BOARD OF EDUCATION
OF THE CITY OF MARIETTA

ANNUAL FINANCIAL REPORT
FOR THE
FISCAL YEAR ENDED JUNE 30, 2010

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I. FINANCIAL SECTION

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

INDEPENDENT AUDITOR'S REPORT

To the Superintendent and Members of
the Board of Education of the City of Marietta
Marietta, Georgia

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Board of Education of the City of Marietta as of and for the year ended June 30, 2010, which collectively comprise the Board of Education of the City of Marietta's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board of Education of the City of Marietta's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Board of Education of the City of Marietta as of June 30, 2010, and the respective changes in financial position, where applicable, thereof and the budgetary comparisons for the General Fund and Grant Fund 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 June 24, 2011 on our consideration of the Board of Education of the City of Marietta's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

The Management's Discussion and Analysis (on pages 3 through 9) is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. 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 Board of Education of the City of Marietta's basic financial statements. The Schedule of State Revenue, Schedule of Quality Basic Education Program (QBE) Allotments and Expenditures by Program and the Schedule of Expenditures of Special Purpose Local Option Sales Tax Proceeds are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Board of Education of the City of Marietta. The Schedule of State Revenue, Schedule of Quality Basic Education Program (QBE) Allotments and Expenditures by Program, Schedule of Expenditures of Special Purpose Local Option Sales Tax Proceeds and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mauldin & Jenkins, LLC

Atlanta, Georgia
June 24, 2011

Introduction

The discussion and analysis of the Board of Education of the City of Marietta's ("District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion is to look at the District's financial performance as a whole. Readers should also review complete financial statements, with notes, to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2010 are as follows:

- Total net assets increased from $85,361,782, restated for 2009 to $95,117,011 in 2010, an 11% increase totaling $9,755,229.

- Total liabilities increased from $12,507,184 to $39,536,571, an increase of $27,029,387 or 216%, primarily due to restatement and recognition of an intergovernmental payable to the City of Marietta for debt issued on behalf of the School District.

- Total revenue increased from $102,456,026 in 2009 to $103,051,033 in 2010, a 1% increase of $595,007. Overall revenue for 2010 was $9,755,229 more than expenses.

- Total expenses decreased from $97,497,148 in 2009 to $93,295,804 in 2010, a 4% decrease totaling $4,201,344. This decrease was associated primarily with the restatement of debt payable to the City of Marietta. Otherwise, the total decrease would have been 1%.

- The decrease in program expenses occurred in Instruction, where expenses decreased $969,276 from $59,023,252 in 2009 to $58,053,976 in 2010 due to a decline in state funding. Pupil, Instructional and Media Services expenses increased from $9,237,320 in 2009 to $9,454,982 in 2010 due to purchase of media software and equipment. School and Administrative Services expenses increased from $7,337,779 in 2009 to $7,391,891 in 2010. Maintenance and Operations expenses decreased from $6,407,790 in 2009 to $6,310,921 in 2010 and Transportation expenses decreased from $4,417,627 in 2009 to $4,115,009 to in 2010. Other expenses decreased from $11,073,380 in 2009 to $7,969,025 in 2010 due primarily due to debt restatement and decline in food services operations .

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements are comprised of three components: district-wide financial statements, fund financial statements and notes to the financial statements.

District-wide Financial Statements

The district-wide financial statements are designed to provide readers with a broad overview of the District's finances, similar to a private-sector business.

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

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

Fund Financial Statements

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

Governmental Funds

The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps the reader determine if there are more or less financial resources to be spent in the near future to finance educational goals and programs.

Fiduciary Funds

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

District-Wide Financial Analysis

Table I
Condensed Statement of Net Assets

Governmental Activities	**2009 Restated**	**2010**
Assets		
Current and Other Assets	$ 42,476,291	$ 47,092,989
Capital Assets	83,247,119	87,560,593
Total Assets	125,723,410	134,653,582
Liabilities		
Other Liabilities	15,497,275	17,379,342
Long-Term Liabilities	24,864,353	22,157,229
Total Liabilities	40,361,628	39,536,571
Net Assets		
Invested in Capital Assets	55,392,675	62,810,593
Restricted	10,888,696	6,336,877
Unrestricted	19,080,411	25,969,541
Total Net Assets	$ 85,361,782	$ 95,117,011

The Statement of Net Assets for 2010 has been summarized and compared with net assets for 2009. (See Condensed Statement of Net Assets - Table I). The District's net assets increased 11% in 2010. Total net assets increased primarily due to a increase in current assets of 11% from increased cash and receivables, an increase in capital assets of 5% due to improvement projects at schools and a decrease in liabilities of 2% resulting primarily from the retirement of the District’s debt.

Table II
Changes in Net Assets

Governmental Activities

	2009 Restated	2010
Revenues		
Program Revenues:		
Charges for Services	$ 2,677,051	$ 2,770,318
Operating Grants/Contributions	40,543,630	41,731,829
Capital Grants/Contributions	72,857	1,009,373
General Revenues:		
Taxes	58,346,472	57,140,838
Other	816,016	398,675
Total Revenues	102,456,026	103,051,033
Expenses		
Instruction	59,023,252	58,053,976
Pupil & Instructional Services	9,237,320	9,454,982
School and Administrative Services	7,337,779	7,391,891
Maintenance and Operations	6,407,790	6,310,921
Transportation	4,417,627	4,115,009
Other	8,268,380	7,969,025
Total Expenses	94,692,148	93,295,804
Change in Net Assets	7,763,878	9,755,229
Net Assets, beginning of year, as restated	77,597,904	85,361,782
Net Assets, end of year, as restated	$ 85,361,782	$ 95,117,011

Revenues

The District's total revenue increased 1% in 2009. (See Changes in Net Assets - Table II). Though General Revenues decreased by 3% primarily due to a decrease in tax collections and a decrease in investment earnings; the decrease was offset by a 3% increase in Operating Grants and Contributions, due to an increase in federal funding for instruction to aid in the decline in state funding. In addition, the District saw a 1,285% increase in Capital Grants/Contributions due to an increase of state funding for capital projects.

Expenses

The District's total expenses, which decreased 1%, are primarily related to the instruction of students, providing pupil services, counseling and testing, and transporting students. Instructional costs decreased 2%. Pupil & Instructional Services expenses increased 2% primarily due to the purchase of media services equipment and software. Transportation decreased 7% due primarily to the decline in state funding. Other total expenses

decreased 4% due to the decrease in interest on long term debt that resulted from refunding of the bond issued by City of Marietta on behalf of the School District. The remaining expense categories reflect modest increases or decreases for the year.

Table III
Net Cost of Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2009 Restated	2010	2009 Restated	2010
Instruction	$ 59,023,252	$ 58,053,976	32,795,962	$ 29,816,062
Pupil & Instructional Services	9,237,320	9,454,982	5,787,162	5,829,923
School & Administrative Services	7,337,779	7,391,891	3,546,205	3,442,818
Maintenance & Operations	6,407,790	6,310,921	3,831,171	3,406,712
Transportation	4,417,627	4,115,009	3,456,248	3,297,201
Other	8,268,380	7,969,025	1,981,862	1,991,568
Total	$ 94,692,148	$ 93,295,804	51,398,610	$ 47,784,284

The Net Cost of Governmental Activities Table presents the total and net cost of six major District activities: instruction, pupil and instructional services, school and administrative services, maintenance and operations, transportation, and other. (See Net Cost of Governmental Activities Table - Table III).

Net Cost of Services is the total cost less fees generated by the activities and intergovernmental revenue provided for specific programs. The Net Cost shows the financial burden on the District's taxpayers by each activity. The Total Cost of governmental services in 2010 was $93,295,804. Users of the District's programs financed $2,770,318 of the costs. Federal and State grants, subsidized programs, and contributions financed $42,741,202 of the cost. The District’s taxpayers financed the remainder of the School District's cost, which was $47,784,284 in 2010.

The District's Funds

The District ended fiscal year 2010 with positive fund balances in all of its governmental funds. The combined balance of all governmental funds, $30,141,042 was an increase of 6% from the 2009 ending balance of $28,428,994. This increase was primarily associated with increases in the Grant and Asset Replacement funds. At the end of 2010, the District maintained cash balances and an unreserved fund balance equivalent to more than two months of General Fund expenditures.

General Fund Budgetary Highlights

The FY2010 budget was developed in compliance with State Law and by balancing the challenges of projected decreases in student enrollment, lower student/teacher ratios and reductions in state funding for education while maintaining an adequate fund balance reserve for financial stability.

