

LINCOLN COUNTY BOARD OF EDUCATION
LINCOLNTON, GEORGIA

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

LINCOLN COUNTY BOARD OF EDUCATION

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FINANCIAL

DEPARTMENT OF AUDITS AND ACCOUNTS

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

March 22, 2012

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

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

Ladies and Gentlemen:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information (Exhibits A through H) of the Lincoln 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 Lincoln 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 Lincoln 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.

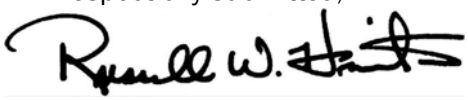
In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2012, on our consideration of the Lincoln County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 viii and page 25 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 Lincoln 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

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2011ARL-11

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

The discussion and analysis of the Lincoln County Board of Education's financial performance provides an overall review of the Board's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the Board's financial performance as a whole. Readers are encouraged to review the basic financial statements and the accompanying notes to the basic financial statements to enhance their understanding of the Board's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2011 are as follows:

- In total, net assets decreased $966 thousand, which represents a decrease of 5.95 percent over 2010. All of this decrease is for governmental activities. The Board has no business-type activities.

- General revenues accounted for $5.91 million. This represents 38.65 percent of all revenues. Program specific revenues in the form of grants and contributions and charges for services accounted for $9.38 million or 61.35 percent of total revenues.

- The Board had $16.3 million in expenses related to governmental activities. Program specific grants and contributions and charges for services of $9.38 million did not cover these expenses. General revenues, primarily property taxes and sales taxes, of $5.91 million provided additional revenue for these programs.

- Among major funds, the General Fund had $14.2 million in revenues and $13.6 million in expenditures. The fund balance for the General Fund increased to $2.5 million.

USING THE BASIC FINANCIAL STATEMENTS

This annual report consists of a series of financial statements: the District-wide, and fund statements.

The District-wide financial statements, the Statement of Net Assets and the Statement of Activities, are designed to illustrate the School District as an aggregate of its financial activities and present a longer-term view of its finances.

The next level of detail is provided by the fund financial statements. These statements reflect the short-term finances as well as the balances available for future needs. For the Lincoln County Board of Education, the General Fund, District-wide Capital Project Funds and the Debt Service Funds are the most significant funds.

REPORTING THE BOARD AS A WHOLE (DISTRICT-WIDE)

The Statement of Net Assets and the Statement of Activities

While this document includes a number of funds used by the Board to provide programs and activities, a view of the Board as a whole requires a look at all financial transactions to ask the question, "How did we do financially during 2011"? The Statement of Net Assets and the Statement of Activities answers this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

The Statement of Net Assets and the Statement of Activities is normally divided into two distinct types of activities, governmental and business type activities. All of the Board's activities are reflected as governmental activities. This includes instruction, pupil services, improvement of instructional services, educational media services, general administration, school administration, business administration, maintenance and operation of plant, student transportation services, central support services, other support services, community services, food services, and interest on short-term and long-term debt.

REPORTING THE BOARD'S MOST SIGNIFICANT FUNDS (FUND FINANCIALS)

The fund financial statements provide detailed information about the Board's major funds. The Board's major governmental funds are the General Fund, District-wide Capital Project Funds, and the Debt Service Funds.

Governmental Funds - Most of the Board's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and financial assets that can readily be converted to cash. The governmental fund statements offer a short-term view of the Board's financial activities.

A reconciliation of net changes in governmental fund balances to the governmental activities changes in net assets illustrate the relationships (or differences) between the governmental activities reported in the Statement of Net Assets and the Statement of Activities to the governmental funds presented in the fund financial statements.

Fiduciary Funds - The Board is the trustee, or fiduciary, for assets that belong to others, such as the school clubs and organizations within the principals' accounts. The Board 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. These activities are reported in a separate Statement of Fiduciary Net Assets. The Board has excluded these activities from the District-wide financial statements because the Board cannot use these assets to finance its operations.

THE BOARD AS A WHOLE

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

Table 1
Net Assets

	Governmental Activities	
	Fiscal Year 2011	Fiscal Year 2010
Assets		
Current and Other Assets	$ 5,737,074.42	$ 11,733,611.31
Capital Assets, Net	37,932,552.16	38,560,624.89
Total Assets	$ 43,669,626.58	$ 50,294,236.20
Liabilities		
Current and Other Liabilities	$ 2,206,419.29	$ 7,601,488.19
Long-Term Liabilities	26,184,862.52	26,448,171.51
Total Liabilities	$ 28,391,281.81	$ 34,049,659.70
Net Assets		
Invested in Capital Assets, Net of Related Debt	$ 14,015,468.08	$ 14,515,550.70
Restricted	1,547,481.68	1,680,329.03
Unrestricted	-284,604.99	48,696.77
Total Net Assets	$ 15,278,344.77	$ 16,244,576.50

Total net assets decreased $966,231.73 in fiscal year 2011.

