BOARD OF EDUCATION
OF THE CITY OF MARIETTA

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

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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, 2011, 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 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, 2011, and the respective changes in financial position, thereof and the respective 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.

As discussed in Note 2, the Board of Education of the City of Marietta implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of July 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2012, 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 and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board of Education of the City of Marietta's basic financial statements. The Schedule of Expenditures of Special Purpose Local Option Sales Tax proceeds, and the Schedule of Expenditures of Federal Awards as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Mauldin & Jenkins, LLC

Atlanta, Georgia
February 23, 2012

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, 2011. 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 2011 are as follows:

- Total net assets increased from $95,368,634, restated for 2010, to $102,225,178 in 2011, a 7% increase totaling $6,856,544.

- Total liabilities decreased from $39,536,571 to $34,357,014, a decrease of $5,179,557 or 13%, primarily due to a decrease in debt payable to City of Marietta for debt issued on behalf of the School District, decreases in payables related to school renovation, and a decrease in salary and benefit payables.

- Total revenue decreased from $104,059,287, restated for 2010, to $101,025,174 in 2011, a 3% decrease of $3,034,115 resulting from a 9% decrease in tax revenue that is offset by 3% increase in operating grant and contributions and a 91% increase in capital grants and contributions. Overall revenue for 2011 was $6,856,544 more than expenses.

- Total expenses decreased from $94,292,027, restated for 2010, to $94,168,630 in 2011, a decrease of less than 1% totaling $123,397.

- The increase in program expenses occurred in Instruction, where expenses increased $134,162 from $59,035,898 restated for 2010, to $59,170,060 in 2011. Pupil, Instructional and Media Services expenses decreased from $9,454,982 in 2010 to $8,346,033 due to decrease of grant funding for the purchase of media software and equipment. School and Administrative Services expenses decreased from $7,391,891 in 2010 to $7,344,030 in 2011. Maintenance and Operations expenses increased from $6,310,921 in 2010 to $6,620,784 due to increased purchased services expenditures related to repair and maintenance of buildings and Transportation expenses decreased from $4,115,009 to in 2010 to $4,032,538 in 2011. Other expenses increased from $7,983,326 restated in 2010 to $8,655,215 due primarily to recorded debt interest and increase in food services operations and equipment.

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. 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.

The Statement of Net Assets for 2011 has been summarized and compared with net assets for 2010. (See Condensed Statement of Net Assets - Table I). The District's net assets increased 7% in 2011. Total net assets increased primarily due to a decrease of 13% in liabilities occurring from a decrease in debt payable to City of Marietta for debt issued on behalf of the School District, decreases in payables related to school renovation, and a decrease in salary and benefit payables.

District-Wide Financial Analysis

Table I
Condensed Statement of Net Assets

Governmental Activities

	2010 Restated	2011
Assets		
Current and Other Assets	$ 47,344,612	$ 48,820,818
Capital Assets	87,560,593	87,761,374
Total Assets	134,905,205	136,582,192
Liabilities		
Other Liabilities	14,330,831	11,788,574
Long-Term Liabilities	25,205,740	22,568,440
Total Liabilities	39,536,571	34,357,014
Net Assets		
Invested in Capital Assets	62,810,593	65,651,374
Restricted	6,021,478	4,439,587
Unrestricted	26,536,563	32,134,217
Total Net Assets	$ 95,368,634	$ 102,225,178

Table II
Changes in Net Assets

Governmental Activities

	2010 Restated	2011
Revenues		
Program Revenues:		
Charges for Services	$ 2,770,318	$ 2,687,003
Operating Grants/Contributions	42,707,943	43,925,279
Capital Grants/Contributions	1,009,373	1,926,002
General Revenues:		
Taxes	57,140,838	52,049,428
Other	430,815	437,462
Total Revenues	104,059,287	101,025,174
Expenses		
Instruction	59,035,898	59,170,060
Pupil & Instructional Services	9,454,982	8,346,003
School and Administrative Services	7,391,891	7,344,030
Maintenance and Operations	6,310,921	6,620,784
Transportation	4,115,009	4,032,538
Other	7,983,326	8,655,215
Total Expenses	94,292,027	94,168,630
Change in Net Assets	9,767,260	6,856,544
Net Assets, beginning of year, as restated	85,601,374	95,368,634
Net Assets, end of year, as restated	$ 95,368,634	$ 102,225,178

Revenues

The District's total revenue decreased 3% in 2011. (See Changes in Net Assets - Table II). Though General Revenues decreased by 3% primarily due to a 9% decrease in tax collections; the decrease was offset by a 7% increase in Operating Grants and Contributions and Capital Grants and Contributions.