Capital Assets and Debt Administration

Capital Assets

Table IV
Capital Assets, Net of Accumulated Depreciation

	2009	2010
Land	$ 9,695,861	$ 9,695,861
Construction in Progress	4,963,726	5,700,983
Buildings & Improvements	65,447,718	69,235,331
Machinery & Equipment	3,139,814	2,928,418
Total	$ 83,247,119	$ 87,560,593

Capital assets increased 5% from $83,247,119 in 2009 to $87,560,593 in 2010, an increase of $4,313,474. (See Capital Assets, Net of Accumulated Depreciation - Table IV). The District had capital asset additions of $7,226,388. This was offset by current year depreciation of $2,912,914. The School District is committed to maintaining and improving its capital assets. At June 30, 2010, the School District had commitments under construction contracts totaling approximately $1,808,093 for renovations and improvements to existing facilities.

More detailed information about capital assets can be found in Note 6 of the Notes to the Basic Financial Statements.

Long-Term Debt

At June 30, 2010, the District had no outstanding debt. The District does make payments to the City of Marietta for debt issued on behalf of the school district. Principal payments of $3,104,444 were made during fiscal year 2010. As of June 30, 2010 the remaining principal balance on this debt is $24,750,000. This balance is recognized on the District's financial statement as intergovernmental payables to the City of Marietta.

More detailed information about long-term obligations can be found in Note 9 of the Notes to the Basic Financial Statements.

Current Issues

Marietta City Schools continues to maintain a positive financial position, even with continuing and substantial reductions in state funding. The local tax revenues declined in 2010 and are budgeted to decline in future years due to the downturn in the economy. The voter approved extension of the Special Purpose Local Option Sales Tax will allow us to improve existing school facilities and meet our ongoing capital needs. Despite these continuing financial challenges, the District in 2010 was one of only a few school districts in Georgia to make Adequate Yearly Progress (AYP) as mandated in the federal law, No Child Left Behind.

Contacting the School System's Financial Management

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional financial information, please contact Mrs. Erin Franklin, Director of Finance at the Board of Education of the City of Marietta, P.O. Box 1265, Marietta, Georgia 30061. You may also e-mail your question to Mrs. Franklin at efranklin@marietta-city.k12.ga.us.

BASIC FINANCIAL STATEMENTS

BOARD OF EDUCATION OF THE CITY OF MARIETTA

STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 36,198,582
Receivables:	
Taxes	3,988,621
Intergovernmental:	
State	3,236,981
Federal	2,727,149
Other	490,549
Inventory	147,035
Prepaid items	304,072
Capital assets (nondepreciable)	15,396,844
Capital assets (net of accumulated depreciation)	72,163,749
Total assets	134,653,582
LIABILITIES	
Accounts payable	2,914,005
Salaries and benefits payable	10,778,592
Contracts payable	147,862
Due to other governments	2,534
Unearned Revenue	81,590
Retainage payable	406,248
Intergovernmental payable, City of Marietta, due within one year	2,640,000
Intergovernmental payable, City of Marietta, due in more than one year	22,110,000
Compensated absences, within one year	408,511
Compensated absences, due in more than one year	47,229
Total liabilities	39,536,571
NET ASSETS	
Invested in capital assets, net of related debt	62,810,593
Restricted for:	
Federal programs	2,007,148
Capital projects	4,014,330
Unrestricted	26,284,940
Total net assets	$ 95,117,011

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

BOARD OF EDUCATION OF THE CITY OF MARIETTA

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities
Governmental activities:					
Instruction	$ 58,053,976	$ 438,560	$ 26,789,981	$ 1,009,373	$ (29,816,062)
Support services:					
Pupil services	4,118,547	-	780,196	-	(3,338,351)
Improvement of instructional services	3,735,270	-	1,509,246	-	(2,226,024)
Educational media services	1,601,165	-	1,335,617	-	(265,548)
General administration	1,537,065	-	1,431,583	-	(105,482)
School administration	5,072,289	-	2,502,462	-	(2,569,827)
Business adminstration	782,537	-	15,028	-	(767,509)
Maintenance and operation of plant	6,310,921	-	2,904,209	-	(3,406,712)
Student transportation services	4,115,009	214,092	603,716	-	(3,297,201)
Central support services	918,753	-	14,870	-	(903,883)
Other support services	425,075	-	199,406	-	(225,669)
Enterprise operation	85,998	-	-	-	(85,998)
Food services operation	4,551,440	589,108	3,645,515	-	(316,817)
Community service operation	1,391,513	1,528,558	-	-	137,045
Interest on long-term debt	596,246	-	-	-	(596,246)
Total governmental activities	$ 93,295,804	$ 2,770,318	$ 41,731,829	$ 1,009,373	(47,784,284)
General revenues:					
Taxes:					
Property taxes, levied for general purposes					47,382,737
Sales taxes:					
For debt service					8,274,638
Other taxes					1,483,463
Unrestricted investment earnings					114,161
Other					284,514
Total general revenues					57,539,513
Change in net assets					9,755,229
Net assets, beginning of year, as restated					85,361,782
Net assets, end of year					$ 95,117,011

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

BOARD OF EDUCATION OF THE CITY OF MARIETTA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

ASSETS	General	Grant	District-wide Capital Projects	Asset Replacement	Total Governmental Funds
Cash and cash equivalents	$ 20,872,174	$ 2,541,151	$ 9,874,551	$ 2,910,706	$ 36,198,582
Receivables:					
Taxes	2,954,616	-	1,034,005	-	3,988,621
Intergovernmental:					
State	3,236,981	-	-	-	3,236,981
Federal	548,683	2,178,466	-	-	2,727,149
Other	79,465	-	411,084	-	490,549
Due from other funds	-	-	-	656,402	656,402
Prepaid items	285,859	18,213	-	-	304,072
Inventory	-	147,035	-	-	147,035
Total assets	$ 27,977,778	$ 4,884,865	$ 11,319,640	$ 3,567,108	$ 47,749,391
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ 523,849	$ 601,691	$ 1,784,549	$ 3,916	$ 2,914,005
Salaries and benefits payable	9,786,516	992,076	-	-	10,778,592
Retainage payable	-	36,386	369,862	-	406,248
Contracts payable	-	-	147,862	-	147,862
Due to other governments	-	2,534	-	-	2,534
Due to other funds	-	-	656,402	-	656,402
Deferred revenue	2,422,411	1,200	279,095	-	2,702,706
Total liabilities	12,732,776	1,633,887	3,237,770	3,916	17,608,349
FUND BALANCES					
Reserved for:					
Federal programs	-	2,007,148	-	-	2,007,148
Capital outlay	-	-	1,991,141	-	1,991,141
Prepaid items	285,859	18,213	-	-	304,072
Inventory	-	147,035	-	-	147,035
Bus replacement	185,457	-	-	-	185,457
Driver education cars	-	255,000	-	-	255,000
Unreserved, designated:					
Unemployment compensation	610,872	-	-	-	610,872
Vocational replacement	66,969	-	-	-	66,969
Technology reserve	-	-	-	2,916,510	2,916,510
Charter system	-	823,582	-	-	823,582
Building fund	-	-	6,090,729	-	6,090,729
Asset replacement	-	-	-	646,682	646,682
Unreserved, undesignated, reported in:					
General fund	14,095,845	-	-	-	14,095,845
Total fund balances	15,245,002	3,250,978	8,081,870	3,563,192	30,141,042
Total liabilities and fund balances	$ 27,977,778	$ 4,884,865	$ 11,319,640	$ 3,567,108	

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.			
	Cost	153,027,208	
	Less accumulated depreciation	(65,466,615)	87,560,593
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.			
	Property taxes		2,417,021
	Sales taxes		204,095
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.			
	Intergovernmental payable, City of Marietta, due within one year	(2,640,000)	
	Intergovernmental payable, City of Marietta, due in more than one year	(22,110,000)	
	Compensated absences	(455,740)	(25,205,740)
Net assets of governmental activities			$ 95,117,011

