

ELBERT COUNTY
BOARD OF EDUCATION
ELBERTON, GEORGIA

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

ELBERT 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

Russell W. Hinton
STATE AUDITOR
(404) 656-2174

May 31, 2012

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
Elbert 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 I) of the Elbert 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 Elbert County Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Elbert 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.

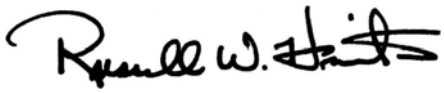
In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2012, on our consideration of the Elbert County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 vii and page 27 respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

Respectfully submitted,



Russell W. Hinton, CPA, CGFM
State Auditor

RWH:as
2011ARL-11

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

Introduction

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

Financial Highlights

Key financial highlights for fiscal year 2011 are as follows:

- On the District-wide financial statements, the assets of the School District exceeded liabilities by $24.9 million. Of this amount, the School District has a balance of $2.1 million in unrestricted funds.

- The School District had $37.7 million in expenses relating to governmental activities; only $26.0 million of these expenses are offset by program specific charges for services, grants and contributions. General revenues (primarily property and sales taxes) of $12.6 million were utilized to provide for these programs with the result that Net Assets were increased by $879 thousand.

- As stated above, general revenues accounted for $12.6 million or 32.6% of all revenues totaling $38.6 million. Program specific revenues in the form of charges for services, grants and contributions accounted for the rest.

Overview of the Financial Statements

This annual report consists of three parts; management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two levels of statements that present different views of the School District. These include the District-wide and fund financial statements.

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

The fund financial statements focus on individual parts of the School District, reporting the School District's operation in more detail. The Governmental Funds statements disclose how basic services are financed in the short-term as well as what remains for future spending. The Fiduciary Funds statements provide information about the financial relationships in which the School District acts solely as a trustee or agent for the benefit of others. The fund financial statements reflect the School District's most significant funds. In the case of the Elbert County School District, the General Fund and District-wide Capital Projects Fund are the most significant funds.

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

District-wide Statements

The District-wide financial statements are basically a consolidation of all of the School District's operating funds into one column called governmental activities. In reviewing the District-wide financial statements, a reader might ask the question, are we in a better financial position than last year? The Statement of Net Assets and the Statement of Activities provides the basis for answering this question. These financial statements include all School District's assets and liabilities and uses the **accrual basis of accounting** similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and any changes in those assets. The change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the results of many factors, including those not under the School District's control, such as the property tax base, facility conditions, required educational programs and other factors.

The Statement of Net Assets and the Statement of Activities reflects the School District's governmental activities.

Fund Financial Statements

The School District uses many funds to account for a multitude of financial transactions during the fiscal year. However, the fund financial statements presented in this report provide detail information about only the School District's significant or major funds.

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

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

Financial Analysis of the School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for this fiscal year as compared to the prior fiscal year.

Table 1 - Net Assets

	Governmental Activities	
	Fiscal Year 2011	Fiscal Year 2010
Assets		
Current and Other Assets	$ 7,673,540.92	$ 6,089,033.73
Capital Assets, Net	22,762,375.57	22,888,224.75
Total Assets	$ 30,435,916.49	$ 28,977,258.48
Liabilities		
Current and Other Liabilities	$ 4,992,786.75	$ 4,247,621.24
Long-Term Liabities	586,132.06	751,889.64
Total Liabilities	$ 5,578,918.81	$ 4,999,510.88
Net Assets		
Invested in Capital Assets, Net of Related Debt	$ 22,176,243.57	$ 22,136,335.11
Restricted	628,319.48	377,740.75
Unrestricted	2,052,434.63	1,463,671.74
Total Net Assets	$ 24,856,997.68	$ 23,977,747.60

Table 2 shows the Changes in Net Assets for this fiscal year as compared to the prior fiscal year.

Table 2 - Changes in Net Assets

	Governmental Activities	
	Fiscal Year 2011	Fiscal Year 2010
Revenues		
Program Revenues:		
Charges for Services	$ 482,522.84	$ 744,998.77
Operating Grants and Contributions	25,312,017.75	22,299,796.26
Capital Grants and Contributions	228,876.00	
Total Program Revenues	$ 26,023,416.59	$ 23,044,795.03
General Revenues:		
Taxes		
Property Taxes for Maintenance & Operations	$ 9,071,023.88	$ 9,084,656.64
Sales Taxes	2,136,276.95	2,159,829.93
Other Taxes	95,142.45	
Grants and Contributions Not Restricted to Specific Programs		2,321,181.00
Investment Earnings	9,826.75	19,391.79
Miscellaneous	1,257,822.63	938,264.07
Total General Revenues	$ 12,570,092.66	$ 14,523,323.43
Total Revenues	$ 38,593,509.25	$ 37,568,118.46
Program Expenses		
Instruction	$ 23,591,282.98	$ 25,159,359.79
Support Services		
Pupil Services	1,439,432.04	1,444,729.83
Improvement of Instructional Services	1,517,096.37	1,480,346.53
Educational Media Services	764,428.45	820,536.07
General Administration	1,379,946.38	917,195.45
School Administration	2,007,124.89	2,031,407.64
Business Administration	488,898.09	343,985.94
Maintenance and Operation of Plant	2,197,494.89	2,122,051.02
Student Transportation Services	1,708,124.98	1,800,915.96
Central Support Services	194,599.20	154,856.66
Other Support Services	137,664.39	152,314.42
Operations of Non-Instructional Services		
Enterprise Operations	20,332.13	21,710.35
Food Services	2,221,774.83	2,169,558.93
Interest on Debt	46,059.55	62,525.37
Total Expenses	$ 37,714,259.17	$ 38,681,493.96
Increase (Decrease) in Net Assets	$ 879,250.08	$ -1,113,375.50

Governmental Activities

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

Table 3 - Governmental Activities

	Total Cost of Services		Net Cost of Services	
	Fiscal Year 2011	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2010
Instruction	$ 23,591,282.98	$ 25,159,359.79	$ 4,883,716.95	$ 9,983,624.47
Support Services				
Pupil Services	1,439,432.04	1,444,729.83	905,272.87	924,354.12
Improvement of Instructional Services	1,517,096.37	1,480,346.53	870,107.71	885,708.28
Educational Media Services	764,428.45	820,536.07	367,405.45	313,213.08
General Administration	1,379,946.38	917,195.45	690,826.11	101,450.87
School Administration	2,007,124.89	2,031,407.64	929,253.59	743,122.78
Business Administration	488,898.09	343,985.94	488,898.09	338,885.88
Maintenance and Operation of Plant	2,197,494.89	2,122,051.02	1,343,878.89	1,112,552.75
Student Transportation Services	1,708,124.98	1,800,915.96	739,387.07	884,111.99
Central Support Services	194,599.20	154,856.66	194,599.20	152,560.70
Other Support Services	137,664.39	152,314.42	113,004.53	121,312.53
Operations of Non-Instructional Services				
Enterprise Operations	20,332.13	21,710.35	3,697.49	-8,024.45
Food Services	2,221,774.83	2,169,558.93	114,735.08	21,300.56
Interest on Debt	46,059.55	62,525.37	46,059.55	62,525.37
Total Expenses	$ 37,714,259.17	$ 38,681,493.96	$ 11,690,842.58	$ 15,636,698.93

Although program revenues make up a majority of the revenues, the School District is still dependent upon tax revenues for governmental activities. Over 20.7 percent of instruction activities are supported through taxes and other general revenues; for all governmental activities general revenue support is 31 percent.