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

Table 2
Change in Net Assets

	Governmental Activities	
	Fiscal Year 2011	Fiscal Year 2010
Revenues		
Program Revenues:		
Charges for Services and Sales	$ 278,683.43	$ 304,097.64
Operating Grants and Contributions	8,947,955.58	8,634,162.84
Capital Grants and Contributions	152,584.00	-2,187,192.70
Total Program Revenues	$ 9,379,223.01	$ 6,751,067.78
General Revenues:		
Taxes		
Property Taxes	$ 4,695,006.56	$ 4,433,309.13
Sales Taxes	750,387.11	751,770.12
Grants and Contributions not		
Restricted to Specific Programs	121,940.00	79,311.00
Investment Earnings	58,969.54	167,842.21
Miscellaneous	279,372.68	309,189.58
Total General Revenues	$ 5,905,675.89	$ 5,741,422.04
Total Revenues	$ 15,284,898.90	$ 12,492,489.82
Program Expenses:		
Instruction	$ 9,521,258.55	$ 9,607,839.71
Support Services		
Pupil Services	403,656.57	407,769.82
Improvement of Instructional Services	333,304.76	268,192.43
Educational Media Services	325,385.44	247,699.03
General Administration	405,486.63	365,545.13
School Administration	891,162.85	863,108.48
Business Administration	182,712.03	180,841.54
Maintenance and Operation of Plant	1,052,557.61	871,299.45
Student Transportation Services	745,858.93	704,809.44
Central Support Services	17,682.40	1,098.60
Other Support Services	65,766.58	56,432.33
Operations of Non-Instructional Services		
Community Services	189,355.92	233,279.97
Food Services	940,040.09	709,892.48
Interest on Short-Term and Long-Term Debt	1,176,902.27	1,186,697.57
Total Expenses	$ 16,251,130.63	$ 15,704,505.98
Decrease in Net Assets	$ -966,231.73	$ -3,212,016.16

Governmental Activities

The Board is dependent upon operating grants and property taxes to support governmental activities. Instruction comprises 58.59 percent, Support Services 27.22 percent, Community and Food Services 6.95 percent, and Interest 7.24 percent of government program expenses.

The State's QBE funding does not provide an adequate level of funding to provide basic education services and to adequately maintain facilities. The Board levies a millage rate of 16.581 to provide additional local funding.

The Statement of Activities details the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services for governmental activities comparing fiscal year 2011 with fiscal year 2010. It identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	Fiscal Year 2011	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2010
Instruction	$ 9,521,258.55	$ 9,607,839.71	$ 3,667,988.20	$ 6,101,416.57
Support Services:				
Pupil Services	403,656.57	407,769.82	266,897.88	277,694.18
Improvement of Instructional Services	333,304.76	268,192.43	42,009.35	45,308.38
Educational Media Services	325,385.44	247,699.03	153,091.39	78,125.91
General Administration	405,486.63	365,545.13	-188,317.43	-201,806.16
School Administration	891,162.85	863,108.48	319,911.66	328,876.31
Business Administration	182,712.03	180,841.54	164,312.76	168,651.99
Maintenance and Operation of Plant	1,052,557.61	871,299.45	569,412.29	437,545.54
Student Transportation Services	745,858.93	704,809.44	297,297.07	403,159.37
Central Support Services	17,682.40	1,098.60	15,760.62	1,019.45
Other Support Services	65,766.58	56,432.33	21,941.89	18,156.36
Operations of Non-Instructional Services:				
Community Services	189,355.92	233,279.97	46,520.56	78,015.51
Food Services	940,040.09	709,892.48	318,179.11	30,577.22
Interest on Short-Term and Long-Term Debt	1,176,902.27	1,186,697.57	1,176,902.27	1,186,697.57
Total Expenses	$ 16,251,130.63	$ 15,704,505.98	$ 6,871,907.62	$ 8,953,438.20

Although program revenues make up a majority of the revenues, the Board is still dependent upon tax revenues for governmental activities.

THE BOARD'S FUNDS

The Board's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues and other financing sources of $15.9 million and expenditures and other financing uses of $16.6 million. The general fund reflected an increase of $359 thousand, the debt service fund increased by $293 thousand, and the District-wide capital

projects funds decreased $1.31 million. The decrease in the capital projects funds was due to the construction of the new school from sale of general obligation bonds and state capital outlay money. The positive change in the fund balance of the general fund indicates the Board was able to meet current expenditures and maintain the previous year's balance.

GENERAL FUND BUDGET HIGHLIGHTS

The Board'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 Board amended its general fund budget as needed. Site-based budgeting is used by the Board and is designed to tightly control total site budgets but allow some management flexibility.

For the general fund, the final budgeted revenues and other financing sources of $13.8 million increased the original budgeted amount of $13.0 million by $0.8 million. This difference was mainly due to an increase of $591 thousand in state revenues and an increase of $228 thousand in Federal revenues. The actual revenue was more than the budgeted amount by $440 thousand. The majority of the variances between the final budget and actual revenue in 2011 are due to the student activity funds that are not budgeted, on behalf payments for health and retirement that are not budgeted, and the Federal Education Jobs Fund payment which was not budgeted.

The final budgeted expenditures and other financing uses of $14.3 million exceeded the original budget of $13.4 million by $0.9 million. The difference was due to various adjustments in budgeted expenditure accounts. The actual expenditures and other financing uses were $485 thousand less than the budgeted amount. The majority of the variances between the final budgeted expenditures and actual are due to over estimates in various areas, on behalf payments for health and retirement not budgeted, and student activity fund expenditures not budgeted.

General fund expenditures and other financing uses exceeded revenues and other financing sources by $359 thousand.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2011, the Board had capital assets of $37.9 million, net of accumulated depreciation. Table 4 shows fiscal year 2011 balances compared with fiscal year 2010 balances.

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities	
	Fiscal Year 2011	Fiscal Year 2010
Land	$ 199,713.00	$ 199,713.00
Construction In Progress		29,212,750.06
Building and Building Improvements	29,561,954.90	7,993,749.06
Equipment	1,904,551.00	1,093,803.97
Land Improvements	6,266,333.26	60,608.80
Total	$ 37,932,552.16	$ 38,560,624.89

A net increase was made in equipment, buildings and building improvements, and land improvements where construction in progress was reduced to zero upon completion of the new high school.

