

STEPHENS COUNTY BOARD OF EDUCATION
TOCCOA, GEORGIA

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

STEPHENS COUNTY BOARD OF EDUCATION

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FINANCIAL

DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

May 14, 2012

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

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

Ladies and Gentlemen:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information (Exhibits A through H) of the Stephens County Board of Education, as of and for the year ended June 30, 2011, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Stephens County Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Stephens County Board of Education, as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

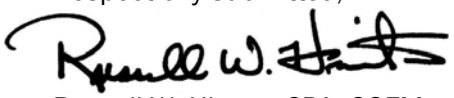
In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2012, on our consideration of the Stephens County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and the Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual, as presented on pages i through viii and page 27 respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

Respectfully submitted,



Russell W. Hinton, CPA, CGFM
State Auditor

RWH:as
2011ARL-11

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

INTRODUCTION

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

FINANCIAL HIGHLIGHTS

Key financial highlights for 2011 are as follows:

- On the District-wide financial statements, the assets of the School District exceeded liabilities by $73.4 million compared to $63.9 million for the previous year. Of this amount, $4.5 million is unrestricted and is available for spending at the School District's discretion.

- The School District had $43.2 million in expenses relating to governmental activities compared to $44.7 million for the previous year, which is a decrease of $1.5 million. $34.4 million of these expenses are offset by program specific revenues that include $1.3 million in charges for services, $26.1 million in operating grants and contributions and $7.0 million in capital grants and contributions. General revenues (primarily property and sales taxes) of $18.3 million were adequate to provide for the remaining funding needs of these programs.

- General revenues accounted for $18.3 million or 35% of all revenues totaling $52.7 million. This is a decrease of $0.9 million as compared to the $19.2 million in general revenues received in prior year. Program specific revenues of $34.4 million, in the form of charges for services and grants and contributions accounted for the remaining 65%.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

District-wide Statements

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

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

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

Fund Financial Statements

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

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

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

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

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

Table 1
Net Assets

	Governmental Activities	
	Fiscal Year 2011	Fiscal Year 2010
Assets		
Current and Other Assets	$ 22,828,185.00	$ 34,854,385.09
Capital Assets, Net	80,594,087.33	58,704,738.95
Total Assets	$ 103,422,272.33	$ 93,559,124.04
Liabilities		
Accounts Payable and Other Current Liabilities	$ 2,641,832.56	$ 1,147,256.66
Salaries and Benefits Payable	4,678,795.86	5,077,048.07
Long-Term Liabilities	22,695,000.00	23,399,217.93
Total Liabilities	$ 30,015,628.42	$ 29,623,522.66
Net Assets		
Invested in Capital Assets, Net of Related Debt	$ 60,459,913.73	$ 52,454,140.19
Restricted	8,471,403.84	7,864,303.00
Unrestricted	4,475,326.34	3,617,158.19
Total Net Assets	$ 73,406,643.91	$ 63,935,601.38

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

Table 2
Change in Net Assets

	Governmental Activities	
	Fiscal Year 2011	Fiscal Year 2010
Revenues		
Program Revenues:		
Charges for Services and Sales	$ 1,273,608.93	$ 1,247,164.55
Operating Grants and Contributions	26,108,770.53	24,660,719.61
Capital Grants and Contributions	7,055,967.74	3,897,381.06
Total Program Revenues	$ 34,438,347.20	$ 29,805,265.22
General Revenues:		
Taxes		
Property Taxes		
For Maintenance and Operations	$ 12,443,615.77	$ 12,679,414.31
Railroad Cars	25,311.14	24,312.45
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Debt Services	2,844,435.00	2,855,485.00
For Capital Projects	477,358.76	564,508.37
Other Sales Taxes	101,874.16	99,793.24
Grants and Contributions not		
Restricted to Specific Programs	1,267,022.00	1,637,176.00
Investment Earnings	154,778.31	222,600.89
Miscellaneous	965,878.49	906,329.06
Special Items		
Gain on Sale of Land		190,532.00
Total General Revenues and Special Items	$ 18,280,273.63	$ 19,180,151.32
Total Revenues	$ 52,718,620.83	$ 48,985,416.54
Program Expenses:		
Instruction	$ 29,236,403.91	$ 30,229,847.62
Support Services		
Pupil Services	1,471,762.34	1,485,354.63
Improvement of Instructional Services	677,511.65	594,889.86
Educational Media Services	742,781.86	785,915.47
General Administration	717,405.48	609,319.36
School Administration	2,262,467.10	2,372,549.32
Business Administration	596,276.57	534,993.69
Maintenance and Operation of Plant	2,369,932.25	2,344,359.27
Student Transportation Services	1,636,250.24	1,851,160.00
Central Support Services	301,873.63	260,199.51
Other Support Services	100,448.73	111,566.73
Operations of Non-Instructional Services		
Enterprise Operations	353,667.74	383,636.52
Food Services	2,181,701.10	2,132,628.68
Interest on Short-Term and Long-Term Debt	599,095.70	1,052,254.52
Total Expenses	$ 43,247,578.30	$ 44,748,675.18
Increase in Net Assets	$ 9,471,042.53	$ 4,236,741.36

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting these services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. It identifies the cost of these services supported by tax revenue and unrestricted state entitlements.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	Fiscal Year 2011	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2010
Instruction	$ 29,236,403.91	$ 30,229,847.62	$ 4,108,062.29	$ 8,474,215.57
Support Services:				
Pupil Services	1,471,762.34	1,485,354.63	916,199.33	1,041,545.67
Improvement of Instructional Services	677,511.65	594,889.86	333,417.73	356,931.44
Educational Media Services	742,781.86	785,915.47	172,530.95	215,289.04
General Administration	717,405.48	609,319.36	-112,490.11	-158,393.42
School Administration	2,262,467.10	2,372,549.32	1,037,670.06	1,195,372.83
Business Administration	596,276.57	534,993.69	566,042.64	531,295.86
Maintenance and Operation of Plant	2,369,932.25	2,344,359.27	684,971.87	1,068,909.81
Student Transportation Services	1,636,250.24	1,851,160.00	540,834.67	979,318.60
Central Support Services	301,873.63	260,199.51	180,616.38	259,650.77
Other Support Services	100,448.73	111,566.73	-17,990.68	-46,959.79
Operations of Non-Instructional Services:				
Enterprise Operations	353,667.74	383,636.52	150,820.06	-17,464.88
Food Services	2,181,701.10	2,132,628.68	-350,549.79	-8,556.06
Interest on Short-Term and Long-Term Debt	599,095.70	1,052,254.52	599,095.70	1,052,254.52
Total Expenses	$ 43,247,578.30	$ 44,748,675.18	$ 8,809,231.10	$ 14,943,409.96

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The governmental funds had total revenues and other financing sources of $54.3 million and total expenditures of $67.7 million as compared to $49.2 million of revenue and other financing sources and $54.3 million of expenses for the prior year.

General Fund Budgeting Highlights

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

During the course of fiscal year 2011, the School District amended its general fund budget as needed. The School District 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 site management.

For the General Fund, the actual revenues of $42.4 million were more than the final budgeted amounts of $40.0 million by $2.4 million. This difference (actual vs. final budget) was mostly due to the inclusion of the activity from the individual schools' activity accounts that was not included in the original or final budgeted revenue figures and a significantly higher collection rate for property taxes than had been anticipated for budget purposes.

The actual expenditures of $41.5 million were less than the final budgeted amount of $42.3 million by $0.8 million. The majority of the decrease in actual expenses over budgeted expenses can be attributed to the Board's ongoing effort to decrease costs in response to continued decreases in state funding for education.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At fiscal year ended June 30, 2011, the School District had $80.6 million invested in capital assets, all in governmental activities, compared to $58.7 million for the prior year. Table 4 reflects a summary of these balances net of accumulated depreciation for the current year and the prior year.