Financial Analysis of the School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The governmental funds had total revenues and other financing sources of $38.3 million and total expenditures and other financing uses of $37.8 million.

General Fund Budgeting Highlights

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

For the General Fund, the final actual revenues and other financing sources of $36.1 million exceeded the original budgeted amounts of $32.0 million by $4.1 million. This difference (final actual vs. original budget) was due primarily to Federal and miscellaneous revenues exceeding the original budget by $1.6 and $0.81 million, respectfully. Additionally, state revenues exceeded the original budget by $1.4 million.

The final actual expenditures and other financing uses of $35.9 million exceeded the original budgeted amount of $32.0 million by $3.9 million. This difference was primarily due to grants expenditures that were not considered in the budget process.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At fiscal year ended June 30, 2011, the School District had $22.76 million invested in capital assets, all in governmental activities. Table 4 reflects a summary of these balances net of accumulated depreciation as compared to the prior fiscal year.

Table 4 - Capital Assets (Net of Depreciation)

	Governmental Activities	
	Fiscal Year 2011	Fiscal Year 2010
Land	$ 1,347,522.00	$ 1,347,522.00
Buildings and Improvements	18,251,997.56	18,814,267.35
Equipment	2,588,808.59	2,291,995.96
Land Improvements	460,337.19	
Intangible Assets	113,710.23	434,439.44
Total Capital Assets	$ 22,762,375.57	$ 22,888,224.75

Debt

At fiscal year ended June 30, 2011, the School District had $586 thousand in other long-term debt. Table 5 summarizes the School District's debt for capital leases and intergovernmental agreement outstanding.

Table 5 - Long-Term Debt

	Governmental Activities	
	Fiscal Year 2011	Fiscal Year 2010
Capital Leases	$ 459,440.61	$ 615,372.50
Intergovernmental Agreement	126,691.45	136,517.14
Total Long-Term Debt	$ 586,132.06	$ 751,889.64

Current Issues

Currently known facts, decisions or conditions that are expected to have a significant effect on financial positions or results of operations are as follows:

- State Funding Reductions - The State of Georgia has experienced significant reductions in state revenues and has passed a portion of those reductions to school districts by implementing "Austerity" and other cuts. For the fiscal year ended June 30, 2011, the "Austerity" reduction for the School District was $2,675,939.00. This is in addition to other smaller cuts in funding for media, transportation and staff development. Due to the economic forecasts, future austerity cuts in state funding can be expected, however, it is not known to what extent.
- American Recovery and Reinvestment Act - For the year ending June 30, 2011, the School District received approximately $1.62 million in Federal stimulus funds (ARRA - American Recovery and Reinvestment Act). Those funds are not expected to continue for the 2011-12 fiscal year.
- Due to the District experiencing reductions in state funding and the discontinuation of the ARRA funds, the District will be implementing various expenditure reduction measures in the 2011-12 fiscal year to provide for a balanced budget with the goal of rebuilding an adequate fund balance to fund future funding reductions.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. Ben M. Childs, Chief Financial Officer at Elbert County School District, 50 Laurel Drive, Elberton, Georgia 30635 or by phone at (706) 213-4000. You may also email your question to Mr. Childs at bchilds@elbert.k12.ga.us.

ELBERT COUNTY BOARD OF EDUCATION

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

EXHIBIT "A"

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and Cash Equivalents	$ 3,125,817.04
Investments	16,848.92
Accounts Receivable, Net	
Taxes	1,657,938.10
State Government	2,190,421.36
Federal Government	645,198.77
Local	1,941.18
Due From Other Funds	1,000.00
Inventories	34,375.55
Capital Assets, Non-Depreciable	1,347,522.00
Capital Assets, Depreciable (Net of Accumulated Depreciation)	21,414,853.57
Total Assets	$ 30,435,916.49
LIABILITIES	
Accounts Payable	$ 415,840.47
Salaries and Benefits Payable	4,516,097.56
Deposits and Deferred Revenues	60,848.72
Long-Term Liabilities	
Due Within One Year	203,868.72
Due in More Than One Year	382,263.34
Total Liabilities	$ 5,578,918.81
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	$ 22,176,243.57
Restricted for	
Continuation of Federal Programs	363,824.49
Capital Projects	264,494.99
Unrestricted	2,052,434.63
Total Net Assets	$ 24,856,997.68
Total Liabilities and Net Assets	$ 30,435,916.49

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

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

	EXPENSES	CHARGES FOR SERVICES
GOVERNMENTAL ACTIVITIES		
Instruction	$ 23,591,282.98	$ 2,476.14
Support Services		
Pupil Services	1,439,432.04	
Improvement of Instructional Services	1,517,096.37	
Educational Media Services	764,428.45	
General Administration	1,379,946.38	
School Administration	2,007,124.89	
Business Administration	488,898.09	
Maintenance and Operation of Plant	2,197,494.89	
Student Transportation Services	1,708,124.98	
Central Support Services	194,599.20	
Other Support Services	137,664.39	
Operations of Non-Instructional Services		
Enterprise Operations	20,332.13	16,634.64
Food Services	2,221,774.83	463,412.06
Interest on Short-Term and Long-Term Debt	46,059.55	
Total Governmental Activities	$ 37,714,259.17	$ 482,522.84
General Revenues		
Taxes		
Property Taxes		
For Maintenance and Operations		
Railroad Cars		
Other Taxes		
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Capital Projects		
Investment Earnings		
Miscellaneous		
Total General Revenues		
Change in Net Assets		
Net Assets - Beginning of Year		
Net Assets - End of Year		

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

PROGRAM REVENUES		NET (EXPENSES)
OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	REVENUES AND CHANGES IN NET ASSETS
$ 18,705,089.89		$ -4,883,716.95
534,159.17		-905,272.87
646,988.66		-870,107.71
397,023.00		-367,405.45
689,120.27		-690,826.11
1,077,871.30		-929,253.59
		-488,898.09
853,616.00		-1,343,878.89
739,861.91	$ 228,876.00	-739,387.07
		-194,599.20
24,659.86		-113,004.53
		-3,697.49
1,643,627.69		-114,735.08
		-46,059.55
$ 25,312,017.75	$ 228,876.00	$ -11,690,842.58
		$ 9,071,023.88
		25,018.14
		70,124.31
		2,136,276.95
		9,826.75
		1,257,822.63
		$ 12,570,092.66
		$ 879,250.08
		23,977,747.60
		$ 24,856,997.68