Debt

At June 30, 2011, the Board had $24.64 million in general obligation bonds, with $273 thousand due within one year, and $1.46 million in qualified zone academy bonds with no payment due within one year. Table 5 shows fiscal year 2011 balances compared with fiscal year 2010 balances.

Table 5
Debt at June 30

	Governmental Activities	
	Fiscal Year 2011	Fiscal Year 2010
General Obligation Bonds	$ 24,640,000.00	$ 24,900,000.00
Bonds Premiums Amortized	85,206.52	88,515.51
Qualified Zone Academy Bonds	1,459,656.00	1,459,656.00
Total	$ 26,184,862.52	$ 26,448,171.51

CURRENT FINANCIAL ISSUES AND CONCERNS

The Lincoln County Board of Education has maintained its economic stability by budgeting conservatively and monitoring its expenditures. Lincoln County, as is the rest of the state and nation, is facing hard economic times. Sales tax collections have decreased but continue to provide funding towards bond principal and interest. A referendum passed on March 20, 2007 approving the continuation of the current SPLOST and $25,150,000 in bonds to be used to build a new school building. All of the bonds were sold and construction is complete on the new high school which opened in August 2010. On November 8, 2011, voters approved another five year renewal of the SPLOST for the purpose of making principal and interest payments on the general obligation bonds.

For fiscal year 2003, the State of Georgia implemented an austerity reduction for instructional and noninstructional programs. Additional austerity reductions (amended formula adjustments) were made by the governor and legislature for fiscal years 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011 and 2012. At this time, it appears this "formula adjustment" will continue for fiscal year 2013. Although the governor used ARRA Stimulus funds in 2009 and 2010 to help offset some of these reductions, the Federal funds did not negate the impact of the reductions and will not be available in future years. The effect of these reductions has impacted the local board negatively.

The millage rate for the Board of Education for the fiscal year 2012 was 16.829 for maintenance and operations. A bond millage of 2.952 was necessary to help cover the bond principal and interest amortization. A reduction in force and programs was implemented in fiscal year 2011 and fiscal year 2012 to avoid additional local tax increases due to requirements by the state and Federal governments which are passed with insufficient funds available. In addition, for fiscal year 2011, six work schedule reduction days were scheduled for staff with two of these days being student days. For fiscal year 2012, seven work schedule reduction days were scheduled for staff with three of

these days being student days. The budget for fiscal year 2013 has not been completed, but at this time, additional cuts to staff and programs, as well as additional work schedule reduction days, are being considered.

These issues are of concern to the Board as they could have a negative impact on its financial health.

Contacting the Board's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Board's finances and to reflect the Board's accountability for the monies it receives. Questions about this report or for additional financial information, please contact Kaye Bufford, Comptroller, Lincoln County Board of Education, 423 Metasville Road, Lincolnton, Georgia 30817.

LINCOLN COUNTY BOARD OF EDUCATION

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

EXHIBIT "A"

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and Cash Equivalents	$ 2,514,208.65
Investments	1,439,013.55
Accounts Receivable, Net	
Interest	1,440.70
Taxes	398,900.97
State Government	869,624.33
Federal Government	68,802.11
Local	24,046.67
Inventories	13,627.99
Capitalized Bond and Other Debt Issuance Costs	407,409.45
Capital Assets, Non-Depreciable	199,713.00
Capital Assets, Depreciable (Net of Accumulated Depreciation)	37,732,839.16
Total Assets	$ 43,669,626.58
LIABILITIES	
Accounts Payable	$ 266,975.37
Salaries and Benefits Payable	1,399,101.91
Payroll Withholdings Payable	142,168.99
Interest Payable	292,180.94
Retainages Payable	64,070.00
Deferred Revenues	41,922.08
Long-Term Liabilities	
Due Within One Year	273,308.99
Due in More Than One Year	25,911,553.53
Total Liabilities	$ 28,391,281.81
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	$ 14,015,468.08
Restricted for	
Continuation of Federal Programs	13,627.99
Debt Service	1,236,258.50
Capital Projects	297,595.19
Unrestricted (Deficit)	-284,604.99
Total Net Assets	$ 15,278,344.77
Total Liabilities and Net Assets	$ 43,669,626.58

The notes to the basic financial statements are an inte

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

	EXPENSES	CHARGES FOR SERVICES
GOVERNMENTAL ACTIVITIES		
Instruction	$ 9,521,258.55	$ 6,791.76
Support Services		
Pupil Services	403,656.57	
Improvement of Instructional Services	333,304.76	
Educational Media Services	325,385.44	
General Administration	405,486.63	
School Administration	891,162.85	
Business Administration	182,712.03	
Maintenance and Operation of Plant	1,052,557.61	10,540.00
Student Transportation Services	745,858.93	
Central Support Services	17,682.40	
Other Support Services	65,766.58	
Operations of Non-Instructional Services		
Community Services	189,355.92	142,835.36
Food Services	940,040.09	118,516.31
Interest on Short-Term and Long-Term Debt	1,176,902.27	
Total Governmental Activities	$ 16,251,130.63	$ 278,683.43
General Revenues		
Taxes		
Property Taxes		
For Maintenance and Operations		
For Debt Services		
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Debt Services		
Other Sales Tax		
Grants and Contributions not Restricted to Specific Programs		
Investment Earnings		
Miscellaneous		
Total General Revenues		
Change in Net Assets		
Net Assets - Beginning of Year		
Net Assets - End of Year		

