
| Annual Budget (Cash Basis) – City of Decatur, Georgia | 50 |

# CITY OF DECATUR BOARD OF EDUCATION
## ANNUAL FINANCIAL REPORT
## FOR THE FISCAL YEAR ENDED JUNE 30, 2011

## TABLE OF CONTENTS

### III. SINGLE AUDIT SECTION


| | |
|---|---|
| **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*** | **51 and 52** |
| **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 Over Compliance in Accordance With OMB Circular A-133** | **53 and 54** |
| **Schedule of Expenditures of Federal Awards** | **55 - 57** |
| **Schedule of Findings and Questioned Costs** | **58 - 62** |

# I. FINANCIAL SECTION

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

# INDEPENDENT AUDITOR'S REPORT

**To the Superintendent and Members of**
**the City of Decatur Board of Education**
**Decatur, Georgia**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **City of Decatur Board of Education**, as of and for the fiscal year ended June 30, 2011, which collectively comprise the City of Decatur Board of Education's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Decatur 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Decatur Board of Education, as of June 30, 2011, and the respective changes in financial position, thereof and the budgetary comparison for the General Fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1, the City of Decatur Board of Education implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective July 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued our reported dated January 30, 2012 on our consideration of the City of Decatur 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 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Decatur Board of Education's basic financial statements. The combining and individual fund statements and schedules, and disclosure section, listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Decatur Board of Education. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and is also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Mauldin & Jenkins, LLC

Atlanta, Georgia
January 30, 2012

The discussion and analysis of the City of Decatur Board of Education's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the complete financial statements, with footnotes, to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2011 are as follows:

- Total net assets increased from approximately $6 million in 2010 to approximately $76 million in 2011, an increase of approximately $70 million. The increase is due primarily to the District receiving title to buildings which were transferred from the City of Decatur, construction in progress during fiscal year 2011 and the results of operations during the current fiscal year.

- Total revenues increased from approximately $42.5 million in fiscal year 2010 to approximately $112.4 million in fiscal year 2011, an increase of approximately $69.9 million reflective of the title transfer of buildings from the City of Decatur. Overall, revenue for fiscal year 2011 was approximately $70 million more than expenses.

- Total expenses decreased from approximately $51.4 million in fiscal year 2010 to approximately $42.5 million in fiscal year 2011, a decrease of approximately $9 million primarily due to budget cuts and due to more cost qualifying to be capitalized as construction in progress in the current fiscal year.

- The decrease in program expenses primarily occurred in maintenance and operation of plan, where expenses decreased from approximately $15.3 million in fiscal year 2010 to approximately $3.9 million in fiscal year 2011 due to more cost qualifying to be capitalized as construction in progress (approximately $13.6 million) in the current fiscal year verses in the prior fiscal year (only roughly $381,000) as the assets were owned by the City of Decatur.

- Additionally, instruction expenses increased from approximately $25.1 million in fiscal year 2010 to approximately $26.4 million in fiscal year 2011 due to increases in State health benefits. General administration expenses increased from approximately $1 million in fiscal year 2010 to approximately $1.1 million in fiscal year 2011 due to increases in professional service contracts. School administrative expenses increased from approximately $2.5 million in fiscal year 2010 to approximately $3 million in fiscal year 2011 due to the District absorbing the 0-3 childcare program previously run by the YMCA. Interest on long-term debt increased from approximately $400,000 to approximately $583,000 due to increase long term debt obligations.

- Among the major funds, the General Fund has approximately $39.2 million in revenues (excluding other financing sources) and approximately $37 million in expenditures (excluding other financing uses) in fiscal year 2011. Fund balance increased by approximately $2.1 million due to better than expected State and local tax revenues.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements comprise three components: 1) Government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government–wide Financial Statements**
The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

| | Governmental Activities | |
|---|---|---|
| **Assets:** | **2011** | **2010 (Restated)** |
| Current and other assets | $29,753,045 | $37,172,907 |
| Capital assets | 76,129,722 | 4,399,515 |
| Total assets | 105,882,767 | 41,572,422 |
| **Liabilities:** | | |
| Long-term liabilities outstanding, net of current portion | 14,879,629 | 16,466,494 |
| Other liabilities | 14,952,600 | 19,090,120 |
| Total liabilities | 29,832,229 | 35,536,614 |
| **Net assets:** | | |
| Invested in capital assets, net of related debt | $64,419,668 | $976,496 |
| Restricted | 3,993,568 | 3,004,881 |
| Unrestricted | 7,637,302 | 2,054,431 |
| Total net assets | $76,050,538 | $6,035,808 |

The Statement of Activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

| | Government Activities | |
|---|---|---|
| | **2011** | **2010 (Restated)** |
| **Revenues:** | | |
| Program revenues: | | |
| Charges for services | $2,266,206 | $1,829,021 |
| Operating grants and contributions | 19,429,161 | 14,580,144 |
| Capital grants and contributions | 61,245,581 | - |
| General revenues: | | |
| Property taxes | 26,151,712 | 22,763,573 |
| Sales taxes | 2,357,366 | 2,686,336 |
| Grants and contributions not restricted to specific programs | - | 13,794 |
| Unrestricted investment earnings | 24,018 | 49,430 |
| Other | 880,193 | 532,760 |
| Total revenues | 112,354,237 | 42,455,058 |
| **Expenses:** | | |
| Instruction | 26,383,187 | 25,150,908 |
| Support services | 13,743,869 | 24,254,702 |
| Food services operation | 1,590,374 | 1,552,261 |
| Community service operation | 38,724 | 21,640 |
| Interest on long-term debt | 583,353 | 396,608 |
| Total expenses | 42,339,507 | 51,376,119 |
| Increase (decrease) in net assets | 70,014,730 | (8,921,061) |
| Net assets, beginning of fiscal year, as restated | 6,035,808 | 14,956,869 |
| Net assets, end of fiscal year | $76,050,538 | $6,035,808 |

In contrast, fund balance reports only those assets and liabilities that primarily have an impact on short-term financing decisions. Fund balance (specifically, unassigned fund balance) is a measure of available financial resources. Net assets report all assets and all liabilities regardless of their relevance to near-term financing decisions. Net assets should be understood as a measure of net worth rather than a measure of available financial resources.

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other State and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two (2) categories: governmental funds and fiduciary funds.

*Governmental Funds*

Most of the District's activities (instruction, administration, maintenance, and student transportation) are reported in governmental funds, which focus on how money flows in and out of those funds and balances left at fiscal year-end are available for spending in future periods. The governmental fund statements provide a detailed short-term view of the 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 governmental fund activities may be financed with property taxes, Quality Basic Education (QBE) State formula aid, and federal funds.

*Fiduciary Funds*

The District is the trustee, or fiduciary, for assets that belong to others, such as club and class funds and payroll withholding funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong.

**Government-wide Financial Analysis**

As previously stated, the total net assets for 2011 are approximately $76 million which represents a significant increase over 2010. The increase is primarily driven by the change in title on District facilities. In prior fiscal years, the City of Decatur held title to all the facilities operated by the District. During the current fiscal year, the decision was made to transfer title to the District which resulted in a $61 million capital contribution from the City of Decatur. The land and the buildings are now reflected in the financial statements of the District resulting in the sizable increase. In addition, the District completed major portions of two (2) new facilities, the Fifth Avenue Academy built to house fourth and fifth graders and a Career Academy constructed within the existing High School facility. The cost of the construction on both of these facilities is included in the construction in progress capital asset number resulting in a further increase.

**Changes in Net Assets from Operating Results**

*Revenues*

The District's general revenue increased by approximately 12.9% to approximately $29.4 million in fiscal year 2011. Operating grants and contributions increased by approximately 33.3% due to rising enrollment. Capital grants and contributions increased by $61 million or 100% due to the transfer of buildings to the District from the City of Decatur as previously discussed. Charges for services increased by approximately 23.9% or approximately $400,000 as a result of the assumption of the operation of the 0-3 childcare program at College Heights formerly run by the YMCA.

*Expenses*

The District's total expenses decreased approximately 17.6% as compared with fiscal year 2010. Maintenance and operations of plant decreased from approximately $15.3 million to approximately $3.9 million. The decreases in maintenance and operations of plant were due to more cost qualifying to be capitalized as construction in progress in the current fiscal year. Instruction increased by approximately 4.9% or approximately $1.2 million. The increase in instruction was due to increases in the number of teachers for growing enrollment as well as benefit increases.

General administration expenses increased from approximately $1 million in fiscal year 2010 to approximately $1.1 million in fiscal year 2011 due to increases in professional service contracts. School administration expenses increased from approximately $2.5 million in fiscal year 2010 to approximately $3 million in fiscal year 2011 due to the District absorbing the 0-3 childcare program previously run by the YMCA. Interest on long-term debt increased from approximately $400,000 to approximately $580,000 due to increase long term debt obligations.

**Governmental Activities**

The net cost of governmental activities reports the total and net cost of major District activities: instruction, pupil and instructional services, school and administrative services, maintenance and operations, transportation, and others.

Net cost of services is the total cost less fees generated by the activities and intergovernmental revenue provided for specific programs. The net cost shows the financial burden on the District's taxpayers by each activity. The total cost of governmental services in fiscal year 2011 was approximately $42.3 million. Users of the District's programs financed approximately $2.3 million of the costs. Federal and state grants, subsidized programs, and contributions financed approximately $19.4 million of the cost. The District's property taxpayers financed the largest portion of the District's cost, which was approximately $26 million for fiscal year 2011.

**The District's Funds**

The District ended fiscal year 2011 with a strong fund balance in its governmental funds. The combined balance of all governmental funds, which includes the District-wide Capital Projects Fund, at approximately $13.8 million, was lower than fiscal year 2010's ending balance of $18.9 million due to funds being spent down for construction. The ending fund balance represents approximately 25% of total expenditures. Of the governmental fund balance, approximately $3.9 million is restricted for capital projects and approximately $4.2 has been assigned by the Superintendent to cover a projected fiscal year 2012 budget deficit.

**General Fund Budgetary Highlights**

In developing the fiscal year 2011 budget, the Administration of the District plans a long-term approach knowing that the challenges of appropriate student/teacher ratios, having an adequate fund balance and that expenditure control would be necessary due to the significant uncertainty with the Georgia and the national economy. In addition, the State of Georgia requires that each school district levy five (5) mills for property taxes before it can receive state QBE education funding. The five mills are deducted from State funding each fiscal year. Each fiscal year, this total continues to rise, leaving fewer State funds in future years. The local fair share formula is the relationship between property value of the District and total enrollment. This has been compounded by the fact that State austerity reductions have reached an all time high.

The fiscal year 2011 budget had across the board decreases to the salary schedules due to the austerity cuts to State revenue and decreased local property tax revenue. The District added instructional positions due to growing enrollment and program requirements

The most significant budgeted fund is the General Fund. Expenditure variances are primarily due to the budgeting of contingency for benefits and the addition of the 0-3 childcare program at mid-year. Revenue variances are attributable to lower than expected mid-term austerity cuts from the State and increased funding due to rising enrollment. In addition, property taxes came in higher than expected.

The City of Decatur Board of Education originally budgeted an operating loss of approximately $1.7 million but actually achieved a positive result of approximately $2.2 million. The variance is driven by revenues and expenditures as described above.

**General Fund**

The total fund balance of the General Fund of approximately $9.8 million represents an increase of approximately $2.2 million from fiscal year 2010 to fiscal year 2011. The building of fund balance was an intentional decision by the management of the District. The District was preparing for the funding cliff caused by the withdrawal of Federal ARRA funds and the failure of the State to restore austerity cuts made to the funding formula. As a result of this foresight, the District has been able to hold property tax increases to a minimal level and avoid cuts to staff and programs. To that effect, the Superintendent has assigned fund balance to cover a projected fiscal year 2012 budget deficit bringing the unassigned fund balance down to approximately $5.6 million or approximately 15% of fiscal year 2011 expenditures and approximately 13.69% of budgeted fiscal year 2012 expenditures.

