BASIC FINANCIAL STATEMENTS,
SUPPLEMENTAL INFORMATION AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

ROME CITY SCHOOLS
(A component unit of the City of Rome, Georgia)

June 30, 2011

Rome City Schools
(A component unit of the City of Rome, Georgia)
TABLE OF CONTENTS
June 30, 2011

List of Principal Officials i

Independent Auditor's Report ..... 1 and 2

Management's Discussion and Analysis ..... 3 - 10

Basic Financial Statements

Government - Wide Financial Statements
- Statement of Net Assets 11
- Statement of Activities 12

Fund Financial Statements

- Balance Sheet - Governmental Funds 13
- Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets 14
- Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds ..... 15 and 16
- Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities 17
- Statement of Fiduciary Assets and Liabilities - Agency Fund 18

- Notes to Financial Statements 19-31

Required Supplementary Information

Schedule of Revenues and Expenditures (Non-GAAP Basis)- Budget and Actual
- General Fund 32
- School Food Services Fund 33
- Notes to Required Supplementary Information 34

Supplemental Information

Combining Statements and Schedules
- Combining Balance Sheet - Nonmajor Governmental Funds ..... 35 and 36
- Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds ..... 37 and 38
- Schedule of Special Purpose Local Option Sales Tax Expenditures 39

Single Audit Section

- 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 ..... 40 and 41
- Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 ..... 42 and 43
- Schedule of Expenditures of Federal Awards ..... 44 and 45
- Note to Schedule of Expenditures of Federal Awards 46
- Schedule of Findings and Questioned Costs 47-53

Rome City Schools
(A component unit of the City of Rome, Georgia)
LIST OF PRINCIPAL OFFICIALS

June 30, 2011

BOARD MEMBERS

Mrs. Judy Sims	Chairman
Mr. Will Wood	Vice Chairman
Dr. Bruce Jones	Member
Ms. Cheryl Huffman	Member
Mrs. Faith Collins	Member
Mr. Dale Swann	Member
Mr. Chris Wilson	Member

EXECUTIVE STAFF

Gayland Cooper, Ph.D.	Superintendent

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Rome City Schools,** a component unit of the City of Rome, Georgia, as of and for the year ended June 30, 2011, which collectively comprise the Rome City Schools' basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Rome City Schools' 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 Rome City Schools as of June 30, 2011, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note A, the Rome City School's 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 May 28, 2012 on our consideration of the Rome City Schools' 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 10) and budgetary comparison information (on pages 32 through 34) 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 Rome City Schools' financial statements as a whole. The combining nonmajor fund financial statements and schedules, and the Schedule of Special Purpose Lost Option Sales Tax Expenditures are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U. S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements. 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
May 28. 2012

Rome City Schools
(A component unit of the City of Rome, Georgia)
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2011

INTRODUCTION

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

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2011 are as follows:

- On the System-wide financial statements, the assets of the School System exceeded liabilities by $11,234,400. An increase of $3,445,888.

- The School System had $56.2 million in expenses. The System had total revenues of $59.6 million. Revenues from state sources totaled $26.8 million; revenues from federal sources totaled $9.1 million; and revenues from local sources, primarily property taxes and sales taxes, totaled $23.7 million.

- The School System's general fund had a positive operating budget variance of $2,732,392.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements include two levels of statements that present different views of the School System. These include the System-wide and fund financial statements.

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

The fund financial statements focus on individual parts of the School System, reporting the School System's operation in more detail. The Governmental Funds statements disclose how basic services are financed in the short-term as well as what remains for future spending. The fund financial statements reflect the School System's major funds. In the case of Rome City Schools, the General Fund, Special Purpose Local Option Sales Tax (SPLOST), and School Food Services Fund are the most significant funds.

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

System-Wide Statements

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

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

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

Fund Financial Statements

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

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

Governmental funds are also divided into major and non-major categories. The School System has designated the following governmental funds as major funds:

The *General Fund* is the School System's primary operating fund. The General Fund is used to account for all financial transactions of the School System except those required to be accounted for in another fund.

The *SPLOST Fund* was established to account for construction and renovation of schools using Special Purpose Local Option Sales Tax funds.

The *School Food Services Fund* is used to account for the school breakfast and lunch programs which are funded primarily by the Federal government.

FINANCIAL ANALYSIS OF THE SCHOOL SYSTEM AS A WHOLE

As noted earlier, net assets may serve over time as a useful indicator of the School System's financial position. At June 30, 2011 the School System's net assets exceeded liabilities by $11,234,400. Table 1 below is a summary of the School System's net assets.

Table 1
Net Assets

	Governmental Activities 2011	Governmental Activities 2010
Assets		
Current and Other Assets	$ 17,445,643	$ 16,000,578
Capital Assets, Net	2,607,709	2,547,444
Other Assets, Net	48,243	55,136
Total Assets	20,101,595	18,603,158
Liabilities		
Current and Other Liabilities	6,867,195	8,726,303
Long-Term Liabilities	2,000,000	2,088,343
Total Liabilities	8,867,195	10,814,646
Net Assets		
Invested in Capital Assets, Net of Related Debt	519,367	203,444
Restricted	9,062,400	7,298,782
Unrestricted	1,652,633	286,286
Total Net Assets	**$ 11,234,400**	**$ 7,788,512**

Table 2 below reflects the operating activities of the School System as a whole. Net assets for 2011 increased by $3,445,888 as compared to the prior year increase of $267,830. Total revenues increased by $229,474, .39% and total expenses decreased by ($2,948,584), (5%). Operating grants and contribution revenue decreased ($1,092,901), (3%) primarily from decreases in federal funding from the American Recovery and Reinvestment Act; Property tax revenues increased $975,075 (5.9%) as local governments try to make up for the decreases in state and federal funding. Special local option sales tax revenues decreased ($151,955), (3%) from 2010 as a result of local economic conditions.

Instruction expenses, the systems largest expense, decreased ($4,496,950), (11.67%) as management took various austerity measures in light of continuing weak local and state economies and decreasing federal revenues. Also contributing to the decrease is the fact that Title I and II expenses were shifted from instruction expenses to the improvement of instruction category. Improvement of instruction expenses increased $1,456,388, 207% from 2010 because the majority of Title I and Title II expenditures were used for instruction expenses in 2010. Maintenance and opertation expenses increased $513,527 (6.89%) as the School System increased spending of revenues from special local option sales taxes (SPLOST). Food service expenses decreased $363,312 (9%) because of a decrease in equipment replacements. Other non instructional expenses decreased $254,455 because the General Fund was required to transfer $276,326 to the School Food Services Fund for disallowed costs in 2010. Most other support service categories remained stable as management has made significant efforts to keep expenses flat as a result of decreased federal and state support.

Rome City Schools
(A component unit of the City of Rome, Georgia)
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2011

Table 2
Change in Net Assets

	Governmental Activities 2011	Governmental Activities 2010	Dollars	Percent
Program Revenues				
Charges for Services	$ 1,652,631	$ 1,193,606	459,025	38.46%
Operating Grants and Contributions	35,341,847	36,434,748	(1,092,901)	-3.00%
	36,994,478	37,628,354	(633,876)	-1.68%
General Revenues				
Property Taxes	17,545,156	16,570,081	975,075	5.88%
Special Local Option Sales Taxes	4,889,131	5,041,086	(151,955)	-3.01%
Interest on Investments	147,948	83,321	64,627	77.56%
Other	24,685	49,082	(24,397)	-49.71%
	22,606,920	21,743,570	863,350	3.97%
Total Revenues	59,601,398	59,371,924	229,474	0.39%
Program Expenses				
Instruction	34,023,154	38,520,104	(4,496,950)	-11.67%
Support Services				
Pupil Services	1,407,434	1,459,172	(51,738)	-3.55%
Improvement of Instructional Services	2,158,415	702,027	1,456,388	207.45%
Educational Media Services	927,584	977,641	(50,057)	-5.12%
General Administration	751,743	766,611	(14,868)	-1.94%
School Administration	2,800,971	2,712,217	88,754	3.27%
Business Administration	253,516	257,125	(3,609)	-1.40%
Maintenance and Operation of Facilities	7,972,158	7,458,631	513,527	6.89%
Student Transportation Services	1,839,014	1,736,840	102,174	5.88%
Central Support Services	193,924	159,471	34,453	21.60%
Other Support Services	113,243	6,928	106,315	1534.57%
Food Service Operation	3,680,113	4,043,425	(363,312)	-8.99%
Other Non Instructional Services	21,871	276,326	(254,455)	-92.09%
Interest Expense Paid for the Benefit of the City of Rome Bond Indebtedness	12,370	27,576	(15,206)	-55.14%
Total Expenses	56,155,510	59,104,094	(2,948,584)	-4.99%
Change in Net Assets	3,445,888	267,830	3,178,058	1186.60%
Net Assets - Beginning of Year	7,788,512	7,520,682	267,830	3.56%
Net Assets - End of Year	$ 11,234,400	$ 7,788,512	$ 3,445,888	44.24%

COMPARISON OF FUND LEVEL FINANCIAL STATEMENTS

The Statement of Revenues, Expenditures and Changes in Fund Balances on pages 15 and 16 is prepared on the modified accrual basis of accounting. Table 3 below uses that information to compare operating results for fiscal years 2011 and 2010.