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

BOARD OF EDUCATION OF THE CITY OF MARIETTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	General	Grant	District-wide Capital Projects	Asset Replacement	Total Governmental Funds
REVENUES					
Property taxes	$ 46,805,999	$ -	$ -	$ -	$ 46,805,999
Sales taxes	-	-	8,278,349	-	8,278,349
Other taxes	1,483,463	-	-	-	1,483,463
State funds	25,843,934	143,707	1,009,373	-	26,997,014
Federal funds	3,388,791	11,834,018	-	-	15,222,809
Charges for services	438,560	2,331,758	-	-	2,770,318
Investment earnings	82,876	4,168	22,538	4,579	114,161
Other local sources	424,201	97,178	-	-	521,379
Miscellaneous	225,056	-	25,000	34,458	284,514
Total revenues	78,692,880	14,410,829	9,335,260	39,037	102,478,006
EXPENDITURES					
Current:					
Instruction	51,350,940	4,519,717	340,821	12,406	56,223,884
Support services:					
Pupil services	3,435,365	597,975	-	-	4,033,340
Improvement of instructional services	1,922,083	1,813,187	-	-	3,735,270
Educational media services	1,313,718	287,447	-	-	1,601,165
General administration	1,154,203	365,016	-	-	1,519,219
School administration	5,114,762	9,763	-	-	5,124,525
Business administration	774,688	-	7,849	-	782,537
Maintenance and operation of facilities	6,289,545	10,861	9,215	-	6,309,621
Student transportation services	3,558,471	241,629	-	-	3,800,100
Central support services	584,848	12,182	315,581	6,142	918,753
Other support services	39,595	396,861	-	-	436,456
Enterprise operations	-	85,998	-	-	85,998
Food services operation	-	4,551,440	-	-	4,551,440
Community services operation	-	1,391,513	-	-	1,391,513
Capital outlay	-	363,849	6,142,763	44,835	6,551,447
Debt service:					
Principal retirement	-	-	3,104,444	-	3,104,444
Interest and fees	-	-	596,246	-	596,246
Total expenditures	75,538,218	14,647,438	10,516,919	63,383	100,765,958
Excess (deficiency) of revenues over (under) expenditures	3,154,662	(236,609)	(1,181,659)	(24,346)	1,712,048
OTHER FINANCING SOURCES (USES)					
Transfers in	-	732,857	1,129,563	1,724,637	3,587,057
Transfers out	(3,587,057)	-	-	-	(3,587,057)
Total other financing sources (uses)	(3,587,057)	732,857	1,129,563	1,724,637	-
Net change in fund balances	(432,395)	496,248	(52,096)	1,700,291	1,712,048
FUND BALANCE, beginning of year	15,677,397	2,754,730	8,133,966	1,862,901	28,428,994
FUND BALANCE, end of year	$ 15,245,002	$ 3,250,978	$ 8,081,870	$ 3,563,192	$ 30,141,042

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

BOARD OF EDUCATION OF THE CITY OF MARIETTA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds		$ 1,712,048
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts are:		
Capital outlay	$ 7,226,388	
Depreciation expense	(2,912,914)	4,313,474
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes		576,738
Sales taxes		(3,711)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Principal payments - intergovernmental payable, City of Marietta		3,104,444
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in compensated absences		52,236
Change in net assets		$ 9,755,229

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

BOARD OF EDUCATION OF THE CITY OF MARIETTA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Property taxes	$ 46,293,996	$ 46,293,996	$ 46,805,999	$ 512,003
Other taxes	1,000,000	1,000,000	1,483,463	483,463
State funds	30,230,396	25,810,163	25,843,934	33,771
Federal funds	1,849,050	3,388,791	3,388,791	-
Charges for services	480,000	475,000	438,560	(36,440)
Investment earnings	200,000	200,000	82,876	(117,124)
Other local sources	500,000	500,000	424,201	(75,799)
Miscellaneous	270,000	275,000	225,056	(49,944)
Total revenues	80,823,442	77,942,950	78,692,880	749,930
EXPENDITURES				
Current:				
Instruction	51,284,151	50,658,036	51,350,940	(692,904)
Support services:				
Pupil services	3,328,865	3,330,971	3,435,365	(104,394)
Improvement of instructional services	2,034,735	1,931,245	1,922,083	9,162
Educational media services	1,427,104	1,408,834	1,313,718	95,116
General administration	1,237,343	1,226,733	1,154,203	72,530
School administration	5,431,990	5,379,955	5,114,762	265,193
Business adminstration	724,624	718,204	774,688	(56,484)
Maintenance and operation of plant	7,674,124	7,534,247	6,289,545	1,244,702
Student transportation services	4,330,922	4,253,944	3,558,471	695,473
Central support services	716,908	710,316	584,848	125,468
Other support services	679,050	39,595	39,595	-
Total expenditures	78,869,816	77,192,080	75,538,218	1,653,862
Excess of revenues over expenditures	1,953,626	750,870	3,154,662	2,403,792
OTHER FINANCING (USES)				
Transfers out	(1,953,626)	(750,870)	(3,587,057)	(2,836,187)
Total other financing (uses)	(1,953,626)	(750,870)	(3,587,057)	(2,836,187)
Net change in fund balances	-	-	(432,395)	(432,395)
FUND BALANCE, beginning of year	15,677,397	15,677,397	15,677,397	-
FUND BALANCE, end of year	$ 15,677,397	$ 15,677,397	$ 15,245,002	$ (432,395)

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

BOARD OF EDUCATION OF THE CITY OF MARIETTA

GRANT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
State funds	$ 161,271	$ 161,271	$ 143,707	$ (17,564)
Federal funds	13,622,985	14,894,506	11,834,018	(3,060,488)
Charges for services	829,424	829,424	2,331,758	1,502,334
Investment earnings	11,116	11,116	4,168	(6,948)
Other local sources	1,729,557	1,729,557	97,178	(1,632,379)
Miscellaneous	430	430	-	(430)
Total revenues	16,354,783	17,626,304	14,410,829	(3,215,475)
EXPENDITURES				
Current:				
Instruction	7,369,300	7,510,148	4,519,717	2,990,431
Support services:				
Pupil services	624,780	830,064	597,975	232,089
Improvement of instructional services	1,605,514	1,463,929	1,813,187	(349,258)
Educational media services	365	365	287,447	(287,082)
General administration	431,725	1,544,742	365,016	1,179,726
School administration	12,745	12,745	9,763	2,982
Maintenance and operation of plant	1,585	1,585	10,861	(9,276)
Student transportation services	108,700	159,948	241,629	(81,681)
Central support services	-	-	12,182	(12,182)
Other support services	306,021	177,515	396,861	(219,346)
Enterpise operations	85,200	85,200	85,998	(798)
Food services operation	4,208,752	4,208,752	4,551,440	(342,688)
Community services operation	1,454,378	1,454,378	1,391,513	62,865
Capital outlay	-	-	363,849	(363,849)
Total expenditures	16,209,065	17,449,371	14,647,438	2,801,933
Excess (deficiency) of revenues over (under) e	145,718	176,933	(236,609)	(413,542)
OTHER FINANCING SOURCES				
Transfers in	-	-	732,857	732,857
Total other financing sources	-	-	732,857	732,857
Net change in fund balances	145,718	176,933	496,248	319,315
FUND BALANCE, beginning of year	2,754,730	2,754,730	2,754,730	-
FUND BALANCE, end of year	$ 2,900,448	$ 2,931,663	$ 3,250,978	$ 319,315

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

BOARD OF EDUCATION OF THE CITY OF MARIETTA

STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUND
JUNE 30, 2010

	Agency Fund
ASSETS	
Cash	$ 500,494
LIABILITIES	
Funds held for others	$ 500,494

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

Note 1: DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

REPORTING ENTITY

The Board of Education of the City of Marietta ("District") was established under the laws of the State of Georgia and operates under the guidance of a seven (7) member board elected by the voters of the City of Marietta and a Superintendent appointed by the Board. The Board is organized as a separate legal entity and has the power to levy taxes. Its budget is not subject to approval by any other entity. Accordingly, the District is a primary government and consists of all the organizations that compose its legal entity. There are no component units combined with the District for financial statement presentation purposes, and the District is not included in any other governmental reporting entity.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The 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 Board of Education of the City of Marietta.

District-wide Statements:
The Statement of Net Assets and the Statement of Activities display information about the financial activities of the overall 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 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 District related to the administration and support of the 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.

In the Statement of Net Assets, equity is reported as net assets and consists of amounts invested in capital assets net of related debt, amounts restricted by outside parties for specific purposes, and unrestricted amounts.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements:
The fund financial statements provide information about the District's funds, including fiduciary funds.

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 District reports the following major governmental funds:

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

- *Grant Fund* accounts for federal and state funded grants awarded to the District for accomplishing specific educational tasks and whose expenditures are limited to specific purposes.

- *District-Wide Capital Projects Fund* accounts for financial resources including Special Purpose Local Option Sales Tax (SPLOST II & III) to be used for the acquisition, construction or renovation of major capital facilities.