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

EXHIBIT "C"

	GENERAL FUND	DISTRICT-WIDE CAPITAL PROJECTS FUND	TOTAL
ASSETS			
Cash and Cash Equivalents	$ 3,025,811.75	$ 100,005.29	$ 3,125,817.04
Investments	16,848.92		16,848.92
Accounts Receivable, Net			
Taxes	1,493,448.40	164,489.70	1,657,938.10
State Government	2,190,421.36		2,190,421.36
Federal Government	645,198.77		645,198.77
Local	1,941.18		1,941.18
Due From Other Funds	1,000.00		1,000.00
Inventories	34,375.55		34,375.55
Total Assets	$ 7,409,045.93	$ 264,494.99	$ 7,673,540.92
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	$ 415,840.47		$ 415,840.47
Salaries and Benefits Payable	4,516,097.56		4,516,097.56
Deposits and Deferred Revenue	1,280,098.46		1,280,098.46
Total Liabilities	$ 6,212,036.49		$ 6,212,036.49
FUND BALANCES			
Nonspendable	$ 34,375.55		$ 34,375.55
Restricted	329,448.94	$ 264,494.99	593,943.93
Committed	256,632.27		256,632.27
Assigned	16,848.92		16,848.92
Unassigned	559,703.76		559,703.76
Total Fund Balances	$ 1,197,009.44	$ 264,494.99	$ 1,461,504.43
Total Liabilities and Fund Balances	$ 7,409,045.93	$ 264,494.99	$ 7,673,540.92

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

ELBERT 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")		$ 1,461,504.43
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	$ 1,347,522.00	
Land Improvements	2,684,729.36	
Buildings	27,480,654.09	
Equipment	5,946,667.62	
Intangible Assets	126,306.25	
Accumulated Depreciation	-14,823,503.75	
Total Capital Assets		22,762,375.57
Taxes that are not available to pay for current period expenditures are deferred in the funds.		1,219,249.74
Long-Term Liabilities 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:		
Capital Leases Payable	$ -459,440.61	
Installment Sales Agreement	-126,691.45	
Total Long-Term Liabilities		-586,132.06
Net Assets of Governmental Activities (Exhibit "A")		$ 24,856,997.68

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

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

EXHIBIT "E"

	GENERAL FUND	DISTRICT-WIDE CAPITAL PROJECTS FUND	TOTAL
REVENUES			
Property Taxes	$ 8,842,461.37		$ 8,842,461.37
Sales Taxes		$ 2,136,276.95	2,136,276.95
State Funds	19,233,482.18		19,233,482.18
Federal Funds	6,307,411.57		6,307,411.57
Charges for Services	482,522.84		482,522.84
Investment Earnings	7,990.98	1,835.77	9,826.75
Miscellaneous	1,257,822.63		1,257,822.63
Total Revenues	$ 36,131,691.57	$ 2,138,112.72	$ 38,269,804.29
EXPENDITURES			
Current			
Instruction	$ 22,992,973.65	$ 184,524.60	$ 23,177,498.25
Support Services			
Pupil Services	1,414,160.23		1,414,160.23
Improvement of Instructional Services	1,490,461.01		1,490,461.01
Educational Media Services	751,007.53		751,007.53
General Administration	727,137.06	632,529.96	1,359,667.02
School Administration	1,971,886.21		1,971,886.21
Business Administration	333,721.35	146,593.25	480,314.60
Maintenance and Operation of Plant	2,158,913.92		2,158,913.92
Student Transportation Services	1,554,146.18	120,041.52	1,674,187.70
Central Support Services	154,362.66	36,820.00	191,182.66
Other Support Services	135,247.44		135,247.44
Enterprise Operations	19,975.16		19,975.16
Food Services Operation	2,167,515.80	15,287.50	2,182,803.30
Capital Outlay		535,045.41	535,045.41
Debt Services			
Principal	9,825.69	155,931.89	165,757.58
Interest	7,113.95	46,843.60	53,957.55
Total Expenditures	$ 35,888,447.84	$ 1,873,617.73	$ 37,762,065.57
Net Change in Fund Balances	$ 243,243.73	$ 264,494.99	$ 507,738.72
Fund Balances - Beginning	953,765.71	0.00	953,765.71
Fund Balances - Ending	$ 1,197,009.44	$ 264,494.99	$ 1,461,504.43

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

ELBERT 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")		$ 507,738.72
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	$ 847,231.98	
Depreciation Expense	-973,081.16	
Excess of Capital Outlay over Depreciation Expense		-125,849.18
Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		323,704.96
Repayment of Long-Term Debt is reported as an expenditure in Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Assets. In the current year, these amounts consist of:		
Capital Lease Payments	$ 155,931.89	
Installment Sales Agreement	9,825.69	
Total Long-Term Debt Repayments		165,757.58
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. This activity consists of:		
Net Decrease in Accrued Interest		7,898.00
Change in Net Assets of Governmental Activities (Exhibit "B")		$ 879,250.08

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

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

EXHIBIT "G"

	PRIVATE PURPOSE TRUSTS	AGENCY FUNDS
ASSETS		
Cash and Cash Equivalents		$ 27,857.79
Investments	$ 40,025.56	
Total Assets	$ 40,025.56	$ 27,857.79
LIABILITIES		
Due to Other Funds	$ 1,000.00	
Funds Held for Others		$ 27,857.79
Total Liabilities	$ 1,000.00	$ 27,857.79
NET ASSETS		
Held in Trust for Private Purposes	39,025.56	
Total Liabilities and Net Assets	$ 40,025.56	$ 27,857.79

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

ELBERT COUNTY BOARD OF EDUCATION
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2011

EXHIBIT "H"

	PRIVATE PURPOSE TRUSTS
ADDITIONS	
Investment Earnings	
Interest	$ 757.69
DEDUCTIONS	
Scholarships	$ 1,000.00
Change in Net Assets	$ -242.31
Net Assets - Beginning	39,267.87
Net Assets - Ending	$ 39,025.56

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

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NOTE 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

REPORTING ENTITY

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The School District's basic financial statements are collectively comprised of the District-wide financial statements, fund financial statements and notes to the basic financial statements of the Elbert 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) that are restricted, committed or assigned to the expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The School District reports the following fiduciary fund types:

- Private Purpose Trust funds report trust arrangements under which principal and income benefit various scholarships.
- Agency funds account for assets held by the School District as an agent for various school organizations.