Expenses

- The District's total expenses which decreased less than 1% are primarily related to the instruction of students, providing pupil services, counseling and testing, and transporting students. Instructional costs increased less than 1% while the 12 % decrease in Pupil & Instructional Services expenses resulted primarily from the completion in 2010 of a federal grant for the purchase of media services equipment and software. Maintenance and Operations expenses increased 5% primarily from purchased services related to repair and maintenance of buildings. Other total expenses increased 8% due to the increase in recorded debt interest and in food services operations and equipment expenditures. The remaining expense categories reflect modest increases or decreases for the year.

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).

Table III
Net Cost of Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2010 Restated	2011	2010 Restated	2011
Instruction	$ 59,035,898	$ 59,170,060	$ 29,810,253	$ 27,434,684
Pupil & Instructional Services	9,454,982	8,346,003	5,829,922	5,144,591
School & Administrative Services	7,391,891	7,344,030	3,442,818	3,238,756
Maintenance & Operations	6,310,921	6,620,784	3,406,712	4,031,433
Transportation	4,115,009	4,032,538	3,297,201	3,038,276
Other	7,983,326	8,655,215	1,977,267	2,742,606
Total	$ 94,292,027	$ 94,168,630	$ 47,764,173	$ 45,630,346

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 2011 was $94,168,630. Users of the District's programs financed $2,687,003 of the costs. Federal and State grants, subsidized programs, and contributions financed $45,851,281 of the cost. The District's taxpayers financed the remainder of the School District's cost, which was $45,630,346 in 2011.

The District's Funds

The District ended fiscal year 2011 with positive fund balances in all of its governmental funds. The combined balance of all governmental funds, $36,092,232 was an increase of 2% from the 2010 ending restated balance of $30,392,665. This increase was primarily associated with increases in the General Fund. At the end of 2011, the District maintained cash balances and fund balances (assigned and unassigned) equivalent to approximately three months of General Fund expenditures.

General Fund

The General Fund is the operating fund of the School District. Revenue from state sources account for the majority of the School District's revenues. State sources increased $4.3 million in fiscal year 2011, primarily due to state funds replacing ARRA funds from the previous year and a decrease to the state austerity reduction from the previous year. Federal sources decreased $1.7 million in fiscal year 2011 primarily due to decreased ARRA funds. Federal Education Jobs Funds in the amount of $1.6 million helped to offset reductions in ARRA funding. Property tax revenues decreased $3.2 million in fiscal year 2011 when compared to fiscal year 2010 receipts. The unassigned General Fund Balance was $15.0 million at June 30, 2011.

Grant Fund

The Grant Fund is used to account for federal and state funded grant awards to the School District for accomplishing specific education tasks. In fiscal year 2011, federal grant revenues increased $0.4 million.

District-wide Capital Projects Fund

The District-wide Capital Projects Fund is used to account for school construction and improvement projects. Special Purpose Local Option Sales Tax (SPLOST) revenues and state funds account for the majority of the revenues in the Capital Projects Fund. State funds have decreased $0.9 million in fiscal year 2011 due to a decrease in capital projects 2011..

General Fund Budgetary Highlights

The FY2011 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

Capital assets increased less than 1% from $87,560,593 in 2010 to $87,761,374 in 2011, an increase of $200,781. (See Capital Assets, Net of Accumulated Depreciation - Table IV). The District had capital asset additions of $3,524,816. This was offset by current year depreciation of $3,320,990 and decrease of $3,045 from sale of buses and kitchen equipment. The School District is committed to maintaining and improving its capital assets. At June 30, 2011, the School District had commitments under construction contracts totaling approximately $706,642 for renovations and improvements to existing facilities.

Table IV
Capital Assets, Net of Accumulated Depreciation

	2010	2011
Land	$ 9,695,861	$ 9,695,861
Construction in Progress	5,700,983	-
Buildings & Improvements	69,235,331	74,279,037
Machinery & Equipment	2,928,418	3,786,476
Total	$ 87,560,593	$ 87,761,374

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

Long-Term Debt

The District makes payments to the City of Marietta for debt issued on behalf of the school district. Principal payments of $2,640,000 were made during fiscal year 2011. As of June 30, 2011 the remaining principal balance on this debt is $22,110,000. 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 substantial reductions in state funding. The local tax revenues declined in 2011, as in 2010, and are projected to continue declining in 2012 due to the downturn in the economy. The voter approved extension of the Special Purpose Local Option Sales Tax allows us to improve existing school facilities and meet our ongoing capital needs. Despite the continuing financial challenges in 2011, ten of eleven schools met Adequate Yearly Progress (AYP) as mandated in the federal law, No Child Left Behind. The School District's Superintendent, Dr. Emily Lembeck, has been named the 2012 Georgia School Superintendent of the Year. This honor highlights the strong academic and fiscal leadership provided to the students, parents, and community of the District.