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
$ 5,846,478.59		$ -3,667,988.20
136,758.69		-266,897.88
291,295.41		-42,009.35
172,294.05		-153,091.39
593,804.06		188,317.43
571,251.19		-319,911.66
18,399.27		-164,312.76
472,605.32		-569,412.29
295,977.86	$ 152,584.00	-297,297.07
1,921.78		-15,760.62
43,824.69		-21,941.89
		-46,520.56
503,344.67		-318,179.11
		-1,176,902.27
$ 8,947,955.58	$ 152,584.00	$ -6,871,907.62
		$ 4,310,224.42
		384,782.14
		713,483.35
		36,903.76
		121,940.00
		58,969.54
		279,372.68
		$ 5,905,675.89
		$ -966,231.73
		16,244,576.50
		$ 15,278,344.77

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

EXHIBIT "C"

	GENERAL FUND	DISTRICT-WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
ASSETS				
Cash and Cash Equivalents	$ 1,821,699.87	$ 362,671.15	$ 329,837.63	$ 2,514,208.65
Investments	1,438,878.69	134.86		1,439,013.55
Accounts Receivable, Net				
Interest	1,440.70			1,440.70
Taxes	307,478.14		91,422.83	398,900.97
State Government	869,624.33			869,624.33
Federal Government	68,802.11			68,802.11
Local	24,046.67			24,046.67
Inventories	13,627.99			13,627.99
Total Assets	$ 4,545,598.50	$ 362,806.01	$ 421,260.46	$ 5,329,664.97
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	$ 265,834.55	$ 1,140.82		$ 266,975.37
Salaries and Benefits Payable	1,399,101.91			1,399,101.91
Payroll Withholdings Payable	142,168.99			142,168.99
Retainages Payable		64,070.00		64,070.00
Deposits and Deferred Revenue	217,595.16		$ 12,989.68	230,584.84
Total Liabilities	$ 2,024,700.61	$ 65,210.82	$ 12,989.68	$ 2,102,901.11
FUND BALANCES				
Nonspendable	$ 13,627.99			$ 13,627.99
Restricted	1,107,178.98	$ 297,595.19	$ 408,270.78	1,813,044.95
Committed	78,792.45			78,792.45
Unassigned	1,321,298.47			1,321,298.47
Total Fund Balances	$ 2,520,897.89	$ 297,595.19	$ 408,270.78	$ 3,226,763.86
Total Liabilities and Fund Balances	$ 4,545,598.50	$ 362,806.01	$ 421,260.46	$ 5,329,664.97

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

LINCOLN 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")		$ 3,226,763.86
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	$ 199,713.00	
Land Improvements	6,391,450.37	
Buildings	31,788,646.88	
Equipment	3,867,217.49	
Accumulated Depreciation	-4,314,475.58	
Total Capital Assets		37,932,552.16
Taxes that are not available to pay for current period expenditures are deferred in the funds.		188,662.76
Other Long-Term Assets are not available to pay for current period expenditures and therefore, are deferred on the Statement of Net Assets.		
Deferred Charges - Bond Issuance Costs		407,409.45
Long-Term Liabilities, including Bonds Payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-Term Liabilities at year-end consist of:		
Bonds Payable	$ -24,640,000.00	
Accrued Interest	-292,180.94	
Capital Leases Payable	-1,459,656.00	
Unamortized Bond Premiums	-85,206.52	
Total Long-Term Liabilities		-26,477,043.46
Net Assets of Governmental Activities (Exhibit "A")		$ 15,278,344.77

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

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

EXHIBIT "E"

	GENERAL FUND	DISTRICT-WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
REVENUES				
Property Taxes	$ 4,240,398.76		$ 376,465.20	$ 4,616,863.96
Sales Taxes	36,903.76		713,483.35	750,387.11
State Funds	7,180,271.69			7,180,271.69
Federal Funds	2,042,207.89			2,042,207.89
Charges for Services	278,683.43			278,683.43
Investment Earnings	46,986.35	$ 10,254.99	1,728.20	58,969.54
Miscellaneous	340,802.07			340,802.07
Total Revenues	$ 14,166,253.95	$ 10,254.99	$ 1,091,676.75	$ 15,268,185.69
EXPENDITURES				
Current				
Instruction	$ 8,354,601.73	$ 230,813.45		$ 8,585,415.18
Support Services				
Pupil Services	393,373.67	10,282.90		403,656.57
Improvement of Instructional Services	333,304.76			333,304.76
Educational Media Services	271,962.82	34,165.00		306,127.82
General Administration	404,590.62	896.01		405,486.63
School Administration	891,162.85	13,890.00		905,052.85
Business Administration	162,728.65			162,728.65
Maintenance and Operation of Plant	1,013,655.67	26,372.34		1,040,028.01
Student Transportation Services	813,364.42			813,364.42
Central Support Services	17,682.40			17,682.40
Other Support Services	65,766.58			65,766.58
Community Services	189,355.92			189,355.92
Food Services Operation	717,054.70	142,137.97		859,192.67
Capital Outlay		400,439.18		400,439.18
Debt Services				
Principal			$ 260,000.00	260,000.00
Dues and Fees			4,175.00	4,175.00
Interest			1,178,473.76	1,178,473.76
Total Expenditures	$ 13,628,604.79	$ 858,996.85	$ 1,442,648.76	$ 15,930,250.40
Excess of Revenues over (under) Expenditures	$ 537,649.16	$ -848,741.86	$ -350,972.01	$ -662,064.71
OTHER FINANCING SOURCES (USES)				
Transfers In			$ 644,437.35	$ 644,437.35
Transfers Out	$ -178,597.00	$ -465,840.35		-644,437.35
Total Other Financing Sources (Uses)	$ -178,597.00	$ -465,840.35	$ 644,437.35	$ 0.00
Net Change in Fund Balances	$ 359,052.16	$ -1,314,582.21	$ 293,465.34	$ -662,064.71
Fund Balances - Beginning	2,161,845.73	1,612,177.40	114,805.44	3,888,828.57
Fund Balances - Ending	$ 2,520,897.89	$ 297,595.19	$ 408,270.78	$ 3,226,763.86