BASIS OF ACCOUNTING

The basis of accounting determines when transactions are reported on the financial statements. The District-wide governmental and fiduciary 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, 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 addresses 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 Elbert County Board of Commissioners fixed the property tax levy for the 2010 tax digest year (calendar year) on August 12, 2010 (levy date). Taxes were due on December 3, 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 Elbert County Tax Commissioner bills and collects the property taxes for the School District, withholds 2.5% of taxes collected as a fee for tax collection and remits the balance of taxes collected to the School District. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2011, for maintenance and operations amounted to $8,747,318.92.

Tax millage rates levied for the 2010 tax year (calendar year) for the Elbert County Board of Education were as follows (a mill equals $1 per thousand dollars of assessed value):

School Operations	15.996 mills

SALES TAXES

Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to $2,136,276.95 and is to be used for capital outlay for educational purposes. 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.

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
Land Improvements	$ 5,000.00	20 years
Buildings and Improvements	$ 5,000.00	up to 50 years
Equipment	$ 5,000.00	2 to 25 years
Intangible Assets	$ 5,000.00	5 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 5 years.

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 continuation of Federal programs 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		$ 34,375.55
Restricted		
Continuation of Federal Programs	$ 329,448.94	
Capital Projects	264,494.99	593,943.93
Committed		
School Activity Accounts		256,632.27
Assigned		
Rutland Center		16,848.92
Unassigned		559,703.76
Fund Balance, June 30, 2011		$ 1,461,504.43

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

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

USE OF ESTIMATES

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

NOTE 3: DEPOSITS AND INVESTMENTS

COLLATERALIZATION OF DEPOSITS

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

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

1. Surety bond signed by a surety company duly qualified and authorized to transact business within the State of Georgia,
2. Insurance on accounts provided by the Federal Deposit Insurance Corporation,
3. Bonds, bills, notes, certificates of indebtedness or other direct obligations of the United States or of the State of Georgia,
4. Bonds, bills, notes, certificates of indebtedness or other obligations of the counties or municipalities of the State of Georgia,
5. Bonds of any public authority created by the laws of the State of Georgia, providing that the statute that created the authority authorized the use of the bonds for this purpose,
6. Industrial revenue bonds and bonds of development authorities created by the laws of the State of Georgia, and
7. Bonds, bills, notes, certificates of indebtedness, or other obligations of a subsidiary corporation of the United States government, which are fully guaranteed by the United States government both as to principal and interest or debt obligations issued by or securities guaranteed by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, the Central Bank for Cooperatives, the Farm Credit Banks, the Federal Home Loan Mortgage Association, and the Federal National Mortgage Association.

CATEGORIZATION OF DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. At June 30, 2011, the bank balances were $4,001,081.92. 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 risk category at June 30, 2011, are as follows:

Custodial Credit Risk Category	Bank Balance
1	$ 0.00
2	576,096.70
3	394,329.19
Total	$ 970,425.89

CATEGORIZATION OF INVESTMENTS

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

Investment Type	Fair Value
Other Investments	
U. S. Treasury	
Money Market Funds	$ 16,848.92

The U. S. Treasury Money Market Funds are in an Institutional Treasury Portfolio fund managed by Fidelity Investments. The Institutional Treasury Portfolio Fund is rated AAAm by Standard and Poor's. The weighted average maturity of the fund is approximately 35 days.

NOTE 4: NON-MONETARY TRANSACTIONS

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

NOTE 5: CAPITAL ASSETS

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

	Balances July 1, 2010	Increases	Decreases	Balances June 30, 2011
Governmental Activities				
Land	$ 1,347,522.00	$ 0.00	$ 0.00	$ 1,347,522.00
Capital Assets, Being Depreciated:				
Buildings and Improvements	$ 27,480,654.09		$ 0.00	$ 27,480,654.09
Equipment	5,280,744.89	$ 665,922.73		5,946,667.62
Land Improvements	2,629,726.36	55,003.00		2,684,729.36
Intangible Assets	0.00	126,306.25		126,306.25
Less: Accumulated Depreciation:				
Buildings and Improvements	8,666,386.74	562,269.79		9,228,656.53
Equipment	2,988,748.93	369,110.10		3,357,859.03
Land Improvements	2,195,286.92	29,105.25		2,224,392.17
Intangible Assets	0.00	12,596.02		12,596.02
Total Capital Assets, Being Depreciated, Net	$ 21,540,702.75	$ -125,849.18	$ 0.00	$ 21,414,853.57
Governmental Activity Capital Assets - Net	$ 22,888,224.75	$ -125,849.18	$ 0.00	$ 22,762,375.57

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

	Governmental Funds
Buildings and Improvements	$ 1,589,410.01
Equipment	1,098,176.83
Less: Accumulated Depreciation	1,470,215.38
	$ 1,217,371.46

Current year depreciation expense by function is as follows:

Instruction		$ 614,432.89
Support Services		
Pupil Services	$ 36,678.80	
Improvements of Instructional Services	38,657.80	
Educational Media Services	19,478.74	
General Administration	35,163.02	
School Administration	51,144.43	
Business Administration	12,457.83	
Maintenance and Operation of Plant	55,995.33	
Student Transportation Services	43,525.48	
Central Support Services	4,958.67	
Other Support Services	3,507.89	
Enterprise Operations	518.09	302,086.08
Food Services		56,562.19
		$ 973,081.16

NOTE 6: INTERFUND ASSETS AND LIABILITIES

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

	Due From Other Funds	Due To Other Funds
General Fund	$ 1,000.00	
Private Purpose Trust Fund		$ 1,000.00
	$ 1,000.00	$ 1,000.00

The General Fund receivable is a result of financing the scholarships for the trust fund as the Private Purpose Trust funds were in Certificates of Deposit at the time.

NOTE 7: RISK MANAGEMENT

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

The School District has obtained commercial insurance for risk of loss associated with torts, assets, and errors or omissions. However, the errors or omissions policy excludes coverage for sexual harassment and discrimination. The School District has neither significantly reduced coverage for these risks nor incurred losses (settlements) which exceeded the School District's insurance coverage in any of the past three years.

The School District has elected to self-insure for all losses related to acts of God. The School District has not experienced any losses related to this risk in the past three years.

The School District is self-insured with regard to unemployment compensation claims. The School District accounts for claims within the General Fund 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	$ 8,772.00	$ 5,278.00	$ 3,494.00
2011	$ 3,494.00	$ 37,493.00	$ 29,562.00	$ 11,425.00

The School District participates in the Georgia Education Workers' Compensation Trust, a public entity risk pool organized on December 1, 1991, to develop, implement and administer a program of workers' compensation self-insurance for its member organizations. The School District pays an annual premium to the Trust for its general insurance coverage. Additional insurance coverage is provided through an agreement by the Trust with the Safety National Casualty Company to provide coverage for potential losses sustained by the Trust in excess of $1,000,000.00 loss per occurrence, up to the statutory limit. Employers' Liability insurance coverage is also provided by Safety National Casualty Company with a loss fund percentage of 100%, based on the Fund's annual normal premium, up to a maximum limit of indemnity of aggregate limit of $2,000,000.00.