**District-wide Capital Projects Fund**

The District uses capital projects funds to account for school construction and improvement projects. Since 1997, sales tax proceeds have become the primary funding source as a result of the approval by DeKalb County voters in March 1997 of a five-year special purpose local option sales tax (SPLOST). Collections of the tax began on July 1, 1997 and have been renewed by the voters two subsequent times. The current SPLOST that began July 2002 is expected to generate a total of $645 million of which the District anticipated $15 million over its life. The sales tax is proportionately distributed to DeKalb, Atlanta Independent School System (within DeKalb County) and the City of Decatur Board of Education based on full time equivalent (FTE) of students. The District-wide Capital Projects Fund had expenditures of approximately $13.4 million for the fiscal year ended June 30, 2011 and a fund balance of approximately $3.9 million.

**Capital Assets and Debt Administration**

*Capital Assets*

Capital assets increased from approximately $4.4 million in fiscal year 2010 to approximately $76 million in fiscal year 2011. This sizable increase is due to the School District receiving title to facilities. Historically, these facilities have been accounted for in the financial statements of the City of Decatur and are now reflected in the statements of the School District. In addition, capital assets reflect an increase in construction in progress as a result of the new Fifth Avenue and the Decatur Career academy opening in school year 2012.

*Long-Term Debt*

At the end of June 30, 2011, the District has long-term liabilities in the form of certificates of participation, City of Decatur intergovernmental payable, capital leases, and compensated absences.

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| **Governmental activities:** | | | | | |
| Certification of participation | $10,295,000 | $ - | $ - | $10,295,000 | $ - |
| Intergovernmental payable | 4,900,000 | - | (1,600,000) | 3,300,000 | 1,600,000 |
| Capital leases | 2,932,763 | 734,569 | (398,025) | 3,269,307 | 398,882 |
| Compensated absences | 100,572 | 59,394 | (101,482) | 58,484 | 44,280 |
| Governmental activities long term liabilities | $ 18,228,335 | $793,963 | $ (2,099,507) | $16,922,791 | $ 2,043,162 |

**Factors Bearing on the District's Future**

We are pleased that the City of Decatur Board of Education continues to enjoy a positive financial position despite a weak economy. Educational funding from the State of Georgia is expected to remain at a conservatively low level due the current political agenda as it relates to public education, income tax, property tax and sales tax revenues. The District will lose federal revenue due to the American Recovery Reinvestment Act of 2009 known as stimulus funding and the Education Jobs funding that sunset in fiscal years 2010 and 2011. The uncertainty of the duration of the current economic recession may continue to negatively impact local, state and federal sources of revenue.

The District has been experiencing enrollment growth. As a result, the fiscal year 2012 will include the reopening of an elementary school. The new elementary school will add a significant cost to the annual operating budget for instruction and school administration.

State law requires 65% of a school district's operating expenditures be for a State determined definition of direct instructional expenditures. With mandates behind the 65% solution, this pose a challenge to the District since it does not take into account what the local community has determined as its priorities. City of Decatur Board of Education has obtained system-wide charter status from the State of Georgia. This status offers the District opportunities for flexibility which may change future financial reports. In the midst of these challenges, the District remains confident in the ability to maximize resources to provide the best possible educational experience for all our students.

**Requests for Information**

This financial report is designed to provide a general overview of the City of Decatur Board of Education's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Decatur Board of Education, Finance Director, 758 Scott Boulevard, Decatur, Georgia 30030.

# BASIC FINANCIAL STATEMENTS

# CITY OF DECATUR BOARD OF EDUCATION

## STATEMENT OF NET ASSETS
## JUNE 30, 2011

| | Governmental Activities |
|---|---|
| **ASSETS** | |
| ***Current Assets:*** | |
| Cash and cash equivalents | $ 23,818,921 |
| Receivables: | |
| Intergovernmental | 2,609,262 |
| Property taxes | 2,701,289 |
| Sale taxes | 205,337 |
| Accounts | 111,255 |
| Inventory | 16,367 |
| Prepaid items | 33,000 |
| ***Total Current Assets*** | 29,495,431 |
| ***Noncurrent Assets:*** | |
| Deferred charges | 257,614 |
| Capital assets, nondepreciable | 11,860,893 |
| Capital assets, depreciable, net of accumulated depreciation | 64,268,829 |
| ***Total Noncurrent Assets*** | 76,387,336 |
| **Total Assets** | 105,882,767 |
| **LIABILITIES** | |
| ***Current Liabilities:*** | |
| Accounts payable | 1,803,944 |
| Salaries payable | 2,876,487 |
| Contracts payable | 519,235 |
| Accrued interest payable | 96,156 |
| Unearned revenue | 7,613,616 |
| Capital leases payable | 398,882 |
| Intergovernmental payable to the City of Decatur | 1,600,000 |
| Compensated absences payable | 44,280 |
| ***Total Current Liabilities*** | 14,952,600 |
| ***Long-Term Liabilities (net of current portion):*** | |
| Capital leases payable | 2,870,425 |
| Certificates of participation | 10,295,000 |
| Intergovernmental payable to the City of Decatur | 1,700,000 |
| Compensated absences payable | 14,204 |
| ***Total Long-Term Liabilities*** | 14,879,629 |
| **Total Liabilities** | 29,832,229 |
| **NET ASSETS** | |
| Investment in capital assets, net of related debt | 64,419,668 |
| Restricted for: | |
| Capital projects | 3,875,539 |
| School food operations | 8,757 |
| Federal and local programs | 109,272 |
| Unrestricted | 7,637,302 |
| Total net assets | $ 76,050,538 |

**The accompanying notes are an integral part of these financial statements.**

# CITY OF DECATUR BOARD OF EDUCATION

## STATEMENT OF ACTIVITIES
## FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| Functions/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions | Net (Expense) Revenue and Changes in Net Assets: Governmental Activities |
|---|---|---|---|---|---|
| Governmental activities: | | | | | |
| Instruction | $ 26,383,187 | $ 1,627,879 | $ 16,838,847 | $ 61,245,581 | $ 53,329,120 |
| Support services: | | | | | |
| Pupil services | 1,262,286 | - | 3,046 | - | (1,259,240) |
| Improvement of instructional services | 1,802,109 | - | 3,513 | - | (1,798,596) |
| Educational media services | 840,335 | - | 2,135 | - | (838,200) |
| General administration | 1,049,701 | - | 465,256 | - | (584,445) |
| School administration | 3,080,874 | - | 703,073 | - | (2,377,801) |
| Business administration | 378,246 | - | 1,083 | - | (377,163) |
| Maintenance and operation of plant | 3,886,344 | - | 701,024 | - | (3,185,320) |
| Student transportation services | 890,281 | - | 192,172 | - | (698,109) |
| Central support services | 553,693 | - | 1,070 | - | (552,623) |
| Food services operation | 1,590,374 | 638,327 | 517,928 | - | (434,119) |
| Community services operation | 38,724 | - | 14 | - | (38,710) |
| Interest on long-term debt | 583,353 | - | - | - | (583,353) |
| Total governmental activities | $ 42,339,507 | $ 2,266,206 | $ 19,429,161 | 61,245,581 | $ 40,601,441 |
| Total | $ 42,339,507 | $ 2,266,206 | $ 19,429,161 | $ 61,245,581 | 40,601,441 |
| General revenues: | | | | | |
| Property taxes | | | | | 26,151,712 |
| Sales taxes | | | | | 2,357,366 |
| Unrestricted investment earnings | | | | | 24,018 |
| Other | | | | | 880,193 |
| Total general revenues | | | | | 29,413,289 |
| Change in net assets | | | | | 70,014,730 |
| Net assets, beginning of fiscal year, as restated | | | | | 6,035,808 |
| Net assets, end of fiscal year | | | | | $ 76,050,538 |

**The accompanying notes are an integral part of these financial statements.**

# CITY OF DECATUR BOARD OF EDUCATION

## BALANCE SHEET
## GOVERNMENTAL FUNDS
## JUNE 30, 2011

| ASSETS | General Fund | District-Wide Capital Projects Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|
| Cash and cash equivalents | $ 19,528,876 | $ 4,202,583 | $ 87,462 | $ 23,818,921 |
| Receivables: | | | | |
| Intergovernmental | 2,609,262 | - | - | 2,609,262 |
| Property taxes, net of allowance | 2,701,289 | - | - | 2,701,289 |
| Sales taxes | - | 205,337 | - | 205,337 |
| Accounts | 74,400 | - | 36,855 | 111,255 |
| Due from other funds | - | - | 145,296 | 145,296 |
| Prepaid items | - | 33,000 | - | 33,000 |
| Inventory | - | - | 16,367 | 16,367 |
| Total assets | $ 24,913,827 | $ 4,440,920 | $ 285,980 | $ 29,640,727 |
| **LIABILITIES AND FUND BALANCES** | | | | |
| **LIABILITIES** | | | | |
| Accounts payable | $ 1,757,308 | $ - | $ 46,636 | $ 1,803,944 |
| Salaries payable | 2,807,337 | - | 69,150 | 2,876,487 |
| Contracts payable | - | 519,235 | - | 519,235 |
| Due to other funds | 87,229 | 13,146 | 44,921 | 145,296 |
| Deferred revenue | 10,487,356 | - | - | 10,487,356 |
| Total liabilities | 15,139,230 | 532,381 | 160,707 | 15,832,318 |
| **FUND BALANCES** | | | | |
| Fund balances: | | | | |
| Nonspendable: | | | | |
| Prepaid items | - | 33,000 | - | 33,000 |
| Inventory | - | - | 16,367 | 16,367 |
| Restricted: | | | | |
| Capital projects | - | 3,875,539 | - | 3,875,539 |
| School food operations | - | - | 8,757 | 8,757 |
| Federal and local programs | - | - | 109,272 | 109,272 |
| Assigned: | | | | |
| Subsequent fiscal year's budget deficit | 4,179,010 | - | - | 4,179,010 |
| Unassigned | 5,595,587 | - | (9,123) | 5,586,464 |
| Total fund balances | 9,774,597 | 3,908,539 | 125,273 | 13,808,409 |
| Total liabilities and fund balances | $ 24,913,827 | $ 4,440,920 | $ 285,980 | $ 29,640,727 |

**The accompanying notes are an integral part of these financial statements.**

# CITY OF DECATUR BOARD OF EDUCATION

## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS JUNE 30, 2011

| | | |
|---|---|---|
| **Total Governmental Fund Balances** | | $ 13,808,409 |
| **Amounts reported for governmental activities in the Government-wide Statement of Net Assets are different because:** | | |
| Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds, but are reported on the government-wide statement of net assets. | | |
| Cost | $ 79,528,145 | |
| Less accumulated depreciation | (3,398,423) | 76,129,722 |
| Receivables not collected within 60 days of fiscal year-end are not considered available and are deferred on the governmental funds' balance sheet but are recognized as revenue on the government-wide statement of net assets. | | |
| Property taxes | | 2,873,740 |
| Interfund receivables (or due from other funds) and payables (or due to other funds) between governmental funds are reported on the governmental funds' balance sheet but are eliminated on the government-wide statement of assets. | | |
| Interfund receivables | $ (145,296) | |
| Interfund payables | 145,296 | - |
| Long-term liabilities that are not due and payable in the current period and therefore are not reported in the governmental funds' balance sheet but are reported on the government-wide statement of net assets. | | |
| Accrued interest payable | $ (96,156) | |
| Bond issuance costs, net of amortization | 257,614 | |
| Capital leases payable | (3,269,307) | |
| Certificate of participation | (10,295,000) | |
| Intergovernmental payable to the City of Decatur | (3,300,000) | |
| Compensated absences payable | (58,484) | (16,761,333) |
| **Net Assets of Governmental Activities** | | $ 76,050,538 |