Table 3
Comparison of Operating Results
2011 vs 2010

	2011	2010	Dollar Change Increase (Decrease)	Percent Change
Revenues				
State Funds	$ 26,804,038	$ 23,130,209	3,673,829	15.88%
Federal Funds	9,151,513	12,908,624	(3,757,111)	-29.11%
Local and Other Funds	23,701,230	23,402,369	298,861	1.28%
Total Revenues	59,656,781	59,441,202	215,579	0.36%
Expenditures				
Instruction	34,020,424	38,513,246	(4,492,822)	-11.67%
Support Services	13,766,034	12,774,237	991,797	7.76%
Food Service Operation	3,496,650	3,796,090	(299,440)	-7.89%
Other Non Instructional Services	21,871	276,326	(254,455)	-92.09%
Capital Outlay	4,891,535	3,935,403	956,132	24.30%
Debt Service	268,026	269,598	(1,572)	-0.58%
Total Expenditures	56,464,540	59,564,900	(3,100,360)	-5.21%
Excess (Deficiency) of Revenues over Expenditures	$ 3,192,241	$ (123,698)	3,315,939	-2680.67%

State revenues increased $3,673,829, 16% and federal revenues decreased ($3,757,111) (29%) as the state made significant increases in funding to offset the expected decreases in federal funding. Local revenues remained consistent with prior year levels after seeing significant decreases in 2009.

Instruction expenditures decreased (4,492,822) (11.7%) as management took various austerity measures in light of continuing weak local and state economies and decreasing federal revenues. Support services increased $991,797, 7.8% as federal programs shifted more expenses to this category from Instruction expenses. Food service expenses decreased (299,440) (7.9%) because of a decrease in equipment replacements. Capital outlay increased $956,132 (24.3%) as SPLOST building programs ramp up from prior years. Other non instructional expenses decreased (254,455) because the General Fund was required to transfer $276,326 to the School Food Services Fund for disallowed costs in 2010.

General Fund Budgeting Highlights

The School System's budget is prepared according to Georgia Law. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2011, there were no amendments to the General Fund budget. The School System uses site-based budgeting as a part of the budget process. The budgeting systems are designed to control total site budgets but provide flexibility for the site management.

Following is a comparison of budget to actual expenditures for the General Fund:

Table 4
Budget Comparison - General Fund

	Original and Final Budget	Actual (Budget Basis)	Variances Favorable (Unfavorable)
Revenues			
State funds	$ 24,520,554	$ 25,138,930	$ 618,376
Federal funds	542,176	1,410,012	867,836
Local	18,050,151	18,649,383	599,232
Total revenues	43,112,881	45,198,325	2,085,444
Expenditures			
Current			
Instruction	31,324,130	30,312,193	1,011,937
Support services	11,338,752	11,671,360	(332,608)
Total expenditures	42,662,882	41,983,553	679,329
Excess (deficiency) of revenues over (under) expenditures	$ 449,999	$ 3,214,772	$ 2,764,773

Management remained very conservative in their budgeting process as a result of economic trends over the past few years. As a result, State revenues were $618,376 or 2.5% better than budgeted; Federal revenues were $867,836 or 160% better than budgeted; and Local revenues were $599,232 or 3.3% better than budgeted. On a percentage basis, total expenditures were 1.6% less than budgeted as management used very conservative estimates in the budgeting process. Overall, the School System had a $2,764,773 positive operating budget variance.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At fiscal year ended June 30, 2011, the School System had $2,607,709 invested in capital assets, all in governmental activities. Capital assets increased $60,266 (net) over the balance at June 30, 2010 as a result of purchases of new assets $462,933 and depreciation of assets of ($402,668). Table 5 reflects a summary of these balances net of accumulated depreciation.

Table 5
Capital Assets (Net of Accumulated Depreciation)

	Governmental Activities Fiscal Year 2011	Governmental Activities Fiscal Year 2010
Buildings and improvements	$ 1,462,625	$ 1,523,271
Computers and equipment	834,357	815,984
Vehicles	310,727	208,188
	$ 2,607,709	$ 2,547,443

With the exception of the administration and maintenance buildings, title to all land and buildings belongs to the City of Rome "(City)". Therefore, $4,428,600 of capital outlay expenditures are included in the capitalized assets of the City.

For more detail on the School System's capital assets, see Note F to the financial statements.

Debt

At fiscal year ended June 30, 2011, the School System had $88,342 of capital leases payable. Substantially, all buildings and land are owned by the City of Rome and the School System cannot issue bonds, therefore, all bonded debt related to building and facilities is presented in the City's financial statements. However, the School System is responsible for reimbursing the City, using SPLOST proceeds, all principal and interest related to bonded debt on school facilities. As of June 30, 2011, there is no bonded debt.

In July 2004, the School System became liable for $2,000,000 in Quality Zone Academy Bonds (QZAB) which are interest free and mature on July 15, 2018. The proceeds of these bonds were used for various school renovation and construction projects. Beginning July 15, 2005, the School System made the first of five annual installments of $257,531 which will be invested into a sinking fund which will be used to retire the bonds at maturity. Payments for this debt will be made from current Special Purpose Local Options Sales Tax proceeds.

For more detail on the School System's long-term debt, see Note G to the financial statements.

Rome City Schools
(A component unit of the City of Rome, Georgia)
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2011

CURRENT ISSUES

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

- Given current disruptions in the Federal, State and local economy, the school system is taking aggressive measures to manage expenses in light of continued reduced levels in state and federal funding as well as local option sales taxes and property taxes.

CONTACTING THE SCHOOL SYSTEM'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School System's finances and to show the School System's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Carole Terhune, of Rome City Schools, 508 East Second Street, Rome, Georgia 30181-3112. Telephone 706-236-5050. E-mail cterhune@rcs.rome.ga.us.

Rome City Schools
(A component unit of the City of Rome, Georgia)

STATEMENT OF NET ASSETS

June 30, 2011

	Governmental Activities
ASSETS	
Current Assets	
Cash	$ 11,113,096
Due from other governments	6,246,063
Other assets	22,335
Inventory	64,149
Total current assets	17,445,643
Capital assets, net of accumulated depreciation	
Buildings and improvements	1,462,625
Furniture and equipment	834,357
Vehicles	310,727
Total capital assets	2,607,709
Deferred Charges	48,243
Total assets	20,101,595
LIABILITIES	
Current Liabilities	
Accounts payable	832,626
Salaries and benefits payable	5,946,227
Capital leases payable	88,342
Total current liabilities	6,867,195
Long-Term Liabilities, net of current portion	
Bonds payable	2,000,000
Total liabilities	8,867,195
NET ASSETS	
Invested in capital assets, net of related debt	519,367
Restricted for:	
Construction of facilities	3,306,147
Food services	2,201,798
Other purposes	3,554,455
Unrestricted	1,652,633
TOTAL NET ASSETS	$ 11,234,400

The accompanying notes are an integral part of this statement.