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

Position Covered	Amount
Superintendent	$ 100,000.00

NOTE 8: OPERATING LEASES

Elbert County Board of Education has entered into various leases as lessee for copiers. 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 $34,020.00. Future minimum lease payments for these leases are as follows:

Year Ending	Governmental Funds
2012	$ 6,436.00
2013	3,036.00
2014	1,605.00
Total	$ 11,077.00

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	$ 2,000,000.00	$ 2,000,000.00	$ 0.00

NOTE 10: LONG-TERM DEBT

CAPITAL LEASES

The Elbert County Board of Education also entered into various lease agreements for capital equipment and facility renovation. These lease agreements qualify as capital leases for accounting purposes, and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

INSTALLMENT SALES AGREEMENT

The Elbert County Board of Education entered into an agreement with the Northeast Georgia Regional Educational Service Agency (NGRESA) dated July 1, 2006, for the construction and subsequent lease of the Rutland Center. Under the terms of the agreement, the School District will make annual payments through July 15, 2020.

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
Capital Lease	$ 615,372.50	$ 0.00	$ 155,931.89	$ 459,440.61	$ 192,330.40
Installment Sales Agreement	136,517.14		9,825.69	126,691.45	11,538.32
	$ 751,889.64	$ 0.00	$ 165,757.58	$ 586,132.06	$ 203,868.72

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

	Capital Leases		Intergovernmental Agreement	
	Principal	Interest	Principal	Interest
Fiscal Year Ended June 30:				
2012	$ 192,330.40	$ 20,845.76	$ 11,538.32	$ 5,270.37
2013	181,953.87	10,420.27	11,998.32	4,790.36
2014	85,156.34	3,211.78	12,458.32	4,291.25
2015			13,033.31	3,772.97
2016			13,531.64	3,230.78
2017 - 2021			64,131.54	7,215.85
Total Principal and Interest	$ 459,440.61	$ 34,477.81	$ 126,691.45	$ 28,571.58

NOTE 11: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of $123,050.07 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 $75,982.67

Paid to the Teachers' Retirement System of Georgia
For Teachers' Retirement System (TRS) Employer's Cost
In the amount of $27,602.40

Office of the State Treasurer
Paid to the Public School Employees' Retirement System
For Public School Employees' Retirement (PSERS) Employer's Cost
In the amount of $19,465.00

NOTE 12: SIGNIFICANT CONTINGENT LIABILITIES

Amounts received or receivable principally from the Federal government are subject to audit and review by grantor agencies. This could result in requests for reimbursement to the grantor agency for any costs which are disallowed under grant terms. The School District believes that such disallowances, if any, will be immaterial to its overall financial position.

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

NOTE 13: SUBSEQUENT EVENTS

On November 1, 2011 the voters of Elbert County voted in favor of a Special Purpose Local Option Sales Tax referendum for educational purposes. The reimposition of the tax approved by the voters, as stated on the Official Ballot of Elbert County, is as follows:

> "Shall a one percent sales and use tax for educational purposes be continued in Elbert County for a period not to exceed 20 calendar quarters (5 years), commencing on the first day of the expiration of the current tax, for the purpose of raising not more than $13,500,000.00 of net proceeds by said tax, for the following projects:
>
> (1) Renovating, modernizing, equipping, repairing and improving Elbert County Comprehensive High School to include mechanical, structural, educational and other facility functions, with an estimated cost of $7,095,663.00;
>
> (2) Purchasing textbooks and software, with an estimated cost of $1,230,469.00;
>
> (3) Acquiring and improving school buses and other vehicles, with an estimated cost of $703,125.00;
>
> (4) Purchasing, upgrading and supporting existing and future technology initiatives, with an estimated cost of $2,109,375.00;
>
> (5) Renovating, modernizing, equipping, repairing, improving, planning and acquiring other system facilities to include elementary, middle, athletic and operational facilities, with an estimated cost of $2,009,805.00;

(6) Acquiring any other real or personal property as so desired, with an estimated cost of $351,563.00.

The maximum amount of the projects to be paid with the sale and use tax proceeds not to exceed $13,500,000.00.

If imposition of the tax is approved by the voters, such vote shall constitute approval of the issuance of general obligation debt of the Elbert County School District in the principal amount not to exceed $7,475,000.00 for the purposes above."

NOTE 14: POST-EMPLOYMENT BENEFITS

GEORGIA SCHOOL PERSONNEL POST-EMPLOYMENT HEALTH BENEFIT FUND

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

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

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

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

For certificated teachers, librarians and regional educational service agencies:

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

For non-certificated school personnel:

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

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

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

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

Fiscal Year	Percentage Contributed	Required Contribution
2011	100%	$ 3,421,402.17
2010	100%	$ 3,829,465.41
2009	100%	$ 2,049,601.67

NOTE 15: RETIREMENT PLANS

TEACHERS' RETIREMENT SYSTEM OF GEORGIA (TRS)

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

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

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

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

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

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

Fiscal Year	Percentage Contributed	Required Contribution
2011	100%	$ 2,049,426.88
2010	100%	$ 1,979,448.16
2009	100%	$ 1,888,647.15

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ELBERT 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	$ 8,465,500.00	$ 8,570,500.00	$ 8,842,461.37
State Funds	17,874,236.00	18,650,954.54	19,233,482.18
Federal Funds	4,697,976.00	6,106,181.96	6,307,411.57
Charges for Services	456,800.00	459,800.00	482,522.84
Investment Earnings	10,800.00	10,800.00	7,990.98
Miscellaneous	450,200.00	342,200.00	1,257,822.63
Total Revenues	$ 31,955,512.00	$ 34,140,436.50	$ 36,131,691.57
EXPENDITURES			
Current			
Instruction	$ 20,329,536.00	$ 22,989,816.11	$ 22,992,973.65
Support Services			
Pupil Services	1,278,760.00	1,515,225.55	1,414,160.23
Improvement of Instructional Services	1,388,518.00	1,843,669.00	1,490,461.01
Educational Media Services	756,852.00	757,377.00	751,007.53
General Administration	447,468.00	536,600.88	727,137.06
School Administration	1,963,376.00	1,805,575.00	1,971,886.21
Business Administration	265,465.00	271,215.00	333,721.35
Maintenance and Operation of Plant	2,027,945.00	2,023,131.04	2,158,913.92
Student Transportation Services	1,193,765.00	1,286,877.82	1,554,146.18
Central Support Services	163,132.00	163,131.80	154,362.66
Other Support Services	137,845.00	159,314.27	135,247.44
Enterprise Operations			19,975.16
Food Services Operation	2,066,600.00	2,066,600.00	2,167,515.80
Debt Service	16,250.00	16,250.00	16,939.64
Total Expenditures	$ 32,035,512.00	$ 35,434,783.47	$ 35,888,447.84
Net Change in Fund Balances	$ -80,000.00	$ -1,294,346.97	$ 243,243.73
Fund Balances - Beginning	241,193.28	241,193.28	953,765.71
Adjustments	37,304.89	607,205.37	
Fund Balances - Ending	$ 198,498.17	$ -445,948.32	$ 1,197,009.44

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.

