

DOUGHERTY COUNTY BOARD OF EDUCATION
ALBANY, GEORGIA

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

DOUGHERTY COUNTY BOARD OF EDUCATION

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FINANCIAL

DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

August 10, 2012

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

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

Ladies and Gentlemen:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information (Exhibits A through H) of the Dougherty County Board of Education as of and for the year ended June 30, 2011, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Dougherty County Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Dougherty County Stadium Authority. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Dougherty County Stadium Authority is based on the report of other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Dougherty County Board of Education, as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 10, 2012, on our consideration of the Dougherty County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and the Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual, as presented on pages i through xi and page 29, respectively, are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Dougherty County Board of Education's financial statements as a whole. The accompanying supplementary information consists of Schedules 2 through 5, which includes the Schedule of Federal Awards as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the financial statements. The information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements, and in our opinion, based on our audit and the report of other auditors, is fairly stated, in all material respects, in relation to the financial statements as a whole.

A copy of this report has been filed as a permanent record in the office of the State Auditor and made available to the press of the State, as provided for by Official Code of Georgia Annotated section 50-6-24.

Respectfully submitted,



Greg S. Griffin
State Auditor

GSG:as
2011ARL-12

DOUGHERTY COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Management's discussion and analysis of the Dougherty County School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to present the School District's overall financial performance. Readers should also review the financial statements and notes to the financial statements to further enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2011 are as follows:

- The School District's financial status continued to improve in fiscal year 2011.
- Total Net Assets increased nearly $18.7 million in fiscal year 2011.
- The Unrestricted Net Assets at June 30, 2011, was a positive $16.8 million.
- Fund balance for the Governmental Funds - General Fund increased $8.2 million in fiscal year 2011.

Using the Basic Financial Statements

The annual report consists primarily of a series of financial statements and notes to those statements. These statements are organized and presented in a manner intended to assist the reader in understanding the Dougherty County School District as a complete operating entity.

System-Wide Statements

The *Statement of Net* Assets and *Statement of Activities* provide information about the School District as a whole using accounting methods similar to those used by industry. The increases and decreases in the School District's net assets are an indicator of whether the financial position of the district has improved or diminished. There are many factors that can affect the overall financial condition of the School District such as the District's property tax base, State and Federal funding, and the condition of buildings and equipment.

All of the School District's programs and activities included in the System-Wide Statements are reported as Governmental Activities. These include instruction, support services, staff development, operation and maintenance of facilities, pupil transportation, food service, after school programs, school administration, and various others functions.

These statements report all assets and liabilities using the *accrual* basis of accounting. The basis of accounting determines when transactions are reported on the financial statements. The *accrual* basis of accounting records revenues when they are earned regardless of when payment (cash) is received. Expenditures are recorded at the time the liability is incurred regardless of when the actual payment is made.

The *Statement of Activities* reflects the governmental activities of the School by programs and services and distinguishes the revenue sources for these activities. The statement also helps identify how much local revenue is required to support the School's activities.

Fund Financial Statements

Fund financial reports provide detail information about the School District's major funds. Funds are accounting devices the School District uses to keep track of general operations, Federal and state grants, building programs, debt payments, worker's compensation claims, and student activity funds.

The Dougherty County School District has **two major fund types - Governmental Funds and Fiduciary Funds**.

Governmental Funds

Most of the School District's financial activities are reported in governmental funds. The fund statements provide more detailed information about the School District's funds, focusing on its most significant "major" funds - not the School District as a whole. Governmental funds record how money flows in and out within the current period, and reports the balances remaining at year-end available for spending in future periods. The governmental fund statements provide a short-term view of the School District's general governmental operations and the basic services they provide. This governmental fund information can be used to identify financial resources available for financing educational programs. The differences between governmental activities (reported in the *Statement of Net Assets* and the *Statement of Activities*) and governmental funds are reconciled in the financial statements.

The School District's governmental funds are the General Fund, Capital Projects Fund, and Debt Service Fund. General operations, school food services, other Federal and State grant programs, the general operating portion of principal accounts, and workers compensation claims are consolidated in the General Fund.

Fiduciary Funds

The School District is the trustee, or *fiduciary*, for assets that belong to others. An example is funds belonging to school clubs and organizations whose records are maintained at the individual schools. These funds are generally referred to as "Activity Funds". The School District is responsible for ensuring that the assets recorded in these funds are used only for their intended purposes and only by those to whom the assets belong. The School District excludes these fund activities from the system-wide financial statements because these fund assets cannot be used to finance its operations.

Presentation of Financial Data

The next section of this discussion will provide more specific information as reported on the financial statements discussed above. For comparison purposes, this information will be presented for both fiscal year 2010 and fiscal year 2011.

Statement of Net Assets (Analysis of the District as a Whole)

As previously stated above, the *Statement of Net Assets* presents consolidated financial data for the School District as a whole. Table 1 provides a summary of the District's net assets for fiscal year 2011 and the comparative amount for fiscal year 2010.

Table 1
Net Assets
(In Thousands)

	Governmental Activities		
	Fiscal Year 2011	Fiscal Year 2010	Increase (Decrease)
Assets			
Current and Other Assets	$ 52,645	$ 45,531	$ 7,114
Capital Assets, Net	246,076	243,390	2,686
Total Assets	$ 298,721	$ 288,921	$ 9,800
Liabilities			
Current and Other Liabilities	$ 21,429	$ 22,284	$ -855
Long-Term Liabilities	4,663	12,695	-8,032
Total Liabilities	$ 26,092	$ 34,979	$ -8,887
Net Assets			
Invested in Capital Assets, Net of Related Debt	$ 242,607	$ 231,811	$ 10,796
Restricted	13,223	11,634	1,589
Unrestricted	16,799	10,497	6,302
Total Net Assets	$ 272,629	$ 253,942	$ 18,687

See Table 5 for an analysis of the increase in Capital Assets.

General Obligation Bonds issued December 2008 for $18.0 million is a liability to the School District. The Bonds have a maturity date of March 1, 2012, and is reported as a Current Liability and Long-Term Debt. The Note will be paid from the 1 percent special purpose sales tax proceeds received between January 2009 and March 2012. The remaining Current Liabilities include, in part, balances due to Contractors and Architects for major capital projects.

See Table 6 for complete analysis of the increase on Long-Term Debt at June 30.

Restricted or designated assets are assets that must be used for a specific purpose. Restricted assets increased $1.6 million and include funds restricted for the continuation of Federal programs ($2.5 million), funds restricted for future debt service, $10.4 million; and funds restricted for capital projects ($0.31 million).

Unrestricted Net Assets for Governmental Activities increased from $10.5 million balance at the end of fiscal year 2010 to a $16.8 million balance at the end of fiscal year 2011. This can be primarily attributed to the increase in fund balances for both the General Fund and the District-wide Capital Project Funds.

Statement of Activities

Table 2 shows the changes in net assets for fiscal year 2011 and fiscal year 2010 as reported on the *Statement of Activities*.

Table 2
Change in Net Assets
(In Thousands)

	Governmental Activities		
	Fiscal Year 2011	Fiscal Year 2010	Increase (Decrease)
Revenues			
Program Revenues:			
Charges for Services and Sales	$ 2,121	$ 2,120	$ 1
Operating Grants and Contributions	100,791	98,271	2,520
Total Program Revenues	$ 102,912	$ 100,391	$ 2,521
General Revenues:			
Taxes			
Property Taxes			
For Maintenance and Operations	$ 39,779	$ 39,807	$ -28
Other Taxes	45	48	-3
Sales Taxes			
Special Purpose Local Option Sales Tax			
For Debt Services	7,670	7,611	59
For Capital Projects	8,998	8,545	453
Other Sales Tax	221	202	19
Grants and Contributions not			
Restricted to Specific Programs	9,559	10,393	-834
Investment Earnings	67	111	-44
Miscellaneous	1,908	-624	2,532
Special Items			
Loss on Disposal of Building		-998	998
Total General Revenues and Special Items	$ 68,247	$ 65,095	$ 3,152
Total Revenues	$ 171,159	$ 165,486	$ 5,673
Program Expenses:			
Instruction	$ 93,724	$ 97,308	$ -3,584
Support Services			
Pupil Services	4,527	4,447	80
Improvement of Instructional Services	5,697	5,317	380
Educational Media Services	3,616	3,450	166
General and School Administration	10,842	11,461	-619
Business Administration	1,253	1,391	-138
Maintenance and Operation of Plant	12,675	12,092	583
Student Transportation Services	6,042	5,662	380
Central and Other Support Services	3,691	3,309	382
Operations of Non-Instructional Services			
Enterprise Operations	469	392	77
Community Services	552	546	6
Food Services	8,963	8,597	366
Interest on Long-Term Debt	420	1,097	-677
Total Expenses	$ 152,471	$ 155,069	$ -2,598
Increase in Net Assets	$ 18,688	$ 10,417	$ 8,271

Net Assets increased $8.3 million from fiscal year 2010 to fiscal year 2011.

Although property tax revenue remained relatively flat, program revenues and sales tax revenues increased by $2.5 million and $531,000, respectively, indicating a continuation of the slow economic recovery. Although program revenues make up a majority of the total revenue, the District is still dependent upon tax revenues for the funding of governmental activities.

Total Program Expenses decreased $2.6 million for fiscal year 2011 compared to the previous fiscal year. The greatest decreases occurred in the categories of Instruction, General and School Administration, Business Administration and Interest on Long-Term Debt.

Descriptions of Expense Categories

Instruction includes activities relating to the teaching of pupils and the interaction between teacher and pupil.

Pupil Services are activities designed to assess and improve the well being of students and to supplement the teaching process.

Improvement of Instructional Services are activities which are designed primarily for assisting instructional staff in planning, developing, and evaluating the process of providing challenging learning experiences for students.

Educational Media Services are activities that direct, manage and operate educational media centers.

General Administration establishes and administers policy for operating the local school district.

School Administration includes the activities of principals, assistant principals, and clerical staff in administering school operations.

Business Administration includes the financial and warehouse operations of the school district.

Maintenance and Operation of Plant Activities involve keeping the schools grounds, buildings, and equipment in an effective working condition.

Student Transportation includes activities associated with the transporting of students to and from school, as well as to and from school activities, as provided by state law.

Central and Other Support Services include all other support services including personnel services, management information services, and public relations services.