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

LINCOLN 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")		$ -662,064.71
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	$ 403,456.91	
Depreciation Expense	-970,100.25	
Excess of Capital Outlay over Depreciation Expense		-566,643.34
Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		78,142.60
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, and disposals) is to decrease net assets.		-61,429.39
Bond issuance costs, deferred gains on refundings and similar items when debt is first issued are reported as an expenditure in Governmental Funds, but are reported as deferred charges on the Statement of Net Assets and amortized over the term of the debt, using the straight-line method. The details of this difference in the current period are as follows:		
Amortization of Bond Issuance Costs		-19,983.38
Repayment of Long-Term Debt is reported as an expenditure in Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Assets. In the current year, these amounts consist of:		
Bond Principal Retirements		260,000.00
Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in Governmental Funds. These activities consist of:		
Net Decrease in Accrued Interest	$ 2,437.50	
Amortization of Bond Premium	3,308.99	
Total Additional Expenditures		5,746.49
Change in Net Assets of Governmental Activities (Exhibit "B")		$ -966,231.73

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

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

EXHIBIT "G"

	AGENCY FUNDS
ASSETS	
Cash and Cash Equivalents	$ 42,516.31
Investments	24,000.00
Total Assets	$ 66,516.31
LIABILITIES	
Funds Held for Others	$ 66,516.31

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

NOTE 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

REPORTING ENTITY

The Lincoln 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 Lincoln 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 Bond Proceeds that are restricted, committed or assigned to the expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.
- Debt Service Fund accounts for and reports financial resources that are restricted, committed, or assigned including taxes (property and sales) legally restricted for the payment of general long-term principal and interest.

The School District reports the following fiduciary fund type:

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

BASIS OF ACCOUNTING

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

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. Property taxes, sales taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

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

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

NEW ACCOUNTING PRONOUNCEMENTS

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

CASH AND CASH EQUIVALENTS

Composition of Deposits

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

INVESTMENTS

Composition of Investments

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

1. Obligations issued by the State of Georgia or by other states,
2. Obligations issued by the United States government,
3. Obligations fully insured or guaranteed by the United States government or a United States government agency,
4. Obligations of any corporation of the United States government,
5. Prime banker's acceptances,
6. The Georgia Fund 1 administered by the State of Georgia, Office of the State Treasurer,
7. Repurchase agreements, and
8. Obligations of other political subdivisions of the State of Georgia.

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

RECEIVABLES

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

PROPERTY TAXES

The Lincoln County Board of Commissioners fixed the property tax levy for the 2010 tax digest year (calendar year) on September 9, 2010 (levy date). Taxes were due on December 20, 2010 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2010 tax digest are reported as revenue in the governmental funds for fiscal year 2011. The Lincoln 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 $4,240,398.76 and for school bonds amounted to $376,465.20.

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

School Operations	15.196 mills
School Bonds	1.385 mills
	16.581 mills

SALES TAXES

Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to $713,483.35 and is to be used for capital outlay for educational purposes and debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

INVENTORIES

Food Inventories

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

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	$	20,000.00	20 to 90 years
Buildings and Improvements	$	100,000.00	50 to 90 years
Equipment	$	5,000.00	5 to 50 years
Intangible Assets	$	50,000.00	5 to 50 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 10 to 20 years.

GENERAL OBLIGATION BONDS

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

In the fund financial statements, the School District recognizes bond premiums and discounts, as well as bond issuance costs during the fiscal year bonds are issued. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. General obligation bonds are direct obligations and pledge the full faith and credit of the government. The outstanding amount of these bonds is recorded in the Statement of Net Assets.

NET ASSETS

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

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

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

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

FUND BALANCES

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

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

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

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

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

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

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

Nonspendable		
Inventories		$ 13,627.99
Restricted		
Capital Projects	$ 297,595.19	
Debt Service	1,515,449.76	1,813,044.95
Committed		
School Activity Accounts		78,792.45
Unassigned		1,321,298.47
Fund Balance, June 30, 2011		$ 3,226,763.86

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 10% 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 $5,970,812.35. The bank balances were entirely covered by Federal depository insurance or collateralized with securities held by the pledging financial institution's trust department or agent but not in the School District's name.

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	Investment Maturity 6-10 Years
Debt Securities		
Municipal Obligation	$ 931,087.88	$ 931,087.88
Investment Pools		
Office of State Treasurer		
Georgia Fund 1	4,791.69	
Total Investments	$ 935,879.57	

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

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

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the School District will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The School District does not have a formal policy for managing custodial credit risk for investments.

At June 30, 2011, $931,087.88 of the School District's applicable investments were uninsured and unregistered, with securities held by the counterparty's trust department or agent in the name of the School District.

Credit Quality Risk

Credit quality risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The School District does not have a formal policy for managing custodial credit risk.

The investments subject to credit quality risk are reflected below:

Rated Debt Investments	Fair Value	Quality Ratings A2
Debt Securities		
Municipal Obligation	$ 931,087.88	$ 931,087.88

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The School District does not have a formal policy for managing concentration of credit risk. More than 5% of the School District's investments are in Municipal Obligation. This investment is 99.49% of the School District's total investments.