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, 2011

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 39,276,971
Receivables:	
Taxes	2,904,685
Intergovernmental	6,118,500
Other	33,662
Restricted cash	185,457
Inventory	58,955
Prepaid items	242,588
Capital assets (nondepreciable)	9,695,861
Capital assets (net of accumulated depreciation)	78,065,513
Total assets	136,582,192
LIABILITIES	
Accounts payable	1,055,891
Salaries and benefits payable	10,272,939
Due to other governments	2,534
Accrued interest payable	406,010
Unearned revenue	51,200
Intergovernmental payable, City of Marietta, due within one year	2,720,000
Intergovernmental payable, City of Marietta, due in more than one year	19,390,000
Compensated absences, within one year	412,596
Compensated absences, due in more than one year	45,844
Total liabilities	34,357,014
NET ASSETS	
Invested in capital assets, net of related debt	65,651,374
Restricted for:	
Federal programs	287,637
Capital projects	3,966,493
Bus replacement	185,457
Unrestricted	32,134,217
Total net assets	$ 102,225,178

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, 2011

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities
Governmental activities:					
Instruction	$ 59,170,060	$ 396,696	$ 29,565,262	$ 1,773,418	$ (27,434,684)
Support services:					
Pupil services	4,104,680	-	794,731	-	(3,309,949)
Improvement of instructional services	2,944,783	-	1,315,496	-	(1,629,287)
Educational media services	1,296,540	-	1,091,185	-	(205,355)
General administration	1,620,516	-	1,686,686	-	66,170
School administration	5,045,336	-	2,404,689	-	(2,640,647)
Business adminstration	678,178	-	13,899	-	(664,279)
Maintenance and operation of plant	6,620,784	-	2,589,351	-	(4,031,433)
Student transportation services	4,032,538	258,666	583,012	152,584	(3,038,276)
Central support services	768,641	-	14,999	-	(753,642)
Other support services	186,629	-	135,957	-	(50,672)
Enterprise operation	103,820	-	-	-	(103,820)
Food services operation	4,845,664	623,772	3,730,012	-	(491,880)
Community service operation	1,290,826	1,407,869	-	-	117,043
Interest on long-term debt	1,459,635	-	-	-	(1,459,635)
Total governmental activities	$ 94,168,630	$ 2,687,003	$ 43,925,279	$ 1,926,002	(45,630,346)
General revenues:					
Taxes:					
Property taxes, levied for general purposes					42,510,925
Sales taxes					8,002,202
Other taxes					1,536,301
Unrestricted investment earnings					77,452
Other					360,010
Total general revenues					52,486,890
Change in net assets					6,856,544
Net assets, beginning of year, as restated					95,368,634
Net assets, end of year					$ 102,225,178

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, 2011

ASSETS	General	Grant	District-wide Capital Projects	Non-major Capital Projects Fund Asset Replacement	Total Governmental Funds
Cash and cash equivalents	$ 23,991,785	$ 2,821,884	$ 8,953,430	$ 3,509,872	$ 39,276,971
Receivables:					
Taxes	2,172,661	-	732,024	-	2,904,685
Intergovernmental	4,065,139	2,053,361	-	-	6,118,500
Other	33,662	-	-	-	33,662
Restricted cash	185,457	-	-	-	185,457
Prepaid items	227,129	15,459	-	-	242,588
Inventory	-	58,955	-	-	58,955
Total assets	$ 30,675,833	$ 4,949,659	$ 9,685,454	$ 3,509,872	$ 48,820,818
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ 552,710	$ 292,432	$ 210,749	$ -	$ 1,055,891
Salaries and benefits payable	9,122,915	1,150,024	-	-	10,272,939
Due to other governments	-	2,534	-	-	2,534
Deferred revenue	1,346,022	1,200	50,000	-	1,397,222
Total liabilities	11,021,647	1,446,190	260,749	-	12,728,586
FUND BALANCES					
Nonspendable:					
Inventory	-	58,955	-	-	58,955
Prepaids	227,129	15,459	-	-	242,588
Restricted for:					
Continuation of federal programs	-	287,637	-	-	287,637
Capital outlay	-	-	3,966,493	-	3,966,493
Bus replacement	185,457	-	-	-	185,457
Committed for:					
Local school accounts	202,756	-	-	-	202,756
Employee recognitions from donations	-	4,602	-	-	4,602
Marietta reads	-	8,557	-	-	8,557
Special olympics	-	304	-	-	304
Assigned for:					
Appropriation for next year's budget	3,426,467	-	-	-	3,426,467
Capital outlay	-	-	5,458,212	3,509,872	8,968,084
Unemployment compensation	514,363	-	-	-	514,363
Vocational replacement	63,174	-	-	-	63,174
Local funding programs	-	3,127,955	-	-	3,127,955
Unassigned	15,034,840	-	-	-	15,034,840
Total fund balances	19,654,186	3,503,469	9,424,705	3,509,872	36,092,232
Total liabilities and fund balances	$ 30,675,833	$ 4,949,659	$ 9,685,454	$ 3,509,872	

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	$ 156,374,944	
	Less accumulated depreciation	(68,613,570)	87,761,374
Some receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.			1,346,022
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.			
	Intergovernmental payable	(22,110,000)	
	Accrued interest	(406,010)	
	Compensated absences	(458,440)	(22,974,450)
Net assets of governmental activities			$ 102,225,178