Rome City Schools
(A component unit of the City of Rome, Georgia)
STATEMENT OF ACTIVITIES

For the year ended June 30, 2011

Functions/Program Activities	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Net (Expense) Revenue: Governmental Activities
Governmental Activities:				
Instruction	$ 33,986,404	$ 224,946	$ 30,023,591	$ (3,737,867)
Support services				
Pupil services	1,407,434	-	405,069	(1,002,365)
Improvement of instructional services	2,158,415	-	-	(2,158,415)
Educational media services	927,584	-	-	(927,584)
General administration	751,743	-	84,985	(666,758)
School administration	2,800,971	-	-	(2,800,971)
Business administration	253,516	-	-	(253,516)
Maintenance and operation of facilities	7,972,158	-	1,684,614	(6,287,544)
Student transportation services	1,839,014	-	152,584	(1,686,430)
Central support services	193,924	-	-	(193,924)
Other support services	113,243	-	-	(113,243)
Food service operation	3,680,113	812,327	2,991,004	123,218
Other non instructional services	21,871	615,358	-	593,487
Capital outlay transferred to the City of Rome	36,750	-	-	(36,750)
Interest expense paid for the benefit of the City of Rome bond indebtedness	12,370	-	-	(12,370)
Total governmental activities	56,155,510	1,652,631	35,341,847	(19,161,032)
Total School System	$ 56,155,510	$ 1,652,631	$ 35,341,847	(19,161,032)
General revenues:				
Taxes				
Property taxes, levied for general purposes				17,545,156
Special local option sales taxes, levied for capital projects and debt service				4,889,131
Unrestricted interest and investment earnings				147,948
Other				24,685
Total general revenues				22,606,920
Change in net assets				3,445,888
Net assets - beginning of year				7,788,512
Net assets - end of year				$ 11,234,400

The accompanying notes are an integral part of this statement.

Rome City Schools
(A component unit of the City of Rome, Georgia)

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2011

	General	SPLOST	School Food Services	Other Governmental Funds	Total Governmental Funds
Assets					
Cash	$ 3,222,390	$ 3,472,165	$ 2,518,076	$ 1,900,465	$ 11,113,096
Due from other governments	5,144,657	419,890	16,602	664,914	6,246,063
Due from other funds	267,354	-	-	-	267,354
Prepaids	-	22,335	-	-	22,335
Inventory	-	-	64,149	-	64,149
Total assets	$ 8,634,401	$ 3,914,390	$ 2,598,827	$ 2,565,379	$ 17,712,997
Liabilities					
Accounts payable	$ 159,617	$ 608,243	$ 24,238	$ 40,528	$ 832,626
Salaries and benefits payable	5,116,626	-	188,208	641,393	5,946,227
Due to other funds	-	-	184,583	82,771	267,354
Total liabilities	5,276,243	608,243	397,029	764,692	7,046,207
Fund Balances					
Nonspendable	-	22,335	64,149	-	86,484
Restricted For:					
Food services	-	-	2,137,649	-	2,137,649
School activities	-	-	-	270,643	270,643
School construction	-	3,283,812	-	-	3,283,812
Debt service	-	-	-	1,530,044	1,530,044
Unassigned	3,358,158	-	-	-	3,358,158
Total fund balances	3,358,158	3,306,147	2,201,798	1,800,687	10,666,790
Total liabilities and fund balances	$ 8,634,401	$ 3,914,390	$ 2,598,827	$ 2,565,379	$ 17,712,997

The accompanying notes are an integral part of this statement.

Rome City Schools
(A component Unit of the City of Rome, Georgia)

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS

June 30, 2011

Total fund balances - governmental funds		$ 10,666,790
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 as assets in governmental funds.		
Cost	6,783,278	
Less accumulated depreciation	(4,176,019)	
	2,607,259	2,607,709
Long-term liabilities, specifically capital leases and bonds are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.		(2,088,342)
Issuance costs related related to bonds payable are not financial resources and therefore are not reported as assets in governmental funds		48,243
Total net assets - governmental activities		$ 11,234,400

The accompanying notes are an integral part of this statement.

Rome City Schools
(A component unit of the City of Rome, Georgia)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

Year Ended June 30, 2011

	General	SPLOST	School Food Services	Other Governmental Funds	Total Governmental Funds
Revenues					
State funds	$ 25,434,236	$ -	$ 110,702	$ 1,247,568	$ 26,792,506
Federal funds	1,410,012	-	3,080,662	4,672,371	9,163,045
Local and other funds	18,296,819	4,973,948	353,522	76,941	23,701,230
Total revenues	45,141,067	4,973,948	3,544,886	5,996,880	59,656,781
Expenditures					
Current					
Instruction	30,254,935	72,072	-	3,656,667	33,983,674
Support services					
Pupil services	1,277,712	796	-	128,926	1,407,434
Improvement of instructional services	458,852	-	-	1,699,563	2,158,415
Educational media services	927,584	-	-	-	927,584
General administration	515,318	-	-	226,635	741,953
School administration	2,800,317	-	-	654	2,800,971
Business administration	246,624	-	-	-	246,624
Maintenance and operation of facilities	3,268,050	158,740	-	-	3,426,790
Student transportation services	1,677,621	-	-	74,412	1,752,033
Central support services	193,924	-	-	-	193,924
Other support services	-	-	-	110,306	110,306
Food service operation	5,878	-	3,490,772	-	3,496,650
Other non-instructional expenses	20,138	1,733	-	-	21,871
Capital outlay	279,342	4,511,928	100,265	36,750	4,928,285
Debt service					
Principal retirement	-	255,656	-	-	255,656
Interest and fees	-	12,370	-	-	12,370
Total expenditures	41,926,295	5,013,295	3,591,037	5,933,913	56,464,540

Continued on next page

Rome City Schools
(A component unit of the City of Rome, Georgia)

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES ALL GOVERNMENTAL FUNDS - CONTINUED

Year Ended June 30, 2011

	General	SPLOST	School Food Services	Other Governmental Funds	Total Governmental Funds
Excess (deficiency) of revenues over (under) expenditures	3,214,772	(39,347)	(46,151)	62,967	3,192,241
Other financing sources (uses):					
Transfers in	-	-	-	32,381	32,381
Transfers out	(32,381)	-	-	-	(32,381)
Total other financing sources (uses)	(32,381)	-	-	32,381	-
Excess of revenues and other sources over (under) expenditures and other uses	3,182,391	(39,347)	(46,151)	95,348	3,192,241
Fund balance, beginning of year,	175,767	3,345,494	2,247,949	1,705,339	7,474,549
Fund balance, end of year	$ 3,358,158	$ 3,306,147	$ 2,201,798	$ 1,800,687	$ 10,666,790

The accompanying notes are an integral part of this statement.

Rome City Schools
(A component unit of the City of Rome, Georgia)

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

For the year ended June 30, 2011

Total net change in fund balances - governmental funds	$	3,192,241
Amounts reported for governmental activities in the statement of activities are different because:		
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. This is the amount by which capital outlay exceeded depreciation expense in the current period.		60,266
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (Sales taxes)		(55,383)
Repayment of principal on capital leases is an expenditure in governmental funds, but is a reduction of long-term liabilties in the statement of net assets.		255,657
Governmental funds report bond issuance costs as an expenditure in the year of issuance. However, in the statement of activities, these costs are allocated over the redemption period of the bonds. This is the amortization expense allocated to the current period.		(6,893)
Change in net assets of governmental activities	$	3,445,888

The accompanying notes are an integral part of this statement.

Rome City Schools
(A component unit of the City of Rome, Georgia)

STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUND
June 30, 2011

Assets	
Cash	$ 181,537
Liabilities	
Due to student groups	$ 181,537

The accompanying notes are an integral part of this statement.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Rome City Board of Education (the "School System") have been prepared in conformity with accounting principles generally accepted in the United States of America ("USGAAP") as applicable to governmental units. The more significant of the School System's accounting principles are summarized below.

1. Reporting Entity

The accompanying basic financial statements report all activities of Rome City Schools. The School System is the basic level of government which has oversight responsibility and control over all activities related to public school education in the City of Rome, Georgia. The School System receives funding from local, state and federal government sources and must comply with the requirements of these funding sources. The School System's fiscal year is July 1 to June 30, as required by state law. All activities of the School System are included in the accompanying financial statements. Rome City Schools is reported as a component unit in the City of Rome, Georgia Comprehensive Annual Financial Report (CAFR) since the City has certain financial responsibilities for the School System. The CAFR should be read in conjunction with these statements.

All bonded debt attributable to the School System is reported as long-term debt in the *Statement of Net Assets* of the City of Rome, Georgia Comprehensive Annual Financial Report, since the bonds are in the name of the City and the City is contractually liable for their payment. Property taxes levied by the City are used to repay the debt.

The City of Rome School Building Authority (the "Authority") is included as a blended component unit of the School System. The Authority is fiscally dependent on Rome City Schools and provides services exclusively to the School system. The Authority is reported as a special revenue fund.

The accounting policies of the School System conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the School System's significant policies.

2. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the School System. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The School System does not consider any of its activities to be business-type activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue when all requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within one year of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Sales taxes, grant revenue, state Quality Basic Education (QBE) revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period, if availability criteria has been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

The School System reports the following as major governmental funds:

The *General Fund* is the School System's primary operating fund. The General Fund is used to account for all financial transactions of the School System except those required to be accounted for in another fund.