NOTE 4: NON-MONETARY TRANSACTIONS

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

NOTE 5: CAPITAL ASSETS

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

	Balances July 1, 2010	Increases	Decreases	Balances June 30, 2011
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	$ 199,713.00			$ 199,713.00
Construction Work In Progress	29,212,750.06	$ 0.00	$ 29,212,750.06	0.00
Total Capital Assets, Not Being Depreciated	$ 29,412,463.06	$ 0.00	$ 29,212,750.06	$ 199,713.00
Capital Assets, Being Depreciated:				
Buildings and Improvements	$ 9,671,650.88	$ 22,189,265.89	$ 72,269.89	$ 31,788,646.88
Equipment	2,762,678.78	1,104,538.71		3,867,217.49
Land Improvements	69,048.00	6,322,402.37		6,391,450.37
Less: Accumulated Depreciation:				
Buildings and Improvements	1,677,901.82	559,630.66	10,840.50	2,226,691.98
Equipment	1,668,874.81	293,791.68		1,962,666.49
Land Improvements	8,439.20	116,677.91		125,117.11
Total Capital Assets, Being Depreciated, Net	$ 9,148,161.83	$ 28,646,106.72	$ 61,429.39	$ 37,732,839.16
Governmental Activity Capital Assets - Net	$ 38,560,624.89	$ 28,646,106.72	$ 29,274,179.45	$ 37,932,552.16

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

	Governmental Funds
Equipment	$ 48,001.50
Less: Accumulated Depreciation	34,799.76
	$ 13,201.74

Current year depreciation expense by function is as follows:

Instruction		$ 781,187.20
Support Services		
Educational Media Services	$ 15,034.36	
Maintenance and Operation of Plant	15,094.45	
Student Transportation Services	91,526.13	121,654.94
Food Services		67,258.11
		$ 970,100.25

NOTE 6: INTERFUND TRANSFERS

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

	Transfers From	
Transfer to	General Fund	District-wide Capital Projects
Debt Service Fund	$ 178,597.00	$ 465,840.35

Transfers are used to move funds from the General Fund and Capital Projects Fund to the Debt Service Fund for debt payments.

NOTE 7: RISK MANAGEMENT

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

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

The School District is self-insured with regard to unemployment compensation claims. The School District accounts for claims within the 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	$ 23,018.00	$ 23,018.00	$ 0.00
2011	$ 0.00	$ 26,412.00	$ 26,412.00	$ 0.00

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

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

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

NOTE 8: OPERATING LEASES

Lincoln County Board of Education has entered into various leases as lessee for computers, copiers, and bus shop. 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 $220,347.31. Future minimum lease payments for these leases are as follows:

Year Ending	Governmental Funds
2012	$ 65,384.09

NOTE 9: LONG-TERM DEBT

CAPITAL LEASES

The Lincoln County Board of Education entered into various lease agreements for equipment and renovations. 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.

GENERAL OBLIGATION DEBT OUTSTANDING

General Obligation Bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
General Government - Series 2007	3.75% - 4.30%	$ 9,015,000.00
General Government - Series 2009	4.50% - 5.50%	15,625,000.00
		$ 24,640,000.00

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

	Governmental Funds				
	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011	Due Within One Year
G. O. Bonds	$ 24,900,000.00	$ 0.00	$ 260,000.00	$ 24,640,000.00	$ 270,000.00
Capital Leases	1,459,656.00			1,459,656.00	
Bond Premiums Amortized	88,515.51		3,308.99	85,206.52	3,308.99
	$ 26,448,171.51	$ 0.00	$ 263,308.99	$ 26,184,862.52	$ 273,308.99

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

	Capital Leases	
	Principal	Interest
Fiscal Year Ended June 30:		
2016	$ 1,459,656.00	$ 0.00

	General Obligation Debt		Unamortized
	Principal	Interest	Bond Premium
Fiscal Year Ended June 30:			
2012	$ 270,000.00	$ 1,168,723.76	$ 3,308.99
2013	280,000.00	1,158,598.76	3,308.99
2014	415,000.00	1,147,398.76	3,308.99
2015	435,000.00	1,130,798.76	3,308.99
2016	450,000.00	1,113,398.76	3,308.99
2017 - 2021	2,915,000.00	5,261,053.80	16,544.95
2022 - 2026	4,250,000.00	4,538,633.80	16,544.95
2027 - 2031	5,895,000.00	3,460,268.78	16,544.95
2032 - 2036	7,895,000.00	1,836,945.00	16,544.95
2037	1,835,000.00	100,925.00	2,481.77
Total Principal and Interest	$ 24,640,000.00	$ 20,916,745.18	$ 85,206.52

NOTE 10: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of $46,555.18 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 $30,463.10

Paid to the Teachers Retirement System of Georgia
For Teachers Retirement System (TRS) Employer's Cost
In the amount of $5,985.08

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 $10,107.00

NOTE 11: SIGNIFICANT CONTINGENT LIABILITIES

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

NOTE 12: SUBSEQUENT EVENTS

On November 8, 2011, the voters of Lincoln County of Education voted in favor of a Special Purpose Local Option Sales Tax referendum for educational purposes. The imposition of the tax approved by the voters, as stated on the Official Ballot of Lincoln County, is as follows:

> "Shall the special one percent (1%) sales and use tax for educational purposes currently in effect in Lincoln County be continued on July 1, 2012, or upon earlier expiration of the tax now in effect, for a period of time not to exceed 20 consecutive calendar quarters to raise not more than $4,250,000.00 for the educational purposes of making principal and interest payments on outstanding general obligation debt of the School District's previously incurred and issued with respect to capital outlay projects in an amount not to exceed $4,250,000.00, comprised of portions of the School District's Series 2007 and Series 2009 general obligation bonds coming due to in the years 2013 through 2017?"