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities	
	Fiscal Year 2011	Fiscal Year 2010
Land	$ 2,708,973.00	$ 2,708,973.00
Land Improvements	643,639.99	575,341.24
Building and Improvements	41,036,747.24	42,241,808.14
Equipment	1,628,009.92	1,574,425.08
Construction In Progress	34,576,717.18	11,604,191.49
Total	$ 80,594,087.33	$ 58,704,738.95

DEBT

At fiscal year ended June 30, 2011, the School District had $22.7 million in long-term liabilities compared to $23.4 million in long-term liabilities at the end of June 30, 2010. The $22.7 million in long-term debt at the end of fiscal year 2011 was made up of general obligation bonds payable of $17.0 million, QZAB bonds payable of $4.0 million and QSCB bonds payable of $1.7 million with an amount of $2.15 million being due for payment within the upcoming year. Table 5, on the following page, reflects a summary of long term debt balances at the end of fiscal year 2011 and prior fiscal year 2010.

Table 5
Debt at June 30

	Governmental Activities	
	Fiscal Year 2011	Fiscal Year 2010
Series 2005 QZAB Bonds	$ 4,000,000	$ 4,000,000
Series 2008/2009 G. O. Bonds	17,005,000	19,075,000
Series 2010 QSCB Bonds	1,690,000	
Capital Leases		324,218
Total	$ 22,695,000	$ 23,399,218

CURRENT ISSUES

The following are the currently known facts, decisions or conditions that are expected to have a significant effect on financial positions or results of operations:

- State funding for education has not only been stagnant but has declined significantly over the past several years and as a result more pressure is being placed on the local school districts to prioritize its educational programs and provide additional local funding. Additional costs related to the State Health Benefit Plan (SHBP), operated by the Georgia Department of Community Health, have been passed along to local school districts with the implementation of a significant employer cost increase. From January 1, 2011, through the date of the final cost increase implementation (July 1, 2014), the employer cost per noncertified employee will have increased from $1,952.64 annually to $8,954.40 annually per noncertified employee. This additional expense, passed along to the local School District from the state, will end up increasing expenses an estimated $5.5 million over the four year period. Also, with funds from the American Recovery and Reinvestment Act (ARRA) having ended during the 2011 fiscal year and continued application of the QBE formula funding reductions, school districts will find it even harder to continue offering services and programs that benefits children's education experience. Despite these continual challenges, the Stephens County School District has taken budgetary actions to ensure that we are financially sound and offer the highest level of education services possible within our budget limitations. We remain optimistic regarding the ability of the School District to maximize all of the financial resources to provide a quality education to our students.

- The School District plans capital improvements as future capital needs arise due to increased student population and facility repair and maintenance needs. Specific capital expenditure plans are formalized in conjunction with individual general obligation bond issues, anticipated annual receipts of capital outlay funds from the State of Georgia Department of Education, and receipt of SPLOST funds. The School District regularly monitors anticipated capital outlay needs. The major project underway in the School District is the addition, improvement and renovation to the Stephens County High School. This project will provide a beautiful building for our high school students that is technologically advanced, energy efficient and able to accommodate future enrollment increases eliminating the need (and cost) of mobile units. The School District was approved for funding through Quality School Construction Bonds that is providing monies for new roofs and other building improvements at Big A Elementary, Eastanollee Elementary and Toccoa Elementary.

- Like all other government entities, businesses and individuals, we are still faced with the fallout and revenue loss from the economic recession, the results of which filter down to every segment of our operations. We continue to focus on this unprecedented economic situation when determining our operational needs during the annual budget process. We spent earlier fiscal years taking necessary steps to increase our working fund balance reserve for specific, uncontrollable instances such as the current recession and economic crisis. Because of our previous and continued actions to be fiscally responsible, we have created a working reserve that will continue to sustain the School System during this questionable economic period. This working reserve continues to subsidize our income and funding needs until this economic recession begins to ease and our revenue sources return to normal.

- On a positive note, the School District's test scores and instructional results continue to be ranked among the highest in the Pioneer RESA region of school system members. Even with the continued economic challenges, the Stephens County School District and its dedicated employees make educating the children of this county a top priority.

- During the summer of 2011 the Stephens County Board of Education approved a referendum for its fourth SPLOST project. On November 8, 2011, this SPLOST ballot question was approved by a strong 71%. The local option sales tax for education helps to fund technology improvements, new facilities and equipment needs, facility additions and repairs and new buses for the district.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability regarding the money it receives. If you have questions about this report or need additional financial information contact, Mrs. Annah Dodge, District Finance Officer for the Stephens County School District, 2332 Mize Road, Toccoa, Georgia 30577. You may also email your questions to Mrs. Dodge at annah.dodge@stephens.k12.ga.us.

STEPHENS COUNTY BOARD OF EDUCATION

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

EXHIBIT "A"

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and Cash Equivalents	$ 1,735,009.07
Investments	14,347,551.11
Accounts Receivable, Net	
Taxes	959,414.96
State Government	4,058,945.19
Federal Government	1,537,490.38
Local	112,301.55
Inventories	77,472.74
Capital Assets, Non-Depreciable	37,285,690.18
Capital Assets, Depreciable (Net of Accumulated Depreciation)	43,308,397.15
Total Assets	$ 103,422,272.33
LIABILITIES	
Accounts Payable	$ 765,144.85
Salaries and Benefits Payable	4,678,795.86
Interest Payable	175,496.25
Retainages Payable	1,701,191.46
Long-Term Liabilities	
Due Within One Year	2,150,000.00
Due in More Than One Year	20,545,000.00
Total Liabilities	$ 30,015,628.42
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	$ 60,459,913.73
Restricted for	
Continuation of Federal Programs	509,627.34
Debt Service	2,914,263.12
Capital Projects	4,818,637.38
Bus Replacement	228,876.00
Unrestricted	4,475,326.34
Total Net Assets	$ 73,406,643.91
Total Liabilities and Net Assets	$ 103,422,272.33

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

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

	EXPENSES	CHARGES FOR SERVICES
GOVERNMENTAL ACTIVITIES		
Instruction	$ 29,236,403.91	$ 329,439.04
Support Services		
Pupil Services	1,471,762.34	55,462.07
Improvement of Instructional Services	677,511.65	
Educational Media Services	742,781.86	27,329.47
General Administration	717,405.48	
School Administration	2,262,467.10	103,295.38
Business Administration	596,276.57	
Maintenance and Operation of Plant	2,369,932.25	3,424.07
Student Transportation Services	1,636,250.24	8,541.45
Central Support Services	301,873.63	120,491.75
Other Support Services	100,448.73	
Operations of Non-Instructional Services		
Enterprise Operations	353,667.74	202,847.68
Food Services	2,181,701.10	422,778.02
Interest on Short-Term and Long-Term Debt	599,095.70	
Total Governmental Activities	$ 43,247,578.30	$ 1,273,608.93
General Revenues		
Taxes		
Property Taxes		
For Maintenance and Operations		
Railroad Cars		
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Debt Services		
For Capital Projects		
Other Sales Tax		
Grants and Contributions not Restricted to Specific Programs		
Investment Earnings		
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Total General Revenues		
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Net Assets - Beginning of Year		
Net Assets - End of Year		

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

PROGRAM REVENUES		NET (EXPENSES)
OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	REVENUES AND CHANGES IN NET ASSETS
$ 19,085,003.38	$ 5,713,899.20	$ -4,108,062.29
500,100.94		-916,199.33
344,093.92		-333,417.73
542,921.44		-172,530.95
829,895.59		112,490.11
1,121,501.66		-1,037,670.06
5,403.14	24,830.79	-566,042.64
1,205,378.04	476,158.27	-684,971.87
857,998.12	228,876.00	-540,834.67
765.50		-180,616.38
118,439.41		17,990.68
		-150,820.06
1,497,269.39	612,203.48	350,549.79
		-599,095.70
$ 26,108,770.53	$ 7,055,967.74	$ -8,809,231.10
		$ 12,443,615.77
		25,311.14
		2,844,435.00
		477,358.76
		101,874.16
		1,267,022.00
		154,778.31
		965,878.49
		$ 18,280,273.63
		$ 9,471,042.53
		63,935,601.38
		$ 73,406,643.91