Enterprise Operations are activities that are operated in a manner similar to business enterprises where the intent is to recover costs through user charges. This would include athletic events and child nutrition catering activities.

Community Services are activities concerned with providing community services to staff or students such as after school programs and student activity accounts.

Food Services are activities associated with the preparation and serving of meals for students. The school food service program is funded by Federal and State grants and revenues from the sale of meals to students and teachers. The cost of meals for students and teachers is determined by the School District.

Governmental Activities

Table 3 shows, for governmental activities, the total cost of services and the net cost of services for fiscal year 2010 and fiscal year 2011. This information is presented on the *Statement of Activities*. The Net Cost of Services reflects the balance of costs that were funded by taxes and other General Revenues.

Table 3
Governmental Activities
(In Thousands)

	Total Cost of Services		Net Cost of Services	
	Fiscal Year 2011	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2010
Instruction	$ 93,724	$ 97,308	$ 23,646	$ 29,591
Support Services:				
Pupil Services	4,527	4,447	2,886	3,054
Improvement of Instructional Services	5,697	5,317	1,569	1,848
Educational Media Services	3,616	3,450	1,257	1,400
General Administration	1,526	1,805	-1,143	-717
School Administration	9,316	9,656	4,785	5,292
Business Administration	1,253	1,391	1,246	1,914
Maintenance and Operation of Plant	12,675	12,092	7,750	7,439
Student Transportation Services	6,042	5,662	3,791	3,252
Central Support Services	2,976	2,714	2,969	3,421
Other Support Services	715	595	73	585
Operations of Non-Instructional Services:				
Enterprise Operations	469	392	468	484
Community Services	552	546	552	532
Food Services	8,963	8,597	-709	-849
Interest on Short-Term and Long-Term Debt	420	1,097	420	125
Total Expenses	$ 152,471	$ 155,069	$ 49,560	$ 57,371

The School District's Funds

Table 4 shows the change in fund balance for Governmental Funds as reported on the *Statement of Revenues, Expenditures and Changes in Fund Balances*. Capital Projects and Debt Service Funds are combined for presentation purposes.

Table 4
Governmental Funds
Net Change in Fund Balance
(In Thousands)

	General Fund	Capital Projects and Debt Service	Totals
REVENUES			
Property Taxes	$ 39,216		$ 39,216
Sales Taxes	221	$ 16,668	16,889
State Funds	78,879		78,879
Federal Funds	31,470		31,470
Charges for Services	2,121		2,121
Investment Earnings	42	25	67
Miscellaneous	1,908		1,908
Total Revenues	$ 153,857	$ 16,693	$ 170,550
EXPENDITURES			
Current			
Instruction	$ 89,064	$ 569	$ 89,633
Support Services	46,522	712	47,234
Enterprise Operations	469		469
Community Services	552		552
Food Services Operation	8,659	83	8,742
Capital Outlay		8,380	8,380
Debt Services			
Principal	249	7,585	7,834
Interest	11	536	547
Total Expenditures	$ 145,526	$ 17,865	$ 163,391
Excess of Revenues over (under) Expenditures	$ 8,331	$ -1,172	$ 7,159
OTHER FINANCING SOURCES (USES)			
Transfers In/Out	-112	112	0
Net Change in Fund Balances	$ 8,219	$ -1,060	$ 7,159
Fund Balances - Beginning (Restated)	11,622	11,814	23,436
Fund Balances - Ending	$ 19,841	$ 10,754	$ 30,595

Total Revenues for all governmental funds totaled $170.6 million and total expenditures totaled $163.4 million. Total Revenues were $7.2 million more than total expenditures. The fund balance for governmental funds increased from $23.4 million at the beginning of the fiscal year to $30.6 million at June 30, 2011.

The fund balance reported for the General Fund increased from $11.6 million at the beginning of the fiscal year to $19.8 million at June 30, 2011.

The fund balance reported for the Capital Projects Fund and Debt Service Fund decreased from $11.8 million at the beginning of the fiscal year to $10.8 million at June 30, 2011.

General Fund Budgeting Highlights

The School District's budget is prepared according to Georgia law and in compliance with Georgia Department of Education requirements. The district uses site-based budgeting. The budgeting process is designed to control site budgeted expenditures while providing spending flexibility to site administration. General Fund Budget compared to Actual is presented in the *Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual - Schedule* "1."

During fiscal year 2011, the district amended its general fund budget as needed. The Original Budget approved by the School District's Board in June, 2010, included revenues and expenditures for State and Federal Grants that were known at the time. Amendments are made to the budget to include grants awarded to the district later in the fiscal year. The receipt of these additional grants requires an increase in revenues and expenditures. This is because grant funds are restricted for a specific purpose can only be used to fund **additional** programs. Also, Federal grants **cannot be used to fund** State mandated programs or replace local funds that previously funded the same activities.

Some of the budgeting challenges the School District faced in fiscal year 2011 included a reduction of the State educational formula allotment, a decline in the student enrollment (FTE), mandated salary raises and a declining tax digest. In addition, the State has not provided inflationary adjustments to non-salary expenditure items since fiscal year 2002.

Capital Assets and Debt Administration

Capital Assets

Since fiscal year 2002, the School District has developed ongoing capital programs that have aggressively sought to upgrade its aging school facilities, many of which are 50 to 60 years old.

In December, 2008, the district began receiving the proceeds from a newly approved special purpose local option sales tax referendum. The approved referendum provides for the renovation of three of the district's high schools. Most of the work on these projects was delayed until fiscal year 2009 when the district received additional start up proceeds from the issuance of a General Obligation Bond. However, fiscal year 2008 capital project activities included some preparation work on these renovation projects.

At the end of fiscal year 2011 the School District had invested $246.0 million in capital assets. Table 5 compares fiscal year 2011 Capital Asset balances to fiscal year 2010 balances.

Table 5
Capital Assets at June 30
(Net of Depreciation, in Thousands)

	Governmental Activities		
	Fiscal Year 2011	Fiscal Year 2010	Increase (Decrease)
Land	$ 9,051	$ 9,096	$ -45
Construction in Progress	21,215	30,403	-9,188
Buildings and Building Improvements	213,853	201,515	12,338
Equipment	1,957	2,376	-419
Total	$ 246,076	$ 243,390	$ 2,686

Table 5 shows that Total Capital Assets increased $2.7 million in fiscal year 2011. The decrease in Construction in Progress is due to the completion of renovation at several schools. All construction projects were funded by a one percent special purpose local option sales tax approved by the voters of Dougherty County.

Debt

Table 6 summarizes the long-term debt outstanding at June 30 for fiscal year 2010 and fiscal year 2011.

Table 6
Debt at June 30
(in Thousands)

	Governmental Activities		
	Fiscal Year 2011	Fiscal Year 2010	Increase (Decrease)
General Obligation Bonds	$ 3,125	$ 10,710	$ -7,585
Accrued Interest	52	179	-127
Unamortized Bond Premium	152	429	-277
Compensated Absences	1,194	1,115	79
Capital Leases	192	441	-249
Total	$ 4,715	$ 12,874	$ -8,159

As shown in Table 6, the debt associated with the District's General Obligation Bonds decreased $7.6 million from $10.7 million at June 30, 2010, to $3.1 million at June 30, 2011. The balance is scheduled to be paid in March 2012.

The $1.2 million debt for Compensated Absences is the District's estimated financial obligation for future payments to employees for accumulated unused vacation leave.

Current Financial Issues

Like most school districts in Georgia, the Dougherty County School District has faced several financial challenges in the recent years. Such challenges include the rising costs in employee benefits, state mandated teacher salary increases, utilities and the continued state formula allotment reductions. Other challenges include a slow decline in student enrollment (FTE) over the years and a stagnant local tax digest.

For several years prior to fiscal year 2004 (2003 tax digest) the district's millage rate remained unchanged at a rate of 17.70 mills. In fiscal year 2003 the rate was rolled back to 17.55. When faced with mid-year state allotment reductions in both fiscal year 2003 and fiscal year 2004 the School Board voted to increase the millage rate to 19 mills. However, the financial statements for the General Fund reported a negative fund balance for fiscal years 2005 and 2006. During this time, the district also began implementing cost savings measures and spending reductions in all areas of support operations including Student Transportation, Maintenance, General Administration, School Food Service, Business Services, and Central Support Services. As a result, the district recovered from the negative fund balances by fiscal year 2007 and reported a positive $4.4 million fund balance by the end of fiscal year 2008.

Twice, since increasing the millage rate to 19 mills in fiscal year 2004, the School Board voted to roll the millage rate back, once in fiscal year 2007 (2006 digest) and again in fiscal year 2008 (2007 digest). The millage rate for fiscal year 2008 (2007 digest) was 18.45 mills. The millage rate for fiscal year 2009 (2008 digest) was 18.445.

Student enrollment is a factor in the State's education funding formula. According to the State's funding formula, student enrollment is converted to a "Full Time Equivalent (FTE)" count. As student enrollment, or FTE, decreases, so does State funding. The FTE count for fiscal year 2011 and the five years prior is as follows:

Fiscal Year 2006	16,731
Fiscal Year 2007	16,376
Fiscal Year 2008	16,208
Fiscal Year 2009	16,134
Fiscal Year 2010	15,962
Fiscal Year 2011	15,628

In August, 2008, the district was notified of the decline in State revenues and the resulting additional reduction in educational funding for fiscal year 2009. In total, State funding for fiscal year 2009 was reduced $5.2 million. Expenditure reduction measures were taken in all areas with the purpose of preserving the fiscal year 2009 fund balance. Management has continued to monitor expenditures and identify additional costs savings and reductions on a monthly basis, which contributed to an increase in the general fund balance of over $4.6 million and $8.2 million for fiscal years 2010 and 2011, respectively.

In March of fiscal year 2007, the voters of Dougherty County approved the continuation of the one percent sales tax (Sales Tax for Educational Progress). These sales tax revenues will be used to complete the renovation of schools outlined by the long-range facilities plan. Other sales tax projects include the installation of safety and access controls, and the purchase of musical instruments and other academic/instruction related equipment. In the fall of fiscal year 2009, the School District issued General Obligation Bonds in the amount of $18.0 million. At the end of fiscal year 2011, the outstanding balance on those bonds was $3.1 million, which is scheduled to be repaid in March 2012.