**The accompanying notes are an integral part of these financial statements.**

# CITY OF DECATUR BOARD OF EDUCATION

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | General Fund | District-Wide Capital Projects Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Property taxes | $ 24,115,465 | $ - | $ - | $ 24,115,465 |
| Sales taxes | - | 2,357,366 | - | 2,357,366 |
| Intergovernmental revenue - state | 12,017,226 | 2,985,030 | 956,250 | 15,958,506 |
| Intergovernmental revenue - federal | 594,175 | - | 2,861,660 | 3,455,835 |
| Charges for services | 1,627,879 | - | 638,327 | 2,266,206 |
| Investment income | 23,799 | 14,818 | 219 | 38,836 |
| Other revenue | 813,714 | 50,000 | 16,481 | 880,195 |
| Total revenues | 39,192,258 | 5,407,214 | 4,472,937 | 49,072,409 |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| Instruction | 23,337,391 | - | 2,592,211 | 25,929,602 |
| Support services: | | | | |
| Pupil services | 1,124,458 | - | 137,828 | 1,262,286 |
| Improvement of instructional services | 1,295,939 | - | 506,170 | 1,802,109 |
| Educational media services | 823,398 | - | 6,740 | 830,138 |
| General administration | 1,054,140 | - | 2,000 | 1,056,140 |
| School administration | 3,080,874 | - | - | 3,080,874 |
| Business administration | 348,723 | - | - | 348,723 |
| Maintenance and operation of plant | 3,862,595 | - | - | 3,862,595 |
| Student transportation services | 876,219 | - | 14,062 | 890,281 |
| Central support services | 553,693 | - | - | 553,693 |
| Food services operation | 404,452 | - | 1,165,712 | 1,570,164 |
| Community services operation | 5,781 | - | 32,943 | 38,724 |
| Capital outlay | - | 11,042,309 | - | 11,042,309 |
| Debt service: | | | | |
| Principal retirement | 246,670 | 1,751,355 | - | 1,998,025 |
| Interest and fiscal charges | - | 624,353 | - | 624,353 |
| Total expenditures | 37,014,333 | 13,418,017 | 4,457,666 | 54,890,016 |
| Excess (deficiency) of revenues over (under) expenditures | 2,177,925 | (8,010,803) | 15,271 | (5,817,607) |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Capital leases | 734,569 | - | - | 734,569 |
| Transfers in | - | 780,000 | 14,629 | 794,629 |
| Transfers out | (794,629) | - | - | (794,629) |
| Total other financing sources (uses) | (60,060) | 780,000 | 14,629 | 734,569 |
| Net change in fund balances | 2,117,865 | (7,230,803) | 29,900 | (5,083,038) |
| **FUND BALANCE, beginning of fiscal year, as restated** | 7,656,732 | 11,139,342 | 95,373 | 18,891,447 |
| **FUND BALANCE, end of fiscal year** | $ 9,774,597 | $ 3,908,539 | $ 125,273 | $ 13,808,409 |

**The accompanying notes are an integral part of these financial statements.**

# CITY OF DECATUR BOARD OF EDUCATION

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | | |
|---|---|---|
| **Net change in fund balances - total governmental funds** | | **$ (5,083,038)** |
| **Amounts reported for governmental activities in the statement of activities are different because:** | | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period. | | |
| Capital outlay | $ 11,542,929 | |
| Depreciation expense | (1,058,303) | 10,484,626 |
| The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets. | | |
| Transfers of capital assets (buildings) from the City of Decatur | | 61,245,581 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | 2,036,247 |
| Transfers between governmental funds are reported in the governmental funds but are eliminated on the government-wide statement of activities. | | |
| Transfers in | $ (794,629) | |
| Transfers out | 794,629 | - |
| The issuance of long-term debt, (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discount, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. | | |
| Principal retirement: | | |
| Capital leases | $ 398,025 | |
| Certificates of participation | 1,600,000 | |
| Proceeds from: | | |
| Capital leases | (734,569) | |
| Amortization expense of issuance costs | (15,230) | 1,248,226 |
| Some expenses 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. | | |
| Change in accrued interest | $ 41,000 | |
| Change in compensated absences | 42,088 | 83,088 |
| Changes in net assets - governmental activities | | $ 70,014,730 |

**The accompanying notes are an integral part of these financial statements.**

# CITY OF DECATUR BOARD OF EDUCATION

## GENERAL FUND
## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
## FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | Budget | | | Variance With |
|---|---|---|---|---|
| | Original | Final | Actual | Final Budget |
| **REVENUES** | | | | |
| Property taxes | $ 23,075,560 | $ 23,075,560 | $ 24,115,465 | $ 1,039,905 |
| Intergovernmental revenue - state | 10,362,310 | 10,362,310 | 12,017,226 | 1,654,916 |
| Intergovernmental revenue - federal | 236,420 | 236,420 | 594,175 | 357,755 |
| Charges for services | 888,000 | 1,435,800 | 1,627,879 | 192,079 |
| Investment income | 45,000 | 45,000 | 23,799 | (21,201) |
| Other revenue | 215,000 | 215,000 | 813,714 | 598,714 |
| Total revenues | 34,822,290 | 35,370,090 | 39,192,258 | 3,822,168 |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| Instruction | 23,161,814 | 23,767,514 | 23,337,391 | 430,123 |
| Support services: | | | | |
| Pupil services | 1,185,540 | 1,250,740 | 1,124,458 | 126,282 |
| Improvement of instructional services | 1,417,784 | 1,517,784 | 1,295,939 | 221,845 |
| Educational media services | 768,014 | 868,014 | 823,398 | 44,616 |
| General administration | 1,084,414 | 1,091,214 | 1,054,140 | 37,074 |
| School administration | 2,768,492 | 2,768,492 | 3,080,874 | (312,382) |
| Business administration | 374,954 | 374,954 | 348,723 | 26,231 |
| Maintenance and operation of plant | 3,869,943 | 4,039,943 | 3,862,595 | 177,348 |
| Student transportation services | 837,470 | 837,470 | 876,219 | (38,749) |
| Central support services | 613,688 | 613,688 | 553,693 | 59,995 |
| Food services operation | 424,914 | 457,114 | 404,452 | 52,662 |
| Community services operation | 3,407 | 3,407 | 5,781 | (2,374) |
| Debt service - principal retirement | - | - | 246,670 | (246,670) |
| Total expenditures | 36,510,434 | 37,590,334 | 37,014,333 | 576,001 |
| Excess (deficiency) of revenues over (under) expenditures | (1,688,144) | (2,220,244) | 2,177,925 | 4,398,169 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Capital leases | - | - | 734,569 | 734,569 |
| Transfers out | (500,000) | (780,000) | (794,629) | (14,629) |
| Total other financing sources (uses) | (500,000) | (780,000) | (60,060) | 719,940 |
| Net change in fund balances | (2,188,144) | (3,000,244) | 2,117,865 | 5,118,109 |
| **FUND BALANCE, beginning of fiscal year, as restated** | 7,656,732 | 7,656,732 | 7,656,732 | - |
| **FUND BALANCE, end of fiscal year** | $ 5,468,588 | $ 4,656,488 | $ 9,774,597 | $ 5,118,109 |

**The accompanying notes are an integral part of these financial statements.**

# CITY OF DECATUR BOARD OF EDUCATION

## STATEMENT OF ASSETS AND LIABILITIES
## AGENCY FUND
## JUNE 30, 2011

| | Agency Fund |
|---|---|
| **ASSETS** | |
| Cash and cash equivalents | $ 71,268 |
| Total assets | $ 71,268 |
| **LIABILITIES** | |
| Due to others | $ 71,268 |
| Total liabilities | $ 71,268 |

**The accompanying notes are an integral part of these financial statements.**

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Decatur Board of Education (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

### A. Reporting Entity

The District was established under the laws of the State of Georgia and operates under the guidance of a five-member school board elected by the voters and a Superintendent appointed by the school board. The District is organized as a separate legal entity and provides public education throughout the city of Decatur, Georgia, excluding DeKalb County, Georgia.

### B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. For the fiscal year ended June 30, 2011, the District has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

### C. Measurement Focus, Basis of Accounting, and Basis of Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### C. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current year. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting except long-term liabilities.

Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

The State of Georgia reimburses the District 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 District 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 fiscal year are accrued. Since the State of Georgia recognizes its QBE liability for the July and August salaries at June 30, the District recognizes the same QBE as a receivable and revenue, consistent with symmetrical recognition.

In the governmental fund financial statements, property taxes, sales taxes, intergovernmental revenue, and interest are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year if they meet the appropriate recognition criteria. In accordance with GASB Statement No. 33, "Accounting and Financing Reporting for Non-exchange Transactions, the corresponding assets (receivables) in non-exchange transactions are recognized in the fiscal year in which the underlying exchange occurs, when an enforceable legal claim has arisen, when all the eligibility requirements have been met, or when resources are received, depending on the revenue source. This is when the District gives or receives value without directly receiving or giving equal value in exchange including property taxes, local option sales taxes, intergovernmental grants and donations. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

The ***General Fund*** is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The ***District-Wide Capital Projects Fund*** accounts for the proceeds of a one percent Special Purpose Local Option Sales Tax, intergovernmental revenue (bond proceeds) from other governments and certificates of participation. Funds are used for: building renovations; land and building acquisitions; and, construction of new educational facilities.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### C. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

Additionally, the District reports the following fund types:

The ***Agency Fund*** is used to account for school activity funds that the District holds for others in an agency capacity.

The nonmajor governmental funds include the following funds:

The ***School Food Services Fund*** accounts for the monies and commodities received from the federal and state governments and the School Food Service's cafeteria sales for the purpose of maintaining the District's breakfast, lunch, and snack programs.

The ***Lottery Programs Fund*** accounts for the Pre-K program administered by the District in which the revenues are legally restricted by external parties.

The ***Federal Programs Fund*** accounts for various federal grant monies received by the District in which the revenues are legally restricted by external parties.

### D. Cash and Investments

The District's cash and cash equivalents are considered to be 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. OCGA 45-8-14 authorizes the District to deposit its funds in one or more solvent banks or insured Federal savings and loan associations.

Investments made by the District in nonparticipating interest-earning contracts (such as certificates of deposit) and repurchase agreements are reported at cost which approximates market. Participating interest-earning contracts and money market investments with a maturity at purchase of one year or less are reported at amortized cost which approximates fair value. Both participating interest earning contracts and money market investments with a maturity at purchase greater than one year are reported at fair value. OCGA 36-83-4 authorizes the District to invest its funds and in selecting among options for investment or among institutional bids for deposits, the highest rate of return shall be the objective, given equivalent conditions in 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) repurchase agreements; (7) obligations of other political subdivisions of the State of Georgia; and (8) the Local Government Investment Pool administered by the State of Georgia, Office of the Treasurer.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### D. Cash and Investments (Continued)

The investment policy of the State of Georgia, Office of the State Treasurer for the Local Government Investment Pool (Primary Liquidity Portfolio) does not provide for investment in derivatives or similar investments. A description of the Primary Liquidity Portfolio is as follows:

The Primary Liquidity Portfolio consists of Georgia Fund 1, which is a common local and state government investment pool. Georgia Fund 1, created by OCGA 36-83-8, is a stable net asset value investment pool, which follows Standard and Poor's criteria for AAAm rated money market funds. However, Georgia Fund 1 operates in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940 and is considered to be a 2a-7 like pool. The pool is not registered with the SEC as an investment company. The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal ($1.00 per share value). Net asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and determines participant's shares sold and redeemed based on a $1.00 per share. The fair value of the District's position in the pool is the same as the value of pool shares ($1 per share value). Georgia Fund 1 is regulated by the Office of the State Treasurer.

### E. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year as well as all other outstanding balances between funds are reported as "due to/from other funds."

### F. On-Behalf Payments

The State of Georgia makes certain health insurance and retirement plan payments on behalf of the District for its employees. The District records these payments as both a revenue and expenditure in the General Fund. The total of the on-behalf payments for the fiscal year ended June 30, 2011 was $96,272.

### G. Inventory

Inventories of the School Food Services Fund are stated at cost using the first-in, first-out method. Donated food commodities are recorded at fair value. The District utilizes the consumption method to recognize inventory usage. Under the consumption method, inventories are recorded as expenditures when used rather than when purchased.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### H. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant and equipment is depreciated using the straight line method over the following estimated useful lives:

| Asset | Years |
|---|---|
| Equipment | 5-20 |
| Leasehold improvements | 15 |
| Buildings and buildings improvements | 50 |

### I. Long-Term Obligations

In the government-wide financial statements long-term obligations are reported as liabilities in the statement of net assets. In the fund financial statements, the face amount of debt issued and any related premium, is reported as other financing sources. Issuance costs, whether or not withheld from actual proceeds, are reported as debt service expenditures. The long-term obligations of the District at June 30, 2011 were compensated absences, capital leases, intergovernmental payable to the City of Decatur and certificates of participation.