ELBERT 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	$ 2,165,481.64	(1)
Total U. S. Department of Agriculture				$ 2,165,481.64	
Education, U. S. Department of					
Educational Technology State Grants Cluster					
Pass-Through From Georgia Department of Education					
ARRA - Education Technology State Grants	*	84.386	N/A	$ 1,216,491.68	
Education Technology State Grants	*	84.318	N/A	10,297.75	
Total Education Technology State Grants Cluster				$ 1,226,789.43	
Special Education Cluster					
Pass-Through From Georgia Department of Education					
Special Education					
ARRA - Grants to States	*	84.391	N/A	$ 194,695.17	
Grants to States	*	84.027	N/A	667,654.26	
Preschool Grants	*	84.173	N/A	30,505.66	
Total Special Education Cluster				$ 892,855.09	
Title I, Part A Cluster					
Pass-Through From Georgia Department of Education					
ARRA - Title I Grants to Local Educational Agencies	*	84.389	N/A	$ 213,006.83	
Title I Grants to Local Educational Agencies	*	84.010	N/A	1,045,130.97	
Total Title I, Part A Cluster				$ 1,258,137.80	
Other Programs					
Pass-Through From Georgia Department of Education					
Career and Technical Education - Basic Grants to States		84.048	N/A	$ 47,731.63	
Education Jobs Fund	*	84.410	N/A	722,403.00	
English Language Acquisition Grants		84.365	N/A	11,141.07	
Improving Teacher Quality State Grants		84.367	N/A	120,685.46	
Migrant Education - State Grant Program		84.011	N/A	11,999.15	
Rural Education		84.358	N/A	94,424.01	
Safe and Drug-Free Schools and Communities - State Grants		84.186	N/A	6,890.61	
Twenty-First Century Community Learning Centers		84.287	N/A	245,990.10	
Total Other Programs				$ 1,261,265.03	
Total U. S. Department of Education				$ 4,639,047.35	
Defense, U. S. Department of					
Direct					
Department of the Army					
R.O.T.C. Program				$ 86,626.53	
Total Expenditures of Federal Awards				$ 6,891,155.52	

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 $119,292.23.
(2) Expenditures for the funds earned on the School Breakfast Program ($415,991.80) were not maintained separately and are included in the 2011 National School Lunch Program.

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

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

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the Elbert 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.

ELBERT 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	$ 778,913.47
Education, Georgia Department of	
Quality Basic Education	
Direct Instructional Cost	
Kindergarten Program	1,080,605.00
Kindergarten Program - Early Intervention Program	440,023.00
Primary Grades (1-3) Program	2,957,017.00
Primary Grades - Early Intervention (1-3) Program	253,930.00
Upper Elementary Grades (4-5) Program	1,291,906.00
Upper Elementary Grades - Early Intervention (4-5) Program	254,736.00
Middle School (6-8) Program	2,192,250.00
High School General Education (9-12) Program	1,686,472.00
Vocational Laboratory (9-12) Program	872,307.00
Students with Disabilities	
Category I	55,608.00
Category II	251,798.00
Category III	1,131,145.00
Category IV	496,000.00
Category V	384,610.00
Gifted Student - Category VI	697,283.00
Remedial Education Program	397,396.00
Alternative Education Program	173,784.00
English Speakers of Other Languages (ESOL)	178,535.00
Media Center Program	397,023.00
20 Days Additional Instruction	123,035.00
Staff and Professional Development	69,159.00
Indirect Cost	
Central Administration	574,200.00
School Administration	1,045,039.00
Facility Maintenance and Operations	853,616.00
Categorical Grants	
Pupil Transportation	
Regular	598,039.00
Nursing Services	64,507.00
Mid-term Adjustment Hold-Harmless	85,563.00
Education Equalization Funding Grant	1,970,263.00
Food Services	61,890.00
Vocational Education	62,759.00
Amended Formula Adjustment	-2,675,939.00
Other State Programs	
Dual Enrollment Funding	4,177.00
Health Insurance	75,982.67
Math and Science Supplements	38,452.64
Preschool Handicapped Program	35,254.00
Pupil Transportation - State Bonds	228,876.00
Teachers' Retirement	27,602.40
Virtual Schools Grant	200.00
Office of the State Treasurer	
Public School Employees Retirement	19,465.00
	$ 19,233,482.18

See notes to the basic financial statements.

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

SCHEDULE "4"

PROJECT	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3) (4)	AMOUNT EXPENDED IN PRIOR YEARS (3) (4)	PROJECT STATUS (5)
(1) Adding to, renovating, repairing, improving, equipping and furnishing existing school buildings and other facilities, including but not limited to athletic/ physical education facilities, transportation and maintenance facilities, additional classrooms and parking areas.	$ 6,439,408.26	$ 6,439,408.26	$ 577,067.21	$ 2,928,474.39	Ongoing
(2) HVAC mechanical systems and roofing	762,900.51	762,900.51	108,139.56	265,778.49	Ongoing
(3) Acquiring system-wide technology and safety equipment	3,228,499.72	3,228,499.72	673,464.22	1,136,229.88	Ongoing
(4) Purchasing textbooks	2,482,319.30	2,482,319.30	186,324.50	864,787.83	Ongoing
(5) Acquiring school buses and other school vehicles	1,986,872.21	1,986,872.21	125,846.75	700,893.96	Ongoing
(6) Acquiring of any other property desirable thereof, both real and personal	100,000.00	100,000.00			Ongoing
	$ 15,000,000.00	$ 15,000,000.00	$ 1,670,842.24	$ 5,896,164.55	

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

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

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

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

Prior Years	$ 666,084.82
Current Year	46,843.60
Total	$ 712,928.42

(5) All of the projects listed for the SPLOST 2006 are expected to be completed by June 30, 2013 and all projects are currently within the proposed budget for each project. Revenues for the projects are within budgetary limits and guidelines. At this time, no surplus or deficit is expected to occur with the projects listed.

See notes to the basic financial statements.