The *SPLOST Fund* was established to account for construction and renovation of schools using Special Purpose Local Option Sales Tax funds.

The *School Food Services Fund* is used to account for the school breakfast and lunch programs which are funded primarily by the Federal government.

Additionally, the School System reports the following fund types:

The *Special Revenue Funds* are used to account for federal and state funded grants and the blended component unit, the Rome School Building Authority. These grants are awarded to the School System for the purpose of accomplishing specific educational tasks as defined in the grant agreements. These funds also contain several locally funded programs whose expenditures are limited to specified purposes.

Fiduciary Funds include *Agency Funds* which are used to account for the student club and class accounts.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued

The effect of interfund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the School System's policy to use restricted resources first, then unrestricted resources as they are needed.

4. Inventories

Inventories are recorded using the consumption method and are valued at cost by the first-in, first-out method of accounting.

5. Capital Assets

Capital assets, which include property, plant, equipment and buildings are reported in the governmental activities in the government-wide statement of net assets and depreciated over their estimated useful lives in the government-wide statement of activities. Capital assets are defined by the School System as assets with a useful life of more than two years having an aggregate purchase price of $5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. Assets which are fully depreciated and no longer in use are removed from the books.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend lives are not capitalized. Interest costs incurred during construction of fixed assets are not capitalized.

Legal title to most of the land, buildings, and building improvements used by the schools are in the name of the City of Rome, Georgia; therefore, the related amounts are not reported in the accompanying financial statements

Property, plant and equipment is depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	40
Vehicles	7
Office and computer equipment	5

6. Accumulated Compensated Absences

The accumulated vacation leave that is due and payable with expendable available resources is reported as an expenditure and liability of the General and Special Revenue Funds. During 2009, the School System changed the policy in regards to accumulated vacation leave. The revised policy states that any accumulated vacation leave not used is forfeited at the end of the fiscal year.

Sick and personal leave does not vest with the employee and unused accumulated sick and personal leave is forfeited upon retirement or termination of employment. Therefore, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

7. Long-Term Obligations

Long-term debt is recognized as a liability in fund financial statements only when due. For other long-term obligations, only that portion due and expected to be financed from expendable available financial resources is reported as a fund liability in the fund financial statements. The total of such obligations is reported in the government wide financial statements.

8. Fund Equity / Net Assets

The School System 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 System 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 Members of the School System ("the Board") 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 through the adoption of a resolution. Only the Board may modify or rescind the commitment.

- ***Assigned*** - Fund balances are reported as assigned when amounts are constrained by the Board's intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the Board has authorized the Board's Superintendent and Finance Director 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 Board reports positive unassigned fund balance only in the General Fund. Negative unassigned fund balances may be reported in all funds.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

8. Fund Equity / Net Assets - Continued

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

- Committed
- Assigned
- Unassigned

The entity first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

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

9. Interfund Transactions

During the course of its operations, the School System makes transfers between funds to finance operations, provide services and acquire assets. 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.

10. Use of Estimates in the Preparation of Financial Statements

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

NOTE B – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

1. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance included a reconciliation between *fund balances – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, specifically capital leases and bonds are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds." The details of this $2,088,342 are as follows:

Long-term liabilities, net of current portion	
Bonds payable	2,000,000
Capital leases payable	88,342
Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net assets - governmenatl activities*	$ 2,088,342

NOTE B – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS-CONTINUED

2. **Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**

Capital outlay	$ 462,934
Depreciation expense	(402,668)
Net adjustment to decrease *net changes in fund balances-total governmental funds* to arrive at *changes in net assets of governmental activities*	$ 60,266

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "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." The details of this $60,266 difference is noted in the schedule above.

NOTE C – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The budget for Rome City Schools is prepared in accordance with provisions of the Quality Basic Education Act, OCGA Section 20-2-167. After the board has tentatively adopted the annual appropriated budget, such budget is advertised at least one time in a newspaper of general circulation in the locality. At the next regular meeting of the Board after advertisement, the Board revises the budget as necessary and adopts the final school budget.

Encumbrances represent obligations to purchase goods or services as documented by purchase orders or contracts. Appropriations lapse at year-end and encumbrances outstanding at that time are appropriately provided for in the subsequent year's budget. There were no outstanding encumbrances at June 30, 2011.

NOTE D – CUSTODIAL CREDIT RISK – DEPOSITS

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government 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. As of June 30, 2011, the School System's bank balances were fully insured and collateralized.

NOTE E - DUE FROM OTHER GOVERNMENTS

Accounts receivable consists of grant reimbursements due from Federal, State or other grantors and from the City of Rome for expenditures made but not yet reimbursed. The following is a summary of accounts receivable at June 30, 2011:

Georgia Department of Education	$ 3,996,581
City of Rome, Georgia	1,829,592
Georgia Department of Revenue	419,890
	$ 6,246,063

NOTE F - CAPITAL ASSETS

The School System's policy is to capitalize assets with a minimum aggregate purchase price of $5,000 and to write off fully depreciated assets which are no longer in use.

The following is a summary of changes in capital assets:

	Balance June 30, 2010	Increases	Decreases	Balance June 30, 2011
Capital assets being depreciated				
Buildings and Improvements	$ 2,315,633	$ -	$ -	$ 2,315,633
Computers and equipment	2,935,706	268,154	100,408	3,103,452
Vehicles	1,169,863	194,780	-	1,364,643
Total capital assets being depreciated	6,421,202	462,934	100,408	6,783,728
Less accumulated depreciation for				
Buildings and Improvements	(792,362)	(60,646)	-	(853,008)
Computers and equipment	(2,119,722)	(249,781)	(100,408)	(2,269,095)
Vehicles	(961,675)	(92,241)	-	(1,053,916)
Total accumulated depreciation	(3,873,759)	(402,668)	(100,408)	(4,176,019)
Total capital assets, net	$ 2,547,443	$ 60,266	$ -	$ 2,607,709

Depreciation expense was charged to funcitions as follows:

Instruction	$ 2,730
General Administration	9,789
Maintenance and operations	116,766
Transportation	86,981
Support Services	2,938
School food services	183,464
	$ 402,668

Legal title to most land, buildings and building improvements used by the School System are in the name of the City of Rome, Georgia. Therefore, $4,428,600 of capital outlay has been transferred to the City of Rome and has not been included in the capital assets reported above.

NOTE G- LONG-TERM DEBT

The changes in Long-Term Debt during the year were as follows:

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011	Due Within One Year
Capital leases payable	$ 343,999	$ -	$ 255,657	$ 88,342	$ 88,342
Construction Bonds	$ 2,000,000	$ -	$ -	$ 2,000,000	$ -

During 2009, the School System changed the policy in regards to accumulated vacation leave. The revised policy states that any accumulated vacation leave not used is forfeited at the end of the fiscal year.

Through an agency agreement (See Note M) the School System became liable for $2,000,000 of Quality Zone Academy Bonds which are interest free and mature on July 15, 2018. Beginning July 15, 2005, the School System made the first of five annual installments of $257,531 which are invested into a sinking fund which will be used to retire the bonds at maturity. Payments for this debt are to be made from current Special Purpose Local Option Sales Tax proceeds. In addition, repayment of this debt is guaranteed by the full faith and credit and taxing power of the City of Rome and the School System.

The School System is financing the acquisition of various energy equipment, with a book value of approximately $2,100,000, under an agreement that qualifies as a capital lease for accounting purposes. This lease bears interest at 5.43% and is payable in monthly installments of $22,336 over a term of ten years.

The following is a schedule, by year, of future minimum lease payments with the present value of the minimum lease payments as of June 30, 2011:

Payments Due in Fiscal Years Ending June 30,	Principal	Interest	Total
2012	$ 88,342	$ 1,001	$ 89,343

NOTE H - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivable and payable balances at June 30, 2011 are as follows:

	Interfund Receivable	Interfund Payable
General Fund	$ 267,354	$ -
Special Revenue Funds:		
Title I	-	63,831
Title II	-	13,185
Title III	-	1,131
Title VIB Special Education	-	898
Vocational Education	-	3,726
School Food Services	-	184,583
	$ 267,354	$ 267,354

The purpose of interfund receivables and payables is to meet temporary cash flow requirements and timing between receiving and recognizing certain revenues.