### J. Debt Issuance Costs

On the government-wide statement of net assets, debt issuance costs are reported as deferred charges. On the government-wide statement of activities, debt issuance costs are deferred and amortized over the life of the bonds using the effective interest method.

At the governmental fund financial reporting level, debt issuance costs are reported as expenditures.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### K. Compensated Absences

Compensated absences represent obligations of the District relating to an employee's 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. Accumulated unpaid sick leave costs are not vested and are not accrued, but are recognized as expenditures or expenses, when paid. Accumulated unpaid vacation costs are accrued when incurred in the government-wide financial statements.

Regular full-time twelve month custodial and maintenance staff earn vacation leave with pay from ten to fifteen days per fiscal year based on years of continuous service with a maximum accumulation of twenty days. Upon separation from the District, employees may be paid for unused vacation leave up to a maximum of twenty days at the current rate of pay.

### L. Fund Equity

The District implemented GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, as of July 1, 2010. This new standard changed the overall definitions and classifications of governmental fund balances.

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net assets."

**Fund Balance** – Generally, fund balance represents the difference between the assets and liabilities under the current financial resources management focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

Fund balances are classified as follows:

*Nonspendable* – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.

*Restricted* – Fund balances are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

*Committed* – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Education through the adoption of a resolution. Likewise, fund balances that have been committed cannot be used for any other purposes unless the Board of Education removes the commitment of these funds through formal action of the adoption of a resolution.

*Assigned* – Fund balances are reported as assigned when amounts are constrained by the District's intent to be used for the specific purposes, but are neither restricted nor committed. Through resolution, the Board of Education has authorized the Superintendent to assign fund balances.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### L. Fund Equity (Continued)

*Unassigned* – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The District reports positive unassigned fund balance only in the General Fund. The Board will strive to maintain an unassigned fund balance of between 4% - 15% based upon annual budgeted expenditures. The balance may be drawn down in the event of an unexpected decrease in the property tax digest or a reduction to State funding.

**Flow Assumptions** – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the District's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the District's policy to use fund balance in the following order: (1) Committed, (2) Assigned, and (3) Unassigned.

**Net Assets** – Net assets represent the difference between assets and liabilities in reporting which utilizes the economic resources measurement focus. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the District has spent) for the acquisition, construction or improvement of those assets. Net assets are reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net assets are reported as unrestricted.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

### M. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting fiscal year. Actual results could differ from those estimates.

## NOTE 2. LEGAL COMPLIANCE - BUDGETS

**Budgetary Data**. The budget is a complete financial plan for the District's fiscal year and is based upon careful estimates of expenditures together with probable funding sources. There is no statutory prohibition regarding over expenditure of the budget at any level. The budget for all governmental funds is prepared by fund, function, and object. The legal level of budgetary control was established by the Board at the aggregate level. The budget for the General Fund was prepared in accordance with U.S. generally accepted accounting principles.

The budgetary process begins with District administration presenting an initial budget for the Board's review. The Board provides the administration with revenue, expenditure and fund balance guidelines, and receives public comments. Administration makes revisions as necessary and prepares a tentative budget for the Board's approval. After approval of this tentative budget by the Board, such a budget is advertised at least once in a newspaper of general circulation in the locality. At the next regularly scheduled meeting of the Board after advertisement, the Board receives comments on the tentative budget, makes revisions as necessary and adopts a final school budget. This final budget is then submitted, in accordance with provisions of the Quality Basic

## NOTE 2. LEGAL COMPLIANCE – BUDGETS (Continued)

Education Act, OCGA 20-2-167 (c), to the Georgia Department of Education. The Board may increase or decrease the budget at any time during the fiscal year. All unexpended budget authority lapses at fiscal year-end.

The superintendent is authorized by the Board to approve adjustments of no more than five percent of the amount budgeted for expenditures in any budget function for any fund. The superintendent shall report any such adjustments to the Board of Education. If expenditure of funds in any budget function for any fund is anticipated to be more than five percent of the budgeted amount, the superintendent shall request board approval for the budget amendment. Any position or expenditure not previously approved in the annual budget and that exceeds $25,000 shall require Board approval unless the superintendent deems the position or purchase an emergency. In such case, the expenditure shall be reported to the Board at its regularly scheduled meeting. Under no circumstance is the superintendent or other staff person authorized to spend funds that exceed the total budget without approval by the Board of Education.

For fiscal year ended June 30, 2011, the following departments, and funds, had excesses of actual expenditures over appropriations:

| | | |
|---|---|---|
| General Fund departments: | | |
| School administration | $ | 312,382 |
| Student transportation services | | 38,749 |
| Community services operation | | 2,374 |
| Debt service - principal retirement | | 246,670 |

These over expenditures were funded by greater than anticipated revenues and by available fund balance.

## NOTE 3. DEFICIT FUND EQUITY

**Deposits.** The Lottery Fund had a deficit fund balance of $9,123 (reported as unassigned fund balance in accordance with GASB 54). This deficit will be offset by future charges for services or transfers from the General Fund.

## NOTE 4. DEPOSITS AND INVESTMENTS

**Deposits.** The District's entire deposits are either insured by federal depository insurance or collateralized in an amount equal to 110% of uninsured deposits. The collateral must be placed with the Federal Reserve Bank or a third party bank, which serves as the District's agent. The collateral placed with the Federal Reserve Bank or the third party bank is in the name of the District and the District is responsible for the release of the collateral securities.

At June 30, 2011, all investments of the District were invested in Georgia Fund 1, the local government investment pool administered by the State of Georgia. The Georgia Fund 1 investment pool is not subject to credit risk classification and the carrying amount of $19,722,110 is reported at fair value. These investments are considered cash equivalents.

## NOTE 4. DEPOSITS AND INVESTMENTS (Continued)

**Credit risk.** State statutes authorize the District to invest in obligations of the State of Georgia or other States; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime banker's acceptances; the local government investment pool established by State law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia. As of June 30, 2011, the District's following investment in Georgia Fund 1 was rated AAAm by Standard & Poor's.

| Investment | Maturities | Fair Value |
|---|---|---|
| Georgia Fund 1 | 59 day weighted average | $ 19,722,110 |

## NOTE 5. INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at June 30, 2011 for the District's individual major funds and nonmajor governmental funds in the aggregate, are as follows:

| | General | District-wide Capital Projects | Nonmajor Governmental Funds | Total |
|---|---|---|---|---|
| Receivables: | | | | |
| Intergovernmental | $ 2,609,262 | $ - | $ - | $ 2,609,262 |
| Property taxes | 2,787,515 | - | - | 2,787,515 |
| Sales taxes | - | 205,337 | - | 205,337 |
| Accounts | 74,400 | - | 36,855 | 111,255 |
| Gross receivables | 5,471,177 | 205,337 | 36,855 | 5,713,369 |
| Less: Allowance for uncollectibles | (86,226) | - | - | (86,226) |
| Net receivables | $ 5,384,951 | $ 205,337 | $ 36,855 | $ 5,627,143 |

## NOTE 6. PROPERTY TAXES

The City of Decatur bills and collects property taxes for the District. Property taxes are levied on property values assessed as of January 1. The tax levy is divided into two billings. The first billing is mailed April 1, and the second billing is mailed no later than October 20. The billings are considered due upon receipt by the taxpayer; however, the actual due dates are June 1 and December 20. After these dates, the bill becomes delinquent and penalties and interest may be assessed by the City.

At June 30, 2011, the District has an unearned revenue liability of $7,613,616 for the 2011 tax year digest collections which are budgeted to fund fiscal year 2012 operations as reported in the government-wide statement of net assets. However, in the General Fund, the District has a deferred revenue liability of $10,487,356 which consists of the 2011 tax year digest collections which are budgeted to fund fiscal year 2012 operations and other current fiscal year taxes not collected within 60 days of June 30, 2011.

## NOTE 7. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011 is as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|---|---|---|---|
| **Governmental activities:** | | | | |
| Capital assets, not being depreciated | | | | |
| Land | $ 240,113 | $ 667,360 | $ - | $ 907,473 |
| Construction in progress | 381,470 | 13,557,393 | (2,985,443) | 10,953,420 |
| Total | 621,583 | 14,224,753 | (2,985,443) | 11,860,893 |
| Capital assets, being depreciated: | | | | |
| Leasehold improvements | 3,615,047 | 8,945 | - | 3,623,992 |
| Buildings and building improvements | 169,005 | 60,578,221 | - | 60,747,226 |
| Equipment | 2,521,241 | 962,034 | (187,241) | 3,296,034 |
| Total | 6,305,293 | 61,549,200 | (187,241) | 67,667,252 |
| Less accumulated depreciation for: | | | | |
| Leasehold improvements | (1,164,848) | (242,792) | - | (1,407,640) |
| Buildings and building improvements | (3,380) | (328,810) | - | (332,190) |
| Equipment | (1,359,133) | (486,701) | 187,241 | (1,658,593) |
| Total | (2,527,361) | (1,058,303) | 187,241 | (3,398,423) |
| Total capital assets, being depreciated, net | 3,777,932 | 60,490,897 | - | 64,268,829 |
| Governmental activities capital assets, net | $ 4,399,515 | $ 74,715,650 | $ (2,985,443) | $ 76,129,722 |

Depreciation expense was charged to functions/programs of the District as follows:

| | |
|---|---|
| Governmental activities: | |
| Instruction | $ 954,205 |
| General administration | 35,649 |
| Business administration | 14,293 |
| Maintenance and operation of plant | 23,749 |
| Media | 10,197 |
| Food services operation | 20,210 |
| Total depreciation expense - governmental activities | $ 1,058,303 |

## NOTE 8. LONG-TERM DEBT

**Certificates of Participation.** In January 2010, the District entered into a lease agreement with the Georgia School Boards Association, Inc. (the "Association"). The funding of the lease was provided by the issuance of $10,295,000 Taxable Certificates of Participation, Build America Bonds, Direct Payment, Series 2010 by the Association. The lease agreement with the Association provides that the District owns their portion of the assets and is responsible for the payment of their portion of the principal and interest of the Certificates of Participation. The principal is due in annual installments of $275,000 to $625,000 beginning in May 2013 to May 2037. Interest is payable at rates of 2.70% to 5.55%.

| Fiscal Year Ending, June 30 | Governmental Activities | | |
|---|---|---|---|
| | Principal | Interest | Total |
| 2012 | $ - | $ 576,938 | $ 576,938 |
| 2013 | 275,000 | 576,938 | 851,938 |
| 2014 | 280,000 | 569,513 | 849,513 |
| 2015 | 285,000 | 560,273 | 845,273 |
| 2016 | 295,000 | 549,728 | 844,728 |
| 2017-2021 | 1,600,000 | 2,542,145 | 4,142,145 |
| 2022-2026 | 1,885,000 | 2,103,323 | 3,988,323 |
| 2027-2031 | 2,275,000 | 1,505,483 | 3,780,483 |
| 2032-2036 | 2,775,000 | 735,210 | 3,510,210 |
| 2037 | 625,000 | 39,375 | 664,375 |
| Total | $ 10,295,000 | $ 9,758,926 | $ 20,053,926 |

**Intergovernmental Payable.** In July 2009, the City of Decatur, on behalf of the District, issued $5,900,000 in general obligation sales tax notes, with a premium of $100,731 and principal and interest payments beginning January 1, 2010 through January 1, 2013 at an interest rate of 2.00%. The District will fund the notes with special purpose local option sales tax (SPLOST) revenues and thus the District has an intergovernmental payable to the City of Decatur equal to the outstanding note. The proceeds from the notes will be used for the cost of acquiring, constructing, and equipping certain capital projects for the District.
The intergovernmental payable currently outstanding is as follows:

| | **Principal** | **Interest** | **Total** |
|---|---|---|---|
| Fiscal Year Ending June 30, | | | |
| 2012 | $ 1,600,000 | $ 66,000 | $ 1,666,000 |
| 2013 | 1,700,000 | 34,000 | 1,734,000 |
| Total | $ 3,300,000 | $ 100,000 | $ 3,400,000 |

## NOTE 8. LONG-TERM DEBT (Continued)

**Capital Leases.** The District has entered into an agreement for the purpose of renovating a school facility. Under the terms of the agreement, the District will assure that the payments of principal and interest on the capital lease are made in a timely manner through August 1, 2025. The total quarterly payment is $62,897.