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

SCHEDULE "5"

DESCRIPTION	ALLOTMENTS FROM GEORGIA DEPARTMENT OF EDUCATION (1) (2)	ELIGIBLE QBE PROGRAM COSTS SALARIES	OPERATIONS	TOTAL
Direct Instructional Programs				
Kindergarten Program	$ 1,203,491.00	$ 1,083,269.99	$ 1,395.82	$ 1,084,665.81
Kindergarten Program-Early Intervention Program	497,080.00	393,365.91		393,365.91
Primary Grades (1-3) Program	3,001,465.00	3,166,256.50	3,805.17	3,170,061.67
Primary Grades-Early Intervention (1-3) Program	296,313.00	484,669.55		484,669.55
Upper Elementary Grades (4-5) Program	1,447,896.00	1,835,927.71	3,422.05	1,839,349.76
Upper Elementary Grades-Early Intervention (4-5) Program	309,742.00	602,576.99		602,576.99
Middle School (6-8) Program	2,474,296.00	2,671,022.55	3,420.10	2,674,442.65
High School General Education (9-12) Program	1,909,441.00	2,056,360.89	35,589.14	2,091,950.03
Vocational Laboratory (9-12) Program	994,925.00	1,011,530.02	6,971.88	1,018,501.90
Students with Disabilities	2,608,478.00			
Category II		430,103.09		430,103.09
Category III		1,531,605.43	600.00	1,532,205.43
Category IV		569,299.34		569,299.34
Category V		221,187.53		221,187.53
Gifted Student - Category VI	763,757.00	774,451.51	2,741.40	777,192.91
Remedial Education Program	437,361.00	383,823.87		383,823.87
Alternative Education Program	197,599.00	274,593.99	339.58	274,933.57
English Speakers of Other Languages (ESOL)	197,745.00	223,093.22		223,093.22
TOTAL DIRECT INSTRUCTIONAL PROGRAMS	$ 16,339,589.00	$ 17,713,138.09	$ 58,285.14	$ 17,771,423.23
Media Center Program	448,150.00	732,075.34	30,993.59	763,068.93
Staff and Professional Development	78,274.00	5,655.62		5,655.62
TOTAL QBE FORMULA FUNDS	$ 16,866,013.00	$ 18,450,869.05	$ 89,278.73	$ 18,540,147.78

(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

Russell W. Hinton
STATE AUDITOR
(404) 656-2174

May 31, 2012

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
Elbert 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 Elbert County Board of Education as of and for the year ended June 30, 2011, which collectively comprise Elbert County Board of Education's basic financial statements and have issued our report thereon dated May 31, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Elbert County Board of Education is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Elbert 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 Elbert County Board of Education's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Elbert County Board of Education's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the 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 and therefore, there can be no assurances that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider items FS-6521-11-01, and FS-6521-11-05 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider items FS-6521-11-02, FS-6521-11-03, and FS-6521-11-04 in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

Compliance and Other Matters

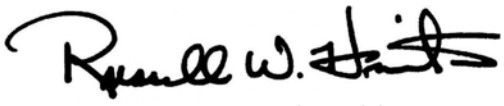
As part of obtaining reasonable assurance about whether Elbert County Board of Education's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct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

We noted certain matters that we have reported to management of Elbert County Board of Education in a separate letter dated May 31, 2012.

Elbert 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 Elbert 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 management, members of the Elbert 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,



Russell W. Hinton, CPA, CGFM
State Auditor

RWH:as
2011YB-40

DEPARTMENT OF AUDITS AND ACCOUNTS

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

Russell W. Hinton
STATE AUDITOR
(404) 656-2174

May 31, 2012

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

In our opinion, the Elbert 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

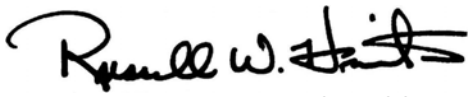
Management of Elbert County Board of Education is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Elbert County 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 Elbert 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 Elbert 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,



Russell W. Hinton, CPA, CGFM
State Auditor

RWH:as
2011SA-10

SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

ELBERT 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-6521-09-01	Further Action Not Warranted
FS-6521-09-02	Further Action Not Warranted
FS-6521-10-01	Partially Resolved - See Corrective Action/Responses
FS-6521-10-02	Unresolved - See Corrective Action/Responses

CORRECTIVE ACTION/RESPONSES

CAPITAL ASSETS
Failure to Adequately Maintain Capital Assets
Finding Control Number: FS-6521-10-01

The School District has implemented the necessary improvements to correct the finding for the 2011-2012 fiscal year.

FINANCIAL REPORTING
Inadequate Controls over Financial Reporting
Finding Control Number: FS-6521-10-02

The School District has implemented controls for the 2011-2012 fiscal year to correct the issues that were reported in this audit year.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING CONTROL NUMBER AND STATUS

FA-6521-10-01	Partially Resolved - See Corrective Action/Responses

CORRECTIVE ACTION/RESPONSES

ALLOWABLE COSTS/COST PRINCIPLES
Improper Time and Attendance Records
Finding Control Number: FA-6521-10-01

The School District is waiting on notification from the Georgia Department of Education regarding the potential for any funds that are payable with regards to this finding.

SECTION IV

FINDINGS AND QUESTIONED COSTS

ELBERT 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; Aggregate Remaining Fund Information — Unqualified

Internal control over financial reporting:
- Material weaknesses identified? — Yes
- Significant deficiencies identified? — Yes

Noncompliance material to financial statements noted: — No

Federal Awards

Internal Control over major programs:
- Material weaknesses identified? — No
- Significant deficiencies 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	Special Education Cluster
84.410	Education Jobs Fund
84.318, 84.386	Education Technology State Grants Cluster

Dollar threshold used to distinguish between Type A and Type B programs: $300,000.00

Auditee qualified as low-risk auditee? — No

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

EMPLOYEE COMPENSATION
GENERAL LEDGER
ACCOUNTING CONTROLS (OVERALL)
Inadequate Accounting Procedures
Material Weakness
Finding Control Number: FS-6521-11-01

Condition:
The policies and procedures of the School District were insufficient to provide adequate controls over several control categories.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Criteria:

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

Questioned Cost:

N/A

Information:

Employee Compensation

Our testing of employee compensation payments revealed that several employees' salaries were calculated incorrectly.

General Ledger

Our review of the general ledger revealed that the School District made changes to the General Ledger after the General Ledger was closed for the fiscal year and the DE046 information was submitted to Georgia Department of Education.

Our review of journal entries revealed that procedures were not in place to ensure that all journal entries were approved by someone independent of the general ledger journal entry process and that there was adequate documentation to support these journal entries.

Accounting Controls (Overall)

A review of access to the School District's financial system revealed that several users were granted access that allowed the user to perform conflicting significant duties. A test of compensating controls outside of the financial system revealed that these controls were not effective, and therefore, the access that allowed for conflicting duties could have an effect on data that is used in the preparation of the financial statements. In addition, financial personnel were granted administrator roles which allows for the addition, modification, and deletion of user access in the financial system.