Transfers between funds are summarized below:

	Transfers In	Transfers Out
General Fund	$ -	$ 32,381
Special Revenue Funds:		
Title II	2	-
Lottery	50	-
ROTC	32,329	-
	$ 32,381	$ 32,381

Transfers are made from the General Fund to the various special revenue funds to cover costs not reimbursed by government agencies.

NOTE I - ON-BEHALF PAYMENTS FOR FRINGE BENEFITS

The School System has recognized revenues and expenditures in the General Fund in the amount of $109,037 for health insurance and retirement contributions paid on the School System's behalf as follows:

Paid by the Georgia Department of Education to the State System of Personnel Administration for Health Insurance of Non-Certified Personnel in the amount of $59,526.

Paid by the Office of Treasury and Fiscal Services to the Teachers Retirement System for Teachers Retirement (TRS) in the amount $32,480.

Paid by the Office of Treasury and Fiscal Services to the Public School Employees Retirement System for Public School Employees Retirement (PSERS) in the amount $17,031.

NOTE J - RISK MANAGEMENT

The School System is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The School System is partially self-insured for unemployment claims of previous employees. The School System is no longer funding this and has a private insurance carrier to cover any claims that exceed money held in the fund. The School System purchases commercial insurance for all other risks of loss. Settled claims have not exceeded purchased commercial insurance coverage in any of the past three years. There was no significant reduction in insurance coverage from last fiscal year.

NOTE K - NON-MONETARY TRANSACTIONS

The School System received from the United States Department of Agriculture through the Georgia Department of Education $195,512 in donated food commodities for its lunchroom programs. The federally assigned value of these commodities is reflected as revenues.

NOTE L - RETIREMENT PLAN

Teachers Retirement System of Georgia (TRS)

Plan Description. The TRS is a cost-sharing multiple-employer defined benefit plan created in 1943 by an act of the Georgia General Assembly to provide retirement benefits for qualifying employees in educational service. A Board of Trustees comprised of active and retired members and ex-officio State employees is ultimately responsible for the administration of TRS. The Teachers Retirement System of Georgia issues a separate stand alone financial audit report and a copy can be obtained from the Teachers Retirement System of Georgia, Two Northside 75, Suite 100, Atlanta, GA 30318.

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

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

NOTE L - RETIREMENT PLAN – CONTINUED

Teachers Retirement System of Georgia (TRS) - Continued

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, 2009, were 5% of annual salary. The member contribution rate will increase to 5.25% effective July 1, 2009, and to 5.53% effective July 1, 2010. Employer contributions required for fiscal year 2009 were 9.28% of annual salary as required by the June 30, 2009, actuarial valuation. The employer contribution rate will increase to 9.74% effective July 1, 2009, and to 10.28% effective July 1, 2010.

Fiscal Year	Percentage Contributed	Required Contribution
2011	100%	$ 2,933,344
2010	100%	$ 2,994,095
2009	100%	$ 2,919,819

Public School Employees Retirement System of Georgia (PSERS)

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

PSERS provides service retirement, disability retirement and survivor's benefits for its members. A member is eligible for normal service retirement after 10 years of service and attainment of age 65. A member applying for service retirement with 10 years of services and retirees between the ages of 60 and 65 receive 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.

Covered employees are required by state statute to contribute four dollars per month for the nine month school year. Unlike TRS, the School District makes no contribution to PSERS. Total contributions from employees of the School District were $3,296, $3,500, and $3,508 for the fiscal years ended June 30, 2011, 2010, and 2009, respectively.

The State of Georgia is required by statute to make an annual contribution to PSERS based upon an actuarial calculation. The state's contribution for School District employees was $17,037, $12,540, and $17,032 for the fiscal years ended June 30, 2011, 2010, and 2009, respectively.

NOTE L - RETIREMENT PLAN – CONTINUED

Public School Employees Retirement System of Georgia (PSERS) – Continued

Members become fully vested after 10 years of service. If a member terminates with less than 10 years of service, no vesting of employer contributions occurs, but the member's contributions are refunded with interest. There were 91, 98, and 100 employees (members) covered under PSERS for the fiscal years ended June 30, 2011, 2010, and 2009, respectively.

NOTE M – AGENCY AGREEMENT

In May of 2004 the School Building Authority was created by an act of the General Assembly of the State of Georgia. This Authority is a separate legal entity whose sole purpose was to issue Quality Zone Academy Bonds for the School System.

In June 2004 the City of Rome, through the City of Rome School Building Authority entered into an agency agreement with the School System.

This agency agreement authorizes the School System as the agent of the Building Authority for the specific purpose of constructing the school improvement projects as outlined in the agreement. The School System will become liable for $2,000,000 of Quality Zone Academy Bonds which are interest free and mature on July 15, 2018. Beginning July 15, 2005, the School System made the first of five annual installments of $257,531 which are invested into a sinking fund which will be used to retire the bonds at maturity. Payments for this debt are to be made from current Special Purpose Local Option Sales Tax proceeds. In addition, repayment of this debt is guaranteed by the full faith and credit and taxing power of the City of Rome and the School System.

NOTE N – POSTEMPLOYMENT BENEFITS

Georgia Retiree Health Benefit Fund

Plan Description. The School District contributes to the Georgia Retiree Health Benefit Fund ("GRHBF"), a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the Department of Community Health. GRHBF 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 GRHBF. 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:

NOTE N – POSTEMPLOYMENT BENEFITS - CONTINUED

Georgia Retiree Health Benefit Fund - Continued

Certified employees	
July 2010 – April 2011	21.955% of state-based salaries for August – May coverage
May 2011 – June 2011	14.290% of state-based salaries for June – July coverage
July 2011 – December 2011	24.000% of state-based salaries for August – January coverage
Non-Certificated Employees	
July 2010 – November 2010	$162.72 per month
December 2010 – June 2011	$246.20 per month

No additional contribution was required by the Board of Community Health for fiscal year ended June 30, 2010 nor contributed to GRBHF to prefund retire benefits. Such additional contribution amounts are determined annually by the Board of Community Health in accordance with the State plan for other post-employment benefits and are subject to appropriation.

The School District's contributions, which equaled the required contribution, to the health insurance plans was $4,694,911; $4,751,555; and $3,588,854 for the fiscal years ended June 30, 2011, 2010, and 2009, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

Rome City Schools
(A component unit of the City of Rome, Georgia)

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BASIS)
GENERAL FUND

For the year ended June 30, 2011

	Original and Final Budget	Actual (Budget Basis)	Variances
Revenues			
State funds	$ 24,520,554	$ 25,138,930	$ 618,376
Federal funds	542,176	1,410,012	867,836
Local and other funds	18,050,151	18,649,383	599,232
Total revenues	43,112,881	45,198,325	2,085,444
Expenditures			
Current			
Instruction	31,324,130	30,312,193	1,011,937
Support services			
Pupil services	1,097,169	1,277,712	(180,543)
Improvement of instructional services	581,561	458,852	122,709
Educational media services	967,546	927,584	39,962
General administration	638,113	515,318	122,795
School administration	2,801,991	2,800,317	1,674
Business administration	263,392	246,624	16,768
Maintenance and operation of facilities	3,132,377	3,394,808	(262,431)
Student transportation services	1,686,411	1,830,205	(143,794)
Central support services	170,192	193,924	(23,732)
Other non-instructional services	-	20,138	(20,138)
Food service operation	-	5,878	(5,878)
Total expenditures	42,662,882	41,983,553	679,329
Excess (deficiency) of revenues over (under) expenditures	449,999	3,214,772	2,764,773
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	-	(32,381)	(32,381)
Total other financing sources (uses)	-	(32,381)	(32,381)
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	$ 449,999	$ 3,182,391	$ 2,732,392

Rome City Schools
(A component unit of the City of Rome, Georgia)

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BASIS)
SCHOOL FOOD SERVICES FUND

For the year ended June 30, 2011

	Original and Final Budget	Actual (Budget Basis)	Variances
Revenues			
State funds	$ 121,000	$ 110,702	$ (10,298)
Federal funds	853,471	3,080,662	2,227,191
Local and other funds	2,064,849	353,522	(1,711,327)
Total revenues	3,039,320	3,544,886	505,566
Expenditures			
Current			
Food service operation	3,394,879	3,591,037	(196,158)
Total expenditures	3,394,879	3,591,037	(196,158)
Excess (deficiency) of revenues over (under) expenditures	$ (355,559)	$ (46,151)	$ 309,408

Rome City Schools
(A component unit of the City of Rome, Georgia)
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2011

NOTE A – BUDGET RECONCILIATION

The Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP Basis) - General Fund presents actual and budget for the General Fund. To facilitate comparison with the budget, adjustments have been made to actual revenues and expenditures to reflect actual amounts on the budget basis.