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, 2011

	General	Grant	District-wide Capital Projects	Non-major Capital Projects Fund Asset Replacement	Total Governmental Funds
REVENUES					
Property taxes	$ 43,581,924	$ -	$ -	$ -	$ 43,581,924
Sales taxes	-	-	8,206,297	-	8,206,297
Other taxes	1,536,301	-	-	-	1,536,301
State funds	30,107,646	112,668	112,153	-	30,332,467
Federal funds	1,639,386	12,220,845	-	-	13,860,231
Charges for services	534,979	2,152,024	-	-	2,687,003
Investment earnings	57,987	2,946	16,276	5,360	82,569
Other local sources	1,522,926	130,540	-	-	1,653,466
Miscellaneous	303,983	3,515	25,000	22,984	355,482
Total revenues	79,285,132	14,622,538	8,359,726	28,344	102,295,740
EXPENDITURES					
Current:					
Instruction	50,837,828	5,303,265	1,207,560	-	57,348,653
Support services:					
Pupil services	3,275,355	730,655	7,964	6,198	4,020,172
Improvement of instructional services	1,284,612	1,660,171	-	-	2,944,783
Educational media services	1,287,691	8,849	-	-	1,296,540
General administration	1,134,259	437,385	41,327	-	1,612,971
School administration	5,016,549	10,907	266,600	-	5,294,056
Business administration	666,903	-	798	4,335	672,036
Maintenance and operation of plant	6,632,378	338	41,341	-	6,674,057
Student transportation services	3,608,940	283,194	-	-	3,892,134
Central support services	611,363	13,020	130,149	9,872	764,404
Other support services	2,142	350,873	-	-	353,015
Enterprise operations	-	103,820	-	-	103,820
Food services operation	-	4,845,664	-	-	4,845,664
Community services operation	-	1,294,159	-	-	1,294,159
Capital outlay	-	104,871	1,627,527	61,259	1,793,657
Debt service:					
Principal retirement	-	-	2,640,000	-	2,640,000
Interest and fees	-	-	1,053,625	-	1,053,625
Total expenditures	74,358,020	15,147,171	7,016,891	81,664	96,603,746
Excess (deficiency) of revenues over expenditures	4,927,112	(524,633)	1,342,835	(53,320)	5,691,994
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	7,573	-	-	-	7,573
Transfers in	-	777,124	-	-	777,124
Transfers out	(777,124)	-	-	-	(777,124)
Total other financing sources (uses)	(769,551)	777,124	-	-	7,573
Net change in fund balances	4,157,561	252,491	1,342,835	(53,320)	5,699,567
FUND BALANCE, beginning of year, before prior period adjustment	15,245,002	3,250,978	8,081,870	3,563,192	30,141,042
Prior Period Adjustment	251,623	-	-	-	251,623
FUND BALANCE, beginning of year, as restated	15,496,625	3,250,978	8,081,870	3,563,192	30,392,665
FUND BALANCE, end of year	$ 19,654,186	$ 3,503,469	$ 9,424,705	$ 3,509,872	$ 36,092,232

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, 2011

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds		$ 5,699,567
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	$ 3,524,816	
Depreciation expense	(3,320,990)	203,826
The net effect of the sale of capital assets is to decrease net assets.		(3,045)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes		(1,070,999)
Sales taxes		(204,095)
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 effect of these differences in the treatment of long-term debt and related items.		
Principal payments - intergovernmental payable, City of Marietta		2,640,000
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	(2,700)	
Change in accrued interest	(406,010)	(408,710)
Change in net assets of governmental activities		$ 6,856,544

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, 2011

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Property taxes	$ 43,620,000	$ 43,620,000	$ 43,581,924	$ (38,076)
Other taxes	1,000,000	1,000,000	1,536,301	536,301
State funds	26,740,493	29,058,439	30,107,646	1,049,207
Federal funds	547,720	1,639,386	1,639,386	-
Charges for services	644,000	644,000	534,979	(109,021)
Investment earnings	100,000	100,000	57,987	(42,013)
Other local sources	376,000	376,000	1,522,926	1,146,926
Miscellaneous	-	-	303,983	303,983
Total revenues	73,028,213	76,437,825	79,285,132	2,847,307
EXPENDITURES				
Current:				
Instruction	48,344,481	50,834,759	50,837,828	(3,069)
Support services:				
Pupil services	2,979,994	2,976,696	3,275,355	(298,659)
Improvement of instructional services	1,757,567	1,761,482	1,284,612	476,870
Educational media services	1,427,104	1,427,104	1,287,691	139,413
General administration	1,205,027	1,205,027	1,134,259	70,768
School administration	5,350,997	5,350,484	5,016,549	333,935
Business adminstration	630,853	630,853	666,903	(36,050)
Maintenance and operation of plant	7,594,496	7,594,496	6,632,378	962,118
Student transportation services	4,265,451	4,405,415	3,608,940	796,475
Central support services	686,554	686,554	611,363	75,191
Other support services	-	2,142	2,142	-
Total expenditures	74,242,524	76,875,012	74,358,020	2,516,992
Excess (deficiency) of revenues over expenditures	(1,214,311)	(437,187)	4,927,112	5,364,299
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	-	7,573	7,573
Transfers out	-	(777,124)	(777,124)	-
Total other financing sources (uses)	-	(777,124)	(769,551)	7,573
Net change in fund balances	(1,214,311)	(1,214,311)	4,157,561	5,371,872
FUND BALANCE, beginning of year, restated	15,496,625	15,496,625	15,496,625	-
FUND BALANCE, end of year	$ 14,282,314	$ 14,282,314	$ 19,654,186	$ 5,371,872