The District has also entered into lease-purchase agreements as lessee for financing the acquisition of computer equipment used in instruction activities. The lease agreements qualify as capital leases for accounting purposes (title transfers and the present value of the minimum lease payments at the beginning of the lease term equals or exceeds 90% of the excess of the fair value of the leased property to the lessor at the inception of the lease) and, therefore, have been recorded at the present values of the future minimum lease payments as of the date of their inceptions. The total annual payment for leased computer equipment is $246,670 for three (3) fiscal years.

The following is an analysis of leased assets under capital leases as of June 30, 2011:

| Asset | Governmental Activities |
|---|---|
| Leasehold improvements | $ 3,615,047 |
| Equipment | 734,569 |
| Total | $ 4,349,616 |

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2011 are as follows:

| Fiscal Year Ending June 30, | Governmental Activities |
|---|---|
| 2012 | $ 498,260 |
| 2013 | 498,260 |
| 2014 | 251,587 |
| 2015 | 251,590 |
| 2016 | 251,590 |
| 2017-2021 | 1,257,899 |
| 2022-2026 | 1,006,360 |
| Total minimum lease payments | 4,015,546 |
| Less: amount representing interest | (746,239) |
| Present value of minimum lease payments | 3,269,307 |
| Less: current liabilities | (398,882) |
| | $ 2,870,425 |

## NOTE 8. LONG-TERM DEBT (Continued)

Long-term liability activity for the fiscal year ended June 30, 2011 is as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year | Due In More Than One Year |
|---|---|---|---|---|---|---|
| **Governmental activities:** | | | | | | |
| Certificates of participation | $ 10,295,000 | $ - | $ - | $ 10,295,000 | $ - | $ 10,295,000 |
| Intergovernmental payable, City of Decatur | 4,900,000 | - | (1,600,000) | 3,300,000 | 1,600,000 | 1,700,000 |
| Capital leases | 2,932,763 | 734,569 | (398,025) | 3,269,307 | 398,882 | 2,870,425 |
| Compensated absences | 100,572 | 59,394 | (101,482) | 58,484 | 44,280 | 14,204 |
| Governmental activities long-term liabilities | $ 18,228,335 | $ 793,963 | $ (2,099,507) | $ 16,922,791 | $ 2,043,162 | $ 14,879,629 |

For governmental activities, compensated absences and capital leases are generally liquidated by the General Fund. The certificates of participation and the intergovernmental payable to the City of Decatur will be liquidated by the District-wide Capital Projects Fund.

## NOTE 9. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Interfund balances as of the fiscal year ended June 30, 2011 are as follows:

| Funds | Due From Other Funds | Due To Other Funds |
|---|---|---|
| General Fund | $ - | $ 87,229 |
| District-wide Capital Projects Fund | - | 13,146 |
| Nonmajor governmental funds | 145,296 | 44,921 |
| Total governmental funds | $ 145,296 | $ 145,296 |

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that the statute or budget requires to expend them, and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers as of the fiscal year ended June 30, 2011 are as follows:

| Funds | Transfers In | Transfers Out |
|---|---|---|
| General Fund | $ - | $ 794,629 |
| District-wide Capital Projects Fund | 780,000 | - |
| Nonmajor governmental funds | 14,629 | - |
| Total governmental funds | $ 794,629 | $ 794,629 |

## NOTE 10. 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.

On October 25, 1996, the Board created the Supplemental Retirement Benefits Plan of the Georgia Teachers Retirement System (SRBP-TRS). SRPB-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 SRPB-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. Employer contributions required for fiscal year 2011 were 10.28% of annual salary as required by the most recent actuarial valuation.

Covered employees contributions for the fiscal years ended June 30, 2011, 2010, and 2009 were $1,158,840, $1,068,939, and $1,013,913, respectively. The District's contributions to TRS for the fiscal years ended June 30, 2011, 2010, and 2009 were $2,154,235, 1,983,821, and $1,866,733, respectively, equal to the annual required contribution for each fiscal year.

## NOTE 10. RETIREMENT PLANS (Continued)

**Public School Employees Retirement System of Georgia (TRS)**

*Plan Description.* Full time employees not eligible to participate in the Teachers Retirement System may participate in the Public School Employees Retirement System (PSERS). The PSERS is a cost sharing, multiple-employer, defined benefit pension plan established by the Georgia Assembly in 1969. Upon retirement, the participating member will receive a monthly benefit of $12.00 multiplied by the number of years of creditable service. Death, disability, and spousal benefits are also available through PSERS. Additionally, PSERS makes periodic cost-of-living adjustments to the monthly benefits. The District makes contributions of $4.00 per month for nine months on behalf of the employee members.

*Funding Policy.* The State of Georgia, although not the employer of PSERS members, is required by statute to make employer contributions actuarially determined and approved and certified by the Board of the Employee's Retirement System of Georgia. The Board of Employee's Retirement System of Georgia issues a publicly available financial report that includes financial statements and required supplementary information for PSERS. That report may be obtained by writing Public School Employees Retirement System, Two Northside 75, Suite 300, Atlanta, Georgia 30318-7778, or by calling 1-800-805-4609.

Members become vested after ten years of creditable service. Upon termination of employment, member contributions are refundable with interest. However, if an otherwise vested member terminates and withdraws their member contributions, no vesting of employer contributions occurs. The employer contributions to the unfunded accrued liability were projected to liquidate the accrued liability within twelve years based upon the actuarial valuation at July 1, 1987. A member may retire and elect to receive normal monthly retirement benefits after completion of ten years of creditable service and attainment of age 65.

If a member chooses, he may begin receiving reduced benefits after age 60 and upon completion of ten years of service. Members retiring before age 65 will receive a benefit reduced by *1/2* of 1 % for each month under age 65. The Government Accounting Standards Board's Statement 27 requires disclosure of the District's annual required contributions for the current fiscal year and each of the two preceding fiscal years. PSERS provides service retirement, disability retirement and survivor's benefits for its members. A member is eligible for normal service retirement after 10 years of service and attainment of age 65. A member applying for service retirement with 10 years of services and retirees between the ages of 60 and 65 received a reduced benefit. Monthly retirement benefits paid to members are equal to eight dollars per month multiplied by the number of years of creditable service. Retirement provisions include death and disability benefits. Benefits are established by State statute.

Covered employees are required by State statute to contribute $4 per month for the nine-month school year. Unlike TRS, the District makes no contribution to PSERS. Total contributions from employees of the District made for the fiscal years ended June 30, 2011, 2010, and 2009 totaled $2,084, $2,080, and $2,116, respectively.

## NOTE 10. RETIREMENT PLANS (Continued)

**Public School Employees Retirement System of Georgia (TRS) (Continued)**

The State of Georgia is required by statute to make an annual contribution to PSERS based upon an actuarial calculation. The State's contribution for employees for the fiscal years ended June 30, 2011, 2010, and 2009 for District employees was $10,668, $7,855, and $10,668, respectively.

Members become fully vested after ten years of service. If a member terminates with less than ten years of service, no vesting of employer contributions occurs, but the member's contributions are refunded with interest. There were 61 employees covered under PSERS for the fiscal year ended June 30, 2011.

## NOTE 11. RISK MANAGEMENT

The District is exposed to various risks of loss for claims associated with torts; theft of, damage to and destruction of assets; errors and omissions; natural disaster; workers compensation and, unemployment compensation.

The District participates in the Georgia School Boards Association Risk and Insurance Management System (the "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 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) and automobile risks. Payment of excess insurance for the System varies by line of coverage.

The District is self-insured with regard to unemployment compensation claims. The District accounts for its claims within the General Fund with an expenditure and a liability being reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. The District unemployment claims during fiscal years ended June 30, 2011 and 2010 totaled $25,857and $27,278 respectively.

The District participates in the Georgia School Boards Association Workers' Compensation Fund (the "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 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 Safety National to provide coverage for potential losses sustained by the Fund in excess of $100,000 loss per occurrence, up to the statutory limit.

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

| Position covered | Amount |
|---|---|
| Superintendent | $ 100,000 |
| All other employees | 100,000 |

## NOTE 12. COMMITMENTS AND CONTINGENCIES

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audits and adjustments by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing grants, refunds of any money received may be required and the collectibility of any related receivable at June 30, 2011 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the financial statements for such contingencies.

The District has a contingent liability related to various future special education services for three students of the District. At present, the District is required to pay approximately $256,516 over the next two (2) fiscal years for special service needs, which will be paid as services are provided by an outside professional. The District is continuing settlement negotiations. The future commitments and contingencies are as follows:

| Fiscal Year Ending June 30, | | |
|---|---|---|
| 2012 | $ | 239,367 |
| 2013 | | 11,149 |
| Total future payments | $ | 250,516 |

For the fiscal year ended June 30, 2011, contractual commitments on uncompleted contracts were $668,242.

## NOTE 13. POSTEMPLOYMENT BENEFITS

### Georgia Retiree Health Benefit Fund

*Plan Description*. The District contributes to the Georgia Retiree Health Benefit Fund ("GRHBF"), a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the Department of Community Health. GRHBF provides health insurance benefits to eligible retirees and their qualified beneficiaries. Pursuant to Title 45, Chapter 18 of the Official Code of Georgia Annotated, the authority to establish and amend the benefit provisions of the plan is assigned to the Board of Community Health. The Department of Community Health issues a publicly available financial report that includes financial statements and required supplementary information for GRHBF. That report may be obtained from the Department of community Health at 2 Peachtree Street, Atlanta, Georgia 30303.

*Funding Policy.* The contribution requirements of the plan members and participating employers are established and may be amended by the Board of Community Health. 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 twenty-five percent (25%) of the cost of health insurance coverage.

## NOTE 13. POSTEMPLOYMENT BENEFITS (Continued)

### Georgia Retiree Health Benefit Fund (Continued)

Participating employers are statutorily required to contribute in accordance with the employer contribution rate established to fund both the active and retired employee health insurance plans based on projected pay-as-you-go financing requirements. The employer contribution rates for the combined active and retiree plans for the fiscal year ended June 30, 2011, were as follows:

*Certified employees*

| | |
|---|---|
| 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 |

*Non-Certificated Employees* $246.20 per month at June 30, 2011

No additional contribution was required by the Board of Community Health for fiscal year 2011 or contributed to GRBHF to prefund retire benefits. Such additional contribution amounts are determined annually by the Board of Community Health in accordance with the State plan for other post-employment benefits and are subject to appropriation.

The District's contributions to the health insurance plans for the fiscal year ended June 30, 2011, 2010, and 2009 were $3,294,570, $3,193,686, and $2,441,155, respectively, which equaled the annual required contribution.

## NOTE 14. CHANGE IN REPORTING ENTITY

The City of Decatur Board of Education has previously been reported as a discretely presented component unit in the City of Decatur's financial statements. The District was previously determined to not be fiscally independent as the City of Decatur owned and maintained all of the District's buildings and facilities. However, in May 2011, the City of Decatur transferred title and maintenance of the buildings and facilities to the District. With the transfer of the capital assets, management or the City of Decatur has reevaluated the reporting of the District in accordance with Governmental Accounting Standards Board Statement Number 14. Under this standard, the District is determined to be a fiscally independent entity and will not be reported in the City of Decatur's financial statements as a discretely presented component.

As of June 30, 2011, the District has decided to no longer report the Georgia State Financing and Investment Commission Fund as a separate capital project fund as all major capital project activities are now currently reported in the District-wide Capital Projects Fund. In addition, the District decided to move the Student Activities into the General Fund and to no longer report the Student Activities as a Special Revenue Fund.