NOTE 13: 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%	$	1,285,385.45
2010	100%	$	1,267,243.84
2009	100%	$	957,665.18

NOTE 14: 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%	$	727,632.36
2010	100%	$	739,858.88
2009	100%	$	719,203.93

PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS)

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

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LINCOLN 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	$ 4,238,380.00	$ 4,238,380.00	$ 4,240,398.76
Sales Taxes	50,000.00	50,000.00	36,903.76
State Funds	6,548,217.00	7,139,395.00	7,180,271.69
Federal Funds	1,860,231.00	2,088,874.00	2,042,207.89
Charges for Services	163,700.00	163,700.00	278,683.43
Investment Earnings	15,100.00	15,100.00	46,986.35
Miscellaneous	31,000.00	31,000.00	340,802.07
Total Revenues	$ 12,906,628.00	$ 13,726,449.00	$ 14,166,253.95
EXPENDITURES			
Current			
Instruction	$ 8,190,259.29	$ 8,602,846.55	$ 8,354,601.73
Support Services			
Pupil Services	354,034.00	443,213.00	393,373.67
Improvement of Instructional Services	274,941.00	383,914.00	333,304.76
Educational Media Services	270,751.00	264,137.00	271,962.82
General Administration	383,253.82	411,931.82	404,590.62
School Administration	862,874.00	858,250.00	891,162.85
Business Administration	165,059.00	165,059.00	162,728.65
Maintenance and Operation of Plant	1,071,088.00	1,098,787.00	1,013,655.67
Student Transportation Services	730,624.00	893,428.00	813,364.42
Central Support Services	8,090.00	17,279.00	17,682.40
Other Support Services	50,056.00	71,199.00	65,766.58
Community Services			189,355.92
Food Services Operation	770,379.00	777,379.00	717,054.70
Total Expenditures	$ 13,131,409.11	$ 13,987,423.37	$ 13,628,604.79
Excess of Revenues over (under) Expenditures	$ -224,781.11	$ -260,974.37	$ 537,649.16
OTHER FINANCING SOURCES (USES)			
Operating Transfers From Other Funds	$ 49,779.00	$ 49,779.00	
Sale or Compensation for Loss of Fixed Assets		15,500.00	
Operating Transfers to Other Funds	-304,681.00	-304,681.00	$ -178,597.00
Total Other Financing Sources (Uses)	$ -254,902.00	$ -239,402.00	$ -178,597.00
Net Change in Fund Balances	$ -479,683.11	$ -500,376.37	$ 359,052.16
Fund Balances - Beginning	1,343,871.29	1,343,871.29	2,161,845.73
Adjustments		2,075.81	
Fund Balances - Ending	$ 864,188.18	$ 845,570.73	$ 2,520,897.89

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.

LINCOLN 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	$ 601,623.88	(1)
Summer Food Service Program For Children		10.559	N/A	(2)	
Total Child Nutrition Cluster				$ 601,623.88	
Other Programs					
Pass-Through From Bright From the Start:					
Georgia Department of Early Care and Learning					
Child and Adult Care Food Program		10.558	N/A	(2)	
Total U. S. Department of Agriculture				$ 601,623.88	
Education, U. S. Department of					
Impact Aid Cluster					
Direct					
Impact Aid		84.041		(3)	
Educational Technology State Grants Cluster					
Pass-Through From Georgia Department of Education					
Education Technology State Grants		84.318	N/A	$ 6,847.47	
Pass-Through From Georgia Department of Education					
Special Education					
ARRA - Grants to States	*	84.391	N/A	$ 93,446.79	
ARRA - Preschool Grants	*	84.392	N/A	4,147.00	
Grants to States	*	84.027	N/A	286,430.66	
Preschool Grants	*	84.173	N/A	49,601.00	
Total Special Education Cluster				$ 433,625.45	
Title I, Part A Cluster					
Pass-Through From Georgia Department of Education					
ARRA - Title I Grants to Local Educational Agencies	*	84.389	N/A	$ 97,639.12	
Title I Grants to Local Educational Agencies	*	84.010	N/A	423,058.96	
Total Title I, Part A Cluster				$ 520,698.08	
Other Programs					
Pass-Through From Georgia Department of Education					
Career and Technical Education - Basic Grants to States		84.048	N/A	$ 34,108.00	
Education Jobs Fund	*	84.410	N/A	286,324.00	
Improving Teacher Quality State Grants		84.367	N/A	62,225.24	
Rural Education		84.358	N/A	22,591.68	
Safe and Drug-Free Schools and Communities - State Grants		84.186	N/A	2,229.30	
Total Other Programs				$ 407,478.22	
Total U. S. Department of Education				$ 1,368,649.22	
Total Expenditures of Federal Awards				$ 1,970,273.10	

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 $35,493.61.
(2) Expenditures for the funds earned on Child and Adult Care Food Program ($5,234.18), Summer Food Service Program for Children ($4,956.80) and the School Breakfast Program ($116,700.00) were not maintained separately and are included in the 2011 National School Lunch Program.
(3) Funds earned on the Impact Aid Program, in the amount of $192,546.00, do not require reporting of expenditures.