- *Asset Replacement Fund* accounts for financial resources to be used for the future capital outlay projects.

The District reports the following fiduciary fund types:

- *Agency Funds* account for assets held by the District as an agent for various individual school clubs and activities.

Measurement Focus and 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. Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the 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.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The 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 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, intergovernmental revenue, 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 and bonds are reported as other financing sources.

The 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 District's policy to first apply grant resources to such programs, followed by cost-reimbursement grants, then general revenues.

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

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.

Cash and Cash Equivalents

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. Georgia Laws OCGA 45-8-14 authorizes the District to deposit its funds in one or more solvent banks or insured Federal savings and loan associations.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments made by the District in nonparticipating interest-earning contracts (such as certificates of deposit) and repurchase agreements are reported at cost, which approximates market. Participating interest-earning contracts and money market investments with a maturity at purchase of one year or less are reported at amortized cost. 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 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 Local Government Investment Pool administered by the State of Georgia, Office of Treasury and Fiscal Services,

(7) Repurchase agreements, and

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

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 include any amounts which would necessitate the need for an allowance for uncollectible receivables.

Property Taxes

The City of Marietta levied the 2009 tax digest on July 30, 2009. Taxes were due on October 27, 2009. Taxes collected within the current fiscal year or within 60 days after year-end are reported as revenue in the governmental funds for fiscal year 2010. The City of Marietta City Clerk bills and collects the property taxes for the District and remits the balance of taxes collected to the District. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2010, for maintenance and operations amounted to $46,805,999.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tax millage rates levied for the 2009 tax year for the Board of Education of the City of Marietta were as follows (a mill equals $1 per thousand dollars of assessed value):

School Maintenance & Operations	17.97 mills

Sales Taxes

Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to $8,278,349 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

Inventories

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 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.

Interfund Receivables and Payables

During the course of its operations, the District makes transfers between funds to finance operations, provide services, acquire assets and service debt. To the extent that certain transfers between funds had not been received as of year end, balances of interfund amounts receivable or payable have been recorded.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “Interfund loan receivables/payables” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans).

Prepaid Items

Payments made to vendors for services that will benefit periods subsequent to June 30, 2010, are recorded as prepaid items.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 District does not capitalize book collections or works of art. Depreciation is used to allocate the actual or estimated historical cost of all capital assets over estimated useful lives.

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

	Capitalization Policy	Estimated Useful Life
Land	All	N/A
Land Improvements	$10,000	20 to 50 years
Buildings and Improvements	$10,000	20 to 50 years
Intangible Assets	$10,000	20 to 50 years
All Equipment	$10,000	5 to 15 years

Compensated Absences

Employees earn vacation leave at the rate of ten days per year for the first four years up to a maximum of twenty days after ten years being employed at the Board of Education of the City of Marietta. The maximum possible accumulation is thirty days. At termination, employees are paid for any accumulated vacation leave.

Employees can earn sick leave at the rate of one and one-half days per month up to a maximum of 100 days. Accumulated days in excess of 100 at the previous year end are paid at the beginning of each fiscal year to Public School Employee Retirement System employees. The days are paid at the rate of one-half the daily standard substitute teacher pay rate. At termination, these employees are paid for the portion of their accumulated sick leave.

Compensated absences typically have been paid from the General Fund.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Assets.

In the fund financial statements, the face amount of debt issued is reported as other financing sources. Payments of principal and interest and issuance costs, whether or not withheld from actual proceeds, are reported as debt service expenditures.

Fund Equity/Net Assets

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative plans for future use of financial resources.

In the Statement of Net Assets, equity is reported as net assets and consists of amounts invested in capital assets, net of related debt, amounts restricted by outside parties for specific purposes and unrestricted amounts.

Use of Estimates

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

Note 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The District adopts an annual budget for its General Fund. The budget is prepared in accordance with provisions of the Quality Basic Education Act, OCGA Section 20-2-167. After the Board of Education of the City of Marietta has tentatively adopted the budget, such budget is advertised at least one time in a local newspaper of general circulation. At the next regular meeting of the Board after advertisement, the budget is revised as necessary and adopted as the final budget.

Note 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

The following functions had excesses of actual expenditures over appropriations in the amount shown for the fiscal year ended June 30, 2010.

General Fund:		
Instruction:	$	692,904
Support services:		
Pupil services		104,394
Business administration		56,484
Grants Fund:		
Instruction:		
Support services:		
Improvement of instructional services		349,258
Educational media services		287,082
Maintenance and operation of plant		9,276
Student transportation services		81,681
Central support services		12,182
Other support services		219,346
Enterprise operations		798
Food services operation		342,688
Capital Outlay		363,849

Note 4: DEPOSITS AND INVESTMENTS

Official Code of Georgia Annotated (OCGA) 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 (OCGA 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.

Custodial credit risk. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities.

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,

Note 4: DEPOSITS AND INVESTMENTS (Continued)

(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 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.

At June 30, 2010, the carrying value of the District's total investments was $34,658,447, which is materially the same as fair value. This investment consisted of funds invested in the Local Government Investment Pool administered by the State of Georgia, Office of Treasury and Fiscal Services which are not required to be categorized since the District did not own any specific identifiable securities in the pool. The investment policy of the State of Georgia, Office of Treasury and Fiscal Services for the Local Government Investment Pool does not provide for investment in derivatives or similar investments. Additional information on the Local Government Investment Pool is disclosed in the State of Georgia Comprehensive Annual Financial Report. This information can be obtained from the Georgia Department of Audits and Accounts' website at www.audits.state.ga.us/internet/searchRpts.html. The 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, 2010, was 46 days.

Investment	Maturities	Fair Value
Georgia Fund 1 (Reported as cash equivalents)	46 days	$ 34,658,447
Total		$ 34,658,447

Note 5: NON-MONETARY TRANSACTIONS

The 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 of $367,195.

Note 6: CAPITAL ASSETS

The following is a summary of changes in the capital assets during the fiscal year:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 9,695,861	$ -	$ -	$ -	$ 9,695,861
Construction in progress	4,963,726	6,506,612	-	(5,769,355)	5,700,983
Total	14,659,587	6,506,612	-	(5,769,355)	15,396,844
Capital assets, being depreciated:					
Site Improvements	535,342	-	-	-	535,342
Buildings and improvements	119,850,720	158,203	-	5,769,355	125,778,278
Machinery and equipment	10,755,171	561,573	-	-	11,316,744
Total	131,141,233	719,776	-	5,769,355	137,630,364
Less accumulated depreciation for:					
Site Improvements	(78,259)	(26,767)	-	-	(105,026)
Buildings and improvements	(54,860,085)	(2,113,178)	-	-	(56,973,263)
Machinery and equipment	(7,615,357)	(772,969)	-	-	(8,388,326)
Total	(62,553,701)	(2,912,914)	-	-	(65,466,615)
Total capital assets, being depreciated, net	68,587,532	(2,193,138)	-	5,769,355	72,163,749
Governmental activities capital assets, net	$ 83,247,119	$ 4,313,474	$ -	$ -	$ 87,560,593

Depreciation expense was charged to functions as follows:

Instruction		$ 2,449,941
Support Services:		
Pupil Services	85,207	
General Administration	47,065	
Maintenance and Operations	1,300	
Pupil Transportation	329,401	462,973
Total depreciation expense - governmental activities		$ 2,912,914

Note 7: INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2010, is as follows:

Funds	Interfund Loan Receivable	Interfund Loan Payable
Asset Replacement Fund	$ 656,402	$ -
District-wide Capital Projects Fund	-	656,402
Total governmental funds	$ 656,402	$ 656,402

The interfund balance above represents a loan of funds to be reimbursed upon future collections of sales tax.

Interfund transfers for the year ended June 30, 2010, consisted of the following:

Transfers To	Transfers From General Fund	Total
Grant Fund	$ 732,857	$ 732,857
District-wide Capital Projects Fund	1,129,563	1,129,563
Asset Replacement Fund	1,724,637	1,724,637
Total governmental funds	$ 3,587,057	$ 3,587,057

Transfers are used to move property tax revenues collected by the General Fund to the District-wide Capital Projects Fund as required match or supplemental funding source for capital construction projects. A transfer was also used to move funds from the General Fund to the Asset Replacement Fund for future capital outlay expenditures. A transfer was also made to the Grant Fund as a supplemental funding source for community services operation activities.

Note 8: RISK MANAGEMENT

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

The District is self-insured with regard to workers compensation claims up to the first $75,000 of each workers compensation claim. The District accounts for claims within the General Fund with expenses/expenditures and liabilities being reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated.