At the end of fiscal year 2005, Child Nutrition Services (food services operations) reported a deficit balance of $3.9 million. Operational cost controls implemented by program management, since that time, were successful in significantly reducing the deficit balance to $0.06 million by the end of fiscal year 2008. In October, of fiscal year 2009, the Child Nutrition Program began reporting a positive fund balance and continues to do so.

The School District continues to be financially challenged by multiple years of reductions in State funding to local districts. Austerity reductions to State funding are budgeted again for fiscal year 2012. Even with these reductions in State resources (and the local tax digest), the School District has maintained the current millage of 18.445 mills since fiscal year 2009 and has been able to maintain a healthy General Fund Balance.

In spite of the continued challenges, The Dougherty County School District recognizes its responsibility as a steward of taxpayer dollars and State and Federal funds. The School District strives to emphasize student achievement while maintaining sound fiscal management.

Contacting the District's Financial Management

This management's discussion and analysis report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the district's finances, and to document the Board's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kenneth Dyer, Director of Finance, Dougherty County School System, P.O. Box 1470, 200 Pine Avenue, Albany, Georgia 31702. You may also email your questions to kenneth.dyer@docoschools.org.

DOUGHERTY COUNTY BOARD OF EDUCATION

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

EXHIBIT "A"

	PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES	COMPONENT UNIT DOUGHERTY COUNTY STADIUM AUTHORITY (1)
ASSETS		
Cash and Cash Equivalents	$ 15,658,619.42	$ 236,102.00
Investments	17,753,312.30	
Accounts Receivable, Net		
Taxes	5,621,190.22	
State Government	9,381,646.54	
Federal Government	3,331,190.41	
Local	64,394.89	
Other	369,068.73	
Inventories	465,457.43	
Prepaid Items	350.00	
Capital Assets, Non-Depreciable	30,266,453.24	410,000.00
Capital Assets, Depreciable (Net of Accumulated Depreciation)	215,809,656.75	2,396,942.00
Total Assets	$ 298,721,339.93	$ 3,043,044.00
LIABILITIES		
Accounts Payable	$ 1,675,807.06	$ 70,810.00
Salaries and Benefits Payable	16,580,777.50	
Claims Incurred but not Reported (IBNR)	814,693.53	
Payroll Withholdings Payable	519,918.54	
Interest Payable	52,083.33	
Contracts Payable	989,040.80	
Retainages Payable	751,377.52	
Deposits and Deferred Revenues	45,473.01	
Long-Term Liabilities		
Due Within One Year	3,556,937.95	
Due in More Than One Year	1,106,306.29	
Total Liabilities	$ 26,092,415.53	$ 70,810.00
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	$ 242,606,935.02	$ 2,806,942.00
Restricted for		
Continuation of Federal Programs	2,521,235.75	
Debt Service	10,391,598.55	
Capital Projects	310,210.74	
Unrestricted	16,798,944.34	165,292.00
Total Net Assets	$ 272,628,924.40	$ 2,972,234.00
Total Liabilities and Net Assets	$ 298,721,339.93	$ 3,043,044.00

(1) Financial information for the Dougherty County Stadium Authority contains activiity for a two year period ending June 30, 2011.

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

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

		PROGRAM
	EXPENSES	CHARGES FOR SERVICES
GOVERNMENTAL ACTIVITIES		
Instruction	$ 93,724,339.06	$ 1,185,617.53
Support Services		
Pupil Services	4,526,986.05	
Improvement of Instructional Services	5,697,248.14	
Educational Media Services	3,616,071.81	
General Administration	1,525,759.37	
School Administration	9,316,383.13	
Business Administration	1,252,824.29	
Maintenance and Operation of Plant	12,674,885.85	65,299.09
Student Transportation Services	6,042,440.73	175,269.70
Central Support Services	2,975,620.21	
Other Support Services	714,972.50	
Operations of Non-Instructional Services		
Enterprise Operations	468,694.27	
Community Services	552,374.04	
Food Services	8,963,409.02	694,745.13
Interest on Short-Term and Long-Term Debt	420,081.86	
Total Governmental Activities	$ 152,472,090.33	$ 2,120,931.45
COMPONENT UNIT		
Dougherty County Stadium Authority	$ 420,529.00	$ 200,000.00
General Revenues		
Taxes		
Property Taxes		
For Maintenance and Operations		
Other Taxes		
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Debt Services		
For Capital Projects		
Other Sales Tax		
Grants and Contributions not Restricted to Specific Programs		
Investment Earnings		
Miscellaneous		
Total General Revenues		
Change in Net Assets		
Net Assets - Beginning of Year		
Net Assets - End of Year		

(1) Financial information for the Dougherty County Stadium Authority contains activity for a two year period ending June 30, 2011.

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

REVENUES		NET (EXPENSES) REVENUES AND CHANGES IN NET ASSETS	
		PRIMARY	
	OPERATING	GOVERNMENT	COMPONENT UNIT
	GRANTS AND	GOVERNMENTAL	DOUGHERTY COUNTY
	CONTRIBUTIONS	ACTIVITIES	STADIUM AUTHORITY (1)
$	68,892,857.40	$ -23,645,864.13	
	1,640,609.73	-2,886,376.32	
	4,128,014.41	-1,569,233.73	
	2,358,601.62	-1,257,470.19	
	2,669,011.28	1,143,251.91	
	4,531,698.82	-4,784,684.31	
	7,279.53	-1,245,544.76	
	4,859,223.59	-7,750,363.17	
	2,076,209.45	-3,790,961.58	
	7,072.17	-2,968,548.04	
	642,333.01	-72,639.49	
		-468,694.27	
		-552,374.04	
	8,977,670.64	709,006.75	
		-420,081.86	
$	100,790,581.65	$ -49,560,577.23	
			$ -220,529.00
		$ 39,778,989.59	
		45,379.73	
		7,669,911.16	
		8,997,699.46	
		221,370.14	
		9,558,626.00	
		66,939.00	$ 6,636.00
		1,907,707.74	35,006.00
		$ 68,246,622.82	$ 41,642.00
		$ 18,686,045.59	$ -178,887.00
		253,942,878.81	3,151,121.00
		$ 272,628,924.40	$ 2,972,234.00

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

EXHIBIT "C"

	GENERAL FUND	DISTRICT-WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
ASSETS				
Cash and Cash Equivalents	$ 20,847,843.84		$ 2,986.90	$ 20,850,830.74
Investments	2,686,993.22	$ 7,464,372.23	7,601,946.85	17,753,312.30
Accounts Receivable, Net				
Taxes	2,782,442.09		2,838,748.13	5,621,190.22
State Government	9,381,646.54			9,381,646.54
Federal Government	3,331,190.41			3,331,190.41
Local	64,394.89			64,394.89
Other	369,068.73			369,068.73
Inventories	465,457.43			465,457.43
Prepaid Items	350.00			350.00
Total Assets	$ 39,929,387.15	$ 7,464,372.23	$ 10,443,681.88	$ 57,837,441.26
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Cash Overdraft		$ 5,192,211.32		$ 5,192,211.32
Accounts Payable	$ 1,454,275.21	221,531.85		1,675,807.06
Salaries and Benefits Payable	16,580,777.50			16,580,777.50
Payroll Withholdings Payable	519,918.54			519,918.54
Contracts Payable		989,040.80		989,040.80
Retainages Payable		751,377.52		751,377.52
Deposits and Deferred Revenue	1,533,655.57			1,533,655.57
Total Liabilities	$ 20,088,626.82	$ 7,154,161.49		$ 27,242,788.31
FUND BALANCES				
Nonspendable	$ 465,807.43			$ 465,807.43
Restricted	2,354,465.66	$ 310,210.74	$ 10,443,681.88	13,108,358.28
Committed	2,085,191.18			2,085,191.18
Assigned	4,020,521.77			4,020,521.77
Unassigned	10,914,774.29			10,914,774.29
Total Fund Balances	$ 19,840,760.33	$ 310,210.74	$ 10,443,681.88	$ 30,594,652.95
Total Liabilities and Fund Balances	$ 39,929,387.15	$ 7,464,372.23	$ 10,443,681.88	$ 57,837,441.26

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

DOUGHERTY COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011

EXHIBIT "D"

Total Fund Balances - Governmental Funds (Exhibit "C")		$ 30,594,652.95
Amounts reported for Governmental Activities in the Statement of Net Assets are different because:		
Capital Assets used in Governmental Activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Land	$ 9,051,054.08	
Construction in Progress	21,215,399.16	
Buildings	308,946,640.40	
Equipment	6,692,575.57	
Accumulated Depreciation	-99,829,559.22	
Total Capital Assets		246,076,109.99
Taxes that are not available to pay for current period expenditures are deferred in the funds.		
Property Taxes		1,488,182.56
Long-Term Liabilities, including Bonds Payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-Term Liabilities at year-end consist of:		
Bonds Payable	$ -3,125,000.00	
Accrued Interest	-52,083.33	
Capital Leases Payable	-191,942.20	
Compensated Absences Payable	-1,194,069.27	
Unamortized Bond Premiums	-152,232.77	
Claims and Judgments Payable	-814,693.53	
Total Long-Term Liabilities		-5,530,021.10
Net Assets of Governmental Activities (Exhibit "A")		$ 272,628,924.40

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

DOUGHERTY COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPEENDITURES AND CHANGES IN FUND BALANCES
GOVERNMETNAL FUNDS
YEAR ENDED JUNE 30, 2011

EXHIBIT "E"