The primary differences between the School System's budget basis and generally accepted accounting principles are:

(a) Salaries and employee benefits paid to teachers under contract are recorded when paid (budget) rather than when the liability is incurred (USGAAP).

(b) State revenue relating to Quality Basic Education expenditures is recorded when received (budget) rather than when susceptible to accrual (USGAAP).

(c) Certain transfers among funds are recorded when paid (budget) rather than when susceptible to accrual (USGAAP).

(d) Payments made by the State on behalf of the School System are not budgeted.

(e) City revenue is budgeted on a cash basis rather than when susceptible to accrual (USGAAP).

Adjustments necessary to convert the General Fund's excess of expenditures over revenues and other sources and other uses from the USGAAP basis to the budget basis are as follows:

USGAAP basis revenue over expenditures	$	3,214,772
Adjustments for:		
Salaries and employee benefits		166,295
State revenue		(352,564)
City revenue		186,269
On-behalf-of revenues		(109,037)
On-behalf-of expenditures		109,037
	$	3,214,772

The following departments in the following funds exceeded their budget:

	General	School Food Service
Support Services:		
Pupil services	$ 180,543	$ -
Maintenance and operation of facilities	262,431	-
Student Transportation	143,794	-
Central Support	23,732	-
Other non-instructional services	20,138	-
Food service operation	5,878	196,158

SUPPLEMENTAL INFORMATION

Rome City Schools
(A component unit of the City of Rome, Georgia)
NONMAJOR GOVERNMENTAL FUNDS

Nonmajor governmental funds include special revenue funds which are used to account for funds received from other governmental agencies that are legally restricted to be expended for specified purposes. These funds also account for resources transferred from the General Fund when these funds are inadequate to finance the specified activities. The following special revenue funds are included in the Nonmajor governmental fund category:

LOTTERY FUND was established to account for the state categorical grant funds received from the State of Georgia Lottery, for the purpose of providing various educational needs for schools in the State of Georgia.

FEDERAL PROGRAMS FUNDS

Title I Fund is used to account for federal grant funds for the purpose of improving teaching and learning of children who are at risk of not meeting academic standards and who reside in areas with higher concentrations of children from lower income families.

Education for Economic Security Act (Title II)Fund was established to account for federal categorical grant funds flowing through the State of Georgia Department of Education, for the purpose of training teachers in the math, science, foreign language and computer science programs.

Title III Fund was established to improve the education of limited English proficient children and youths by helping them learn English and meet challenging state academic content and student academic achievement standards. The program also provides enhanced instructional opportunities for immigrant children and youths.

Title VIB Special Education Fund includes funds from the Individuals with Disabilities Education Act – Part B – Special Education Grants to States for the purpose of providing special education programs for children in pre-kindergarten through the twelfth grade.

Job Training Partnership Act (JTPA) Fund was established to account for federal categorical grant funds flowing through the Department of Education and Department of Labor, State of Georgia, for the purpose of providing vocational training to post secondary students.

Vocational Education Fund was established to account for federal categorical grant funds flowing through the State Department of Education, for the purpose of providing vocational education training to high school students.

ROTC Fund was established to account for federal funds received for the purpose of providing a ROTC program to high school students.

GLRS Fund was established to account for grant funds received from the Georgia Learning Resources Service.

Greenwood Learning Fund was established to account for a special education program located at the Northwest Georgia Regional Hospital.

Children and Youth Fund was established to account for funds received from the City of Rome, Georgia and Floyd County, Georgia.

Principals Fund was established to account for revenues and expenses of funds which belong primarily to the schools and their student bodies, but are supervised and audited by the School System's Finance Department.

School Building Authority was created by the General Assembly of the State of Georgia to issue Quality Zone Academy Bonds for the School System.

Rome City Schools
(A component unit of the City of Rome, Georgia)

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2011

ASSETS	Lottery	Title I	Education for Economic Security Act (Title II)	Title III	Title VIB Special Education	JPTA
Cash	$ 98,035	$ -	$ -	$ -	$ -	$ -
Due from other governments	-	427,275	97,564	4,981	129,920	-
Total assets	$ 98,035	$ 427,275	$ 97,564	$ 4,981	$ 129,920	$ -
LIABILITIES AND FUND EQUITY						
Liabilities						
Accounts payable	$ 2,113	$ 6,935	$ 26,803	$ -	$ 4,170	$ -
Salaries and benefits payable	95,922	356,509	57,576	2,114	124,852	-
Due to other funds	-	63,831	13,185	1,131	898	-
Total liabilities	98,035	427,275	97,564	3,245	129,920	-
Fund balances						
Restricted for debt service	-	-	-	-	-	-
Restricted for school activities	-	-	-	1,736	-	-
Total fund balances	-	-	-	1,736	-	-
Total liabilities and fund equity	$ 98,035	$ 427,275	$ 97,564	$ 4,981	$ 129,920	$ -

continued on next page

Rome City Schools
(A component unit of the City of Rome, Georgia)

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2011

Special Revenue Funds - continued

ASSETS	Vocational Education	ROTC	GLRS	Greenwood Learning	Children and Youth	Principals	School Building Authority	Total
Cash	$ -	$ 3,479	$ 4,236	$ 3,602	$ 267	$ 260,802	$ 1,530,044	$ 1,900,465
Due from other governments	4,116	1,058	-	-	-	-	-	664,914
Total assets	$ 4,116	$ 4,537	$ 4,236	$ 3,602	$ 267	$ 260,802	$ 1,530,044	$ 2,565,379
LIABILITIES AND FUND EQUITY								
Liabilities								
Accounts payable	$ 390	$ 117	$ -	$ -	$ -	$ -	$ -	$ 40,528
Salaries and benefits payable	-	4,420	-	-	-	-	-	641,393
Due to other funds	3,726	-	-	-	-	-	-	82,771
Total liabilities	4,116	4,537	-	-	-	-	-	764,692
Fund balances								
Restricted for debt service	-	-	-	-	-	-	1,530,044	1,530,044
Restricted for school activities	-	-	4,236	3,602	267	260,802	-	270,643
Total fund balances	-	-	4,236	3,602	267	260,802	1,530,044	1,800,687
Total liabilities and fund equity	$ 4,116	$ 4,537	$ 4,236	$ 3,602	$ 267	$ 260,802	$ 1,530,044	$ 2,565,379

Rome City Schools

(A component unit of the City of Rome, Georgia)

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2011

	Lottery	Title I	Education for Economic Security Act (Title II)	Title III	Title VIB Special Education	JPTA
Revenues						
State funds	$ 632,210	$ -	$ -	$ -	$ -	$ -
Federal funds	-	2,698,340	429,063	47,525	1,370,031	14,591
Local and other funds	-	-	-	-	-	-
Total revenues	632,210	2,698,340	429,063	47,525	1,370,031	14,591
Expenditures						
Current						
Instruction	616,007	1,180,218	446	26,636	1,137,757	14,591
Support services						
Pupil services	-	-	-	12,571	116,355	-
Improvement of instructional services	1,190	1,220,280	420,718	3,864	43,581	-
General administration	14,265	186,882	24,046	1,442	-	-
School administration	-	654	-	-	-	-
Student transportation services	798	-	-	1,276	72,338	-
Other support services	-	110,306	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	632,260	2,698,340	445,210	45,789	1,370,031	14,591
Excess (deficiency) of revenues over (under) expenditures	(50)	-	(16,147)	1,736	-	-
Other financing sources:						
Transfers in	50	-	2	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources	50	-	2	-	-	-
Excess (deficiency) of revenues and other sources over (under) expenditures	-	-	(16,145)	1,736	-	-
Fund balance, beginning of year,	-	-	16,145	-	-	-
Fund balance, end of year	$ -	$ -	$ -	$ 1,736	$ -	$ -

continued on next page

Rome City Schools

(A component unit of the City of Rome, Georgia)