Note 9: LONG – TERM OBLIGATIONS

The changes in long-term debt during the fiscal year ended June 30, 2010, were as follows:

	Governmental Funds		
	Compensated Absences	Intergovernmental Payable City of Marietta	Total
Balance July 1, 2009	$ 507,976	$ 27,854,444	$ 28,362,420
Annual Leave Earned	456,849	-	456,849
Deductions			
Annual Leave Utilized	509,085	-	509,085
Debt Retired	-	3,104,444	3,104,444
Balance June 30, 2010	$ 455,740	$ 24,750,000	$ 25,205,740
Due within One Year	$ 408,511	$ 2,640,000	$ 3,048,511

See Note 12, Prior Period Adjustment for restatement of Intergovernmental Payable above.

In addition to appropriation of taxes and other revenues to the District from the City of Marietta, the City also services certain debt for the District as set forth below.

On September 16, 2008, the voters in Cobb County approved the levy of a one percent sales and use tax for educational purposes (the "Sales Tax") in an estimated amount of approximately $856.6 million, of which $33,426,376 was authorized to be used by the District to pay principal of and interest on the Refunded 2008 Bond coming due in the years 2009 through 2013. During the year ended June 30, 2010, the City issued Series 2009A General Obligation School Refunding bonds totaling $25,270,000. The bond proceeds were used to advance refund the Series 2008 bond issue referred to above. Because the Series 2009A Bonds, when issued, will under Georgia law be construed and deemed to be issued in lieu of the Refunded 2008 Bond, the District is required (to the extent available) to use proceeds it receives from the Sales Tax to pay a portion of the debt service on the Series 2009A Bonds. No assurance can be given, however, that Sales Tax proceeds will be available to pay a portion of the debt service on the Series 2009A Bonds, or that the District will transfer such Sales Tax proceeds, if available, to the City to be used to pay a portion of the debt service on the Series 2009A Bonds. No recourse may be had against any of the Sales Tax proceeds received by the District to pay debt service on the Series 2009A Bonds. For the fiscal year ended June 30, 2010, the District paid $3,700,690 in debt service payments on behalf of the City of Marietta.

Note 9: LONG – TERM OBLIGATIONS (Continued)

The intergovernmental payable currently outstanding is as follows:

	Principal	Interest	Total
Fiscal Year Ending June 30,			
2011	$ 2,640,000	$ 1,053,625	$ 3,693,625
2012	2,720,000	974,425	3,694,425
2013	2,795,000	899,625	3,694,625
2014	2,865,000	829,750	3,694,750
2015	3,005,000	686,500	3,691,500
2016 - 2019	10,725,000	1,061,500	11,786,500
Total	$ 24,750,000	$ 5,505,425	$ 30,255,425

Note 10: SIGNIFICANT COMMITMENTS

The following is an analysis of significant outstanding construction or renovation contracts executed by the District as of June 30, 2010:

Project	Executed Contracts
Marietta Sixth Grade Academy Renovations-Phase II	$ 957,033
Marietta Sixth Grade Security System	87,959
Marietta Middle Security System	200,775
Marietta Sixth Grade Academy Roofing	524,483
Marietta High School Broadcast Media Lab	37,844
Total	$ 1,808,094

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

Note 11: ON-BEHALF PAYMENTS

The District has recognized revenues and costs in the amount of $229,959 for health insurance and retirement contributions paid on the 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-Certified Personnel
In the amount of $122,340

Georgia Department of Education
Paid the Teachers Retirement System
For Teachers Retirement (TRS)
In the amount of $76,612

Office of Treasure and Fiscal Services
Paid to Public School Employee Retirement System
For Public School Employees Retirement (PSERS)
In the amount of $31,007

Note 12: PRIOR PERIOD ADJUSTMENT

The District has determined that a restatement of the net assets of the governmental activities is required to reflect corrections to beginning balances of long-term debt. The District excluded the long-term debt in the June 30, 2009 financial statements in error, resulting in an overstatement of the net assets.

Government-Wide:	
Net assets June 30, 2009, as previously reported	$ 113,216,226
Adjustment for proper recognition of the long-term debt	(27,854,444)
Net assets, June 30, 2009, as restated	$ 85,361,782

Note 13: 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 Teachers Retirement System of Georgia, Two Northside 75, Suite 100, Atlanta, GA 30318.

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

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

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

Funding Policy. TRS is funded by member and employer contributions as adopted and amended by the Board of Trustees. 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, 2010, were 5.25% of annual salary. The member contribution rate will increase to 5.53% effective July 1, 2010. Employer contributions required for fiscal year 2010 and 2009 were 9.28% and 9.28%, respectively, of annual salary as required by the June 30, 2008, actuarial valuation. The employer contribution rate will increase to 10.28% effective July 1, 2010. Employer contributions for the current and prior two years are as follows:

Fiscal Year	Percentage Contributed	Required Contribution
2010	100%	$ 5,084,374
2009	100%	$ 4,946,904
2008	100%	$ 4,775,816

Note 13: RETIREMENT PLANS (Continued)

PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM OF GEORGIA (PSERS)

Plan Description. Substantially all bus drivers, maintenance, custodial, and lunchroom personnel employed by the District are members of the Public School Employees Retirement System of Georgia (PSERS), which is also a cost-sharing multiple employer public employee retirement system. The Board of the Public School Employees Retirement System of Georgia issues a publicly available financial report that includes financial statements and supplementary information for PSERS. That report may be obtained by writing Public School Employee Retirement System, Two Northside 75, Atlanta, Georgia 30318-7778, or by calling 1-800-805-4609.

PSERS provides service retirement, disability retirement and survivor's benefits for its members. A member is eligible for normal service retirement after 10 years of service and attainment of age 65. A member applying for service retirement with 10 years of service and retiring between the ages of 60 and 65 receives a reduced benefit. Monthly retirement benefits paid to members are equal to eight dollars per month multiplied by the number of years of creditable service. Retirement provisions include death and disability benefits. Benefits are established by state statute.

If there are less than ten years of service, a lump sum refund of the employee's contributions and interest are made to the beneficiary. If there are more than ten years of service, the beneficiary shall receive for life half of what the employee would have received upon retirement.

Members become fully vested after ten years of service. If a member terminates with less than ten years of service, nonvesting of employer contributions occurs, but the member's contributions are refunded with interest.

PSERS issued a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained calling (404) 352-6400.

Funding Policy. Covered employees are required by State statute to contribute $4.00 a month for the nine month school year. Unlike TRS, the School District makes no contribution to PSERS. The State of Georgia is required by statute to make employer contributions actuarially determined and approved by the PSERS's Board of Trustees. Total contributions from employees of the School District to PSERS were $7,872, $8,268, and $8,396 for the fiscal years ended June 30, 2010, 2009, and 2008, respectively.

Note 13: RETIREMENT PLANS (Continued)

TAX SHELTERED ANNUITY (TSA)

PLAN DESCRIPTION

The District provides retirement benefits for substantially all full-time employees through the defined contribution plan under Internal Revenue Code 403(b). Employees are eligible to participate at the date of employment, with the exception of custodial and maintenance employees, who are eligible after 90 days.

FUNDING POLICY

The District requires participants to contribute 3% of their gross salary, and the District contributes an additional 5.535% or 6.985%, depending on the classification of the employee. Employees also have the option of contributing additional amounts up to a certain percentage of their salary. Total District and employee contributions, including voluntary contributions, were as follows:

Fiscal Year Ended June 30,	District Contributions	Employee Contributions	Total Contributions
2008	$ 3,035,573	$ 2,763,610	$ 5,799,183
2009	3,008,852	2,598,913	5,607,765
2010	2,968,861	2,535,507	5,504,368

Note 14: CONTINGENCIES

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

The District participates in numerous State and Federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any amounts received may be required and the collectibility of any related receivable at year-end may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Note 15: POSTEMPLOYMENT BENEFITS

GEORGIA SCHOOL PERSONNEL POST-EMPLOYMENT HEALTH BENEFIT FUND

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

Funding Policy. The contribution requirements of the plan members and participating employers are established and may be amended by the Board of Community Health. Contributions of plan members or beneficiaries receiving benefits vary based on plan election, dependent coverage, and Medicare eligibility and election. On Average, plan members pay approximately twenty-five percent (25%) of the cost of health insurance coverage. Participating employers are statutorily required to contribute in accordance with the employer contribution rate established to fund both the active and retired employee health insurance plans based on projected pay-as-you-go financing requirements. 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 30 years. The employer contribution rates for the combined active and retiree plans for the fiscal year ended June 30, 2010, were as follows:

Certified Employees
July 2009 – 18.534% of covered payroll for August Coverage
August 2009 – October 2009 14.492% of covered payroll for September – November Coverage
November 2009 – June 2010 18.534% of covered payroll for December – July Coverage

Non-Certificated Employees $162.72 per month

No additional contribution was required by the Board of Community Health for fiscal year 2010 nor contributed to the Benefit Fund to prefund retire benefits. Such additional contribution amounts are determined annually by the Board of Community Health in accordance with the State plan for other post-employment benefits and are subject to appropriation. The School District's contribution to the health insurance plans for the fiscal year ended June 30, 2010, 2009 and 2008 were $7,256,552, $5,732,281, and $7,660,653, which equaled the required contribution.