	GENERAL FUND	DISTRICT-WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
REVENUES				
Property Taxes	$ 39,216,358.77			$ 39,216,358.77
Sales Taxes	221,370.14	$ 8,997,699.46	$ 7,669,911.16	16,888,980.76
State Funds	78,879,492.04			78,879,492.04
Federal Funds	31,469,715.61			31,469,715.61
Charges for Services	2,120,931.45			2,120,931.45
Investment Earnings	41,912.21	5,361.12	19,665.67	66,939.00
Miscellaneous	1,907,707.74			1,907,707.74
Total Revenues	$ 153,857,487.96	$ 9,003,060.58	$ 7,689,576.83	$ 170,550,125.37
EXPENDITURES				
Current				
Instruction	$ 89,064,117.89	$ 569,007.21		$ 89,633,125.10
Support Services				
Pupil Services	4,517,741.78	1,695.00		4,519,436.78
Improvement of Instructional Services	5,478,296.76			5,478,296.76
Educational Media Services	3,397,309.81	1,589.04		3,398,898.85
General Administration	1,518,951.25	6,808.12		1,525,759.37
School Administration	9,038,859.36	540.00		9,039,399.36
Business Administration	1,228,282.13	1,536.00		1,229,818.13
Maintenance and Operation of Plant	12,296,441.03	356,730.22		12,653,171.25
Student Transportation Services	5,589,607.53	2,867.26		5,592,474.79
Central Support Services	2,759,716.43	321,970.68		3,081,687.11
Other Support Services	697,148.50	17,824.00		714,972.50
Enterprise Operations	468,694.27			468,694.27
Community Services	552,374.04			552,374.04
Food Services Operation	8,658,817.73	82,747.50		8,741,565.23
Capital Outlay		8,380,662.58		8,380,662.58
Debt Services				
Principal	248,977.31		$ 7,585,000.00	7,833,977.31
Interest	10,998.53		535,500.00	546,498.53
Total Expenditures	$ 145,526,334.35	$ 9,743,977.61	$ 8,120,500.00	$ 163,390,811.96
Excess of Revenues over (under) Expenditures	$ 8,331,153.61	$ -740,917.03	$ -430,923.17	$ 7,159,313.41
OTHER FINANCING SOURCES (USES)				
Transfers In		$ 112,055.53		$ 112,055.53
Transfers Out	$ -112,055.53			-112,055.53
Total Other Financing Sources (Uses)	$ -112,055.53	$ 112,055.53		$ 0.00
Net Change in Fund Balances	$ 8,219,098.08	$ -628,861.50	$ -430,923.17	$ 7,159,313.41
Fund Balances - Beginning	11,621,662.25	939,072.24	10,874,605.05	23,435,339.54
Fund Balances - Ending	$ 19,840,760.33	$ 310,210.74	$ 10,443,681.88	$ 30,594,652.95

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

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

EXHIBIT "F"

Total Net Change in Fund Balances - Governmental Funds (Exhibit "E")		$ 7,159,313.41
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Capital Outlays are reported as expenditures in Governmental Funds. However, in the Statement of Activities, the cost of Capital Assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital Outlay	$ 7,663,198.60	
Depreciation Expense	-4,988,278.39	
Excess of Capital Outlay over Depreciation Expense		2,674,920.21
Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		608,010.55
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, and disposals) is to increase net assets.		10,586.98
Repayment of Long-Term Debt is reported as an expenditure in Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Assets. In the current year, these amounts consist of:		
Bond Principal Retirements	$ 7,585,000.00	
Capital Lease Payments	248,977.31	
Amortized Bond Premium	276,668.07	
Total Long-Term Debt Repayments		8,110,645.38
Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in Governmental Funds. These activities consist of:		
Net Increase in Accrued Interest	$ 126,416.67	
Increase in Compensated Absences	-78,661.95	
Decrease in Claims and Judgments	74,814.34	
Total Additional Expenditures		122,569.06
Change in Net Assets of Governmental Activities (Exhibit "B")		$ 18,686,045.59

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

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

EXHIBIT "G"

	AGENCY FUNDS
ASSETS	
Cash and Cash Equivalents	$ 416,450.50
Accounts Receivable, Net	
Local	14,454.74
Other	105.00
Total Assets	$ 431,010.24
LIABILITIES	
Funds Held for Others	$ 431,010.24

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

Note 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

REPORTING ENTITY

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

DISCRETELY PRESENTED COMPONENT UNIT

The non-profit organization, Dougherty County Stadium Authority, operates the Hugh Mills Memorial Stadium. The School District has a contract with Dougherty County Stadium Authority relative to the use, maintenance, and control of the Stadium.

The Stadium Authority's financial data (Statement of Net Assets and Statement of Activities) is included within the School District's basic financial statements as a discretely presented component unit. See Note 17 for additional component unit disclosures.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

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

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

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

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

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

Fund Financial Statements:
The fund financial statements provide information about the School District's funds, including fiduciary funds. Eliminations have been made to minimize the double counting of internal activities. Separate statements for each category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The School District reports the following major governmental funds:

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

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

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

The School District reports the following fiduciary fund type:

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

BASIS OF ACCOUNTING

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

The School District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. Property taxes, sales taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims

and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

The School District funds certain programs by a combination of specific cost-reimbursement grants, categorical grants, and general revenues. Thus, when program costs are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the School District's policy to first apply grant resources to such programs, followed by cost-reimbursement grants, then general revenues.

The State of Georgia reimburses the School System for teachers' salaries and operating costs through the Quality Basic Education Formula Earnings program (QBE). Generally teachers are contracted for the school year (July 1 – June 30) and paid over a twelve month contract period, generally September 1 through August 31. In accordance with the respective rules and regulations of the QBE program, the State of Georgia reimburses the School System over the same twelve month period in which teachers are paid. At June 30, the amount of teachers' salaries incurred but not paid until July and August of the subsequent year are accrued. Since the State of Georgia recognizes its QBE liability for the July and August salaries at June 30, the School System recognizes the same QBE as a receivable and revenue, consistent with symmetrical recognition.

NEW ACCOUNTING PRONOUNCEMENTS

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

CASH AND CASH EQUIVALENTS

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

INVESTMENTS

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

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

(2) Obligations issued by the United States government,

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

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

(5) Prime banker's acceptances,

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

(7) Repurchase agreements, and

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

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

RECEIVABLES

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

PROPERTY TAXES

The Dougherty County Board of Commissioners fixed the property tax levy for the 2010 tax digest year (calendar year) on July 19, 2010 (levy date). Taxes were due on December 20, 2010 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2010 tax digest are reported as revenue in the governmental funds for fiscal year 2011. The Dougherty County Tax Commissioner bills and collects the property taxes for the School District, withholds 2.1% of taxes collected as a fee for tax collection and remits the balance of taxes collected to the School District. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2011, for maintenance and operations amounted to $39,170.979.04.

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

School Operations	18.445 mills

SALES TAXES

Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to $16,667,610.62 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

INVENTORIES

Food Inventories

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

Consumable Supplies

On the basic financial statements, consumable supplies are reported at cost (first in, first out). The School District uses the consumption method to account for consumable supplies inventory whereby as asset is recorded when supplies are purchased and expenses are recorded at the time the supplies are consumed.

PREPAID ITEMS

Payments made to vendors for services that will benefit periods subsequent to June 30, 2011, are recorded as prepaid items.

CAPITAL ASSETS

Capital assets purchased, including capital outlay costs, are recorded as expenditures in the fund financial statements at the time of purchase (including ancillary charges). On the District-wide financial statements, all purchased capital assets are valued at cost where historical records are available and at estimated historical cost based on appraisals or deflated current replacement cost where no historical records exist. Donated capital assets are recorded at estimated fair market value on the date donated. Disposals are deleted at depreciated recorded cost. The cost of normal maintenance and repairs that do not add to the value of assets or materially extend the useful lives of the assets is not capitalized. Depreciation is computed using the straight-line method. The School District does not capitalize book collections or works of art. During the fiscal year under review, no events or changes in circumstances affecting a capital asset that may indicate impairment were known to the School District.

Capitalization thresholds and estimated useful lives of capital assets reported in the District-wide statements are as follows:

	Capitalization Policy	Estimated Useful Life
Land	Any Amount	N/A
Buildings and Improvements	$ 100,000.00	20 to 80 years
Equipment	$ 50,000.00	4 to 12 years
Intangible Assets	$ 1,000,000.00	4 to 8 years

Depreciation is used to allocate the actual or estimated historical cost of all capital assets over estimated useful lives, with the exception of intangible assets which are amortized.

Amortization of intangible assets such as water, timber, and mineral rights, easements, patents, trademarks, copyrights and internally generated software is computed using the straight-line method over the estimated useful lives of the assets, generally 4 to 8 years.

COMPENSATED ABSENCES

Members of the Teachers' Retirement System of Georgia (TRS) may apply unused sick leave toward early retirement. The liability for early retirement will be borne by TRS rather than by the individual school districts. Otherwise, sick leave does not vest with the employee, and no liability is reported in the School District's financial statements.

A maximum of 18 days of vacation leave is awarded on a fiscal year basis to all full time personnel employed on a twelve month basis. No other employees are eligible to earn vacation leave. Vacation leave not utilized during the fiscal year may be carried over to the next fiscal year, providing such vacation leave does not exceed 30 days.

	Beginning of Year Liability	Increases	Decreases	End of Year Liability
2009	$ 1,113,252.03	$ 1,038,412.92	$ 1,013,667.60	$ 1,137,997.35
2010	$ 1,137,997.35	$ 961,768.21	$ 984,358.24	$ 1,115,407.32
2011	$ 1,115,407.32	$ 947,171.63	$ 868,509.68	$ 1,194,069.27

GENERAL OBLIGATION BONDS

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

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

In the District-wide and fund financial statements, the School District recognizes bond issuance costs during the fiscal year bonds are issued. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. To conform to generally accepted accounting principles, bond issuance costs should be amortized over the life of the bonds on the District-wide statements. The effect of this deviation is deemed to be immaterial to the fair presentation of the basic financial statements. General obligation bonds are direct obligations and pledge the full faith and credit of the government. The outstanding amount of these bonds is recorded in the Statement of Net Assets.

NET ASSETS

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

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

Restricted net assets - These represent resources for which the School District is legally or contractually obligated to spend resources for bus replacement, continuation of Federal programs, debt service and capital projects in accordance with restrictions imposed by external third parties.

Unrestricted net assets - Unrestricted net assets represent resources derived from property taxes, sales taxes, grants and contributions not restricted to specific programs, charges for services, and miscellaneous revenues. These resources are used for transactions relating to the educational and general operations of the School District, and may be used at the discretion of the Board to meet current expenses for those purposes.

FUND BALANCES

The School District's fund balances are classified as follows:

Nonspendable – Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Constraints are placed on the use of resources are either (1) externally imposed conditions by creditors, grantors, contributors, or laws and regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Education. The Board of Education is the School District's highest level of decision-making authority, and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution approved by the Board. Committed fund balance also should incorporate contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts that are constrained by the School District's *intent* to be used for specific purposes, but are neither restricted nor committed. The intent should be expressed by (1) the Board of Education or (2) the budget or finance committee, or the Superintendent, or designee, to assign amounts to be used for specific purposes.