## NOTE 15. PRIOR PERIOD ADJUSTMENTS

***General Fund:*** The District has determined that a restatement of beginning fund balance of the General Fund is necessary to write-off receivable old balances which have been on the District's general ledger for a number of years in error, to record certain revenues in the proper period, and to move the School Activities Special Revenue Fund into the General Fund.

| | | |
|---|---|---|
| Fund Balance June 30, 2010, as previously reported | $ | 7,666,933 |
| Adjustment to write off old tuition receivables | | (179,068) |
| Adjustment to record QBE revenue in the proper period | | 212,138 |
| Adjustment to write off old interfund balances | | (77,560) |
| Adjustment to write off other old receivable balances | | (12,372) |
| Adjustment for change in reporting entity–Elimination of the School Activities Special Revenue Fund and reporting the activity into the General Fund | | 46,661 |
| Fund Balance June 30, 2010, as restated | $ | 7,656,732 |

***District-wide Capital Projects Fund:*** The District has determined that a restatement of beginning fund balance of the District-wide Capital Projects Fund is necessary to write-off old receivable balances which have been on the District's general ledger for a number of years in error and to move the Georgia State Financing and Investment Commission Capital Projects Fund (the "GSFIC Fund") into the District-wide Capital Projects Fund.

| | | |
|---|---|---|
| Fund Balance June 30, 2010, as previously reported | $ | 10,982,096 |
| Adjustment to write off old accounts receivable balances | | (11,004) |
| Adjustment for change in reporting entity – Elimination of the GSFIC Fund and reporting activity or balances into the District-wide Capital Projects Fund | | 168,250 |
| Fund Balance June 30, 2010 as restated | $ | 11,139,342 |

## NOTE 15. PRIOR PERIOD ADJUSTMENTS (Continued)

***Nonmajor Governmental Funds:*** The District has determined that a restatement of beginning fund balance of Nonmajor Governmental Funds is necessary to write-off receivable old balances which have been on the District's general ledger for the School Food Services Fund and to move the Georgia State Financing and Investment Commission Capital Projects Fund into the District-wide Capital Projects Fund and the School Activities Special Revenue Fund into the General Fund as previously discussed.

| | | |
|---|---|---|
| Fund Balance June 30, 2010, as previously reported | $ | 316,094 |
| Adjustment for write off old accounts receivable balances | | (5,810) |
| Adjustment for change in reporting entity – Elimination of the GSFIC Fund and reporting activity or balances into the District-wide Capital Projects Fund | | (168,250) |
| Adjustment for change in reporting entity–Elimination of the School Activities Special Revenue Fund and reporting the activity into the General Fund | | (46,661) |
| Fund Balance June 30, 2010 as restated | $ | 95,373 |

***Governmental Activities:*** As a result of the aforementioned restatements to beginning fund balances of the governmental fund, the following adjustments were required to restate beginning net assets. The restatements as a result of the change in reporting entities have no effect on beginning net assets of governmental activities.

| | | |
|---|---|---|
| Net Assets June 30, 2010, as previously reported | $ | 6,109,484 |
| Adjustment to write off old tuition receivables – General Fund | | (179,068) |
| Adjustment to record QBE revenue in the proper period – General Fund | | 212,138 |
| Adjustment to write off old interfund balances – General Fund | | (77,560) |
| Adjustment to write off other old receivable balances - General Fund | | (12,372) |
| Adjustment to write off old accounts receivable balances – District-wide Capital Projects Fund | | (11,004) |
| Adjustment for write off old accounts receivable balances – Nonmajor governmental funds | | (5,810) |
| Net Assets June 30, 2010, as restated | $ | 6,035,808 |

# CITY OF DECATUR BOARD OF EDUCATION

## NONMAJOR GOVERNMENTAL FUNDS

---

## SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt services or capital projects.

**SCHOOL FOOD SERVICES** To account for the monies and commodities received from the federal and state governments and the School Food Service's cafeteria sales for the purpose of maintaining the District's breakfast, lunch, and snack programs.

**LOTTERY PROGRAMS** To account for the Pre-K program administered by the District.

**FEDERAL PROGRAMS** To account for various federal grant monies received by the District.

# CITY OF DECATUR BOARD OF EDUCATION

## COMBINING BALANCE SHEET
## NONMAJOR GOVERNMENTAL FUNDS
## JUNE 30, 2011

| | Special Revenue Funds | | | |
|---|---|---|---|---|
| **ASSETS** | **School Food Services** | **Lottery Programs** | **Federal Programs** | **Total Nonmajor Governmental Funds** |
| Cash and cash equivalents | $ 87,462 | $ - | $ - | $ 87,462 |
| Accounts receivables | 36,855 | - | - | 36,855 |
| Due from other funds | - | 4,537 | 140,759 | 145,296 |
| Inventory | 16,367 | - | - | 16,367 |
| Total assets | $ 140,684 | $ 4,537 | $ 140,759 | $ 285,980 |
| **LIABILITIES AND FUND BALANCES** | | | | |
| **LIABILITIES** | | | | |
| Accounts payable | $ 1,489 | $ 13,660 | $ 31,487 | $ 46,636 |
| Salaries payable | 69,150 | - | - | 69,150 |
| Due to other funds | 44,921 | - | - | 44,921 |
| Total liabilities | 115,560 | 13,660 | 31,487 | 160,707 |
| **FUND BALANCES (DEFICIT)** | | | | |
| Fund balances: | | | | |
| Nonspendable | 16,367 | - | - | 16,367 |
| Restricted | 8,757 | - | 109,272 | 118,029 |
| Unassigned | - | (9,123) | - | (9,123) |
| Total fund balances (deficit) | 25,124 | (9,123) | 109,272 | 125,273 |
| Total liabilities and fund balances | $ 140,684 | $ 4,537 | $ 140,759 | $ 285,980 |

# CITY OF DECATUR BOARD OF EDUCATION

## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
## NONMAJOR GOVERNMENTAL FUNDS
## FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | Special Revenue Funds | | | |
|---|---|---|---|---|
| | School Food Services | Lottery Programs | Federal Programs | Total Nonmajor Governmental Funds |
| **REVENUES** | | | | |
| Intergovernmental - federal | $ 517,232 | $ 31,997 | $ 2,312,431 | $ 2,861,660 |
| Intergovernmental - state | 32,476 | 923,774 | - | 956,250 |
| Charges for services | 638,327 | - | - | 638,327 |
| Investment income | 219 | - | - | 219 |
| Other revenue | 16,481 | - | - | 16,481 |
| Total revenues | 1,204,735 | 955,771 | 2,312,431 | 4,472,937 |
| **EXPENDITURES** | | | | |
| Instruction | - | 862,410 | 1,729,801 | 2,592,211 |
| Support services: | | | | |
| Pupil services | - | 68,950 | 68,878 | 137,828 |
| Improvement of instructional services | - | - | 506,170 | 506,170 |
| Educational Media Services | - | 6,740 | - | 6,740 |
| General administration | - | - | 2,000 | 2,000 |
| Student transportation services | - | 5,672 | 8,390 | 14,062 |
| Food services operation | 1,165,712 | - | - | 1,165,712 |
| Community services operation | - | 21,122 | 11,821 | 32,943 |
| Total expenditures | 1,165,712 | 964,894 | 2,327,060 | 4,457,666 |
| Excess (deficiency) of revenues over (under) expenditures | 39,023 | (9,123) | (14,629) | 15,271 |
| **OTHER FINANCING SOURCES** | | | | |
| Transfers in | - | - | 14,629 | 14,629 |
| Total other financing sources | - | - | 14,629 | 14,629 |
| Net change in fund balance | 39,023 | (9,123) | - | 29,900 |
| **FUND BALANCE (DEFICIT), beginning of fiscal year, as restated** | (13,899) | - | 109,272 | 95,373 |
| **FUND BALANCE (DEFICIT), end of fiscal year** | $ 25,124 | $ (9,123) | $ 109,272 | $ 125,273 |

# CITY OF DECATUR BOARD OF EDUCATION

## SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**2002 Issue**

| | Original Estimated Cost | Current Estimated Cost | Prior Years | Current Year | Total |
|---|---|---|---|---|---|
| Acquisition, construction, renovation and equipping of schools | $ 15,422,200 | $ 15,422,200 | $ 15,444,968 | $ - | $ 15,444,968 |

**2007 Issue**

| | Original Estimated Cost | Current Estimated Cost | Prior Years | Current Year | Total |
|---|---|---|---|---|---|
| Acquisition, construction, renovation and equipping of schools | $ 15,000,000 | $ 15,000,000 | $ 8,027,135 | $ 4,021,662 | $ 12,048,797 |
| Debt service on intergovernmental payable to the City of Decatur for general obligation sale tax notes | 6,157,000 | 6,157,000 | 1,049,494 | 1,698,000 | 2,747,494 |
| Total | $ 21,157,000 | $ 21,157,000 | $ 9,076,629 | $ 5,719,662 | $ 14,796,291 |

**Total All Issues**

| | Original Estimated Cost | Current Estimated Cost | Prior Years | Current Year | Total |
|---|---|---|---|---|---|
| **Acquisition, construction, renovation and equipping of schools** | **$ 30,422,200** | **$ 30,422,200** | **$ 23,472,103** | **$ 4,021,662** | **$ 27,493,765** |
| **Debt service on intergovernmental payable to the City of Decatur for general obligation sale tax notes** | **$ 6,157,000** | **$ 6,157,000** | **$ 1,049,494** | **$ 1,698,000** | **$ 2,747,494** |
| **Total** | **$ 36,579,200** | **$ 36,579,200** | **$ 24,521,597** | **$ 5,719,662** | **$ 30,241,259** |

# II. DISCLOSURE SECTION
# (Unaudited)

The following statistical section is presented to be in compliance with continuing disclosure requirements for the following debt issues

$5,900,000 City of Decatur, Georgia
Sales Tax Bonds Series 2009

And

$10,295,000 Taxable Certificates of Participation
(City Schools of Decatur Project), Series 2010

# CITY OF DECATUR BOARD OF EDUCATION

## GENERAL INFORMATION - CUSIPS
## JUNE 30, 2011

$10,295,000 Taxable Certificates of Participation (City Schools of Decatur Project), Series 2010

| Item | CUSIP | No | Date |
|---|---|---|---|
| 1 | 243124 | AA2 | 2013 |
| 2 | 243124 | AR5 | 2013 |
| 3 | 243124 | AB0 | 2014 |
| 4 | 243124 | AC8 | 2015 |
| 5 | 243124 | AD6 | 2016 |
| 6 | 243124 | AE4 | 2017 |
| 7 | 243124 | AF1 | 2018 |
| 8 | 243124 | AG9 | 2019 |
| 9 | 243124 | AH7 | 2020 |
| 10 | 243124 | AJ3 | 2021 |
| 11 | 243124 | AN4 | 2025 |

$5,900,000 City of Decatur, Georgia Sales Tax Bonds Series 2009

| Item | CUSIP | No | Date |
|---|---|---|---|
| 2 | 243109 | FF7 | 2011 |
| 3 | 243109 | FG5 | 2012 |
| 4 | 243109 | FH3 | 2013 |

# CITY OF DECATUR BOARD OF EDUCATION

## SCHOOL BUILDINGS
## JUNE 30, 2011

| School Name | Grades | Active Enrollment | Size of Site (acres) | Occupied Year [1] | Number of Classrooms | Special Rooms [2] |
|---|---|---|---|---|---|---|
| College Heights | PreK | 222 | 5.50 | 1955 | 17 | 2 |
| Clairemont | K-3 | 360 | 4.08 | 1936 | 17 | 4 |
| Oakhurst | K-3 | 346 | 4.13 | 1916 | 16 | 4 |
| Winnona Park | K-3 | 384 | 5.85 | 1923 | 18 | 2 |
| Glennwood | 4-5 | 415 | 4.13 | 1913 | 14 | 3 |
| Renfroe | 6-8 | 655 | 8.02 | 1972 | 43 | 7 |
| Decatur | 9-12 | 756 | 16.61 | 1965 | 51 | 16 |
| Totals | | 3,138 | 48.32 | | 176 | 38 |

[1] Occupied year represents the year during which the school was initially opened and utilized for instructional purposes but does not reflect the most recent year of subsequent additions, improvements or renovations, if any to the facility.

[2] Special rooms include cafeterias, libraries, shops, labs, gymnasiums, auditoriums, and art and music classrooms.