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, 2011

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
State funds	$ 87,200	$ 87,200	$ 112,668	$ 25,468
Federal funds	11,991,674	12,676,067	12,220,845	(455,222)
Charges for services	678,200	678,200	2,152,024	1,473,824
Investment earnings	2,000	2,000	2,946	946
Other local sources	1,742,150	1,742,150	130,540	(1,611,610)
Miscellaneous	500	500	3,515	3,015
Total revenues	14,501,724	15,186,117	14,622,538	(563,579)
EXPENDITURES				
Current:				
Instruction	5,911,051	7,000,127	5,303,265	1,696,862
Support services:				
Pupil services	659,966	814,111	730,655	83,456
Improvement of instructional services	1,140,899	1,267,936	1,660,171	(392,235)
Educational media services	-	-	8,849	(8,849)
General administration	488,631	500,637	437,385	63,252
School administration	-	-	10,907	(10,907)
Maintenance and operation of plant	-	-	338	(338)
Student transportation services	115,808	194,717	283,194	(88,477)
Central support services	-	-	13,020	(13,020)
Other support services	190,318	164,409	350,873	(186,464)
Enterpise operations	-	-	103,820	(103,820)
Food services operation	4,265,900	4,265,900	4,845,664	(579,764)
Community services operation	1,664,891	1,664,891	1,294,159	370,732
Capital outlay	-	-	104,871	(104,871)
Total expenditures	14,437,464	15,872,728	15,147,171	725,557
Excess (deficiency) of revenues over expenditures	64,260	(686,611)	(524,633)	161,978
OTHER FINANCING SOURCES				
Transfers in	-	777,124	777,124	-
Total other financing sources	-	777,124	777,124	-
Net change in fund balances	64,260	90,513	252,491	161,978
FUND BALANCE, beginning of year	3,250,978	3,250,978	3,250,978	-
FUND BALANCE, end of year	$ 3,315,238	$ 3,341,491	$ 3,503,469	$ 161,978

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, 2011

	Agency Fund
ASSETS	
Cash	$ 247,633
LIABILITIES	
Funds held for others	$ 247,633

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.

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. Eliminations have been made to minimize the double counting of internal activities.

Separate statements for each category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The 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* is a special revenue fund and accounts for federal and state funded grants awarded to the District for accomplishing specific educational tasks and whose expenditures are restricted to specific purposes.

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

The District reports the following fiduciary fund type:

- *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 activities 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)

Measurement Focus and Basis of Accounting (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 only when payment is due. 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 are 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 District on a reimbursement basis.

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

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 2010 tax digest on July 28, 2010. Taxes were due on October 26, 2010. 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 2011. 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, 2011, for maintenance and operations amounted to $43,581,924.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes (Continued)

The Georgia Constitution, Article VIII, Section VI, Paragraph I requires the board of education of each school system to annually certify to its fiscal authority or authorities a school tax not greater than 20 mills per dollar for the support and maintenance of education. The Board of Education of the City of Marietta is in compliance with this law. Tax millage rates levied for the 2010 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 $8,206,297 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, 2011, 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

Annual 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, annual employees are paid for any accumulated vacation leave.

Annual 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 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.

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.

Fund Equity

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

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

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

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

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

- ***Committed*** – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Education through the adoption of a resolution. Only the Board of Education may modify or rescind the commitment.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Equity (Continued)

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

- ***Unassigned*** - Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The School District reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all funds.

Flow Assumptions – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the School District's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the School District's policy to use fund balance in the following order:

- Committed
- Assigned
- Unassigned

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

Note 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The District adopts an annual budget for its General Fund and Grant Fund. The budgets are 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 budgets, such budgets are advertised at least one time in a local newspaper of general circulation. At the next regular meeting of the Board after advertisement, the budgets are revised as necessary and adopted as the final budgets.

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, 2011.