Cause:

These deficiencies were a result of management's failure to ensure that: (1) amounts paid to School District employees are adequately documented; (2) the general ledger is properly closed prior to submission of data to the Georgia Department of Education; (3) journal entries are approved by someone independent of the journal entry process; and (4) access to financial system information is limited to job responsibility.

Effect:

The lack of adequate controls over the logical access to the School District's financial system may result in errors and/or irregularities not being detected in a timely manner.

Recommendation:

The School District should establish and implement appropriate controls over the significant processes and procedures noted above.

The School District should seek reimbursement for the salary overpayments for deposit to the School District's operating account and should make payments for the underpayments to the appropriate employees.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Application access controls in the accounting information systems should complement the system of internal control by limiting an employee's access to only the accounting functions necessary for the performance of that employee's duties. Management should ensure that proper separation of duties exists. In the case when management determines separation of duties is not cost beneficial, management should implement compensating controls that assist in assuring that financial transactions are properly processed and reported.

CASH AND CASH EQUIVALENTS
Inadequate Internal Control Procedures
Significant Deficiency
Finding Control Number: FS-6521-11-02

Condition:
The accounting procedures of the School District were insufficient to provide adequate internal control procedures over the Cash and Cash Equivalents function.

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

Questioned Cost:
N/A

Information:
The following deficiencies were noted during our review:

- Supporting documentation was not provided to determine if the General Operating account was properly reconciled.
- There was no evidence of approval of the General Operating account.

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

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

Recommendation:
The School District should establish procedures to ensure that cash is reviewed and reconciled to the general ledger on a monthly basis. The School District should also maintain proper documentation for all reconciliations.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

CASH AND CASH EQUIVALENTS
REVENUES/RECEIVABLES/RECEIPTS
EXPENDITURES/LIABILITIES/DISBURSEMENTS
GENERAL LEDGER
Inadequate Internal Controls over School Activity Accounts
Significant Deficiency
Finding Control Number: FS-6521-11-03

Condition:
The accounting procedures of the School District were insufficient to provide adequate separation of duties and internal controls over school activity accounts.

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

Questioned Cost:
N/A

Information:
Cash and Cash Equivalents

- The June bank reconciliations for the Elementary School accounts could not be provided for review.

Revenues/Receivables/Receipts

- The deposit preparation function was not separated from the record keeping function.
- Numerous receipts were not deposited in a timely manner.

Expenditures/Liabilities/Disbursements

- The cash disbursement function was not separated from the record keeping function.
- Numerous vouchers had no documentation indicating approval prior to purchase.
- Several vouchers did not have a purchase order or other supporting documentation.

General Ledger

- Several accounts were classified as Governmental accounts instead of being reported as Agency accounts.

Cause:
The deficiencies were a result of management's failure to ensure that internal controls were established, implemented, and functioning at the school level and to assign responsibilities to achieve appropriate separation of duties and utilize management oversight of the incompatible activities to properly safeguard assets.

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

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Recommendation:

The School District should revise and monitor controls to provide reasonable assurance that transactions are processed according to established procedures and 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, and implement procedures to ensure that expenditure of schools activity accounts are properly documented and approved prior to payment.

CAPITAL ASSETS
Failure to Adequately Maintain Capital Assets
Significant Deficiency
Finding Control Number: FS-6521-11-04

Condition:

This is a repeat finding (FS-6521-10-01 and FS-6521-09-01) from the years ended June 30, 2010, and June 30, 2009, respectively. The School District failed to adequately maintain the capital assets 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 a fixed asset system and maintain fixed asset inventory records.

Questioned Cost:

N/A

Information:

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

- The School District lacked proper internal controls to detect significant errors in a timely manner.
- The balances on the financial statements did not agree to the subsidiary ledger nor were the appropriate balances submitted to Georgia Department of Education on the DE046 as required.
- Adequate documentation was not provided to determine if some additions were properly added to the capital asset listing.
- Due to a lack of sufficient information, several items on the capital assets listing could not be specifically identified during physical examination.
- During the physical examination, there were assets meeting threshold requirements that were not included on the capital asset listing.
- Several items on the capital asset listing were included with no acquisition cost.
- The School District did not accurately calculate depreciation expense resulting in a total misstatement of $132,522.92.
- Assets were added multiple times to the capital asset listing resulting in a misstatement of $91,725.00.
- Probable deletions were noted that were not reported.
- The School District does not appear to be reporting and maintaining the cost of all capital assets, whether they are fully depreciated or not.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

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

Recommendation:
The School District should reassess internal control procedures related to capital assets to ensure that they are in place and operating effectively. An administrative review should be performed to ensure the accuracy of capital asset records and make appropriate adjustments to ensure that capital asset records and procedures for maintaining capital assets conform to generally accepted accounting principles.

FINANCIAL REPORTING
Inadequate Controls over Financial Reporting
Material Weakness
Finding Control Number: FS-6521-11-05

Condition:
This is a repeat finding (FS-6521-10-02, FS-6521-09-02, and FS-6521-08-01) from fiscal year ended June 30, 2010, June 30, 2009, and June 30, 2008, respectively. The School District did not have adequate controls in place to ensure that all required activity was 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 provides that School Districts must prepare their financial statements in accordance with generally accepted accounting principles.

Questioned Cost:
N/A

Information:
The Governmental Accounting Standards Board (GASB) Statement 34 reporting model requires the presentation of both fund level and entity-wide level statements in the School District's financial statements. During the audit, several correcting entries were proposed by the auditors and accepted by the client to properly present the entity's fund level and entity-wide level financial statements.

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

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

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Recommendation:

The School District should implement and implement internal controls over the financial statement reporting process to ensure that all required activity is included in the financial statement information.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION V

MANAGEMENT'S RESPONSES

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

Finding Control Number: FS-6521-11-01

We concur with this finding. The District has implemented new controls for the fiscal year 2012 with the implementation of a new accounting system that has corrected deficiencies with this finding.

Finding Control Number: FS-6521-11-02

We concur with this finding. The District has employed additional staff starting July 1, 2011 to correct this deficiency.

Finding Control Number: FS-6521-11-03

We concur with this finding. The District will implement financial procedures for pupil activity accounts and has already centralized all elementary accounting to the central office. Additional steps will be taken with regards to the Middle and High School accounts prior to the end of the 2012 fiscal year.

Finding Control Number: FS-6521-11-04

We concur with this finding. The District will reassess the process and procedures pertaining to capital assets, to include additional staff members in order to ensure that all assets are capitalized as required by the District's capitalization policy. The procedures will be in place during the final audit close out for the fiscal year ending June 30, 2012.

Finding Control Number: FS-6521-11-05

We concur with this finding. The District has employed additional staff and implemented additional controls in place for the fiscal year 2012.

Contact Person: Ben M. Childs, Chief Financial Officer
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