# CITY OF DECATUR BOARD OF EDUCATION

## ACTIVE PERSONNEL
## LAST FIVE FISCAL YEARS

| Category | Fiscal Year Ended June 30, 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|
| Teacher | 239 | 234 | 235 | 220 | 228 |
| Support | 217 | 217 | 218 | 213 | 220 |
| Administrators | 33 | 31 | 32 | 31 | 31 |
| Totals | 489 | 482 | 485 | 464 | 479 |

# CITY OF DECATUR BOARD OF EDUCATION

## SALES & USE TAX RECEIPTS
## LAST FIVE FISCAL YEARS
**(amounts expressed in thousands)**

| Fiscal Year ended June 30, | Sales & Use Tax Receipts |
|---|---|
| 2011 | $2,357 |
| 2010 | 2,245 |
| 2009 | 2,316 |
| 2008 | 2,565 |
| 2007 | 2,720 |

# CITY OF DECATUR BOARD OF EDUCATION

## LEGAL DEBT MARGIN INFORMATION - CITY OF DECATUR, GEORGIA
## JUNE 30, 2011
**(amounts expressed in thousands)**

| | |
|---|---|
| Gross Tax Digest | $ 1,233,849 |
| Debt Limit (10% of Assessed Value) | 123,385 |
| Amount of Debt Applicable to Debt Limit | 32,615 |
| Less Amount set aside for repayment of general obligation debt | (649) |
| Total net debt applicable to limit | 31,966 |
| Legal Debt Margin | $ 91,419 |

# CITY OF DECATUR BOARD OF EDUCATION

## TAX DIGEST HISTORY
## LAST FIVE TAX YEARS
## (amounts expressed in thousands)

| Property Type | Tax Year 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| Residential | $ 1,000,018 | $ 996,485 | $ 964,144 | $ 928,728 | $ 875,442 |
| Commercial | 162,993 | 165,632 | 159,731 | 159,836 | 168,160 |
| Personal Property | 20,649 | 20,385 | 18,346 | 17,578 | 19,274 |
| Utility | 15,989 | 16,474 | 16,893 | 18,633 | 14,737 |
| Motor Vehicle | 46,120 | 50,081 | 49,015 | 47,268 | 43,698 |
| Gross Digest | 1,245,769 | 1,249,057 | 1,208,129 | 1,172,043 | 1,121,311 |
| Maintenance & Operation City Exemptions | 122,579 | 118,900 | 157,384 | 157,384 | 77,991 |
| City Net M&O Digest | $ 1,123,190 | $ 1,130,157 | $ 1,050,745 | $ 1,014,659 | $ 1,043,320 |
| Maintenance & Operation School Exemptions | 63,330 | 66,711 | 64,211 | 66,510 | 60,537 |
| School Net M&O Digest | $ 1,182,439 | $ 1,182,346 | $ 1,143,918 | $ 1,105,533 | $ 1,060,774 |
| Estimated Actual Value | $ 2,491,538 | $ 2,498,114 | $ 2,416,258 | $ 2,344,086 | $ 2,242,622 |

# CITY OF DECATUR BOARD OF EDUCATION

## PROPERTY TAX RATES
## DIRECT AND OVERLAPPING GOVERNMENTS
## LAST FIVE TAX YEARS

| Government | Tax Year 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| Direct Rates | | | | | |
| City of Decatur Board of Education: | | | | | |
| Operating | 19.900 | 19.900 | 19.900 | 18.900 | 18.950 |
| Overlapping Rates | | | | | |
| City of Decatur: | | | | | |
| Maintenance & Operating | 11.595 | 11.595 | 11.595 | 11.595 | 11.495 |
| Bonds | 1.440 | 1.440 | 1.440 | 1.440 | 0.540 |
| DeKalb County: | | | | | |
| Maintenance & Operating | 8.000 | 8.000 | 7.990 | 7.540 | 9.120 |
| Bonds | 0.570 | 0.570 | 0.510 | 0.530 | 0.560 |
| Special Service | 1.130 | 1.130 | 1.120 | 1.140 | 0.970 |
| Hospital | 0.960 | 0.960 | 0.840 | 0.890 | 0.830 |
| State | 0.250 | 0.250 | 0.250 | 0.250 | 0.250 |
| Total Direct & Overlapping Rates | 43.845 | 43.845 | 43.645 | 42.285 | 42.715 |

# CITY OF DECATUR BOARD OF EDUCATION

## PROPERTY TAX LEVIES AND COLLECTIONS
## LAST FIVE TAX YEARS
## (amounts expressed in thousands)

| | | Collected within the Fiscal Year of the Levy | | | Total Collections to Date | |
|---|---|---|---|---|---|---|
| Tax Year | Taxes Levied for the Tax Year | Amount | Percentage of Levy | Collections in Subsequent Fiscal Years | Amount | Percentage of Levy |
| 2010 | $34,807 | $16,709 | 48.0% | $17,823 | $34,532 | 99.2% |
| 2009 | $35,153 | $15,442 | 43.9% | $19,436 | $34,878 | 99.2% |
| 2008 | $33,106 | $14,364 | 43.4% | $18,678 | $33,042 | 99.8% |
| 2007 | $31,135 | $11,274 | 36.2% | $19,709 | $30,983 | 99.5% |
| 2006 | $30,568 | $12,185 | 39.9% | $18,337 | $30,522 | 99.8% |
| 2005 | $26,397 | $12,335 | 46.7% | $13,906 | $26,241 | 99.4% |

# CITY OF DECATUR BOARD OF EDUCATION

## TAX REVENUE SOURCES - CITY OF DECATUR, GEORGIA
## LAST FIVE FISCAL YEARS
## (amounts expressed in thousands)

| | Fiscal Year Ended June 30, | | | | |
|---|---|---|---|---|---|
| **Tax Source** | **2011** | **2010** | **2009** | **2008** | **2007** |
| General Property Tax | $ 14,765 | $ 15,360 | $ 14,508 | $ 14,376 | $ 14,466 |
| Franchise Tax | 1,466 | 1,377 | 1,364 | 1,354 | 1,227 |
| Sales Tax | 694 | 617 | 641 | 662 | 608 |
| Insurance Tax | 977 | 1,006 | 1,016 | 992 | 951 |
| Other Taxes | 421 | 388 | 383 | 405 | 544 |
| Total | $ 18,323 | $ 18,748 | $ 17,912 | $ 17,789 | $ 17,796 |

(1)Includes penalties and interest on delinquent taxes, business personal property tax, payments in lieu of tax, homestead tax credit reimbursement.

# CITY OF DECATUR BOARD OF EDUCATION

## PRINCIPAL PROPERTY TAXPAYERS
## JUNE 30, 2011

| Taxpayer | Taxable Assessed Value | Percentage of Taxable Assessed Value |
|---|---|---|
| Devry, Inc | $ 5,750 | 0.52% |
| N G One West Court, LLC | 5,675 | 0.52% |
| Lexington Decatur, LLC | 5,644 | 0.51% |
| Decatur Plaza, LLC | 5,350 | 0.48% |
| DCP Renaissance Investments | 4,930 | 0.44% |
| Bell South Communications | 4,917 | 0.44% |
| DCP Decatur Investors, LLC | 4,667 | 0.42% |
| Ashton Park Trace Apartments | 4,530 | 0.41% |
| DTC Partners | 3,690 | 0.33% |
| Noble I Decatur, LLC | 3,655 | 0.33% |
| Totals | $ 48,808 | 4.40% |

# CITY OF DECATUR BOARD OF EDUCATION

## ANNUAL BUDGET (CASH BASIS) - CITY OF DECATUR, GEORGIA
## FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010
## (amounts expressed in thousands)

| | Fiscal Year Ending June 30, | |
|---|---|---|
| | 2012 | 2011 |
| Revenues | | |
| Taxes | $ 14,597 | $ 14,791 |
| Licenses and permits | 531 | 574 |
| Intergovernmental | 304 | 368 |
| Fines and forfeitures | 1,105 | 775 |
| Charges for services | 1,353 | 1,195 |
| Interest income | 10 | 8 |
| Other revenues | 69 | 118 |
| Transfers | (449) | 259 |
| Total Revenue | 17,520 | 18,088 |
| Expenditures | | |
| General government | 6,039 | 6,201 |
| Public safety | 8,103 | 7,887 |
| Public works | 3,312 | 3,180 |
| Recreation | 1,361 | 1,298 |
| Total Expenditures | 18,815 | 18,566 |
| Net change in fund balance | (1,295) | (479) |
| Fund balance, beginning of fiscal year | 7,226 | 7,704 |
| Fund balance, end of fiscal year | $ 5,931 | $ 7,226 |

# III. SINGLE AUDIT SECTION

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

# 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*

**To the Superintendent and Members of**
**the City of Decatur Board of Education**
**Decatur, Georgia**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **City of Decatur Board of Education (the "District"),** as of and for the fiscal year ended June 30, 2011, which collectively comprise the City of Decatur Board of Education's basic financial statements and have issued our report thereon dated January 30, 2012, which references that the District implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective July 1, 2010. 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 the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District'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 District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District'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 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 described in the accompanying schedule of findings and questioned costs, we identified deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 a 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 the deficiencies described in the accompanying schedule of findings and questioned costs, as items 2011-1 through 2011-4 to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Decatur 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 also noted certain matters that we reported to management of the City of Decatur Board of Education in a separate letter dated January 30, 2012.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and accordingly, we express no opinion on them.

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

Mauldin & Jenkins, LLC

Atlanta, Georgia
January 30, 2012

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

# 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

**To the Superintendent and Members of**
**the City of Decatur Board of Education**
**Decatur, Georgia**

## Compliance

We have audited the City of Decatur Board of Education' (the "District") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2011. The City of Decatur 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 the City of Decatur Board of Education's management. Our responsibility is to express an opinion on the City of Decatur Board of Education's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Decatur 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 of the City of Decatur Board of Education's compliance with those requirements.

In our opinion, the City of Decatur 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 fiscal year ended June 30, 2011.

**Internal Control Over Compliance**

Management of the City of Decatur 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 the City of Decatur Board of Education's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Decatur Board of Education's internal control over compliance.

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

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

This report is intended solely for the information and use of management, the members of the City of Decatur 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.

Mauldin & Jenkins, LLC

Atlanta, Georgia
January 30, 2012

# CITY OF DECATUR BOARD OF EDUCATION

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
## FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| FUNDING AGENCY PROGRAM/GRANT | CFDA NUMBER | PASS-THROUGH ENTITY ID NUMBER | EXPENDITURES IN PERIOD |
|---|---|---|---|
| **U.S. Department of Agriculture** | | | |
| Child Nutrition Cluster | | | |
| Pass-Through From Georgia Department of Education: | | | |
| Child Nutrition Cluster: | | | |
| School Breakfast Program | 10.553 | 3100 | $ 112,638 |
| National School Lunch Program: | | | |
| Cash Assistance | 10.555 | 3100 | 376,273 |
| Non-Cash Assistance (Commodities) (1) | 10.555 | 3100 | 28,321 |
| National School Lunch Program | | | 517,232 |
| Total Child Nutrition Cluster | | | 517,232 |
| **Total U.S. Department of Agriculture** | | | 517,232 |
| **U.S. Department of Education** | | | |
| Exceptional Student Services | | | |
| Pass-Through From Georgia Department of Education: | | | |
| Part B-Exceptional Student | | | |
| Flow Through | 84.027 | 2824 | 564,696 |
| Flow Through - ARRA | 84.391A | 4220 | 259,855 |
| Preschool | 84.173 | 2820 | 21,491 |
| Total Special Education Cluster | | | 846,042 |
| Title I Part A Cluster | | | |
| Pass-Through From Georgia Department of Education: | | | |
| Part A - Title I | | | |
| Distinguished Schools Awards | 84.010 | 1752 | 1,818 |
| Grants to Local Educational Agencies | 84.010 | 1750 | 836,474 |
| Title I-A Grants - ARRA | 84.389A | 4210 | 144,144 |
| Total Title I Part -A Cluster | | | $ 982,436 |