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

EXHIBIT "C"

	GENERAL FUND	DISTRICT-WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
ASSETS				
Cash and Cash Equivalents	$ 4,549,881.39			$ 4,549,881.39
Investments	88,358.71	$ 11,520,425.53	$ 2,738,766.87	14,347,551.11
Accounts Receivable, Net				
Taxes	571,556.00	387,858.96		959,414.96
State Government	2,988,980.99	1,069,964.20		4,058,945.19
Federal Government	1,537,490.38			1,537,490.38
Local	112,301.55			112,301.55
Inventories	77,472.74			77,472.74
Total Assets	$ 9,926,041.76	$ 12,978,248.69	$ 2,738,766.87	$ 25,643,057.32
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Cash Overdraft		$ 2,814,872.32		$ 2,814,872.32
Accounts Payable	$ 102,497.47	662,647.38		765,144.85
Salaries and Benefits Payable	4,678,795.86			4,678,795.86
Retainages Payable		1,701,191.46		1,701,191.46
Deposits and Deferred Revenue	191,804.18	53,976.25		245,780.43
Total Liabilities	$ 4,973,097.51	$ 5,232,687.41		$ 10,205,784.92
FUND BALANCES				
Nonspendable	$ 77,472.74			$ 77,472.74
Restricted	661,030.60	$ 7,676,480.03	$ 2,738,766.87	11,076,277.50
Assigned	708,539.60	69,081.25		777,620.85
Unassigned	3,505,901.31			3,505,901.31
Total Fund Balances	$ 4,952,944.25	$ 7,745,561.28	$ 2,738,766.87	$ 15,437,272.40
Total Liabilities and Fund Balances	$ 9,926,041.76	$ 12,978,248.69	$ 2,738,766.87	$ 25,643,057.32

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

STEPHENS COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011

EXHIBIT "D"

Total Fund Balances - Governmental Funds (Exhibit "C")		$ 15,437,272.40
Amounts reported for Governmental Activities in the Statement of Net Assets are different because:		
Capital Assets used in Governmental Activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Land	$ 2,708,973.00	
Construction in Progress	34,576,717.18	
Land Improvements	3,311,788.75	
Buildings	54,978,028.55	
Equipment	5,714,189.65	
Accumulated Depreciation	-20,695,609.80	
Total Capital Assets		80,594,087.33
Taxes that are not available to pay for current period expenditures are deferred in the funds.		
Property Taxes	$ 191,804.18	
Sales Taxes	53,976.25	
Total Taxes		245,780.43
Long-Term Liabilities, including Bonds Payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-Term Liabilities at year-end consist of:		
Bonds Payable	$ -22,695,000.00	
Accrued Interest	-175,496.25	
Total Long-Term Liabilities		-22,870,496.25
Net Assets of Governmental Activities (Exhibit "A")		$ 73,406,643.91

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

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

EXHIBIT "E"

	GENERAL FUND	DISTRICT-WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
REVENUES				
Property Taxes	$ 12,430,720.00			$ 12,430,720.00
Sales Taxes	101,874.16	$ 476,822.36	$ 2,844,435.00	3,423,131.52
State Funds	21,457,756.56	6,802,260.94		28,260,017.50
Federal Funds	6,146,911.97			6,146,911.97
Charges for Services	1,273,608.93			1,273,608.93
Investment Earnings	14,687.40	38,074.03	102,016.88	154,778.31
Miscellaneous	965,878.49		24,830.79	990,709.28
Total Revenues	$ 42,391,437.51	$ 7,317,157.33	$ 2,971,282.67	$ 52,679,877.51
EXPENDITURES				
Current				
Instruction	$ 27,878,360.72			$ 27,878,360.72
Support Services				
Pupil Services	1,487,219.34			1,487,219.34
Improvement of Instructional Services	677,511.65			677,511.65
Educational Media Services	742,781.86			742,781.86
General Administration	717,405.48			717,405.48
School Administration	2,262,467.10			2,262,467.10
Business Administration	544,053.89	$ 49,222.68		593,276.57
Maintenance and Operation of Plant	2,352,653.54			2,352,653.54
Student Transportation Services	1,662,036.13			1,662,036.13
Central Support Services	305,720.21			305,720.21
Other Support Services	96,602.15			96,602.15
Enterprise Operations	353,667.74			353,667.74
Food Services Operation	2,147,145.08			2,147,145.08
Capital Outlay		23,260,983.94		23,260,983.94
Debt Services				
Principal	324,217.39		$ 2,070,000.00	2,394,217.39
Interest	11,551.16		799,265.79	810,816.95
Total Expenditures	$ 41,563,393.44	$ 23,310,206.62	$ 2,869,265.79	$ 67,742,865.85
Excess of Revenues over (under) Expenditures	$ 828,044.07	$ -15,993,049.29	$ 102,016.88	$ -15,062,988.34
OTHER FINANCING SOURCES				
Proceeds of Bonds		1,690,000.00		1,690,000.00
Net Change in Fund Balances	$ 828,044.07	$ -14,303,049.29	$ 102,016.88	$ -13,372,988.34
Fund Balances - Beginning	4,124,900.18	22,048,610.57	2,636,749.99	28,810,260.74
Fund Balances - Ending	$ 4,952,944.25	$ 7,745,561.28	$ 2,738,766.87	$ 15,437,272.40

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

STEPHENS COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2011

EXHIBIT "F"

Total Net Change in Fund Balances - Governmental Funds (Exhibit "E")		$ -13,372,988.34
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Capital Outlays are reported as expenditures in Governmental Funds. However, in the Statement of Activities, the cost of Capital Assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital Outlay	$ 23,454,756.44	
Depreciation Expense	-1,480,402.06	
Excess of Capital Outlay over Depreciation Expense		21,974,354.38
Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		38,743.31
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, and disposals) is to decrease net assets.		-85,006.00
Bond proceeds provide current financial resources to Governmental Funds; however, issuing debt increases Long-Term Liabilities in the Statement of Net Assets. In the current period, proceeds were received from:		
Quality Basic School Construction Bonds		-1,690,000.00
Repayment of Long-Term Debt is reported as an expenditure in Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Assets. In the current year, these amounts consist of:		
Bond Principal Retirements	$ 2,070,000.00	
Capital Lease Payments	324,217.93	
Total Long-Term Debt Repayments		2,394,217.93
Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in Governmental Funds. These activities consist of:		
Net Decrease in Accrued Interest		211,721.25
Change in Net Assets of Governmental Activities (Exhibit "B")		$ 9,471,042.53

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

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

EXHIBIT "G"

	AGENCY FUNDS
ASSETS	
Cash and Cash Equivalents	$ 44,179.93
Investments	2,596.35
Total Assets	$ 46,776.28
LIABILITIES	
Funds Held for Others	$ 46,776.28

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

NOTE 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

REPORTING ENTITY

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

BLENDED COMPONENT UNIT

The Stephens County School Building Authority was created by House Bill 837 during the 2005 session of the Georgia General Assembly. The purpose of the Authority is to provide, acquire, construct and equip public service facilities, to acquire the necessary property therefore, both real and personal, to lease or sell any or all of such facilities, including real and personal property, to lease or sell any or all of such facilities, including real and personal property and provide services for the benefit of the Stephens County Board of Education. The Authority consists of three members appointed by the governing authority of the Stephens County Board of Education.

The Stephens County School Building Authority is a component unit of the Stephens County Board of Education and as such the Authority's financial activity has been blended with the Stephens County Board of Education's basic financial statements.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The School District's basic financial statements are collectively comprised of the District-wide financial statements, fund financial statements and notes to the basic financial statements of the Stephens County Board of Education.