General Fund:		
Instruction	$	3,069
Support services:		
Pupil services		298,659
Business administration		36,050
Grants Fund:		
Support services:		
Improvement of instructional services		392,235
Educational media services		8,849
School administration		10,907
Maintenance and operation of plant		338
Student transportation services		88,477
Central support services		13,020
Other support services		186,464
Enterprise operations		103,820
Food services operation		579,764
Capital outlay		104,871

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, 2011, the carrying value of the District's total investments was $34,743,545, which is materially the same as fair value. This investment consisted of funds invested in the Local Government Investment Pool administered by the State Treasurer of the State of Georgia which are not required to be collateralized since the District did not own any specific identifiable securities in the pool. The investment policy of the State Treasurer of the State of Georgia for the Local Government Investment Pool does not provide for investment in derivatives or similar investments. 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, 2011, was 59 days.

Investment	Maturities	Fair Value
Georgia Fund 1 (Reported as cash equivalents)	59 days	$ 34,743,545

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 $316,484.

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	5,700,983	726,154	-	(6,427,137)	-
Total	15,396,844	726,154	-	(6,427,137)	9,695,861
Capital assets, being depreciated:					
Site improvements	535,342	56,500	-	-	591,842
Buildings and improvements	125,778,278	998,377	-	6,427,137	133,203,792
Machinery and equipment	11,316,744	1,743,785	(177,080)	-	12,883,449
Total	137,630,364	2,798,662	(177,080)	6,427,137	146,679,083
Less accumulated depreciation for:					
Site improvements	(105,026)	(28,180)	-	-	(133,206)
Buildings and improvements	(56,973,263)	(2,410,128)	-	-	(59,383,391)
Machinery and equipment	(8,388,326)	(882,682)	174,035	-	(9,096,973)
Total	(65,466,615)	(3,320,990)	174,035	-	(68,613,570)
Total capital assets, being depreciated, net	72,163,749	(522,328)	(3,045)	6,427,137	78,065,513
Governmental activities capital assets, net	$ 87,560,593	$ 203,826	$ (3,045)	$ -	$ 87,761,374

Depreciation expense was charged to functions as follows:

Instruction		$ 2,867,676
Support Services:		
Pupil Services	$ 90,905	
General Administration	66,939	
Maintenance and Operations	1,300	
Pupil Transportation	294,170	453,314
Total depreciation expense - governmental activities		$ 3,320,990

Note 7: INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

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

	Transfers From	
	General	
Transfers To	Fund	Total
Grant Fund	$ 777,124	$ 777,124

A transfer was made to the Grant Fund as a supplemental funding source for additional instructional 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; and natural disasters.

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 $250,000 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.

Fiscal Year	Beginning of Year Claims Liability	Current Year Claims and Changes in Estimates	Claims Paid	End of Year Claims Liability
2011	$ -	$ 194,646	$ 194,646	$ -
2010	$ -	$ 161,427	$ 161,427	$ -

Note 9: LONG – TERM OBLIGATIONS

The changes in long-term debt during the fiscal year ended June 30, 2011, were as follows:

	Governmental Funds		
	Compensated Absences	Intergovernmental Payable City of Marietta	Total
Balance July 1, 2010	$ 455,740	$ 24,750,000	$ 25,205,740
Annual Leave Earned	477,823	-	477,823
Deductions:			
Annual Leave Utilized	475,123	-	475,123
Debt Retired	-	2,640,000	2,640,000
Balance June 30, 2011	$ 458,440	$ 22,110,000	$ 22,568,440
Due within One Year	$ 412,596	$ 2,720,000	$ 3,132,596

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.

The note payable to the City of Marietta is related to the Series 2009A General Obligation School Refunding bonds totaling $25,270,000. The bond proceeds were used to advance refund the Series 2008 Refunding Bonds which was to be paid with 2008 SPLOST proceeds. 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, 2011, the District paid $2,640,000 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,			
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	3,160,000	536,250	3,696,250
2017 - 2019	7,565,000	625,250	8,190,250
Total	$ 22,110,000	$ 4,551,800	$ 26,661,800

Note 10: SIGNIFICANT COMMITMENTS

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

Project	Executed Contracts
Marietta Middle School Roof Replacement	$ 443,642
Central Office Roof Replacement	263,000
Total	$ 706,642

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 expenditures in the amount of $265,073 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 $128,155

Georgia Department of Education
Paid to the Teachers Retirement System
For Teachers Retirement (TRS)
In the amount of $94,807

Note 11: ON-BEHALF PAYMENTS (Continued)

Office of the State Treasurer of the State of Georgia
Paid to Public School Employee Retirement System
For Public School Employees Retirement (PSERS)
In the amount of $42,111

Note 12: PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2011, the District determined that certain funds held in the agency should be reported in a governmental fund. Agency funds are resources that are being held in an agency capacity for others and therefore cannot be used to support the District's own programs. Certain funds, for which management has a material degree of involvement and that are not being held in an agency capcity, have been reported in the General Fund. A prior period adjustment of $251,623 to the beginning fund balance of the General Fund has been recorded as of June 30, 2011 to recognize the conversion of these agency funds to the General Fund. This prior period adjustment also affects governmental activities.