Unassigned – The residual classification for the General Fund. This classification represents fund balances that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

Fund Balances of the Governmental Funds at June 30, 2011, are as follows:

Nonspendable		
Inventories	$ 465,457.43	
Prepaid Assets	350.00	$ 465,807.43
Restricted		
Continuation of Federal Programs	$ 2,354,465.66	
Capital Projects	310,210.74	
Debt Service	10,443,681.88	13,108,358.28
Committed		
Self-Insurance		2,085,191.18
Assigned		
School Activity Accounts	$ 284,470.77	
Subsequent Period Expenditures	3,736,051.00	4,020,521.77
Unassigned		10,914,774.29
Fund Balance, June 30, 2011		$ 30,594,652.95

It is the goal of the School District to achieve and maintain a committed, assigned, and unassigned fund balance in the general fund at fiscal year end of 8% to 12% of annual operating expenditures, not to exceed 15% of the total budget of the subsequent fiscal year, in compliance with Official Code of Georgia Annotated Section 20-2-167(a)5. If the unassigned fund balance at fiscal year end falls below the goal, the School District shall develop a restoration plan to achieve and maintain the minimum fund balance.

When multiple categories of fund balance are available for expenditure, the School District will start with the most restricted category and spend those funds first before moving down to the next category with available funds.

USE OF ESTIMATES

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 3: DEPOSITS AND INVESTMENTS

COLLATERALIZATION OF DEPOSITS

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

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

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

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

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

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

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

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

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

CATEGORIZATION OF DEPOSITS

PRIMARY GOVERNMENT

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At June 30, 2011, the bank balances were $19,397,705.52. The amounts exposed to custodial credit risk are classified into three categories as follows:

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

The School District's deposits by custodial credit risk category at June 30, 2010, are as follows:

Custodial Credit Risk Category	Bank Balance
1	$ 0.00
2	0.00
3	18,674,371.77
Total	$ 18,674,371.77

COMPONENT UNIT

At June 30, 2011, Dougherty County Stadium Authority's bank balance of $236,102.00 was insured through Federal Depository Insurance Corporation (FDIC) and the National Credit Union Administration (NCUA).

CATEGORIZATION OF INVESTMENTS

At June 30, 2011, the carrying value of the School District's total investments was $17,753,312.30, which is materially the same as fair value. This investment consisted entirely of funds invested in the Georgia Fund 1, formerly referred to as LGIP, administered by the State of Georgia, Office of the State Treasurer which is not required to be categorized since the School District did not own any specific identifiable securities in the pool. The investment policy of the State of Georgia, Office of the State Treasurer for the Georgia Fund 1 (Primary Liquidity Portfolio) does not provide for investment in derivatives or similar investments. Additional information on the Georgia Fund 1 is disclosed in the *State of Georgia* Comprehensive Annual Financial Report. This audit can be obtained from the Georgia Department of Audits and Accounts at www.audits.ga.gov/SGD/CAFR.html.

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

Note 4: NON-MONETARY TRANSACTIONS

The School District receives food commodities from the United States Department of Agriculture (USDA) for school breakfast and lunch programs. These commodities are recorded at their Federally assigned value. See Note 2 - Inventories

Note 5: CAPITAL ASSETS

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

PRIMARY GOVERNMENT

	Balances July 1, 2010	Increases	Decreases	Balances June 30, 2011
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	$ 9,095,554.08		$ 44,500.00	$ 9,051,054.08
Construction Work In Progress	30,402,736.15	$ 5,835,607.13	15,022,944.12	21,215,399.16
Total Capital Assets, Not Being Depreciated	$ 39,498,290.23	$ 5,835,607.13	$ 15,067,444.12	$ 30,266,453.24
Capital Assets, Being Depreciated:				
Buildings and Improvements	$ 292,105,588.68	$ 16,850,535.59	$ 9,483.87	$ 308,946,640.40
Equipment	6,692,575.57			6,692,575.57
Less: Accumulated Depreciation:				
Buildings and Improvements	90,590,440.81	4,567,909.53	64,570.85	95,093,779.49
Equipment	4,315,410.87	420,368.86		4,735,779.73
Total Capital Assets, Being Depreciated, Net	$ 203,892,312.57	$ 11,862,257.20	$ -55,086.98	$ 215,809,656.75
Governmental Activity Capital Assets - Net	$ 243,390,602.80	$ 17,697,864.33	$ 15,012,357.14	$ 246,076,109.99

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

	Governmental Funds
Equipment	$ 988,970.00
Less: Accumulated Depreciation	247,242.50
	$ 741,727.50

Current year depreciation expense by function is as follows:

Instruction		$ 3,577,444.24
Support Services		
Pupil Services	$ 6,461.76	
Improvement of Instructional Services	186,623.04	
Educational Media Services	185,155.45	
School Administration	236,553.35	
Business Administration	19,597.18	
Maintenance and Operation of Plant	18,496.99	
Student Transportation Services	393,079.25	
Central Support Services	35,397.36	1,081,364.38
Food Services		329,469.77
		$ 4,988,278.39

COMPONENT UNIT

	Balances July 1, 2010	Increases	Decreases	Balances June 30, 2011
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	$ 410,000.00	$ 0.00	$ 0.00	$ 410,000.00
Capital Assets, Being Depreciated:				
Buildings	$ 308,976.00		$ 0.00	$ 308,976.00
Equipment	239,886.00			239,886.00
Stadium Improvements	2,586,683.00			2,586,683.00
Less: Accumulated Depreciation:				
Buildings	42,483.00	$ 15,448.00		57,931.00
Equipment	138,620.00	46,665.00		185,285.00
Stadium Improvements	362,378.00	133,009.00		495,387.00
Total Capital Assets, Being Depreciated, Net	$ 2,592,064.00	$ -195,122.00	$ 0.00	$ 2,396,942.00
Governmental Activity Capital Assets - Net	$ 3,002,064.00	$ -195,122.00	$ 0.00	$ 2,806,942.00

Note 6: INTERFUND TRANSFERS

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

Transfer to	Transfers From General Fund
District-wide Capital Projects	$ 112,055.33

Transfers are used to move property tax revenues collected by the General Fund to the District-wide Capital Projects Fund to cover a portion of employee's salaries not funded as a part of the Special Purpose Local Option Sales Tax (SPLOST) projects.

Note 7: RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; job related illness or injuries to employees; acts of God and unemployment compensation.

The School District participates in the Georgia School Boards Association Risk and Insurance Management System, a public entity risk pool organized on July 1, 1994, to develop and administer a plan to reduce risk of loss on account of general liability, motor vehicle liability, or property damage, including safety engineering and other loss prevention and control techniques, and to administer one or more groups of self-insurance funds, including the processing and defense of claims brought against members of the system. The School District pays an annual premium to the system for its general insurance coverage. Additional coverage is provided through agreements by

the system with other companies according to their specialty for property, boiler and machinery (including coverage for flood and earthquake), general liability (including coverage for sexual harassment, molestation and abuse), errors and omissions, crime and automobile risks. Payment of excess insurance for the system varies by line of coverage.

The School District has established a limited risk management program for workers' compensation claims. A premium is charged when needed by the Internal Service Fund to each user program on the basis of the percentage of that program's payroll to total payroll in order to cover estimated claims budgeted by management based on known claims and prior experience. The School District accounts for claims with expense and liability being reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. An excess coverage insurance policy covers individual claims in excess of $350,000.00 loss per occurrence, up to the statutory limit.

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

	Beginning of Year Liability	Claims and Changes in Estimates	Claims Paid	End of Year Liability
2010	$ 853,278.85	$ 662,507.56	$ 626,278.60	$ 889,507.81
2011	$ 889,507.81	$ 1,048,978.10	$ 1,123,792.38	$ 814,693.53

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

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

	Beginning of Year Liability	Claims and Changes in Estimates	Claims Paid	End of Year Liability
2010	$ 0.00	$ 250,012.76	$ 250,012.76	$ 0.00
2011	$ 0.00	$ 161,243.68	$ 161,243.68	$ 0.00

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

Position Covered	Amount
Superintendent	$ 50,000.00
All Other Employees	$ 100,000.00

Note 8: OPERATING LEASES

Dougherty County Board of Education has entered into various leases as lessee for copiers and fax machines. These leases are considered for accounting purposes to be operating leases. Lease

expenditures for the year ended June 30, 2011, for governmental funds amounted to $321,688.00. Future minimum lease payments for these leases are as follows:

Year Ending	Governmental Funds
2012	$ 348,516.00
2013	348,516.00
2014	348,516.00
2015	29,335.00
Total	$ 1,074,883.00

Note 9: SHORT-TERM DEBT

The School District issues tax anticipation notes in advance of property tax collections, depositing the proceeds in its General Fund. This short-term debt is to provide cash for operations until property tax collections are received by the School District. Article IX, Section V, Paragraph V of the Constitution of the State of Georgia limits the aggregate amount of short-term debt to 75 percent of the total gross income from taxes collected in the preceding year and requires all short-term debt to be repaid no later than December 31 of the calendar year in which the debt was incurred.

Short-term debt activity for the fiscal year is as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance
Tax Anticipation Notes	$ 0.00	$ 11,500,000.00	$ 11,500,000.00	$ 0.00

Note 10: LONG-TERM DEBT

CAPITAL LEASES

The Dougherty County Board of Education entered into an agreement for buses. This lease agreement qualifies as a capital lease for accounting purposes, and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of its inception.

COMPENSATED ABSENCES

Compensated absences represent obligations of the School District relating to employees' rights to receive compensation for future absences based upon service already rendered. This obligation relates only to vesting accumulating leave in which payment is probable and can be reasonably estimated. Typically, the General Fund is the fund used to liquidate this long-term debt. The School District uses the vesting method to compute compensated absences.

GENERAL OBLIGATION DEBT OUTSTANDING

General Obligation Bonds currently outstanding are as follows:

Purpose	Interest Rate	Amount
General Government - Series 2008	5.00%	$ 3,125,000.00

Voters have authorized $22,000,000.00 in general obligation debt for the purpose of funding (1) the school renovations and improvements, land acquisition for future expansion, certain capital repairs and modifications, (2) additional classroom technology, system-wide replacement of computers, upgrading of technology, (3) additional safety and security equipment, (4) vehicle and equipment replacement and (5) related financing, project management and elections costs, which was not issued as of June 30, 2011.