District-wide Statements:

The Statement of Net Assets and the Statement of Activities display information about the financial activities of the overall School District, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the School District's governmental activities.

- Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expenses (expenses of the School District related to the administration and support of the School District's programs, such as office and maintenance personnel and accounting) are not allocated to programs.
- Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

The fund financial statements provide information about the School District's funds. Eliminations have been made to minimize the double counting of internal activities. Separate statements for each category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds.

The School District reports the following major governmental funds:

- General Fund is the School District's primary operating fund. It accounts for and reports all financial resources not accounted for and reported in another fund.
- District-wide Capital Projects Fund accounts for and reports financial resources including Special Purpose Local Option Sales Tax (SPLOST), Bond Proceeds, and grants from Georgia State Financing and Investment Commission that are restricted, committed or assigned to the expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.
- Debt Service Fund accounts for and reports financial resources that are restricted, committed, or assigned including taxes (sales) legally restricted for the payment of general long-term principal and interest.

The School District reports the following fiduciary fund type:

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

BASIS OF ACCOUNTING

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

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

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

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

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

NEW ACCOUNTING PRONOUNCEMENTS

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

CASH AND CASH EQUIVALENTS

Composition of Deposits

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

INVESTMENTS

Composition of Investments

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

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

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

RECEIVABLES

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

PROPERTY TAXES

The Stephens County Board of Commissioners fixed the property tax levy for the 2010 tax digest year (calendar year) on July 27, 2010 (levy date). Taxes were due on November 15, 2010 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2010 tax digest are reported as revenue in the governmental funds for fiscal year 2011. The Stephens County Tax Commissioner bills and collects the property taxes for the School District, withholds 2.5% of taxes collected as a fee for tax collection and remits the balance of taxes collected to the School District. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2011, for maintenance and operations amounted to $12,405,408.86.

The tax millage rate levied for the 2010 tax year (calendar year) for the Stephens County Board of Education was as follows (a mill equals $1 per thousand dollars of assessed value):

School Operations	18.40 mills

SALES TAXES

Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to $3,321,257.36 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

INVENTORIES

Food Inventories

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

CAPITAL ASSETS

Capital assets purchased, including capital outlay costs, are recorded as expenditures in the fund financial statements at the time of purchase (including ancillary charges). On the District-wide financial statements, all purchased capital assets are valued at cost where historical records are available and at estimated historical cost based on appraisals or deflated current replacement cost where no historical records exist. Donated capital assets are recorded at estimated fair market value on the date donated. Disposals are deleted at depreciated recorded cost. The cost of normal maintenance and repairs that do not add to the value of assets or materially extend the useful lives of the assets is not capitalized. Depreciation is computed using the straight-line method. The

School District does not capitalize book collections or works of art. During the fiscal year under review, no events or changes in circumstances affecting a capital asset that may indicate impairment were known to the School District.

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

	Capitalization Policy	Estimated Useful Life
Land	Any Amount	N/A
Land Improvements	$ 10,000.00	20 to 80 years
Buildings and Improvements	$ 10,000.00	25 to 80 years
Equipment	$ 10,000.00	8 to 50 years
Intangible Assets	$ 100,000.00	5 to 100 years

Depreciation is used to allocate the actual or estimated historical cost of all capital assets over estimated useful lives, with the exception of intangible assets which are amortized.

Amortization of intangible assets such as water, timber, and mineral rights, easements, patents, trademarks, copyrights and internally generated software is computed using the straight-line method over the estimated useful lives of the assets, generally 10 to 20 years.

GENERAL OBLIGATION BONDS

The School District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. In the District-wide and fund financial statements, the School District recognizes bond premiums and discounts, as well as bond issuance costs during the fiscal year bonds are issued. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. To conform to generally accepted accounting principles, bond premiums and discounts, as well as bond issuance costs should be amortized over the life of the bonds on the District-wide statements. The effect of this deviation is deemed to be immaterial to the fair presentation of the basic financial statements. General obligation bonds are direct obligations and pledge the full faith and credit of the government. The outstanding amount of these bonds is recorded in the Statement of Net Assets.

NET ASSETS

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

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

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

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

FUND BALANCES

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

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

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

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

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

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

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

Nonspendable		
Inventories		$ 77,472.74
Restricted		
Bus Replacement	$ 228,876.00	
Continuation of Federal Programs	432,154.60	
Capital Projects	7,325,487.53	
Debt Service	3,089,759.37	11,076,277.50
Assigned		
School Activity Accounts	$ 317,620.66	
Local Capital Outlay Projects	69,081.25	
Subsequent Period Expenditures	331,373.47	
Cannery Operations	50,239.71	
Food Service Banquet Activities	563.76	
Drug Testing Program	4,000.00	
JROTC Equipment Donation	2,000.00	
Lawson Art Donation	2,742.00	777,620.85
Unassigned		3,505,901.31
Fund Balance, June 30, 2011		$ 15,437,272.40

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

USE OF ESTIMATES

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

NOTE 3: DEPOSITS AND INVESTMENTS

COLLATERALIZATION OF DEPOSITS

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

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

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

CATEGORIZATION OF DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At June 30, 2011, the bank balances were $7,403,077.81. The amounts exposed to custodial credit risk are classified into three categories as follows:

Category 1 - Uncollateralized,
Category 2 - Cash collateralized with securities held by the pledging financial institution, or
Category 3 - Cash collateralized with securities held by the pledging financial institution's trust department or agent but not in the School District's name.

The School District's deposits by custodial risk category at June 30, 2011, are as follows:

Custodial Credit Risk Category	Bank Balance
1	$ 0.00
2	0.00
3	4,152,799.46
Total	$ 4,152,799.46

CATEGORIZATION OF INVESTMENTS

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

Investment Type	Fair Value	Investment Maturity Less Than 1 Year
Debt Securities		
U. S. Treasuries	$ 4,046,796.60	$ 4,046,796.60
Other Investments		
U. S. Treasury		
Money Market Funds	1,940,835.81	
Investment Pools		
Office of State Treasurer		
Georgia Fund 1	5,532,793.12	
Total Investments	$ 11,520,425.53	

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

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

The U. S. Treasury Money Market Mutual Funds are invested in Federated Government Obligations Fund managed by Federated Investors. The Federated Government Obligations Fund is rated AAAm by Standard and Poor's. The weighted average maturity of the Fund is approximately 44 days.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investment will adversely affect the fair value of an investment. The School District does not have a formal policy for managing interest rate risk.

Custodial Credit Risk

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

At June 30, 2011, $4,046,796.60 of the School District's applicable investments were (1) uninsured and unregistered, with securities held by the counterparty's trust department or agent in the name of the School District and (2) uninsured or unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the School District's name.

Credit Quality Risk

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

NOTE 4: NON-MONETARY TRANSACTIONS

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

NOTE 5: CAPITAL ASSETS

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

	Balances July 1, 2010	Increases	Decreases	Balances June 30, 2011
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	$ 2,708,973.00			$ 2,708,973.00
Construction Work In Progress	11,604,191.49	$ 23,439,299.44	$ 466,773.75	34,576,717.18
Total Capital Assets, Not Being Depreciated	$ 14,313,164.49	$ 23,439,299.44	$ 466,773.75	$ 37,285,690.18
Capital Assets, Being Depreciated:				
Buildings and Improvements	$ 55,565,228.55		$ 587,200.00	$ 54,978,028.55
Equipment	5,467,305.65	$ 351,912.00	105,028.00	5,714,189.65
Land Improvements	3,375,060.00	130,318.75	193,590.00	3,311,788.75
Less: Accumulated Depreciation:				
Buildings and Improvements	13,323,420.41	1,120,054.90	502,194.00	13,941,281.31
Equipment	3,892,880.57	298,327.16	105,028.00	4,086,179.73
Land Improvements	2,799,718.76	62,020.00	193,590.00	2,668,148.76
Total Capital Assets, Being Depreciated, Net	$ 44,391,574.46	$ -998,171.31	$ 85,006.00	$ 43,308,397.15
Governmental Activity Capital Assets - Net	$ 58,704,738.95	$ 22,441,128.13	$ 551,779.75	$ 80,594,087.33

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

	Governmental Funds
Buildings and Improvements	$ 2,047,852.00
Less: Accumulated Depreciation	778,183.76
	$ 1,269,668.24

Current year depreciation expense by function is as follows:

Instruction		$ 1,243,537.73
Support Services		
Maintenance and Operation of Plant	$ 14,804.02	
Student Transportation Services	192,452.27	207,256.29
Food Services		29,608.04
		$ 1,480,402.06

NOTE 6: RISK MANAGEMENT

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

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

The School District is self-insured with regard to unemployment compensation claims. The School District accounts for claims within the General Fund with expenses/expenditures and liability being reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated.