General Fund:		
Fund balance June 30, 2010, as previously reported	$	15,245,002
Adjustment for reporting of principal discretionary activity		251,623
Fund balance, June 30, 2010, as restated	$	15,496,625
Government-Wide:		
Net assets June 30, 2010, as previously reported	$	95,117,011
Adjustment for reporting of principal discretionary activity		251,623
Net assets, June 30, 2010, as restated	$	95,368,634

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.

Note 13: RETIREMENT PLANS (Continued)

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, 2011, were 5.53% of annual covered salary. Employer contributions required for fiscal year 2011 were 10.28% of annual covered salary. Employer contributions for the current and prior two years are as follows:

Fiscal Year	Percentage Contributed	Required Contribution
2011	100%	$ 5,087,317
2010	100%	5,084,374
2009	100%	4,946,904

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.

Note 13: RETIREMENT PLANS (Continued)

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.

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.

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 actual and required contributions from the State of Georgia to PSERS for the District were $7,088, $7,872, and $8,268 for the fiscal years ended June 30, 2011, 2010, and 2009, respectively.

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.

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
2009	$ 3,008,852	$ 2,598,913	$ 5,607,765
2010	2,968,861	2,535,507	5,504,368
2011	2,704,751	2,403,433	5,108,184

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. The employer contribution rates for the combined active and retiree plans for the fiscal year ended June 30, 2011, were as follows:

Certified Employees	
July 2010 – April 2011	21.955% of covered payroll for August – May Coverage
May 2011 – June 2011	1.429% of covered payroll for June – July Coverage
Non-Certificated Employees	$162.72 per month for July – October
	$218.20 per month for November – March
	$246.20 per month for April – July

Note 15: POSTEMPLOYMENT BENEFITS (Continued)

No additional contribution was required by the Board of Community Health for fiscal year 2011 nor contributed to the Benefit Fund to prefund retirement 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, 2011, 2010 and 2009 were $7,665,889, $7,256,552, and $5,732,281, which equaled the required contribution.

II. OTHER SUPPLEMENTARY INFORMATION

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, 2011

Project	Original and Current Estimated Cost(1)	Expended In Current Year (2)	Expended In Prior Years (3)	Project Status
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	$ 3,693,625	$ 3,199,024	Ongoing
Capital Outlay Projects as follows:	25,609,019	2,615,940	6,549,658	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	6,309,565	$ 9,748,682	
Non-SPLOST Capital Projects expenditures		707,326		
Total District Wide Capital Project Fund Expenditures		$ 7,016,891		

(1) The School District's original cost estimate as specified in the resolution calling for the imposition of the Special Purpose 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 Board of Education of the City of Marietta (the "Board"), as of and for the year ended June 30, 2011, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated February 23, 2012, which references that the Board implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective July 1, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 deficiency described in the accompanying schedule of findings and questioned costs, as item 2011-1, to be a material weakness.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Board in a separate letter dated February 23, 2012.

The Board'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'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, 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
February 23, 2012

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

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

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

Compliance

We have audited the Board of Education of the City of Marietta's compliance, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed an instance 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 item 2011-2.

Internal Control Over Compliance

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 reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any defficiencies in internal control over compliance that we consider to be material weknesses, as defined above. However, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs, as item 2011-2. 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, 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
February 23, 2012

BOARD OF EDUCATION OF THE CITY OF MARIETTA

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

Funding Agency Program/Grant	CFDA Number	Pass-Through Entity ID Number	Expenditures In Period
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	$ 1,061,680
National School Lunch Program:			
Non-Cash Assistance - Commodities (1)	10.555	N/A	316,484
Cash Assistance (2)	10.555	N/A	2,176,626
Total Child Nutrition Cluster			3,554,790
Direct Awards			
Fresh Fruits and Vegetables Program	10.582	N/A	61,964
ARRA Equipment Grant	10.579	N/A	43,000
Total U. S. Department of Agriculture			3,659,754
U. S. Department of Justice			
Pass-Through From Georgia Department of Education			
Secure Our Schools	16.710	N/A	104,871
Total U.S. Department of Justice			104,871
U. S. Department of Education			
Pass-Through From Georgia Department of Education			
Special Education Cluster			
Title VI-B Flow Through	84.027	N/A	1,251,437
Title VI-B Preschool Grants	84.173	N/A	49,088
Title VI-B Flow Through - ARRA	84.391	N/A	927,647
Title VI-B Preschool Grants - ARRA	84.392	N/A	40,389
Total Special Education Cluster			2,268,561
Title I-A Cluster			
Title I-A School Improvement	84.010	N/A	3,844,209
Title I-A School Improvement - ARRA	84.389	N/A	1,273,371
Total Title I-A Cluster			5,117,580