Retiree health benefits were previously funded through the Georgia Retiree Health Benefit Fund (GRHBF). In 2009, the General Assembly revisited the GRHBF and enacted legislation that, effective August 31, 2009, separated the GRHBF into two new funds: the Georgia School Personnel Post-employment Health Benefit Fund and the Georgia State Employees Post-employment Health Benefit Fund. The purpose of this change was to assure employers responsible for planning and funding future retiree health costs that their contributions will be dedicated to their respective retiree populations. Funds in the GRHBF were transferred to the Georgia State Employees Post-employment Health Benefit Fund or the Georgia School Personnel Post-employment Health Benefit Fund as described in the plan financial statements. The statue that created the GRHBF is repealed effective September 1, 2010.

II. OTHER SUPPLEMENTARY INFORMATION

BOARD OF EDUCATION OF THE CITY OF MARIETTA

SCHEDULE OF STATE REVENUE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Agency/Funding	Governmental Fund Types: General & Grant Funds	Governmental Fund Types: Capital Projects Fund	Total
Grants			
Education, Georgia Department of			
Quality Basic Education			
Direct Instructional Cost			
Kindergarten Program	$ 2,219,577	$ -	$ 2,219,577
Kindergarten Program - Early Intervention Program	681,598	-	681,598
Primary Grades (1-3) Program	5,280,017	-	5,280,017
Primary Grades - Early Intervention (1-3) Program	796,117	-	796,117
Upper Elementary Grades (4-5) Program	2,472,350	-	2,472,350
Upper Elementary Grades - Early Intervention (4-5) Prograr	347,172	-	347,172
Middle Grades Program (6-8)	36,375	-	36,375
Middle School Program (6-8)	3,109,186	-	3,109,186
High School General Education (9-12) Program	3,200,230	-	3,200,230
Vocational Laboratory (9-12) Program	645,552	-	645,552
Program for Intellectually Gifted Students - Category VI	925,998	-	925,998
Remedial Education Program	487,781	-	487,781
English for Speakers of Other Languages (ESOL)	1,414,056	-	1,414,056
Media Center Program	726,394	-	726,394
20 Days Additional Instruction	218,109	-	218,109
Staff and Professional Development	134,449	-	134,449
Indirect Cost			
Central Administration	693,587	-	693,587
School Administration	1,678,421	-	1,678,421
Facility Maintenance and Operations	1,653,664	-	1,653,664
Categorical Grants			
Pupil Transportation			
Pupil Transportation	423,112	-	423,112
Sparsity Grant - Alternative Program	13,794	-	13,794
Nurses	138,489	-	138,489
Mid Term Hold Harmless	196,677	-	196,677
Vocational Supervisors	14,507	-	14,507
Food Services (Source 3510)	143,707	-	143,707
Vocational Education (Total Pgms 3100 - 3999)	65,641	-	65,641
Amended Formula Adjustment	(6,722,609)	-	(6,722,609)
Health Insurance	122,340	-	122,340
National Teacher Certification	42,619	-	42,619
Preschool Handicapped State Grant	154,619	-	154,619
Teachers Retirement	76,612	-	76,612

Continued

BOARD OF EDUCATION OF THE CITY OF MARIETTA

SCHEDULE OF STATE REVENUE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Agency/Funding	Governmental Fund Types		Total
	General & Grant Funds	Capital Projects Fund	
Quality Basic Education			
Formula Earnings (State And Local Funds)	$ 6,022,108	$ -	$ 6,022,108
QBE Allotment (Operating Costs)	104,543	-	104,543
QBE Contra Account (Debit)	(1,633,466)	-	(1,633,466)
Capital Outlay Grants			
Misc Grant	-	1,009,373	1,009,373
Office of Treasury and Fiscal Services			
Public School Employees Retirement	31,007	-	31,007
Other			
Dual Enrollment	155	-	155
Virtual Schools Grant	800	-	800
Residential Treatment Center Grants	71,476	-	71,476
Ga Special Needs Scholarship Fund - Reimbursement	877	-	877
	$ 25,987,641	$ 1,009,373	$ 26,997,014

BOARD OF EDUCATION OF THE CITY OF MARIETTA

SCHEDULE OF QUALITY BASIC EDUCATION PROGRAM (QBE) ALLOTMENTS AND EXPENDITURES BY PROGRAM GENERAL FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Description	Allotments From Georgia Department of Education (1)(2)	Eligible QBE Program Costs		
		Salaries	Operations	Total
Direct Instructional Funds:				
Kindergarten Program	$ 3,179,517	$ 3,104,886	$ 572,525	$ 3,677,411
Kindergarten Program - Early Intervention Program	943,059	278,411	861	279,272
Primary Grades (1-3) Program	7,566,409	7,755,045	1,201,604	8,956,649
Primary Grades - Early Intervention (1-3) Program	1,158,749	1,546,478	1,161	1,547,639
Upper Elementary Grades (4-5) Program	3,516,027	4,184,436	472,806	4,657,242
Upper Elementary Grades-Early Intervention (4-5) Program	520,183	311,831	873	312,704
Middle Grades (6-8) Program	225,473	-	3,050	3,050
Middle School (6-8) Program	4,542,859	4,817,561	149,855	4,967,416
High School General Education (9-12) Program	5,019,917	5,625,020	369,075	5,994,095
Vocational Laboratory (9-12) Program	921,207	555,575	62,283	617,858
Students with Disabilities	4,979,960	-	-	-
Category I	-	351,949	1,338	353,287
Category II	-	941,445	4,864	946,309
Category III	-	4,706,859	360,185	5,067,044
Category IV	-	328,003	2,844	330,847
Category V	-	68,639	-	68,639
Gifted Student - Category VI	1,287,506	736,183	1,164	737,347
Remedial Education Program	699,408	82,723	405	83,128
Alternative Education Program	401,805	1,959	281,374	283,333
English Speakers of Other Languages (ESOL)	2,069,070	1,952,578	2,907	1,955,485
TOTAL DIRECT INSTRUCTIONAL PROGRAMS	37,031,149	37,349,581	3,489,174	40,838,755
Media Center Program	1,038,571	1,166,881	134,463	1,301,344
Staff and Professional Development	193,876	41,825	101,642	143,467
TOTAL QBE FORMULA FUNDS	$ 38,263,596	$ 38,558,287	$ 3,725,279	$ 42,283,566

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

(2) Allotments do not include the impact of the State budget austerity reduction.

BOARD OF EDUCATION OF THE CITY OF MARIETTA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Project	Original Estimated Cost(1)	Expended In Current Year (2)	Expended In Prior Years (3)	Project Status
SPLOST II				
Retirement of outstanding general obligation debt of the City of Marietta previously incurred and issued with respect to capital outlay projects in the principal and interest amount of $16,322,900, comprised of portions of City of Marietta, General Obligation School Bond, Series 1998A, coming due on 2004 through 2009	$ 16,322,900	$ 501,666	$ 18,350,684	Ongoing
Capital Outlay Projects as follows:	30,850,889	119,429	28,034,752	Ongoing
Constructing & equipping one new elementary school.				
Making system-wide technology improvements, including, but not limited to, acquisition and installation of instructional technology and information systems hardware and associated software and infrasturcture at all schools and other selected facilities				
Replacing, purchasing, upgrading or supplementing capital equipment including, but not limited to, desks, chairs, copiers, tables, school buses, books, and laboratory equipment				
Acquiring automobiles for Marietta City Schools' driver education program.				
Making additions to, renovating, upgrading, making critical infrastructure improvements, and/or equipping existing schools and other selected facilities.				
Acquiring land for future school construction				
	$ 47,173,789	$ 621,095	$ 46,385,436	
Total SPLOST II Expenditures		$ 621,095		