Changes in the unemployment compensation claims liability during the last two fiscal years are as follows:

	Beginning of Year Liability	Claims and Changes in Estimates	Claims Paid	End of Year Liability
2010	$ 0.00	$ 28,458.00	$ 28,458.00	$ 0.00
2011	$ 0.00	$ 54,307.00	$ 54,307.00	$ 0.00

The School District participates in the Georgia Education Workers' Compensation Trust, a public entity risk pool organized on December 1, 1991, to develop, implement and administer a program of workers' compensation self-insurance for its member organizations. The School District pays an annual premium to the Trust for its general insurance coverage. Additional insurance coverage is provided through an agreement by the Trust with the Safety National Casualty Company to provide coverage for potential losses sustained by the Trust in excess of $1,000,000.00 loss per occurrence,

up to the statutory limit. Employers' Liability insurance coverage is also provided by Safety National Casualty Company with a loss fund percentage of 100%, based on the Fund's annual normal premium, up to a maximum limit of indemnity of aggregate limit of $2,000,000.00.

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

Position Covered	Amount
Superintendent	$ 100,000.00

NOTE 7: LONG-TERM DEBT

CAPITAL LEASES

The Stephens County Board of Education has entered into a lease agreement dated March 28, 2001, with the Southern Company Energy Solutions for building improvements that include energy savings equipment. This lease agreement qualifies as a capital lease for accounting purposes, and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of their inception.

INTERGOVERNMENTAL CONTRACT

The Stephens County Board of Education entered into a contract with the Stephens County School Building Authority dated August 1, 2005, for the issuance of QZAB revenue bonds to provide funds to renovate and improve Liberty Elementary School, Crossroads Education Center, capital outlay projects of the School District. Under the terms of the contract, the Stephens County School Building Authority issued $4,000,000.00 (less issuance costs of $87,250.00) in QZAB revenue bonds on behalf of the School District. On December 15, 2010, the School District entered into another contract with the Stephens County School Building Authority for the issuance of QSCB revenue bonds to provide funds to renovate and improve Big A Elementary School, Toccoa Elementary School and Eastanollee Elementary School, capital outlay projects of the School District. Under the terms of the contract, the Building Authority issued $1,690,000.00 (less issuance costs of $33,800.00) in QSCB revenue bonds on behalf of the School District. These obligations of the School District are absolute and unconditional so long as any of the bonds remain outstanding. Under these contracts, the School District will exercise its power of taxation to the extent necessary to pay the amounts required to be paid by the contracts.

GENERAL OBLIGATION DEBT OUTSTANDING

General Obligation Bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
General Government - Series 2008	4.0% - 5.0%	$ 9,295,000.00
General Government - Series 2009	3.5% - 5.0%	7,710,000.00
		$ 17,005,000.00

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

	Governmental Funds				
	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011	Due Within One Year
G. O. Bonds	$ 19,075,000.00		$ 2,070,000.00	$ 17,005,000.00	$ 2,150,000.00
Capital Leases	324,217.93		324,217.93	0.00	
Intergovernmental Agreement	4,000,000.00	$ 1,690,000.00		5,690,000.00	
	$ 23,399,217.93	$ 1,690,000.00	$ 2,394,217.93	$ 22,695,000.00	$ 2,150,000.00

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

	Intergovernmental Agreement		General Obligation Debt	
Fiscal Year Ended June 30:	Principal	Interest	Principal	Interest
2012		$ 84,331.00	$ 2,150,000.00	$ 701,985.00
2013		84,331.00	2,235,000.00	615,985.00
2014		84,331.00	2,325,000.00	532,172.50
2015		84,331.00	2,415,000.00	444,985.00
2016		84,331.00	2,520,000.00	324,235.00
2017 - 2021	$ 1,690,000.00	379,489.50	5,360,000.00	329,270.00
2022	4,000,000.00			
Total Principal and Interest	$ 5,690,000.00	$ 801,144.50	$ 17,005,000.00	$ 2,948,632.50

NOTE 8: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of $122,387.04 for health insurance and retirement contributions paid on the School District's behalf by the following State Agencies.

Georgia Department of Education
Paid to the Georgia Department of Community Health
For Health Insurance of Non-Certificated Personnel
In the amount of $91,039.14

Paid to the Teachers' Retirement System of Georgia
For Teachers' Retirement System (TRS) Employer's Cost
In the amount of $4,396.90

Office of the State Treasurer
Paid to the Public School Employees' Retirement System
For Public School Employees' Retirement (PSERS) Employer's Cost
In the amount of $26,951.00

NOTE 9: SIGNIFICANT COMMITMENTS

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

Project	Unearned Executed Contracts
09-RA-727-018	$ 8,412,381.16
Big A Elementary School QSCB Re-roof Project	150,853.33
Eastanollee Elementary School QSCB Re-roof Project	93,641.20
Toccoa Elementary School QSCB Re-roof Project	251,457.18
	$ 8,908,332.87

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

NOTE 10: SIGNIFICANT CONTINGENT LIABILITIES

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

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

NOTE 11: SUBSEQUENT EVENTS

On November 8, 2011, voters of Stephens County authorized the continuance of a one percent sales tax for education (SPLOST) to raise no more than $18,500,000.00. The proceeds of the special 1% sales tax shall be used by the School District for the following educational purposes: (1) retiring outstanding general obligation debt of the School District previously incurred and issued with respect to capital outlay projects in the amount not to exceed $15,457,805.00 comprised of the principal and interest on the School District's Series 2008 and 2009 Bonds and the payments on the 2010 Qualified School Construction Bonds coming due in the years 2013 through 2018; (2) and the following capital outlay projects at a maximum cost of $3,042,195.00: (i) repairing, renovating, rehabilitating, extending and improving existing schools and related facilities useful or desirable in connection therewith, including without limitation, additional classrooms, roof replacements and repairs, mechanical system repairs and replacements, wiring and infrastructure modifications, renovations and improvements to physical education and athletic facilities; (ii) acquiring, installing and improving system-wide instructional and administrative technology, including but not limited to, information systems hardware, associated software and accessories and infrastructure at all District facilities related to these technology acquisitions and improvements; (iii) acquiring system-wide equipment and furnishings, including but not limited to, safety and security equipment, food service, vocational, fine arts, physical education and athletic equipment; (iv) acquisition of school buses, vehicles and transportation equipment.

NOTE 12: POST-EMPLOYMENT BENEFITS

GEORGIA SCHOOL PERSONNEL POST-EMPLOYMENT HEALTH BENEFIT FUND

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

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

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

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

For certificated teachers, librarians and regional educational service agencies:

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

For non-certificated school personnel:

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

The Department of Education was appropriated an additional $25,081,633.00 for non-certificated personnel health insurance payments. The amount attributable to the School District is reflected in the On-behalf note disclosure.