**(Continued)**

# CITY OF DECATUR BOARD OF EDUCATION

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
## FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| FUNDING AGENCY PROGRAM/GRANT | CFDA NUMBER | PASS-THROUGH ENTITY ID NUMBER | EXPENDITURES IN PERIOD |
|---|---|---|---|
| Education for the Homeless Children and Youth Cluster | | | |
| Pass-Through From Georgia Department of Education: | | | |
| Stewart B. McKinney Homeless Assistance Act | | | |
| Education for Homeless Children and Youth | 84.196 | 1800 | **$** 55,080 |
| Education for Homeless Children and Youth- ARRA | 84.387 | 4262 | 87,257 |
| Total Education for Homeless Children and Youth Cluster | | | 142,337 |
| Pass-through From Georgia Department of Education: | | | |
| Education Jobs Fund - ARRA | 84.410A | 4521 | 594,175 |
| Total Education Jobs Fund | | | 594,175 |
| Other Programs | | | |
| Pass-Through From Georgia Department of Education: | | | |
| Title II | | | |
| Improving Teacher Quality | 84.367 | 1784 | 214,788 |
| Safe and Drug-Free Schools and Communities | 84.186 | 1780 | 1,152 |
| Vocational Education-Basic Grants to States | | | |
| Perkins Plus | 84.048 | 3315 | 16,954 |
| High School Program | 84.048 | 3315 | 31,066 |
| **Total U.S. Department of Education** | | | $ 2,828,950 |

**(Continued)**

# CITY OF DECATUR BOARD OF EDUCATION

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
## FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| FUNDING AGENCY PROGRAM/GRANT | CFDA NUMBER | PASS-THROUGH ENTITY ID NUMBER | EXPENDITURES IN PERIOD |
|---|---|---|---|
| **U.S. Department of Health and Human Services** | | | |
| Pass-Through From Georgia Department of Early Care and Learning: | | | |
| Pre K ARRA Summer Transition Program | 93.713A | 4531 | **$** 31,997 |
| **U.S. Department of Defense** | | | |
| Direct | | | |
| Department of the Army | | | |
| R.O.T.C. Program | Unknown | 1862 | 81,353 |
| **Total Expenditures of Federal Awards** | | | $ 3,459,532 |

**Notes to the Schedule of Expenditures of Federal Awards**

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Decatur Board of Educatio and is presented on the accrual basis of accounting.

The District did not provide Federal Assistance to any Subrecipient.

(1) The amounts shown for the Food Distribution Program represents the Federally assigned value of nonmonetary assistanc for donated commodities received and/or consumed by the District during the current fiscal year

## CITY OF DECATUR BOARD OF EDUCATION

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS
## FOR THE FISCAL YEAR ENDED JUNE 30, 2011

### Section I – Summary of Auditor's Results

***Financial Statements***

| | |
|---|---|
| Type of auditor's report issued | Unqualified |
| Internal control over financial reporting: | |
| Material weaknesses identified? | __X___ yes ____ no |
| Significant deficiencies identified? | _____ yes __X__ none reported |
| Noncompliance material to financial statements noted? | _____ yes __X__ no |

***Federal Awards***

| | |
|---|---|
| Internal Control over major programs: | |
| Material weaknesses identified? | _____ yes __X__ no |
| Significant deficiencies identified? | _____ yes __X__ none reported |
| Type of auditor's report issued on compliance for major programs | Unqualified |
| Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)? | _____ yes __X__ no |

Identification of major program:

Name of Federal Program or Cluster / CFDA Number

Special Education Cluster, CFDA # 84.027, #84.391A, and #84.173
Education for Homeless Children and Youth Cluster, CFDA #84.196 and #84.387A
Title II – Improving Teacher Quality, CFDA #84.367
U.S. Department of Education, Education Jobs Fund, CFDA # 84.410A

| | |
|---|---|
| Dollar threshold used to distinguish between Type A and Type B programs: | $300,000 |
| Auditee qualified as low-risk auditee? | ___ yes __X_ no |

# CITY OF DECATUR BOARD OF EDUCATION

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS
## FOR THE FISCAL YEAR ENDED JUNE 30, 2011

### Section II – Financial Statement Findings and Responses

**2011-1 Property Taxes Receivable, Revenue, and Deferred Revenue**

***Criteria:*** Under the accrual basis of accounting, accounts receivable and corresponding revenue shall be reported, regardless of the timing of related cash flows, when the revenue has been earned. Additionally, the District's policy for governmental funds states that revenue collected outside of 60 days of the end of the current fiscal year are not considered available and therefore are deferred.

***Condition***: Internal controls were not sufficient to prevent misstatements in reporting the District's property tax revenue, deferred revenue, and property taxes receivable of the General Fund as of June 30, 2011.

***Context/Cause:*** During our audit, two (2) audit adjustments were required to properly record General Fund property tax revenue, deferred revenue, and property taxes receivable.

***Effects:*** An audit adjustment was made in the General Fund to decrease property taxes revenue by $650,411, decrease property taxes receivable by $3,080,041, and decrease deferred revenue by $2,429,630 in order to properly record property taxes revenue, deferred revenue, and accounts receivable.

***Recommendation:*** We recommend the District implement policies and procedures to ensure property taxes receivables, property tax revenue, and deferred revenue are properly reported at each fiscal year-end.

***View of Responsible Officials and Planned Corrective Action:*** We concur with the finding. We will implement policies and procedures to ensure proper recording of property taxes receivables, property taxes revenue, and deferred revenue.

**2011-2: Fiscal Year-End Financial Close-out Procedures and Reporting Controls**

***Criteria:*** Internal controls should be in place to ensure all amounts reported within the District's general ledger (and ultimately in the District's financial statements) are accurate and have been properly and timely reconciled to subsidiary ledgers.

***Condition***: Due to ineffective controls surrounding the fiscal year-end financial close-out procedures and not recording prior year audit adjustments, a significant number of audit adjustments were necessary at June 30, 2011.

***Context/Cause:*** During our audit of the District's unadjusted trial balances, we noted a significant number of deficiencies with respect to account balances not being accurate. Examples of such deficiencies included account balances which had not been adjusted since the prior fiscal year, beginning fund balance of governmental funds not agreeing to the prior year ending fund balance as reported in the District's June 30, 2010 financial statements, and account balances not in agreement with subsidiary schedules.

In the General Fund, four (4) audit adjustments totaling $6,832,947 were required to reconcile beginning fund balance and to write-off inter-fund balances. In addition, one (1) audit adjustment in the amount of $82,797 was required to adjust receivable balances to actual (pertaining to the tuition receivables).

## Section II – Financial Statement Findings and Responses

**2011-2: Fiscal Year-End Financial Close-out Procedures and Reporting Controls (Continued)**

***Context/Cause (continued):*** In the District-wide Capital Projects Fund, three (3) audit adjustments totaling $1,651,189 were required to reverse entries pertaining to the prior fiscal year audit and to reconcile beginning fund balance. One (1) audit adjustment for $15,904 was required to write-off a current year-end inter-fund balances. In addition, one audit adjustment for $33,000 was required to properly record prepaid items as of June 30, 2011.

In the School Foods Services Fund (nonmajor governmental fund), three (3) audit adjustments totaling $44,451 were required to reconcile beginning fund balance and to write-off a current fiscal year-end inter-fund balances.

In the Federal Programs Fund (nonmajor governmental fund), two (2) audit adjustments totaling $17,406 were required to write-off old and current fiscal year-end inter-fund balances and receivables deemed no longer collectable from others or from other funds of the District.

***Effects:*** If the previously mentioned adjustments are not made, the financial statements for the District would be materially misstated at fiscal year-end, thus providing misleading information to the readers of the financial statements.

***Recommendation:*** We recommend the District's Finance Department implement and/or strengthen internal controls surrounding the fiscal year-end financial close out procedures. We also recommend management reconcile accounts balance monthly to subsidiary ledgers so as to ensure proper and timely recording. With respect to journal entries, we recommend management implement controls to ensure that all journal entries are reviewed and approved by someone other than the preparer.

***View of Responsible Officials and Planned Corrective Action:*** We concur with the finding. We will take necessary steps in the future to ensure that the fiscal year-end financial close-out procedures are done accurately and in a timely manner.

**2011-3: Restatement of Beginning Fund Balances and Net Assets**

***Criteria:*** Internal controls should be in place to ensure financial statements are properly presenting the financial position and results of the District.

***Condition:*** Internal controls were not sufficient to detect material misstatements in the School District's financial statements for the fiscal year ended June 30, 2011 in reference to the beginning balances from the 2010 financial statements.

***Context/Cause:*** During our audit for the fiscal year ended June 30, 2011, several material misstatements related primarily to receivables, were identified which caused the need to restate beginning fund balances for several governmental funds and beginning net assets for governmental activities as of and for the fiscal year ended June 30, 2010. The nature and magnitude of these corrections for prior period errors are as follows:

## Section II – Financial Statement Findings and Responses

### 2011-3: Restatement of Beginning Fund Balances and Net Assets (Continued)

***Context/Cause (continued):***

In the General Fund the following adjustments either increased or (decreased) beginning fund balance:

| | |
|---|---|
| -Adjustment to write off old tuition receivable | ($179,068) |
| -Adjustment to record Quality Based Earnings revenue in the proper period | $212,138 |
| -Adjustment to write off old inter-fund balances | ($77,560) |
| -Adjustment to write off other old receivable balances | ($12,372) |

In the District-wide Capital Projects Fund and School Food Services Fund, audit adjustments were required in the amounts of $11,004 and $5,810, respectively, to write off old balances which should have been expensed the District's general ledger in previous years thus decreasing beginning fund balance of these funds. As a result of the aforementioned adjustments to the governmental funds beginning fund balances, beginning net assets of the District's governmental activities decreased by the net amount of $73,676.

***Effects:*** The above errors created additional audit procedures for several balances of the District as reported in its June 30, 2011 financial statements.

***Recommendation:*** We recommend the District carefully review the financial statements and their applicable reporting requirements under generally accepted accounting principles to ensure that all information and financial data is being properly reported.

***View of Responsible Officials and Planned Corrective Action:*** We concur with the finding. We will take necessary steps in the future to ensure that the fiscal year-end financial close-out procedure is done accurately and in a timely manner.

### 2011-4: Recording and Reporting of Capital Leases

***Criteria:*** Generally accepted accounting principles require reporting and recording of proceeds from capital leases as other financing sources and the payment of principal and interest on capital leases as debt service payments.

***Condition:*** The District did not recognize new capital assets (computer equipment) under lease as capital leases and accordingly record this activity in the General Fund.

***Context/Cause:*** During our test work, we determined that proceeds from capital leases (General Fund only) and debt service payments (General Fund and District-wide Capital Projects Fund) were not recorded and properly classified as such, as of fiscal year-end.

***Effects:*** In the General Fund, the following audit adjustments were required:

-An audit adjustment in the amount of $245,039 to reverse an entry made by the District that should not have been made to computer lease payments and instruction computer equipment was required.

-An audit adjustment in the amount of $246,670 to move the principal payments made in relation to the capital leases as from the instruction function to debt service function was required.

# CITY OF DECATUR BOARD OF EDUCATION

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS
## FOR THE FISCAL YEAR ENDED JUNE 30, 2011

---

### Section II – Financial Statement Findings and Responses

**2011-4: Recording and Reporting of Capital Leases (Continued)**

***Effects (continued):***

-An audit adjustment in the amount of $734,569 to record the capital lease proceeds as other financing sources and to record the computer equipment as instruction expenditures. As a result of this entry, a GASB 34 entry was required to record the computer equipment as capital assets on the statement of net assets for governmental activities and to decrease the instruction expense for the computer equipment expended at the governmental fund level.

In the District-wide Capital Projects Fund, audit entries in the amount of $503,180 was required to move debt service principal and interest payments out of capital outlay accounts.

***Recommendation:*** We recommend the District determine if capital assets under lease meet the criteria for reporting and recording capital leases, record the proceeds from capital leases as other financing sources and the payment of principal and interest on capital leases as debt service payments prior to fiscal year-end at the conclusion of each financial reporting cycle.

***Views of Responsible Officials and Planned Corrective Action:*** We concur with the finding. We will record the proceeds from capital leases as other financing sources and the payment of principal and interest on capital leases as debt service payments prior to fiscal year-end at the conclusion of each financial reporting cycle.

### Section III – Federal Award Findings and Questioned Costs

None noted

### Section IV – Status of Prior Audit Findings

None noted