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2011

Special Revenue Funds - continued

	Vocational Education	ROTC	GLRS	Greenwood Learning	Children and Youth	Principals	School Building Authority	Total
Revenues								
State funds	$ -	$ -	$ -	$ -	$ -	$ 615,358	$ -	$ 1,247,568
Federal funds	95,998	16,823	-	-	-	-	-	4,672,371
Local and other funds	-	-	-	100	-	-	76,841	76,941
Total revenues	95,998	16,823	-	100	-	615,358	76,841	5,996,880
Expenditures								
Current								
Instruction	49,318	49,152	-	31	-	582,511	-	3,656,667
Support services								
Pupil services	-	-	-	-	-	-	-	128,926
Improvement of instructional services	9,930	-	-	-	-	-	-	1,699,563
General administration	-	-	-	-	-	-	-	226,635
School administration	-	-	-	-	-	-	-	654
Student transportation services	-	-	-	-	-	-	-	74,412
Other support services	-	-	-	-	-	-	-	110,306
Capital outlay	36,750	-	-	-	-	-	-	36,750
Total expenditures	95,998	49,152	-	31	-	582,511	-	5,933,913
Excess (deficiency) of revenues over (under) expenditures	-	(32,329)	-	69	-	32,847	76,841	62,967
Other financing sources								
Transfers in	-	32,329	-	-	-	-	-	32,381
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources	-	32,329	-	-	-	-	-	32,381
Excess (deficiency) of revenues and other sources over (under) expenditures	-	-	-	69	-	32,847	76,841	95,348
Fund balance, beginning of year,	-	-	4,236	3,533	267	227,955	1,453,203	1,705,339
Fund balance, end of year	$ -	$ -	$ 4,236	$ 3,602	$ 267	$ 260,802	$ 1,530,044	$ 1,800,687

Rome City Schools
(A component unit of the City of Rome, Georgia)

SCHEDULE OF SPECIAL PURPOSE LOCAL OPTION SALES TAX EXPENDITURES

For the year ended June 30, 2011

	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN PRIOR YEARS (3)	AMOUNT EXPENDED IN CURRENT YEAR (3)	TOTAL
SPLOST II Projects					
(1) Add to, renovate, remove, repair, improve and equip existing school buildings and facilities useful and desireable therewith;	$ 22,938,000	$ 24,485,418	$ 24,150,833	$ 334,585	$ 24,485,418
(2) Acquire system wide technology improvements and equipment	3,312,000	2,369,348	2,369,348	-	2,369,348
(3) Acquire school buses and other school-related vehicles and transportation facilities	-	66,140	66,140	-	66,140
Acquire the necessary property thereof, both real and personal	-	934,892	934,892	-	934,892
Total SPLOST II Projects	$ 26,250,000	$ 27,855,798	$ 27,521,213	$ 334,585	$ 27,855,798
SPLOST III Projects					
(1) Construct, replace, add to, renovate, remove, repair, improve and equip existing school buildings and facilities useful or desireable in connection therewith;	$ 1,467,642	$ 1,467,642	$ 50,922	$ -	$ 50,922
(2) Construct and equip a new Anna K. Davie Elementary	6,049,500	6,049,500	-	65,005	65,005
(3) Additional classrooms	16,763,892	18,427,035	3,254,737	4,503,990	7,758,727
Acquire system wide technology improvements and equipment	5,882,736	4,219,593	2,250	109,715	111,965
Total SPLOST III Projects	$ 30,163,770	$ 30,163,770	$ 3,307,909	$ 4,678,710	$ 7,986,619
Total all SPLOST Projects	$ 56,413,770	$ 58,019,568	$ 30,829,122	$ 5,013,295	$ 35,842,417

Reconciliation of Current Year Expenditures to the Statement of Revenues, Expenditures and Changes in Fund Balances	
Total Expenditures	$ 5,013,295
	$ 5,013,295

(1) The School System's original estimate of total cost for the project(s).

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

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

See notes to the basic financial statements.

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 City of Rome Board of Education
Rome, Georgia

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Rome City Schools as of and for the year ended June 30, 2011, which collectively comprise the Rome City Schools' basic financial statements and have issued our report thereon dated May 28, 2012. As discussed in Note A, the District 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 Rome City Schools is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Rome City Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Rome City Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Rome City Schools' internal control over financial reporting.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Rome City Schools' 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 Rome City Schools in a separate letter dated May 28, 2012.

This report is intended solely for the information and use of management, the members of the City of Rome Board of Education, 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
May 28, 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 City of Rome Board of Education
Rome, Georgia

Compliance

We have audited the Rome City School'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 Rome City School'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 Rome City School's management. Our responsibility is to express an opinion on the City of Rome Board of Education's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Rome City School'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 Rome City School's compliance with those requirements.

In our opinion, the Rome City Schools complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as items 2011-1, 2011-2, 2011-3 and 2011-4.

Internal Control Over Compliance

Management of Rome City Schools 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 Rome City Schools' internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our 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 Rome City Schools' 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 deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2011-1, 2011-2, 2011-3, and 2011-4. A *significant deficiency in internal control over compliance* is a deficiency, or 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.

Rome City Schools' responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Rome City Schools' response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the members of theCity of Rome Board of Education, 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
May 28, 2012

ROME CITY SCHOOLS

(A component unit of the City of Rome, Georgia)

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

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Total Expenditures
U. S. DEPARTMENT OF AGRICULTURE:		
Passed through Georgia Department of Education:		
Child Nutrition Equipment Grant - ARRA	10.579A	$ 43,099
Child Nutrition Cluster		
School Breakfast Program	10.553	869,953
National School Lunch Program:		
Cash Assistance	10.555	1,935,947
Non-cash assistance (Commodities)	10.555	195,512
School Snack Program	10.555	36,151
Total Child Nutrition Cluster		3,037,563
Total U. S. Department of Agriculture		3,080,662
U. S. DEPARTMENT OF DEFENSE		
Junior R.O.T.C.	Unknown	16,823
Total U. S. Department of Defense		16,823
U. S. DEPARTMENT OF LABOR		
Passed through Atlanta Regional Commission:		
WIA Youth Activities	17.259	14,591
Total U. S. Department of Labor		14,591
U. S. DEPARTMENT OF EDUCATION:		
Passed through Georgia Department of Education:		
Education Jobs Fund	84.410	1,143,113
Title I Programs - Local Education Agency	84.010	2,647,069
Title I Programs - District Schools	84.010	34,350
Title I Cluster		2,681,419
Title II - Part C, Migrant Education	84.011	16,922
Title VI-B Preschool	84.173	40,558
Title VI-B Flowthrough	84.027	978,426
ARRA, Title VI-B Flowthrough	84.391	351,047
IDEA Cluster		1,370,031
Title II - Improving Teacher Quality	84.367	425,389

(Continued)

ROME CITY SCHOOLS

(A component unit of the City of Rome, Georgia)

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

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Total Expenditures
U. S. DEPARTMENT OF EDUCATION (Continued):		
Passed through Georgia Department of Education (continued):		
Title II - Part D, Enhancing Education through Technology	84.318	87
Title II - Part D, Ed-Tech Competitive Grant	84.318	3,586
		3,673
Title III - Part A	84.365	47,525
		47,525
Vocational Education - High School Program	84.048	84,466
Education Career Partnerships	84.048	11,532
		95,998
Total U. S. Department of Education		5,784,070
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Passed through Georgia Department of Community Health:		
SCHIP - Children's Intervention School Services	93.767	266,899
Total U. S. Department of Health and Human Services		266,899
Total Expenditures of Federal Awards		$ 9,163,045

ROME CITY SCHOOLS
(A component unit of the City of Rome, Georgia)

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

NOTE 1 BASIS OF PRESENTATION

The Schedule of Expenditures of Federal awards includes the federal grant activity of the Rome City Schools and is presented on the modified accrual basis of accounting.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, 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.

ROME CITY SCHOOLS
(A component unit of the City of Rome, Georgia)

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 weakness(es) identified?	___ yes _X_ no
Significant deficiency(ies) identified?	___ yes _X_ none reported
Noncompliance material to financial statements noted?	___ yes _X_ no

Federal Awards

Internal Control over major programs:

Material weakness(es) identified?	___ yes _X_ no
Significant deficiency(ies) identified?	_X_ yes ___ no

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
CFDA # 10.553 and 10.555	School Nutrition Cluster
CFDA # 84.410	Education Jobs Fund
CFDA # 84.010 and 84.389	Title I Cluster
CFDA # 84.173, 84.027, 84.392, 84.391	IDEA Cluster (Title VI-B)

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

Auditee qualified as low-risk auditee? ___ yes _X_ no

ROME CITY SCHOOLS
(A component unit of the City of Rome, Georgia)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

None

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

2011-1. Semi – Annual Certification of Time and Efforts Sheets – Child Nutrition Cluster:
U.S. Department of Education, School Breakfast Program, CFDA #10.553
U.S. Department of Education, National School Lunch Program, CFDA #10.555
U.S. Department of Education, After School Snacks, CFDA #10.555

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

Condition and Context: For the year ended June 30, 2011, we reviewed thirty seven (37) employees paid out of School Nutrition funds to determine if the School System was properly maintaining semi-annual certification of time and effort sheets. We found that for one (1) employee paid out of School Nutrition funds, the School System did not properly maintain semi-annual certification or time and effort sheets.