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

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

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

LINCOLN 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	$ 352,972.14
Education, Georgia Department of	
Quality Basic Education	
Direct Instructional Cost	
Kindergarten Program	396,417.00
Kindergarten Program - Early Intervention Program	27,411.00
Primary Grades (1-3) Program	960,620.00
Primary Grades - Early Intervention (1-3) Program	27,533.00
Upper Elementary Grades (4-5) Program	528,200.00
Upper Elementary Grades - Early Intervention (4-5) Program	2,227.00
Middle School (6-8) Program	844,078.92
High School General Education (9-12) Program	856,398.08
Vocational Laboratory (9-12) Program	315,055.00
Students with Disabilities	
Category I	1,165,026.00
Gifted Student - Category VI	68,655.00
Remedial Education Program	59,218.00
Alternative Education Program	70,512.00
English Speakers of Other Languages (ESOL)	
Media Center Program	141,320.00
20 Days Additional Instruction	45,321.00
Staff and Professional Development	23,348.00
Midterm Hold Harmless	111,089.00
Indirect Cost	
Central Administration	379,384.00
School Administration	393,678.00
Facility Maintenance and Operations	293,402.00
Categorical Grants	
Pupil Transportation	
Regular	270,427.00
Sparsity	60,859.00
Nursing Services	36,089.00
Migrant Education	
Education Equalization Funding Grant	121,940.00
Food Services	22,332.00
Vocational Education	41,678.00
Amended Formula Adjustment	-998,041.00
Other State Programs	
Agriculture Construction Related Equipment - State Bonds	64,924.44
Dual Enrollment Funding	864.00
Health Insurance	30,463.10
Math and Science Supplements	3,289.17
Preschool Handicapped Program	20,115.00
State Bonds for Buses	152,584.00
Teachers' Retirement	5,985.08
Virtual Schools Grant	375.00
Vocational Construction Related Equipment - State Bonds	273,855.76
Governor's Office of Highway Safety	
Students Against Destructive Decisions	560.00
Office of the State Treasurer	
Public School Employees Retirement	10,107.00
	$ 7,180,271.69

See notes to the basic financial statements.

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

SCHEDULE "4"

PROJECT	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3)	AMOUNT EXPENDED IN PRIOR YEARS (3)	PROJECT STATUS
Acquiring, constructing, and equipping a new high school and/or middle school and related facilities, including necessary furnishings, fixtures and equipment, renovating, extending, repairing, and equipping existing School District schools, facilities and properties useful or desirable in connection therewith, acquiring and installing system-wide instructional and administrative technology, safety and security equipment, acquisition of school buses and transpiration equipment, acquisition of music, vocational, and physical education/athletic equipment, acquiring any necessary property therefore, both real and personal and paying expenses incident to accomplishing the foregoing and to fund the payment of principal and interest on the School District's Series 2002 Refunding Bonds commencing on December 1, 2007.	$ 33,150,000.00	$ 35,030,000.00	$ 2,037,470.61	$ 31,749,649.14	Ongoing

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

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

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

See notes to the basic financial statements.

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LINCOLN 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	$ 469,582.00	$ 291,748.88	$ 62,771.03	$ 354,519.91
Kindergarten Program-Early Intervention Program	32,539.00	33,039.81		33,039.81
Primary Grades (1-3) Program	1,147,547.00	1,033,012.64	67,215.27	1,100,227.91
Primary Grades-Early Intervention (1-3) Program	30,230.00	32,969.25		32,969.25
Upper Elementary Grades (4-5) Program	616,308.00	612,761.20	46,756.47	659,517.67
Upper Elementary Grades-Early Intervention (4-5) Program	7,542.00	211.69		211.69
Middle School (6-8) Program	936,772.00	1,237,297.54	144,626.99	1,381,924.53
High School General Education (9-12) Program	960,054.00	1,165,635.09	139,663.93	1,305,299.02
Vocational Laboratory (9-12) Program	377,383.00	445,724.82	60,732.88	506,457.70
Students with Disabilities	1,389,364.00	913,735.10	39,172.00	952,907.10
Gifted Student - Category VI	85,751.00	133,334.00	1,538.70	134,872.70
Remedial Education Program	73,705.00	66,347.46		66,347.46
Alternative Education Program	84,669.00	115,227.04	179.88	115,406.92
TOTAL DIRECT INSTRUCTIONAL PROGRAMS	$ 6,211,446.00	$ 6,081,044.52	$ 562,657.15	$ 6,643,701.67
Media Center Program	168,284.00	229,703.13	33,385.65	263,088.78
Staff and Professional Development	27,793.00			1,297.56
TOTAL QBE FORMULA FUNDS	$ 6,407,523.00	$ 6,310,747.65	$ 596,042.80	$ 6,908,088.01

(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

March 22, 2012

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
Lincoln 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 Lincoln County Board of Education as of and for the year ended June 30, 2011, which collectively comprise Lincoln County Board of Education's basic financial statements and have issued our report thereon dated March 22, 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 Lincoln County Board of Education is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Lincoln 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 Lincoln County Board of Education's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Lincoln County Board of Education's internal control over financial reporting.

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

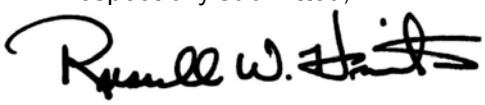
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses.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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lincoln 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.*

This report is intended solely for the information and use of management, members of the Lincoln 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:al
2011YB-10

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

March 22, 2012

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

In our opinion, the Lincoln 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

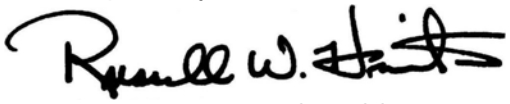
Management of Lincoln County Board of Education is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Lincoln County 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 Lincoln 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 Lincoln 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:al
2011SA-10

SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

LINCOLN 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

No matters were reported.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV

FINDINGS AND QUESTIONED COSTS

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

I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:
- Material weakness identified? — No
- Significant deficiency identified? — None Reported

Noncompliance material to financial statements noted: — No

Federal Awards

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

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

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

Identification of major programs:

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

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

Auditee qualified as low-risk auditee? — No

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.