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

	Governmental Funds				
	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011	Due Within One Year
G. O. Bonds	$ 10,710,000.00		$ 7,585,000.00	$ 3,125,000.00	$ 3,125,000.00
Capital Leases	440,919.51		248,977.31	191,942.20	191,942.20
Compensated Absences	1,115,407.32	$ 947,171.63	868,509.68	1,194,069.27	87,762.98
Bond Premiums Amortized	428,900.84		276,668.07	152,232.77	152,232.77
	$ 12,695,227.67	$ 947,171.63	$ 8,979,155.06	$ 4,663,244.24	$ 3,556,937.95

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

	Capital Leases	
	Principal	Interest
Fiscal Year Ended June 30:		
2012	$ 191,942.20	$ 3,039.68

	General Obligation Debt		Unamortized
	Principal	Interest	Bond Premium
Fiscal Year Ended June 30:			
2012	$ 3,125,000.00	$ 156,000.00	$ 152,232.77

Note 11: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of $430,157.90 for health insurance and retirement contributions paid on the School District's behalf by the following State Agencies.

Georgia Department of Education
Paid to the Georgia Department of Community Health
For Health Insurance of Non-Certificated Personnel
In the amount of $283,972.08

Paid to the Teachers' Retirement System of Georgia
For Teachers' Retirement System (TRS) Employer's Cost
In the amount of $51,483.82

Office of State Treasurer
Paid to the Public School Employees' Retirement System
For Public School Employees' Retirement (PSERS) Employer's Cost
In the amount of $94,702.00

Note 12: SIGNIFICANT COMMITMENTS

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

Project	Unearned Executed Contracts
Albany High School	$ 181,039.43
Dougherty High School	8,503,642.47
Dougherty International Studies Middle School	89,207.75
Security Access Control System Phase II	7,269.83
	$ 8,781,159.48

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

Note 13: SIGNIFICANT CONTINGENT LIABILITIES

Amounts received or receivable principally from the Federal government are subject to audit and review by grantor agencies. This could result in requests for reimbursement to the grantor agency for any costs which are disallowed under grant terms. The School District believes that such disallowances, if any, will be immaterial to its overall financial position. Based on the legal proceeding currently being conducted associated with alleged falsifying of free and reduced lunch program applications during fiscal year 2012, the Georgia Department of Education is reviewing documentation provided by the School District to determine if the number of students reported as eligible for the Federal meal assistance program is accurate. The results of this investigation could potentially result in the School District incurring a liability for return of Federal program funds. The ultimate disposition of this issue is not presently determinable.

The School District is a defendant in various legal proceedings pertaining to matters incidental to the performance of routine School District operations. The ultimate disposition of these proceedings is not presently determinable, but is not believed to be material to the basic financial statements.

Note 14: SUBSEQUENT EVENTS

In the subsequent fiscal year, voters authorized the School District to issue general obligation bonds in the amount of $40,000,000.00. The proceeds from these bonds will be used by the School District for (a) renovation and improvement of one or more existing schools, administration and related facilities, (b) acquisition, construction and equipping of new schools, administration and

related facilities, (c) the acquisition of school buses, vehicles and other transportation equipment, (d) acquisition, construction and equipping of new athletic facilities, (e) acquisition of software, hardware and computer equipment for the use of both staff and students and (f) acquisition of real and personal property necessary for the foregoing.

Note 15: POST-EMPLOYMENT BENEFITS

Georgia School Personnel Post-employment Health Benefit Fund

Plan Description. The Georgia School Personnel Post-employment Health Benefit Fund (School OPEB Fund) is a cost-sharing multiple-employer defined benefit post-employment healthcare plan that covers eligible former employees of public school systems, libraries and regional educational service agencies. The School OPEB Fund provides health insurance benefits to eligible former employees and their qualified beneficiaries through the State Employees Health Benefit Plan administered by the Department of Community Health. The Official Code of Georgia Annotated (O.C.G.A.) assigns the authority to establish and amend the benefit provisions of the group health plans, including benefits for retirees, to the Board of Community Health (Board). The Department of Community Health, which includes the School OPEB Fund, issues a separate stand alone financial audit report and a copy can be obtained from the Georgia Department of Audits and Accounts.

Funding Policy. The contribution requirements of plan members and participating employers are established by the Board in accordance with the current Appropriations Act and may be amended by the Board. Contributions of plan members or beneficiaries receiving benefits vary based on plan election, dependent coverage, and Medicare eligibility and election. On average, plan members pay approximately 25 percent of the cost of the health insurance coverage.

Participating employers are statutorily required to contribute in accordance with the employer contribution rates established by the Board. The contribution rates are established to fund all benefits due under the health insurance plans for both active and retired employees based on projected "pay-as-you-go" financing requirements. Contributions are not based on the actuarially calculated annual required contribution (ARC) which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The combined active and retiree contribution rates established by the Board for employers participating in the School OPEB Fund were as follows for the fiscal year ended June 30, 2011:

For certificated teachers, librarians and regional educational service agencies:

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

For non-certificated school personnel:

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

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

No additional contribution was required by the Board for fiscal year 2011 nor contributed to the School OPEB Fund to prefund retiree benefits. Such additional contribution amounts are determined annually by the Board in accordance with the School plan for other post-employment benefits and are subject to appropriation.

The School District's combined active and retiree contributions to the health insurance plans, which equaled the required contribution, for the current fiscal year and the preceding two fiscal years were as follows:

Fiscal Year	Percentage Contributed	Required Contribution
2011	100%	$ 12,582,772.13
2010	100%	$ 12,087,093.02
2009	100%	$ 9,362,930.73

Note 16: RETIREMENT PLANS

TEACHERS' RETIREMENT SYSTEM OF GEORGIA (TRS)

Plan Description. The TRS is a cost-sharing multiple-employer defined benefit plan created in 1943 by an act of the Georgia General Assembly to provide retirement benefits for qualifying employees in educational service. A Board of Trustees comprised of active and retired members and ex-officio State employees is ultimately responsible for the administration of TRS. The Teachers' Retirement System of Georgia issues a separate stand alone financial audit report and a copy can be obtained from the Georgia Department of Audits and Accounts.

On October 25, 1996, the Board created the Supplemental Retirement Benefits Plan of the Georgia Teachers' Retirement System (SRBP-TRS). SRBP-TRS was established as a qualified excess benefit plan in accordance with Section 415 of the Internal Revenue Code (IRC) as a portion of TRS. The purpose of SRBP-TRS is to provide retirement benefits to employees covered by TRS whose benefits are otherwise limited by IRC Section 415. Beginning July 1, 1997, all members and retired former members in TRS are eligible to participate in the SRBP-TRS whenever their benefits under TRS exceed the IRC Section 415 imposed limitation on benefits.

TRS provides service retirement, disability retirement, and survivor's benefits. The benefit structure of TRS is defined and may be amended by State statute. A member is eligible for normal service retirement after 30 years of creditable service, regardless of age, or after 10 years of service and attainment of age 60. A member is eligible for early retirement after 25 years of creditable service.

Normal retirement (pension) benefits paid to members are equal to 2% of the average of the member's two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. Early retirement benefits are reduced by the lesser of one-twelfth of 7% for each month the member is below age 60 or by 7% for each year or fraction thereof by which the member has less than 30 years of service. It is also assumed that certain cost-of-living adjustments, based on the Consumer Price Index, will be made in future years. Retirement benefits are payable monthly for life. A member may elect to receive a partial lump-sum distribution in addition to a reduced monthly retirement benefit. Death, disability and spousal benefits are also available.

Funding Policy. TRS is funded by member and employer contributions as adopted and amended by the Board of Trustees. Members become fully vested after 10 years of service. If a member terminates with less than 10 years of service, no vesting of employer contributions occurs, but the member's contributions may be refunded with interest. Member contributions are limited by State law to not less than 5% or more than 6% of a member's earnable compensation. Member contributions as adopted by the Board of Trustees for the fiscal year ended June 30, 2011, were 5.53% of annual salary. The member contribution rate will increase to 6.00% effective July 1, 2012. Employer contributions required for fiscal year 2011 were 10.28% of annual salary as required by the June 30, 2008, actuarial valuation. The employer contribution rate will increase to 11.41% effective July 1, 2012.

Employer contributions for the current fiscal year and the preceding two fiscal years are as follows:

Fiscal Year	Percentage Contributed		Required Contribution
2011	100%	$	8,168,630.90
2010	100%	$	8,303,432.60
2009	100%	$	8,048,893.85

PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS)

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

Note 17: COMPONENT UNIT

The Dougherty County Stadium Authority (Authority) is a legally separate tax-exempt component unit of the Dougherty County Board of Education (School District). Because the Authority has a fiscal dependency on the School District, it is considered a component unit of the School District and is discretely presented in the School District's financial statements.

The Authority utilizes the modified accrual method of accounting. The Authority has implemented the financial reporting requirements of GASB Statement Nos. 33 and 34. The Authority's fiscal year is July 1 through June 30. In fiscal year 2011, the audited financial statements provided by the Authority were for a two year period ending June 30, 2011.