Known and Likely Questioned Costs: $58,417

Effects or Possible Effects: Personnel salaries unrelated to School Nutrition could be funded with School Nutrition funds. Therefore, unallowable costs could be charged to the grant.

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

Recommendation: We recommend the School System maintain semi-annual certification or time and effort sheets on all employees whose salaries are funded out of School Nutrition funds.

Views of Responsible Officials: We concur with the recommendation. Corrective action has already been taken to ensure that all semi-annual certification requirements are complied with by the School System.

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (continued)

2011-2. Allowable Costs/Activities – Child Nutrition Cluster:
U.S. Department of Education, School Breakfast Program, CFDA #10.553
U.S. Department of Education, National School Lunch Program, CFDA #10.555
U.S. Department of Education, After School Snacks, CFDA #10.555

Criteria: OMB Circular A-87 (A-87) establishes principles and standards for determining allowable direct and indirect costs for Federal awards. The basic guidelines affecting allowability of costs (direct and indirect) are identified in A-87, Attachment A, paragraph C as follows (a) be necessary and reasonable for the performance and administration of Federal awards; (b) be allocable to Federal awards under the provisions of A-87; (c) be authorized or not prohibited under State or local laws or regulations; (d) conform to any limitations or exclusions set forth in A-87, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items; (e) be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit; (f) be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost; (g) be determined in accordance with generally accepted accounting principles, except as otherwise provided in A-87; (h) not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award, except as specifically provided by Federal law or regulation; (i) be net of all applicable credits; and (j) be adequately documented.

Condition and Context: For the year ended June 30, 2011, we reviewed sixty (60) expenditures paid out of School Nutrition funds to determine if the School System was properly maintaining documentation and charging allowable costs to the grant. We found that for one (1) disbursement paid out of School Nutrition funds the School System was not properly maintaining the supporting invoice to confirm that controls and compliance was in place.

Known and Likely Questioned Costs: Unknown

Effects or possible effects: Expenditures unrelated to School Nutrition could be funded with School Nutrition funds. Therefore, unallowable costs could be charged to the grant.

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

Recommendation: We recommend the School System maintain supporting invoices on all expenditures funded out of School Nutrition funds.

Views of Responsible Officials: We concur with the recommendation. Corrective action has already been taken to ensure that all allowable activity and cost requirements are complied with by the School System.

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (continued)

2011-3. Suspension and Debarment – Child Nutrition Cluster:
U.S. Department of Education, School Breakfast Program, CFDA #10.553
U.S. Department of Education, National School Lunch Program, CFDA #10.555
U.S. Department of Education, After School Snacks, CFDA #10.555

Criteria: Per review of OMB Circular guidance, all Non-Federal entities are prohibited from contracting with or making subawards 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 (e.g., grant or cooperative agreement) that are expected to equal or exceed $25,000 or meet certain other specified criteria.

Condition and Context: For the year ended June 30, 2011, we reviewed twelve (12) contracts entered into by the School Nutrition department to determine if the School System was properly reviewing the status of vendors to ensure none were suspended or debarred. We found that for one (1) contract entered into by the School Nutrition department, proper documentation evidenced by either a suspension and debarment certification signed by the vendor or a clause in the signed contract, was not obtained. Additionally, the School System did not document their search for the vendor on the EPLS website.

Known and Likely Questioned Costs: Unknown

Effects or possible effects: Contracts with suspended or debarred parties could possibly be awarded School Nutrition funds.

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

Recommendation: We recommend the School System maintain supporting documentation indicating the BOE is checking the suspension and debarment status of all vendors for contracts entered into by the School Nutrition department.

Views of Responsible Officials: We concur with the recommendation. Corrective action has already been taken to ensure that all suspension and debarment requirements are complied with by the School System.

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (continued)

2011-4. Procurement and Suspension and Debarment – Title I Cluster:
U.S. Department of Education, Title I, CFDA #84.010

Criteria: Per OMB A-87, Non-Federal entities are prohibited from contracting with or making subawards 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 (e.g., grant or cooperative agreement) that are expected to equal or exceed $25,000 or meet certain other specified criteria.

Condition and Context: For the year ended June 30, 2011, we reviewed one (1) procurement transaction over $25,000 paid out of title I funds to determine if the School System was properly following the procurement process and checking the suspension and debarment status of the bidders. We found that for the one (1) contract entered into during the year, the School System was unable to provided any written documentation such as a clause in the contract, a written verification from the vendor or a print out of a search of the EPLS website. Due to the lack of documentation we could not determine the verification was completed.

Known and Likely Questioned Costs: Unknown

Effects or possible effects: Without proper verification the school system could have entered into contracts with suspended or debarred parties which are prohibited.

Cause: There was a lack of oversight of management in relation to required documentation that should be maintained.

Recommendation: We recommend the School System maintain documentation that the verification of the suspended and debarred status was performed prior to awarding the bid. .

Views of Responsible Officials: We concur with the recommendation. Corrective action has already been taken to ensure that all suspension and debarment requirements are complied with by the School System.

SECTION IV
STATUS OF PRIOR AUDIT FINDINGS

2010-1. Child Nutrition Cluster, Allowable Costs/Activities (CFDA # 10.553 and 10.555)

Criteria – OMB Circular A-87 (A-87) establishes principles and standards for determining allowable direct and indirect costs for Federal awards. The basic guidelines affecting allowability of costs (direct and indirect) are identified in A-87, Attachment A, paragraph C as follows (a) be necessary and reasonable for the performance and administration of Federal awards; (b) be allocable to Federal awards under the provisions of A-87; (c) be authorized or not prohibited under State or local laws or regulations; (d) conform to any limitations or exclusions set forth in A-87, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items; (e) be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit; (f) be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost; (g) be determined in accordance with generally accepted accounting principles, except as otherwise provided in A-87; (h) not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award, except as specifically provided by Federal law or regulation; (i) be net of all applicable credits; and (j) be adequately documented.

Condition and Context – Upon discussion with Rome City School's Finance Director and review of certain expenditures of the program, it was determined that some expenditures did not meet the requirements above.

Effect – Unallowed expenditures were charged to the grant. During our testing of expenditures, we determined $23,673 were questioned costs under the program guidelines. During the current year, the Georgia Department of Education conducted a separate review of expenditures and determined approximately $276,326 were unallowed in the program. The Georgia Department of Education is requiring the Rome City Schools to reimburse the School Nutrition Program with nonfederal funding sources.

Cause – Per discussion with the Finance Director, the program was operating independently and without oversight from the Financial Director or the financial area. As a result they were not following certain internal controls of Rome City Schools.

Questioned Costs - $23,673 our determination, $276,326 determined by the Georgia Department of Education.

Recommendations – We recommend the School System's Finance Director be given more authority in overseeing this program and all programs within the system. This would include analyzing internal controls of these programs as well as reviewing all purchase orders to determine if the expenditures are allowable under the requirements above.

Status – Resolved.

SECTION IV
STATUS OF PRIOR AUDIT FINDINGS (continued)

2010-2. Title I, Part A Allowable Costs/Activities (CFDA # 84.010)

Criteria – An employee who works on multiple activities or cost objectives (i.e., in part on a Federal program whose funds have not been consolidated in a consolidated school wide pool and in part on Federal programs supported with funds consolidated in a schoolwide pool or on activities funded from other revenue sources) must maintain time and effort distribution records in accordance with OMB Circular A-87, Attachment B, paragraph 8.h.(4), (5), and (6) which states that personnel activity reports or equivalent documentation must meet the following standards: (a) They must reflect an after-the-fact distribution of the actual activity of each employee, (b) They must account for the total activity for which each employee is compensated, (c) They must be prepared at least monthly and must coincide with one or more pay periods, and (d) They must be signed by the employee.

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

Effect – Unallowed expenditures could be charged to the grant.

Cause – Per discussion with the Title I staff, they had always used the class schedule of the individuals who were split funded as the support.

Questioned Costs - $29,706

Recommendations – We recommend the School System ensure that all components of the time records are included for those individuals who are split funded.

Status – Resolved.