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

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

Fiscal Year	Percentage Contributed	Required Contribution
2011	100%	$ 3,969,688.08
2010	100%	$ 3,966,732.35
2009	100%	$ 2,671,026.36

NOTE 13: RETIREMENT PLANS

TEACHERS' RETIREMENT SYSTEM OF GEORGIA (TRS)

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

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

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

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

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

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

Fiscal Year	Percentage Contributed		Required Contribution
2011	100%	$	2,462,743.41
2010	100%	$	2,391,380.49
2009	100%	$	2,242,347.36

PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS)

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

DEFINED CONTRIBUTION PLAN

In September 1998, Stephens County Board of Education began an employer paid 403(b) annuity plan for the group of employees covered under the Public School Employees' Retirement System (PSERS). Recognizing that PSERS was a limited defined contribution and defined benefit plan which did not provide for an adequate retirement for this group of employees, it was the Board's desire to supplement the retirement of this group.

The Board selected the Lincoln Financial Group as the provider of this plan. For each employee covered under PSERS, the Board contributes to the plan an amount equal to the amount contributed by the employee (a match), not to exceed $25.00 per employee, per month.

The employee becomes vested in the plan with five years of experience. Employees who had already achieved five years of experience at the time the plan was implemented were vested upon enrollment.

Funds accumulated in the employer paid accounts are only available to the employee upon termination of employment and five years of service to the Stephens County Board of Education. If an employee terminates employment prior to achieving five years of service, they receive 20% of the employer contributions for each year of completed service (20% for year 1, 40% for year 2, 60% for year 3 and 80% for year 4). The remaining funds paid on behalf of the non-vested employee are credited back to the Board.

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

Fiscal Year	Percentage Contributed		Required Contribution
2011	100%	$	26,162.50
2010	100%	$	25,648.50
2009	100%	$	23,732.50

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STEPHENS COUNTY BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2011

SCHEDULE "1"

	NONAPPROPRIATED BUDGETS		ACTUAL
	ORIGINAL (1)	FINAL (1)	AMOUNTS
REVENUES			
Property Taxes	$ 11,834,875.00	$ 11,937,500.00	$ 12,430,720.00
Sales Taxes	150,000.00		101,874.16
State Funds	21,334,052.00	20,919,627.00	21,457,756.56
Federal Funds	5,390,060.00	6,477,677.00	6,146,911.97
Charges for Services	490,000.00	565,050.00	1,273,608.93
Investment Earnings	13,875.00	15,500.00	14,687.40
Miscellaneous	412,000.00	112,500.00	965,878.49
Total Revenues	$ 39,624,862.00	$ 40,027,854.00	$ 42,391,437.51
EXPENDITURES			
Current			
Instruction	$ 27,168,779.00	$ 28,605,328.00	$ 27,878,360.72
Support Services			
Pupil Services	1,546,778.00	1,769,883.00	1,487,219.34
Improvement of Instructional Services	678,603.00	918,071.00	677,511.65
Educational Media Services	687,287.00	702,129.00	742,781.86
General Administration	679,707.00	698,865.00	717,405.48
School Administration	2,180,089.00	2,120,957.00	2,262,467.10
Business Administration	227,550.00	227,090.00	544,053.89
Maintenance and Operation of Plant	2,522,950.00	2,636,840.00	2,352,653.54
Student Transportation Services	1,736,042.00	2,086,011.00	1,662,036.13
Central Support Services	115,575.00	109,137.00	305,720.21
Other Support Services	127,856.00	159,330.00	96,602.15
Food Services Operation	2,125,825.00	2,270,516.00	2,147,145.08
Enterprise Operations			353,667.74
Debt Service			335,768.55
Total Expenditures	$ 39,797,041.00	$ 42,304,157.00	$ 41,563,393.44
Net Change in Fund Balances	$ -172,179.00	$ -2,276,303.00	$ 828,044.07
Fund Balances - Beginning	4,112,637.00	4,282,752.68	4,124,900.18
Adjustments		-62,920.16	
Fund Balances - Ending	$ 3,940,458.00	$ 1,943,529.52	$ 4,952,944.25

Notes to the Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual

(1) Original and Final Budget amounts do not include budgeted revenues or expenditures of the various principal accounts.

The accompanying schedule of revenues, expenditures and changes in fund balances budget and actual is presented on the modified accrual basis of accounting which is the basis of accounting used in the presentation of the fund financial statements.

See notes to the basic financial statements.

STEPHENS COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

SCHEDULE "2"

FUNDING AGENCY PROGRAM/GRANT		CFDA NUMBER	PASS-THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD	
Agriculture, U. S. Department of					
Child Nutrition Cluster					
Pass-Through From Georgia Department of Education					
Food Services					
School Breakfast Program		10.553	N/A	(2)	
National School Lunch Program		10.555	N/A	$ 2,018,231.85	(1)
Total Child Nutrition Cluster				$ 2,018,231.85	
Schools and Roads Cluster					
Pass-Through From Office of the State Treasurer					
Schools and Roads - Grants to States		10.665	N/A	(3)	
Other Programs					
Pass-Through From Georgia Department of Education					
Food Services					
Fresh Fruit and Vegetable Program		10.582	N/A	59,036.90	
Total U. S. Department of Agriculture				$ 2,077,268.75	
Education, U. S. Department of					
Special Education Cluster					
Pass-Through From Georgia Department of Education					
Special Education					
ARRA - Grants to States	*	84.391	N/A	$ 384,733.38	
Grants to States	*	84.027	N/A	994,902.92	
Preschool Grants	*	84.173	N/A	25,635.97	
Total Special Education Cluster				$ 1,405,272.27	
Title I, Part A Cluster					
Pass-Through From Georgia Department of Education					
ARRA - Title I Grants to Local Educational Agencies	*	84.389	N/A	$ 353,222.00	
Title I Grants to Local Educational Agencies	*	84.010	N/A	1,253,931.55	
Total Title I, Part A Cluster				$ 1,607,153.55	
Other Programs					
Pass-Through From Georgia Department of Education					
Career and Technical Education - Basic Grants to States		84.048	N/A	$ 67,792.19	
Education Jobs Fund	*	84.410	N/A	901,495.00	
Improving Teacher Quality State Grants		84.367	N/A	243,880.01	
Rural Education		84.358	N/A	116,809.05	
Safe and Drug-Free Schools and Communities - State Grants		84.186	N/A	5,041.00	
Twenty-First Century Community Learning Centers	*	84.287	N/A	368,083.63	
Total Other Programs				$ 1,703,100.88	
Total U. S. Department of Education				$ 4,715,526.70	
Defense, U. S. Department of					
Direct					
Department of the Army					
R.O.T.C. Program				$ 162,624.66	
Total Expenditures of Federal Awards				$ 6,955,420.11	

N/A = Not Available

Notes to the Schedule of Expenditures of Federal Awards

(1) Includes the Federally assigned value of donated commodities for the Food Donation Program in the amount of $116,533.17.
(2) Expenditures for the funds earned on the School Breakfast Program ($286,747.22) were not maintained separately and are included in the 2011 National School Lunch Program.
(3) Funds earned on this program, in the amount of $20,306.90, do not require reporting of expenditures.

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

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

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the Stephens County Board of Education and is presented on the modified accrual basis of accounting which is the basis of accounting used in the presentation of the fund financial statements.

See notes to the basic financial statements.