Continued

BOARD OF EDUCATION OF THE CITY OF MARIETTA

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

Funding Agency Program/Grant	CFDA Number	Pass-Through Entity ID Number	Expenditures In Period
Other Programs			
Pass-Through From Georgia Department of Education			
Vocational Education - Basic Grant	84.048	N/A	113,728
Title IV-A1, Safe and Drug-Free Schools	84.186	N/A	22,842
Education for Homeless Children and Youth	84.196	N/A	22,949
Title II-D, Enhancing Ed Thru Tech.	84.318	N/A	51,898
Integrating Media Resources for Academic Success	84.364A	N/A	8,849
Title III-A, Limited English Proficient	84.365	N/A	203,128
Title II-B, Math and Science Partner	84.366	N/A	99,457
Title II-A, Improving Teacher Quality	84.367	N/A	506,674
Education Jobs Fund - ARRA	84.410	N/A	1,639,386
Total U. S. Department of Education			10,055,052
Total Expenditures of Federal Awards			$ 13,819,677

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, 2011

SECTION I
SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Federal Awards

Internal Control over major programs: Material weaknesses identified?	____ yes _X_ no
Significant deficiencies identified 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
10.553, 10.555	Child Nutrition Cluster
84.027, 84.173, 84.391, 84.392	Special Education Cluster (IDEA)
84.010, 84.389	Title I, Part A Cluster
84.410	Education Jobs Funds - ARRA

Dollar threshold used to distinguish between Type A and Type B programs:	$414,590
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, 2011

SECTION II
FINANCIAL STATEMENT FINDINGS

2011-1: Restatement of Prior Year Balances

Criteria: The School District must ensure that financial statements are properly presenting the financial position and results of operations of the School District in accordance with generally accepted accounting principles. In accordance with GASB Statement No. 34, paragraph 73, resources held by the District in a purely custodial capacity should be reported in agency funds. Agency funds typically involve only the receipt, temporary investment and remittance of fiduciary resources to other individuals, governments, or private organizations outside the entity.

Condition: The School District's financial statements for the year ended June 30, 2010 contained a material misstatement due to an incorrect interpretation of GASB 34.

Context/Cause: During our audit for the year ended June 30, 2011, a material misstatement was identified which caused the need to restate opening fund balances reported as of and for the year ended June 30, 2010. The District improperly reported the activity of the principal discretionary funds that were under the control of the principals in an agency fund. These funds and activities do not meet the definition of agency fund transactions as stated above.

Effects: An adjustment to opening equity of approximately $251,600 was required to properly report the principal discretionary funds as part of the General Fund for the year ended June 30, 2011.

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

Auditee's Response: We concur with the revised interpretation and treatment of the principal discretionary funds held at the local school level. However, the prior treatment of local school funds originated with an alternate interpretation of GASB 34. Prior to its implementation in 2007, the District obtained an endorsement of the interpretation and treatment of the principal discretionary funds by its independent auditors, Ross Lane & Company. This conservative treatment was fully disclosed in the *Notes to the Basic Financial Statements* of the 2007 financial audit report. Furthermore, the District's independent auditors did not identify the treatment of these funds as an area of concern in their independent auditor's report from fiscal year 2007 through 2010. It is also important to note that all principal discretionary funds have been represented in the District's financial audit reports in a single agency fund. Reporting the funds in this manner was considered a more conservative approach as these type funds are not included in the government-wide financial statements. These funds are earned or donated at local schools and are used by local principals to benefit students and faculty. Please refer to Notes 2 and 12 in the *Notes to the Basic Financial Statements* for more information.

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

2011-2: Procurement and Suspension and Debarment – 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: Grant requirements state non-Federal entities are prohibited from contracting with or making sub-awards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. "Covered transactions" include those procurement contracts for goods and services awarded under a nonprocurement transaction that are expected to equal or exceed $25,000 or meet certain other specified criteria. 2 CFR section 180.220 of the government-wide nonprocurement debarment and suspension guidance contains those additional limited circumstances.

Condition: While the District's General Terms & Conditions for vendors contains general language, the vendor is required to specifically confirm their exclusion from the database for contracts funded by the Title I programs or the District may elect to check the *Excluded Parties List System (EPLS).*

Context/Cause: The District did not have adequate controls in place to ensure that the contract was not being awarded to a suspended or debarred party.

Effects: A contract could have been awarded to an ineligible party; however during our testing we noted that the vendor selected by the District was not included on the *EPLS.*

Questioned Costs: None noted.

Recommendation: We recommend the District include specific language relative to the suspension and debarment requirements within the contract and perform a search for the vendor on the *EPLS* (and maintain documentation of the search), for all federally funded contracts to ensure that contracts are not awarded to suspended or debarred parties.

Auditee's Response: We concur with the recommendation to maintain procurement suspension and debarment on all IDEA contracts over $25,000. 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 PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011

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

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.

Status: This finding was resolved during the current year.

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

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.

Status: This finding was resolved during the current year.