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

SCHEDULE "1"

	NONAPPROPRIATED BUDGETS		ACTUAL
	ORIGINAL (1)	FINAL (1)	AMOUNTS
REVENUES			
Property Taxes	$ 38,180,500.00	$ 39,216,361.00	$ 39,216,358.77
Sales Taxes	160,000.00	221,371.00	221,370.14
State Funds	77,060,874.00	77,801,162.37	78,879,492.04
Federal Funds	30,359,651.14	37,304,038.51	31,469,715.61
Charges for Services	1,817,912.91	1,488,136.44	2,120,931.45
Investment Earnings	55,000.00	36,374.00	41,912.21
Miscellaneous	2,248,664.46	2,441,010.17	1,907,707.74
Total Revenues	$ 149,882,602.51	$ 158,508,453.49	$ 153,857,487.96
EXPENDITURES			
Current			
Instruction	$ 90,469,657.95	$ 91,905,284.41	$ 89,064,117.89
Support Services			
Pupil Services	5,174,482.95	5,153,303.83	4,517,741.78
Improvement of Instructional Services	5,497,753.77	8,283,461.18	5,478,296.76
Educational Media Services	3,112,760.00	3,489,784.64	3,397,309.81
General Administration	1,955,983.83	2,392,660.98	1,518,951.25
School Administration	8,430,194.45	8,954,354.10	9,038,859.36
Business Administration	1,458,744.00	1,330,537.24	1,228,282.13
Maintenance and Operation of Plant	12,877,809.44	12,916,248.76	12,296,441.03
Student Transportation Services	5,748,821.10	6,234,318.84	5,589,607.53
Central Support Services	3,390,182.00	3,497,111.48	2,759,716.43
Other Support Services	1,412,458.01	851,032.91	697,148.50
Enterprise Operations	347,000.00	371,085.62	468,694.27
Community Services Operations	854,975.01	463,186.61	552,374.04
Food Services Operation	10,996,888.00	11,344,698.76	8,658,817.73
Debit Service			259,975.84
Total Expenditures	$ 151,727,710.51	$ 157,187,069.36	$ 145,526,334.35
Excess of Revenues over (under) Expenditures	$ -1,845,108.00	$ 1,321,384.13	$ 8,331,153.61
OTHER FINANCING SOURCES (USES)			
Other Sources	$ 2,128,638.00	$ 1,649,938.99	
Other Uses	-661,703.00	-1,315,000.00	$ -112,055.53
Total Other Financing Sources (Uses)	$ 1,466,935.00	$ 334,938.99	$ -112,055.53
Net Change in Fund Balances	$ -378,173.00	$ 1,656,323.12	$ 8,219,098.08
Fund Balances - Beginning	7,935,547.00	11,021,480.68	11,621,662.25
Fund Balances - Ending	$ 7,557,374.00	$ 12,677,803.80	$ 19,840,760.33

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

(1) Original and Final Budget amounts do not include budgeted revenues or expenditures of the various principal accounts.

The accompanying schedule of revenues, expenditures and changes in fund balances budget and actual is presented on the modified accrual basis of accounting which is the basis of accounting used in the presentation of the fund financial statements.

See notes to the basic financial statements.

DOUGHERTY COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

SCHEDULE "2"

FUNDING AGENCY PROGRAM/GRANT		CFDA NUMBER	PASS-THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD	
Agriculture, U. S. Department of					
Child Nutrition Cluster					
Pass-Through From Georgia Department of Education					
Food Services					
School Breakfast Program		10.553	N/A	(2)	
National School Lunch Program		10.555	N/A	$ 8,800,016.09	(1)
Total U. S. Department of Agriculture				$ 8,800,016.09	
Corporation for National and Community Service					
Pass-Through From Georgia Department of Education					
Learn and Serve America					
School and Community Based Programs		94.004	N/A	$ 12,500.00	
Education, U. S. Department of					
Impact Aid Cluster					
Direct					
Impact Aid		84.041		(3)	
Educational Technology State Grants Cluster					
Pass-Through From Georgia Department of Education					
Education Technology State Grants		84.318	N/A	$ 80,326.89	
School Improvement Grants Cluster					
Pass-Through From Georgia Department of Education					
School Improvement Grants		84.377	N/A	$ 49,232.95	
Special Education Cluster					
Pass-Through From Georgia Department of Education					
Special Education					
ARRA - Grants to States	*	84.391	N/A	1,690,758.83	
ARRA - Preschool Grants	*	84.392	N/A	21,705.25	
Grants to States	*	84.027	N/A	3,417,634.13	
Preschool Grants	*	84.173	N/A	130,561.15	
Total Special Education Cluster				$ 5,260,659.36	
Title I, Part A Cluster					
Pass-Through From Georgia Department of Education					
ARRA - Title I Grants to Local Educational Agencies	*	84.389	N/A	$ 3,720,300.13	
Title I Grants to Local Educational Agencies	*	84.010	N/A	7,947,186.65	
Total Title I, Part A Cluster				$ 11,667,486.78	
Other Programs					
Direct					
Funds for the Improvement of Education		84.215		$ 43,504.68	
Pass-Through From Georgia Department of Education					
ARRA - Race-to-the-Top Incentive Grants		84.395	N/A	35,082.44	
Career and Technical Education - Basic Grants to States		84.048	N/A	277,315.51	
Charter Schools		84.282	N/A	74,398.61	
Education Jobs Fund	*	84.410	N/A	3,020,731.00	
English Language Acquisition Grants		84.365	N/A	16,624.22	
Improving Teacher Quality State Grants		84.367	N/A	1,262,520.84	
Mathematics and Science Partnerships		84.366	N/A	254,363.21	
Migrant Education - State Grant Program		84.011	N/A	44,394.45	
Safe and Drug-Free Schools and Communities - State Grants		84.186	N/A	2,181.75	
Special Education					
State Personnel Development		84.323	N/A	32,217.62	
Twenty-First Century Community Learning Centers		84.287	N/A	272,497.68	
Total Other Programs				$ 5,335,832.01	
Total U. S. Department of Education				$ 22,393,537.99	

DOUGHERTY COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

SCHEDULE "2"

FUNDING AGENCY PROGRAM/GRANT	CFDA NUMBER	PASS-THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD
Georgia Professional Standards Commission			
Transition to Teaching	84.350	N/A	$ 4,000.00
Health and Human Services, U. S. Department of			
Other Programs			
Pass-Through From Georgia Department of Revenue			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	$ 18,172.50
Labor, U. S. Department of			
Workforce Investment Act Cluster			
Pass-Through From Southwest Georgia Regional Development Center			
Workforce Investment Act Youth Activities	17.259	N/A	$ 60,982.06
Defense, U. S. Department of			
Direct			
Department of the Air Force			
R.O.T.C. Program			$ 82,110.61
Department of the Marine Corp			
R.O.T.C. Program			123,277.64
Total U. S. Department of Defense			$ 205,388.25
Total Expenditures of Federal Awards			$ 31,494,596.89

N/A = Not Available

Notes to the Schedule of Expenditures of Federal Awards

(1) Includes the Federally assigned value of donated commodities for the Food Donation Program in the amount of $527,097.31.
(2) Expenditures for the funds earned on the School Breakfast Program ($2,507,484.48) were not maintained separately and are included in the 2011 National School Lunch Program.
(3) Funds earned on the Impact Aid Program, in the amount of $59,270.78, do not require reporting of expenditures.

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

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

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

See notes to the basic financial statements.

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

SCHEDULE "3"

AGENCY/FUNDING	GOVERNMENTAL FUND TYPE GENERAL FUND
GRANTS	
Bright From the Start:	
Georgia Department of Early Care and Learning	
Pre-Kindergarten Program	$ 1,113,568.60
Education, Georgia Department of	
Quality Basic Education	
Direct Instructional Cost	
Kindergarten Program	6,453,546.11
Kindergarten Program - Early Intervention Program	-10,249.00
Primary Grades (1-3) Program	13,491,453.48
Primary Grades - Early Intervention (1-3) Program	969,747.00
Upper Elementary Grades (4-5) Program	6,671,938.86
Upper Elementary Grades - Early Intervention (4-5) Program	1,145,196.84
Middle Grades (6-8) Program	1,828,451.66
Middle School (6-8) Program	9,293,498.66
High School General Education (9-12) Program	8,768,057.39
Vocational Laboratory (9-12) Program	2,528,335.00
Students with Disabilities	
Category I	7,014,931.00
Gifted Student - Category VI	1,332,230.00
Remedial Education Program	64,750.00
Alternative Education Program	794,292.00
English Speakers of Other Languages (ESOL)	287,920.00
Media Center Program	1,785,823.00
20 Days Additional Instruction	563,600.00
Staff and Professional Development	308,480.00
Indirect Cost	
Central Administration	1,720,680.00
School Administration	3,734,399.00
Facility Maintenance and Operations	4,064,591.00
Categorical Grants	
Pupil Transportation	
Regular	1,675,470.00
Mid-term Adjustment Hold-Harmless	778,380.00
Vocational Supervisors	29,270.00
Nursing Services	234,544.00
Education Equalization Funding Grant	9,558,626.00
Food Services	266,983.64
Vocational Education	132,112.00
Amended Formula Adjustment	-11,051,841.00
Other State Programs	
Dual Enrollment Funding	8,065.00
GNETS State Grant	2,286,065.00
Health Insurance	283,972.08
Math and Science Supplements	49,128.14
Preschool Handicapped Program	346,682.00
Teachers' Retirement	51,483.82
Virtual Schools Grant	900.00
Vocational Construction Related Equipment - State Bonds	209,708.76
Office of the State Treasurer	
Public School Employees Retirement	94,702.00
	$ 78,879,492.04

See notes to the basic financial statements.

DOUGHERTY COUNTY BOARD OF EDUCATION
SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS
YEAR ENDED JUNE 30, 2011

SCHEDULE "4"

PROJECT	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3)	AMOUNT EXPENDED IN PRIOR YEARS (3)	PROJECT STATUS
The renovation and improvement of four high schools and five elementary schools, strategic land acquisition for future school expansion, certain other capital repairs and modifications in system-wide schools, buildings and office (including carpet replacement gym flooring and certain other capital repairs and modifications) (ii) the provisions of additional classroom technology (including hardware, software and computer furniture) regular system-wide replacement of computers five years or older, installing six computers in all K-8th grade classrooms and three computers in all 9th-12th grade classrooms, providing system-wide teacher laptop computers, system-wide "wireless-connectivity" in all classroom and other buildings, upgrading existing computer-aided instructional systems to "Model Classroom" standards and providing three additional "Model Classrooms "per school providing system-wide upgraded or new severs and upgraded main data frame (MDF) rooms, installing "voice-over-internet-protocol" (VOIP) in various classrooms throughout the school system, (iii) the provision of safety and security equipment , including system-wide communication equipment and card access systems at various system-wide building and the installation of radio signal-boosters ("radio repeaters") for West Dougherty tower, (iv) vehicle and equipment replacement, including school buses and department trucks, vans and sedans for system-wide use, major maintenance, supply and service equipment, musical equipment, playground equipment, and other educational related equipment, and (v) funding certain financing, project management and election costs related thereto, the maximum cost of such projects not to exceed $95,000,000.00.	$ 95,000,000.00	$ 95,000,000.00	$ 10,279,441.61	$ 51,235,552.95	Ongoing

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

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

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

See notes to the basic financial statements.