STEPHENS COUNTY BOARD OF EDUCATION
SCHEDULE OF STATE REVENUE
YEAR ENDED JUNE 30, 2011

SCHEDULE "3"

AGENCY/FUNDING	GOVERNMENTAL FUND TYPES GENERAL FUND	CAPITAL PROJECTS FUND	TOTAL
GRANTS			
Bright From the Start:			
Georgia Department of Early Care and Learning			
Pre-Kindergarten Program	$ 467,378.39		$ 467,378.39
Education, Georgia Department of			
Quality Basic Education			
Direct Instructional Cost			
Kindergarten Program	1,230,444.00		1,230,444.00
Kindergarten Program - Early Intervention Program	416,648.00		416,648.00
Primary Grades (1-3) Program	2,764,957.00		2,764,957.00
Primary Grades - Early Intervention (1-3) Program	652,525.00		652,525.00
Upper Elementary Grades (4-5) Program	1,348,365.00		1,348,365.00
Upper Elementary Grades - Early Intervention (4-5) Program	460,657.00		460,657.00
Middle School (6-8) Program	2,786,896.00		2,786,896.00
High School General Education (9-12) Program	1,839,619.00		1,839,619.00
Vocational Laboratory (9-12) Program	947,537.00		947,537.00
Students with Disabilities			
Category I	202,988.00		202,988.00
Category II	184,433.00		184,433.00
Category III	1,886,425.00		1,886,425.00
Category IV	881,888.00		881,888.00
Category V	802,994.00		802,994.00
Gifted Student - Category VI	1,243,357.00		1,243,357.00
Remedial Education Program	360,127.00		360,127.00
Alternative Education Program	193,527.00		193,527.00
English Speakers of Other Languages (ESOL)	53,844.00		53,844.00
Media Center Program	460,926.00		460,926.00
20 Days Additional Instruction	135,435.00		135,435.00
Staff and Professional Development	87,119.00		87,119.00
Indirect Cost			
Central Administration	670,423.00		670,423.00
School Administration	938,700.00		938,700.00
Facility Maintenance and Operations	1,010,759.00		1,010,759.00
Mid-term Adjustment Hold-Harmless	7,231.00		7,231.00
Categorical Grants			
Pupil Transportation			
Regular	621,303.00		621,303.00
Nursing Services	74,556.00		74,556.00
Education Equalization Funding Grant	1,267,022.00		1,267,022.00
Food Services	70,062.00		70,062.00
Vocational Education	150,579.00		150,579.00
Amended Formula Adjustment	-3,259,905.00		-3,259,905.00
Other State Programs			
Dual Enrollment Funding	288.00		288.00
Health Insurance	91,039.14		91,039.14
Math and Science Supplements	19,430.17		19,430.17
Middle School Support Grant	4,299.00		4,299.00
Preschool Handicapped Program	64,082.00		64,082.00
Pupil Transportation - State Bonds	228,876.00		228,876.00
Teachers' Retirement	4,396.90		4,396.90
Virtual Schools Grant	325.00		325.00
Georgia State Financing and Investment			
Commission			
Reimbursement on Construction Projects		$ 6,802,260.94	6,802,260.94
Office of the State Treasurer			
Public School Employees Retirement	26,951.00		26,951.00

STEPHENS COUNTY BOARD OF EDUCATION
SCHEDULE OF STATE REVENUE
YEAR ENDED JUNE 30, 2011

SCHEDULE "3"

AGENCY/FUNDING	GOVERNMENTAL FUND TYPES GENERAL FUND	CAPITAL PROJECTS FUND	TOTAL
CONTRACTS			
Education, Georgia Department of			
Communities in Schools	$ 17,000.00		$ 17,000.00
Human Resources, Georgia Department of			
Family Connection	42,249.96		42,249.96
	$ 21,457,756.56	$ 6,802,260.94	$ 28,260,017.50

See notes to the basic financial statements.

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

SCHEDULE "4"

PROJECT	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3) (4) (5)	AMOUNT EXPENDED IN PRIOR YEARS (3) (4) (5)	PROJECT STATUS
Acquiring, constructing and equipping a new high school;	$ 20,000,000.00	$ 38,325,000.00	$ 22,321,501.21	$ 9,197,748.32	Ongoing
Rehabilitating, repairing, renovating, extending and improving existing schools and related facilities useful or desirable in connection therewith, including without limitation, additional classrooms, roof replacements and repairs, mechanical system repairs and replacements, wiring and infrastructure modifications, renovations and improvements to physical education and athletic facilities;	75,000.00	75,000.00		9,043.84	Ongoing
Acquiring and installing system-wide instructional and administrative technology;	250,000.00	200,000.00		27,161.08	Ongoing
Safety and security equipment;	45,000.00	25,000.00			Ongoing
Acquiring vocational, fine arts, physical education and athletic equipment;	25,000.00	25,000.00			Ongoing
Acquisition of school buses, vehicles and transportation equipment.	270,000.00	350,000.00	21,524.00	259,063.00	Ongoing
	$ 20,665,000.00	$ 39,000,000.00	$ 22,343,025.21	$ 9,493,016.24	

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

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

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

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

Prior Years	$ 1,060,207.19
Current Year	774,435.00
Total	$ 1,834,642.19

(5) In addition to the expenditures shown above, the School District has incurred bond issuance costs and related paying agent fees associated with bond debt service for the above projects as follows:

Prior Years	$ 4,107.29
Current Year	750.00
Total	$ 4,857.29

See notes to the basic financial statements.

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

SCHEDULE "5"

DESCRIPTION	ALLOTMENTS FROM GEORGIA DEPARTMENT OF EDUCATION (1) (2)	ELIGIBLE QBE PROGRAM COSTS SALARIES	OPERATIONS	TOTAL
Direct Instructional Programs				
Kindergarten Program	$ 1,437,999.00	$ 1,072,979.72	$ 18,159.83	$ 1,091,139.55
Kindergarten Program-Early Intervention Program	465,693.00	578,891.10	2,898.91	581,790.01
Primary Grades (1-3) Program	3,276,656.00	2,922,825.42	45,196.80	2,968,022.22
Primary Grades-Early Intervention (1-3) Program	767,528.00	1,385,008.92	7,928.75	1,392,937.67
Upper Elementary Grades (4-5) Program	1,582,440.00	1,407,467.06	22,087.66	1,429,554.72
Upper Elementary Grades-Early Intervention (4-5) Program	524,337.00	1,087,240.69	5,486.73	1,092,727.42
Middle School (6-8) Program	2,853,910.00	3,144,193.44	65,469.27	3,209,662.71
High School General Education (9-12) Program	2,168,813.00	3,068,724.29	83,425.44	3,152,149.73
Vocational Laboratory (9-12) Program	1,086,732.00	909,810.05	78,528.57	988,338.62
Students with Disabilities	4,613,256.00			
Category I		76,507.56		76,507.56
Category II		344,890.70		344,890.70
Category III		2,910,634.84	24,960.39	2,935,595.23
Category IV		646,737.24	7,930.00	654,667.24
Category V		297,842.29		297,842.29
Gifted Student - Category VI	1,406,672.00	1,097,960.59	14,542.64	1,112,503.23
Remedial Education Program	414,194.00	376,412.62		376,412.62
Alternative Education Program	226,865.00	165,665.01	1,074.28	166,739.29
English Speakers of Other Languages (ESOL)	61,195.00	33,110.04	813.08	33,923.12
TOTAL DIRECT INSTRUCTIONAL PROGRAMS	$ 20,886,290.00	$ 21,526,901.58	$ 378,502.35	$ 21,905,403.93
Media Center Program	539,531.00	649,226.95	44,788.00	694,014.95
Staff and Professional Development	102,073.00			25,132.67
TOTAL QBE FORMULA FUNDS	$ 21,527,894.00	$ 22,176,128.53	$ 423,290.35	$ 22,624,551.55

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

(2) Allotments do not include the impact of the State amended formula adjustment.

See notes to the basic financial statements.

SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS

DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

May 14, 2012

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

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

Ladies and Gentlemen:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Stephens County Board of Education as of and for the year ended June 30, 2011, which collectively comprise Stephens County Board of Education's basic financial statements and have issued our report thereon dated May 14, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we consider item FS-7271-11-01 described in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

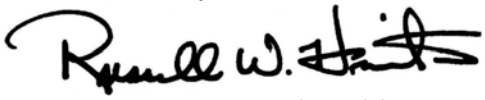
As part of obtaining reasonable assurance about whether Stephens County Board of Education's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a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

We noted certain matters that we have reported to management of Stephens County Board of Education in a separate letter dated May 14, 2012.