Continued

BOARD OF EDUCATION OF THE CITY OF MARIETTA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS FOR THE FISCAL YEAR ENDED JUNE 30, 2010

SPLOST III

Retirement of outstanding general obligation debt of the City of Marietta previously incurred and issued with respect to capital outlay projects in the principal and interest amount of $33,416,376, comprised of portions of City of Marietta, General Obligation School Refunding Bond, Series 2008, coming due on 2009 through 2013	$ 33,416,376	$ 3,199,024	$ -	Ongoing
Capital Outlay Projects as follows:	25,609,019	6,532,578	17,080	Ongoing
Making system-wide technology improvements, including, but not limited to, acquisition and installation of instructional technology and information systems hardware and associated software and infrasturcture at all schools and other selected facilities				
Replacing, purchasing, upgrading or supplementing capital equipment including, but not limited to, desks, chairs, copiers, tables, school buses, books, and laboratory equipment.				
Acquiring automobiles for Marietta City Schools' driver education program.				
Making additions to, renovating, upgrading, making critical infrastructure improvements, and/or equipping existing schools and other selected facilities.				
	$ 59,025,395	$ 9,731,602	$ 17,080	

Total SPLOST III Expenditures	$ 9,731,602
Total SPLOST Expenditures	$ 10,352,697
Non-SPLOST Capital Projects expenditures	164,222
Total District Wide Capital Project Fund Expenditure	$ 10,516,919

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

III. SINGLE AUDIT SECTION

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

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

To the Superintendent and Members of
the Board of Education of the City of Marietta
Marietta, Georgia

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Board of Education of the City of Marietta as of and for the year ended June 30, 2010, which collectively comprise the Board of Education of the City of Marietta's basic financial statements, and have issued our report thereon dated June 24, 2011. 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

In planning and performing our audit, we considered the Board of Education of the City of Marietta'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 Board of Education of the City of Marietta's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board of Education of the City of Marietta's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assuance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and an other deficiency that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2010-1 and 2010-2 to be material weaknesses.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2010-3 to be a significant deficiency.

Compliance and Other Matters

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

We also noted certain matters that we reported to management of the Board of Education of the City of Marietta in a separate letter dated June 24, 2011.

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

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

Mauldin & Jenkins, LLC

Atlanta, Georgia
June 24, 2011

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

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

To the Superintendent and Members of
the Board of Education of the City of Marietta
Marietta, Georgia

Compliance

We have audited the compliance of the Board of Education of the City of Marietta 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 the Board of Education of the City of Marietta's major federal programs for the year ended June 30, 2010. The Board of Education of the City of Marietta's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Board of Education of the City of Marietta's management. Our responsibility is to express an opinion on the Board of Education of the City of Marietta'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 Board of Education of the City of Marietta's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Board of Education of the City of Marietta's compliance with those requirements.

In our opinion, the Board of Education of the City of Marietta 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, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2010-4 and 2010-5.

Internal Control Over Compliance

The management of the Board of Education of the City of Marietta is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Board of Education of the City of Marietta'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 Board of Education of the City of Marietta'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 non-compliance 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. However we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2010-4 and 2010-5. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Mauldin & Jenkins, LLC

Atlanta, Georgia
June 24, 2011

BOARD OF EDUCATION OF THE CITY OF MARIETTA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Funding Agency Program/Grant	CFDA Number	Pass-Through Entity ID Number	Expenditures In Period
Agriculture, U. S. Department of			
Pass-Through From Georgia Department of Education			
Child Nutrition Cluster			
National School Breakfast Program - Cash Assistance	10.553	N/A	$ 1,018,547
National School Lunch Program:			
Non-Cash Assistance - Commodities (1)	10.555	N/A	367,195
Cash Assistance (2)	10.555	N/A	2,069,349
Total Child Nutrition Cluster			3,455,091
Direct Awards			
Fresh Fruits and Vegetables Program	10.582	N/A	75,352
ARRA Equipment Grant	10.579	N/A	50,000
Total U. S. Department of Agriculture			3,580,443
U. S. Department of Justice			
Pass-Through From Georgia Department of Education			
Secure Our Schools	16.710	N/A	373,064
Total U.S. Department of Justice			373,064
U. S. Department of Education			
Pass-Through From Georgia Department of Education			
Special Education Cluster			
Title VI-B Flow Through	84.027	N/A	1,389,757
Title VI-B Preschool Grants	84.173	N/A	30,286
Title VI-B Flow Through - ARRA	84.391	N/A	601,253
Title VI-B Preschool Grants - ARRA	84.392	N/A	7,815
Total Special Education Cluster			2,029,111
Title I-A ClusterCluster			
Title I-A School Improvement	84.010	N/A	3,635,050
Title I-A School Improvement - ARRA	84.389	N/A	873,968
Total Title I-A Cluster			4,509,018

Continued

BOARD OF EDUCATION OF THE CITY OF MARIETTA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Funding Agency Program/Grant	CFDA Number	Pass-Through Entity ID Number	Expenditures In Period
Other Programs			
Pass-Through From Georgia Department of Education			
American Recovery and Reinvestment Act (ARRA)			
State Fiscal Stabilization Funds	84.394A	N/A	$ 3,388,791
Vocational Education - Basic Grant	84.048	N/A	112,013
Title IV-A1, Safe and Drug-Free Schools	84.186	N/A	35,502
Education for Homeless Children and Youth	84.196	N/A	7,161
Marietta Cares for K.I.D.S	84.215M	N/A	94,685
Title II-D, Enhancing Ed Thru Tech.	84.318	N/A	10,685
Integrating Media Resources for Academic Success	84.364A	N/A	287,082
Title III-A, Limited English Proficient	84.365	N/A	190,169
Title II-B, Math and Science Partner	84.366	N/A	58,664
Title II-A, Improving Teacher Quality	84.367	N/A	514,423
Total Other Programs			4,699,175
Total U. S. Department of Education			11,237,304
Total Expenditures of Federal Awards			$ 15,190,811

N/A = Not Available

Notes to the Schedule of Expenditures of Federal Awards

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

(2) Expenditures for the fund earned on Child and Adult Care Food Program and the School Snack Program were not maintained separately and are included in the National School Lunch Program.

The District did not provide Federal Assistance to any Subrecipient.

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the City of Marietta 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.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of State and Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

BOARD OF EDUCATION OF THE CITY OF MARIETTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

SECTION I
SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	X yes ___ no
Significant deficiencies identified not considered to be material weaknesses?	X yes ___ none reported
Noncompliance material to financial statements noted?	___ yes X no

Federal Awards

Internal Control over major programs:	
Material weaknesses identified?	___ yes X no
Significant deficiencies identified not considered to be material weaknesses?	X yes ___ none reported
Type of auditor's report issued on compliance for major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)?	X yes ___ no

Identification of major program:

CFDA Number	Name of Federal Program or Cluster
84.027, 84.173, 84.391, 84.392	Special Education Cluster (IDEA)
84.010, 84.389	Title I, Part A Cluster
84.394A	American Recovery and Reinvestment Act – State Fiscal Stabilization
84.367	Title II, Part A; Improving Teacher Quality

Dollar threshold used to distinguish between Type A and Type B programs:	$456,331
Auditee qualified as low-risk auditee?	___ yes X no

BOARD OF EDUCATION OF THE CITY OF MARIETTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

SECTION II
FINANCIAL STATEMENT FINDINGS

2010-1: Segregation of Duties

Criteria: Internal controls should be in place which provides reasonable assurance that an individual cannot misappropriate funds without such actions being detected during the normal course of business.

Condition: Appropriate segregation of duties does not exist between receipting, recording, distribution, and reconciliation of cash accounts and other operational functions at the District.

Context: Several instances of overlapping duties were noted during employee interviews regarding internal control procedures related to recording, distribution, and reconciliation of cash accounts and other operational functions at the District.

Effects or Possible Effects: Failure to properly segregate duties may allow for errors or irregularities to occur and not be detected in a timely manner by employees in the normal course of performing their assigned functions.

Cause: The size of the District's accounting and administrative staff precluded certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties.

Recommendation: We recommend the District segregate duties relative to the above processes.

Auditee's Response: Management agrees that the size of the District's finance staff precludes the optimum segregation of duties as described. However, we will continue to review and improve our processes to determine the most effective and efficient way to segregate duties to provide reasonable assurance that an individual could not misappropriate funds without being detected during the normal course of business.