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

SCHEDULE "5"

DESCRIPTION	ALLOTMENTS FROM GEORGIA DEPARTMENT OF EDUCATION (1) (2)	ELIGIBLE QBE PROGRAM COSTS SALARIES	OPERATIONS	TOTAL
Direct Instructional Programs				
Kindergarten Program	$ 7,322,356.00	$ 6,240,029.21	$ 61,439.68	$ 6,301,468.89
Kindergarten Program-Early Intervention Program	7,117.00	152,459.81		152,459.81
Primary Grades (1-3) Program	15,463,554.00	13,505,774.65	145,946.41	13,651,721.06
Primary Grades-Early Intervention (1-3) Program	1,099,821.00	836,082.72		836,082.72
Upper Elementary Grades (4-5) Program	7,596,145.00	8,266,580.05	86,066.15	8,352,646.20
Upper Elementary Grades-Early Intervention (4-5) Program	1,266,006.00	628,287.25		628,287.25
Middle Grades (6-8) Program	1,962,110.00	1,926,941.52	26,921.57	1,953,863.09
Middle School (6-8) Program	10,152,338.00	8,799,904.95	68,982.47	8,868,887.42
High School General Education (9-12) Program	9,372,941.00	10,962,197.57	413,052.75	11,375,250.32
Vocational Laboratory (9-12) Program	2,919,066.00	2,220,568.90	149,251.68	2,369,820.58
Students with Disabilities	8,102,862.00			
Category I		74,504.14	986.70	75,490.84
Category II		3,092,709.39	5,081.25	3,097,790.64
Category III		5,065,876.24	31,693.31	5,097,569.55
Category IV		211,184.55	11,352.07	222,536.62
Gifted Student - Category VI	1,534,526.00	1,043,066.11	10,788.40	1,053,854.51
Remedial Education Program	81,584.00			
Alternative Education Program	911,336.00	559,131.48	9,798.97	568,930.45
English Speakers of Other Languages (ESOL)	307,056.00	177,284.88		177,284.88
TOTAL DIRECT INSTRUCTIONAL PROGRAMS	$ 68,098,818.00	$ 63,762,583.42	$ 1,021,361.41	$ 64,783,944.83
Media Center Program				
Staff and Professional Development	2,048,112.00	2,687,577.92	219,407.19	2,906,985.11
	353,452.00	77,448.08	140,581.00	218,029.08
TOTAL QBE FORMULA FUNDS	$ 70,500,382.00	$ 66,527,609.42	$ 1,381,349.60	$ 67,908,959.02

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

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

See notes to the basic financial statements.

SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS

DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

August 10, 2012

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

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

Ladies and Gentlemen:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dougherty County Board of Education as of and for the year ended June 30, 2011, which collectively comprise Dougherty County Board of Education's basic financial statements and have issued our report thereon dated August 10, 2012. Our report was modified to include a reference to other auditors. 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. Other auditors audited the financial statements of the Dougherty County Board of Education's discretely presented component unit, as described in our report on the Dougherty County Board of Education's financial statements. This report does not include the results of other auditor's testing of internal controls over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

Management of Dougherty County Board of Education is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Dougherty County Board of Education's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Dougherty County Board of Education's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Dougherty County Board of Education's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we consider items FS-6471-11-01, FS-6471-11-02, and FS-6471-11-03, described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

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

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

Respectfully submitted,



Greg S. Griffin
State Auditor

GSG:as
2011YB-30X

DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

August 10, 2012

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

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

Ladies and Gentlemen:

Compliance

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

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

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

Internal Control Over Compliance

Management of Dougherty County Board of Education is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Dougherty County Board of Education's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Dougherty County 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, members of the Dougherty County Board of Education, others within the entity, Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Greg S. Griffin
State Auditor

GSG:as
2011SA-10

SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

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

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FINDING CONTROL NUMBER AND STATUS

FS-6471-09-01	Further Action Not Warranted
FS-6471-10-01	Unresolved - See Corrective Action/Responses

CORRECTIVE ACTION/RESPONSES

CASH AND CASH EQUIVALENTS
REVENUES/RECEIVABLES/RECEIPTS
EXPENDITURES/LIABILITIES/DISBURSEMENTS
Inadequate Accounting Procedures over School Activity Accounts
Finding Control Number: FS-6471-10-01

The number of staff available for assignment to conduct accounting functions in the schools is limited. The School District's internal auditor will continue to work with the available staff in each school to develop compensating controls.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING CONTROL NUMBER AND STATUS

FA-6471-08-02	Previously Reported Corrective Action Implemented

SECTION IV

FINDINGS AND QUESTIONED COSTS

DOUGHERTY COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issue:
Governmental Activities; General Fund; Capital Projects Fund; Debt Service Fund; Aggregate Remaining Fund Information; Discretely Presented Component Unit — Unqualified

Internal control over financial reporting:
- Material weakness identified? — No
- Significant deficiencies identified? — Yes

Noncompliance material to financial statements noted: — No

Federal Awards

Internal Control over major programs:
- Material weakness identified? — No
- Significant deficiency identified? — None Reported

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

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)? — No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.010, 84.389	Title I, Part A Cluster
84.027, 84.173, 84.391, 84.392	Special Education Cluster
84.410	Education Jobs Fund

Dollar threshold used to distinguish between Type A and Type B programs: $946,616.03

Auditee qualified as low-risk auditee? — No

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

CASH AND CASH EQUIVALENTS
REVENUES/RECEIVABLES/RECEIPTS
EXPENDITURES/LIABILITIES/DISBURSEMENTS
Inadequate Accounting Procedures over School Activity Accounts
Significant Deficiency
Finding Control Number: FS-6471-11-01

Condition:

This is a repeat finding (FS-6471-10-01, FS-6471-09-01, and FS-6471-08-01) from the years ended June 30, 2010, June 30, 2009, and June 30, 2008, respectively. The accounting procedures of the School District were insufficient to provide for adequate internal controls over the school activity accounts.

Criteria:

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

Questioned Cost:

N/A

Information:

Cash and Cash Equivalents

- The bank reconciliation function was not separated from the record keeping and voucher payment functions.
- Testing revealed bank reconciliations that were not approved by the appropriate personnel.

Revenues and Receivables

- Deposit preparation was not separated from the record keeping and cash custody functions.
- The following deficiencies were noted during our test of transactions:
  1. Receipts were not deposited in a timely manner.
  2. Receipts did not have adequate supporting documentation in order to trace to recording on the general ledger.
  3. Deposits did not agree with receipts/supporting documentation.
  4. Receipt documentation did not contain the signature of two employees as required by board policy.

Expenditures/Liabilities/Disbursements

- The check writing function was not separated from the record keeping or processing of signed checks.
- The following deficiencies were noted during our test of transactions:
  1. Several expenditures did not have invoices attached.
  2. Several expenditures were not paid the correct amount per the invoice attached.
  3. Expenditures lacked information to be able to trace to recording on the general ledger.
  4. Several did not have evidence of receipt of goods.
  5. Expenditures did not have approved requisitions.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Cause:
These deficiencies were a result of management's failure to ensure that internal controls were established, implemented and functioning at the school level.

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

Recommendation:
The School District should implement procedures to ensure that the key accounting functions of custody, record keeping and authorization be separated and/or utilize management oversight of these incompatible activities. Additionally, management should revise and monitor controls to provide reasonable assurance that transactions are processed according to established procedures.

CAPITAL ASSETS
Failure to Adequately Maintain Capital Assets
Significant Deficiency
Finding Control Number: FS-6471-11-02

Condition:
The School District failed to adequately maintain the capital asset records.

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

Questioned Costs:
N/A

Information:
A review of the School District's capital asset records noted the following deficiencies and errors or omissions:

- Several assets meeting the threshold were not properly capitalized.
- Items included in buildings were not removed from construction in progress.
- Additions to the capital assets listing were recorded at incorrect amounts.
- The School District failed to provide an accurate and complete listing of buildings.
- The School District did not accurately calculate depreciation expense for numerous assets.

Cause:
The School District failed to ensure that adequate accounting procedures were in place to process, record and report capital assets and the related activity.

Effect:
The failure of the School District to maintain a complete and accurate capital assets listing can lead to inaccurate internal and external reporting, as well as noncompliance with generally accepted accounting principles.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Recommendation:
The School District should review its capital asset records and make appropriate adjustments to ensure that the capital assets are properly maintained and correctly reported.

FINANCIAL REPORTING
Inadequate Controls over Financial Reporting
Significant Deficiency
Finding Control Number: FS-6471-11-03

Condition:
The School District did not have adequate controls in place to ensure that all required activity was properly included in the financial statement information presented for audit.

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

Questioned Costs:
N/A

Information:
Notable audit entries were proposed by the auditor and accepted by the client to properly present the entity's financial statements in accordance with Chapter 22A *Annual Financial Reporting* of the Financial Management for Georgia Local Units of Administration.

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

Effect:
The School District did not comply with the requirements of the Georgia Department of Education regarding financial reporting. Adjustments were necessary in order for the School District's financial statements, notes to the financial statements and schedules to be properly stated.

Recommendation:
The School District should develop and implement internal controls over the financial statement reporting process to ensure that all required activity (including note disclosures) is properly recorded in the financial statement information presented for audit.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION V

MANAGEMENT'S RESPONSES

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

Finding Control Number: FS-6471-11-01

We concur with this finding. The number of staff available for assignment of accounting functions is limited in the schools; however, the School District's internal auditor will continue to work with the available staff in each school to develop compensating controls and ensure proper separation of duties at the school level. In addition, during the 2013 fiscal year, the District will conduct training on the management of school activity accounts for principals and the appropriate school office staff.

Finding Control Number: FS-6471-11-02

We concur with this finding. Management will implement procedures to review its capital asset records and make appropriate adjustments to ensure that the capital assets are properly maintained and correctly reported.

Finding Control Number: FS-6471-11-03

We concur with this finding. Management will provide additional employee training, as well as develop and implement internal controls over the financial statement reporting process to ensure that all required activity is properly recorded in the financial statement information presented for audit.

Contact Person: Kenneth Dyer, Executive Director of Finance and Operational Services
Telephone: (229) 431-1234
Fax: (229) 431-1239
Email: kenneth.dyer@docoschools.org