Stephens County Board of Education's response to the findings identified in our audit is described in the accompanying Schedule of Management's Responses. We did not audit Stephens County Board of Education's response and, accordingly, we express no opinion on it.

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

Respectfully submitted,



Russell W. Hinton, CPA, CGFM
State Auditor

RWH:as
2011YB-30

DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

May 14, 2012

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

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

Ladies and Gentlemen:

Compliance

We have audited Stephens County Board of Education's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2011. Stephens County Board of Education's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of Stephens County Board of Education's management. Our responsibility is to express an opinion on Stephens County Board of Education's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the Stephens County Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Stephens County Board of Education's compliance with those requirements.

In our opinion, the Stephens County Board of Education complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

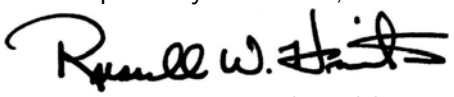
Management of Stephens County Board of Education is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Stephens County Board of Education's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Stephens County Board of Education's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

Respectfully submitted,



Russell W. Hinton, CPA, CGFM
State Auditor

RWH:as
2011SA-10

SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

STEPHENS COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FINDING CONTROL NUMBER AND STATUS

FS-7271-09-01	Further Action Not Warranted
FS-7271-09-02	Further Action Not Warranted
FS-7271-10-01	Partially Resolved - See Corrective Action/Responses
FS-7271-10-02	Unresolved - See Corrective Action/Responses

CORRECTIVE ACTION/RESPONSES

REVENUES/RECEIVABLES/RECEIPTS
EXPENDITURES/LIABILITIES/DISBURSEMENTS
GENERAL LEDGER
Inadequate Controls over School Activity Accounts
Significant Deficiency
Finding Control Number: FS-7271-10-01

Each school level bookkeeper is furnished an accounting procedure handbook that provides step by step details regarding required documentation, approvals and recording of school activity account transactions. This handbook also provides sample approval forms, reconciliation sheets, and other documents that should be used by the school for higher risk transactions. Due to budget constraints that limit the hiring of additional school level accounting personnel, the Board has instead reassigned accounting duties among existing high school office staff. The Board feels that by reassigning duties based on existing workloads and responsibilities, requiring more frequent internal reviews of accounting activity at this location and providing additional training on Board policies and accepted procedures will ensure that any future deficiencies, errors, or irregularities will be detected and rectified in a timely manner.

GENERAL LEDGER
Outstanding Loan
Nonmaterial Noncompliance
Finding Control Number: FS-7271-10-02

The District administrators and management are aware of the state law regarding school financing and were first made aware of this outstanding loan during the FY 2009 audit process. All District administrators, management and local financial institutions have been provided information listing the individuals that have authorization to initiate a loan, note, lease, or other financing on behalf of the School District. The local financial institutions have been asked to notify the District's administrative office any time activity of this nature is initiated in the School District's name or under the School District's tax identification number. The current outstanding loan will be paid in full on September 25, 2011.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV

FINDINGS AND QUESTIONED COSTS

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

I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:
- Material weakness identified? — No
- Significant deficiency identified? — Yes

Noncompliance material to financial statements noted: — No

Federal Awards

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

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

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

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.010, 84.389	Title I, Part A Cluster
84.027, 84.173, 84.391	Special Education Cluster
84.410	Education Jobs Fund
84.287	Twenty-First Century Community Learning Centers

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

Auditee qualified as low-risk auditee? — No

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

REVENUES/RECEIVABLES/RECEIPTS
EXPENDITURES/LIABILITIES/DISBURSEMENTS
Inadequate Controls over School Activity Accounts
Significant Deficiency
Finding Control Number: FS-7271-11-01

Condition:
This is a repeat finding (FS-7271-10-01) from the fiscal year ended June 30, 2010. The accounting procedures of the School District were insufficient to provide adequate controls over the school activity accounts.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Criteria:
The School District's management is responsible for designing and maintaining internal controls that provide reasonable assurance that transactions are properly processed and reported in accordance with State law, procedures established by the Georgia Department of Education and School District policies and procedures.

Questioned Costs:
N/A

Information:
Revenues/Receivables/Receipts

- Based on a review of receipt transactions at the Stephens County High School and High School Athletic Account, the following deficiencies were noted:
  1. Receipts issued for the collection of cash and checks by the High School Athletic Account in some cases contained insufficient documentation and in many cases no documentation at all.
  2. Several transactions at the High School did not contain adequate supporting documentation for the checks and/or monies received.
  3. Several receipts were not deposited in a timely manner to the School District bank account.

Information:
Expenditures/Liabilities/Disbursements

- Based on a review of expenditure vouchers at the Stephens County High School and High School Athletic Account, the following deficiencies were noted:
  1. Several athletic account expenditures were not supported by appropriate documentation.
  2. Most transactions were not properly approved prior to purchase.
  3. Numerous reimbursements were made to employees for good or services without appropriate pre-approvals or other supporting documentation.

Cause:
These deficiencies were a result of management's failure to ensure that internal controls were implemented and functioning at the school level.

Effect:
Fraudulent activities, errors and/or irregularities may not be detected in a timely manner.

Recommendation:
Management should ensure that the internal controls they have designed are in operation to ensure that assets are adequately safeguarded. These controls should take into consideration collection procedures, payment approval procedures, and verification of goods/services received prior to vendor payment.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

GENERAL LEDGER
Outstanding Loan
Nonmaterial Noncompliance
Finding Control Number: FS-7271-11-02

Condition:
This is a repeat finding (FS-7271-10-02 and FS-7271-09-02) from the years ended June 30, 2010, and June 30, 2009, respectively. There was an outstanding loan at December 31, 2010.

Criteria:
Article IX, Section V, Paragraph V of the Constitution of the State of Georgia provides, in part, as follows: "The governing authority of any county, municipality or other political subdivision of this state may incur debt by obtaining temporary loans in each year to pay expenses...Such loans shall be payable on or before December 31 of the calendar year in which such loan is made..."

Questioned Cost:
N/A

Information:
The School District's General Fund had an unpaid loan outstanding at December 31, 2010.

Cause:
The High School Athletic Fund did not have adequate cash available to retire the loan on December 31, 2010, as required.

Effect:
Noncompliance with the Constitution of the State of Georgia.

Recommendation:
The School District should repay loans in conformity with Constitutional provisions.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION V

MANAGEMENT'S RESPONSES

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

Finding Control Number: FS-7271-11-01

We concur with this finding. Each school level bookkeeper is furnished an accounting procedure handbook that provides step by step details regarding required documentation, approvals and recording of school activity account transactions. This handbook also provides sample approval forms, reconciliation sheets and other documents that should be used by the school for higher risk transactions. Due to budget constraints that limit the hiring of additional school level accounting personnel, starting July 1, 2011, the board has instead reassigned accounting duties among existing high school office staff. The Board feels that by reassigning duties based on existing workloads and responsibilities, requiring more frequent internal reviews of accounting activity at this location and providing additional training on board policies and accepted procedures, will ensure that any future deficiencies, errors or irregularities will be detected and rectified in a timely manner.

Finding Control Number: FS-7271-11-02

We concur with this finding. The District administrators and management are aware of the state law regarding school financing and were first made aware of this outstanding loan during the FY 2009 audit process. All District administrators, management and local financial institutions have been provided information listing the individuals that have authorization to initiate a loan, note, lease or other financing on behalf of the school district. The local financial institutions have been asked to notify the District's administrative office any time activity of this nature is initiated in the School District's name or under the District's tax identification number. The current outstanding loan was paid in full on September 25, 2011.

Contact Person: Annah Dodge, District Finance Officer
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Email: annah.dodge@stephens.k12.ga.us