SECTION II
FINANCIAL STATEMENT FINDINGS (CONTINUED)

2010-2: Timely Reconciliations of Cash Accounts – School Nutrition Fund

Criteria: Internal controls should be in place to ensure that bank accounts are timely reconciled between the bank statement and the general ledger on a monthly basis. This will ensure that all transactions are recorded properly in the general ledger and allow for errors or irregularities to be detected in a timely manner.

Condition: The District did not timely reconcile the District's school nutrition bank account.

Context/Cause: During our testing of the District's bank accounts, it was noted that the school nutrition account was several months behind in being reconciled to the general ledger.

Effect or Possible Effects: Failure to properly reconcile back accounts timely may allow for errors or irregularities to occur and not be detected in a timely manner by employees in the normal course of performing their assigned functions.

Recommendations: We recommend management of the District reconcile all bank accounts after the end of each month throughout the fiscal year to ensure that items are properly and timely recorded to the general ledger.

Response: We concur with the finding and recommendation. We will ensure that all bank accounts are properly reconciled in a timely manner after the end of each month throughout each fiscal year.

SECTION II
FINANCIAL STATEMENT FINDINGS (CONTINUED)

2010-3: Cash Activity – School Nutrition Bank Reconciliation

Criteria: Generally accepted accounting principles require all cash transactions to be accurately reported.

Condition: Internal controls were not sufficient to detect misstatements in the reporting of the School District's cash transactions.

Context/Cause: During our testing of cash, several audit adjustment were required to correct current year balances. The nature of this adjustment is as follows:

- Cash and investment accounts of the School District's School Nutrition Program required an adjustment of $60,000 to properly reflect activity related to cash and investments.
- Cash and accounts payable of the School District's School Nutrition Program required an adjustment of $60,164 to properly reflect activity related to cash and accounts payable.
- Cash and program expenditures of the School District's School Nutrition Program required an adjustment of $37,052 to properly reflect activity related to cash and program expenditures.

Effect or Possible Effects: Several audit adjustments were needed to correctly report cash, investments, accounts payable and expenditures for the year ended June 30, 2010.

Recommendations: We recommend management of the District carefully review all cash transactions and reconciliations during the year to ensure proper recording of transaction and proper reporting of account balances.

Response: We concur with the finding and recommendation. We will ensure that all bank accounts are properly reconciled in a timely manner after the end of each month throughout each fiscal year.

BOARD OF EDUCATION OF THE CITY OF MARIETTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

2010-4: Semi – Annual Certification of Time and Efforts Sheets – Title I, Part A Cluster:
U.S. Department of Education, Local Educational Agencies, CFDA #84.010
U.S. Department of Education, Local Educational Agencies - ARRA, CFDA #84.389

Criteria: Per OMB A-87, Cost Principles, an employee who works solely on a single cost objective (i.e., a single Federal program whose administrative funds have not been consolidated) must furnish a semi-annual certification that he/she has been engaged solely in activities supported by the applicable source in accordance with OMB Circular A-87, Attachment B, paragraph 8.h.(3). An employee who works in part on a single cost objective (i.e., a single Federal program whose administrative funds have not been consolidated), and in part on consolidated Federal administrative activities or activities funded from other revenue sources, must maintain time and effort distribution records in accordance with OMB Circular A-87, Attachment B, paragraph 8.h.

Condition and Context: For the year ended June 30, 2010, we reviewed sixty (60) disbursements to teachers paid out of Title I, Part A funds to determine if the School District was properly maintaining semi-annual certification of time and effort sheets. We found three (3) teachers paid out of Title I, Part A funds that were not properly maintaining semi-annual certification or time and effort sheets.

Known and Likely Questioned Costs: $34,323 of Known Questioned Costs and $42,103 of Likely Questioned Costs.

Effects or possible effects: Personnel salaries unrelated to Title I, Part A could be funded with Title I, Part A funds. Therefore, unallowable costs could be charged to the grant.

Cause: There was a lack of oversight of management in relation to required reports.

Recommendation: We recommend the School System maintain semi-annual certification of time and effort sheets on all employees whose salaries are funded out of Title I, Part A funds.

Views of Responsible Officials: We concur with the recommendation. Corrective action has already been taken to ensure that all the School System comply with the semi-annual certification requirement or time and effort documentation.

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (Continued)

2010-5: Semi – Annual Certification of Time and Efforts Sheets – Special Education (IDEA) Cluster:
U.S. Department of Education, Flow Through, CFDA #84.027
U.S. Department of Education, Preschool, CFDA #84.173
U.S. Department of Education, Flow Through - ARRA, CFDA #84.391
U.S. Department of Education, Preschool - ARRA, CFDA #84.392

Criteria: Per OMB A-87, Cost Principles, an employee who works solely on a single cost objective (i.e., a single Federal program whose administrative funds have not been consolidated) must furnish a semi-annual certification that he/she has been engaged solely in activities supported by the applicable source in accordance with OMB Circular A-87, Attachment B, paragraph 8.h.(3). An employee who works in part on a single cost objective (i.e., a single Federal program whose administrative funds have not been consolidated), and in part on consolidated Federal administrative activities or activities funded from other revenue sources, must maintain time and effort distribution records in accordance with OMB Circular A-87, Attachment B, paragraph 8.h.

Condition and Context: For the year ended June 30, 2010, we reviewed sixty (60) disbursements to teachers paid out of Special Education (IDEA) funds to determine if the School System was properly maintaining semi-annual certification of time and effort sheets. We found four (4) teachers paid out of Special Education (IDEA) funds that were not properly maintaining semi-annual certification or time and effort sheets.

Known and Likely Questioned Costs: $54,945 of Known Questioned Costs and $83,145 of Likely Questioned Costs.

Effects or possible effects: Personnel salaries unrelated to Special Education (IDEA) could be funded with Special Education (IDEA) funds. Therefore, unallowable costs could be charged to the grant.

Cause: There was a lack of oversight of management in relation to required reports.

Recommendation: We recommend the School System maintain semi-annual certification of time and effort sheets on all employees whose salaries are funded out of Special Education (IDEA) funds.

Views of Responsible Officials: We concur with the recommendation to maintain semi-annual certification of time and effort sheets on all employees whose salaries are funded out of IDEA. Corrective action has already been taken to ensure there is supervision, compliance and maintenance with the semi-annual certification requirement.

BOARD OF EDUCATION OF THE CITY OF MARIETTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

SECTION IV
PRIOR YEAR FINANCIAL STATEMENT FINDINGS

2009-1 Receivables and Revenues

Condition: Internal controls were not sufficient to detect misstatements in the reporting of the District's receivables and revenues.

Status: This finding was resolved in the current year.

2009-2: Segregation of Duties

Condition: Appropriate segregation of duties does not exist between recording, distribution, and reconciliation of cash accounts and other operational functions at the District.

Status: See 2010-1 current year finding.

2009-3: Proper Reconciliations of Cash Accounts

Condition: The District did not timely reconcile one of the District's bank accounts.

Status: See 2010-3 current year finding.

2009-4: Collateralization of Deposits

Condition: As of June 30, 2009, the District had $65,215 in deposits that were not properly collateralized in accordance with state statutes.

Status: This finding was resolved in the current year.

BOARD OF EDUCATION OF THE CITY OF MARIETTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

SECTION IV
PRIOR YEAR FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

2009-5: Title I, Part A Schoolwide Programs CFDA #84.010

Condition and Context: As noted in our testing of the schools in the District operating schoolwide programs, two of the eight schools tested did not have all of the required elements to operate a schoolwide program.

Status: This finding was resolved during the current year.

2009-6: Title I, Part A Needs Improvement School Requirements CFDA #84.010

Condition and Context: As noted in our testing of the schools in the District being in Needing Improvement status the required documentation stated above was not prepared or disseminated to the schools, parents or the public as required.

Status: This finding was resolved during the current year.

2009-7: Title I, Part A Cash Management CFDA #84.010

Condition and Context: The School System is not properly segregating duties in regards to draw down requests in that the draw down requests reviewed for the year ended June 30, 2009 were prepared and authorized by the same person.

Status: This finding was resolved during the current year.

2009-8: Title I, Part A Allowable Costs/Activities CFDA #84.010

Condition and Context: Upon review of the personnel activity reports for the individuals who were split funded, the reports did not included the total activity, were not prepared at least monthly, and were not signed by the employee.

Status: See 2010-4 current year finding.

2009-9: Title VI-B Flow Through Allowable Costs/Activities CFDA #84.027

Condition and Context: Upon review of the personnel activity reports for the individuals who were split funded, the reports did not included the total activity, were not prepared at least monthly, and were not signed by the employee.

Status: See 2010-5 current year finding.