

WHITFIELD COUNTY BOARD OF EDUCATION
DALTON, GEORGIA

ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2012
(Including Independent Auditor's Reports)

WHITFIELD 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

Greg S. Griffin
STATE AUDITOR
(404) 656-2174

March 28, 2013

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
Whitfield 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 Whitfield County Board of Education, as of and for the year ended June 30, 2012, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Whitfield 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 Whitfield County Board of Education, as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2013, on our consideration of the Whitfield 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 to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Whitfield 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 accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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,



Greg S. Griffin
State Auditor

GSG:as
2012ARL-11

WHITFIELD COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

INTRODUCTION

Our discussion and analysis of the Whitfield County Board of Education's financial performance provides an overview of the School District's financial activities for the fiscal years ended June 30, 2012, and 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 the fiscal years 2012 and 2011 are as follows:

- On the District-wide financial statements, the assets of the School District exceeded liabilities by $206.8 million and $206.8 million, respectively, for the fiscal years ended June 30, 2012, and 2011. Of these amounts $15.1 million and $17.0 million, respectively, for fiscal years 2012 and 2011 are available for spending at the School District's discretion.

- The School District had $120.1 million and $115.9 million, respectively, in expenses for the fiscal years ended June 30, 2012, and June 30, 2011, relating to governmental activities. Only $78.0 million and $78.7 million of the above mentioned expenses for 2012 and 2011 were offset by program specific charges for services, grants and contributions. General revenues (primarily property and sales taxes) totaling $42.1 million and $48.3 million, respectively, for 2012 and 2011 were adequate to provide for these programs.

- As stated above, general revenues accounted for $42.1 million or 35.07% of all revenues totaling $120.1 million for fiscal year 2012 and $48.3 million or 38.06% of all revenues totaling $127.0 million for fiscal year 2011. Program specific revenues in the form of charges for services, grants and contribution accounted for the rest.

Overview of the Financial Statements

This annual report consists of three parts; 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 statements provide 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 Whitfield County School District, the General Fund, District-wide Capital Projects Fund, and Debt Service Fund are the most significant funds.

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

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 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 tells the reader 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 to the financial statements.

Fiduciary Funds - The School District is the trustee, or fiduciary, 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 fiscal years 2012 and 2011.

Table 1
Net Assets

	Governmental Activities	
	Fiscal Year 2012	Fiscal Year 2011
Assets		
Current and Other Assets	$ 62,828,100	$ 94,869,294
Capital Assets, Net	212,073,146	193,551,548
Total Assets	$ 274,901,246	$ 288,420,842
Liabilities		
Current and Other Liabilities	$ 17,808,080	$ 20,339,311
Long-Term Liabilities	50,259,040	61,272,343
Total Liabilities	$ 68,067,120	$ 81,611,654
Net Assets		
Invested in Capital Assets, Net of Related Debt	$ 181,073,962	$ 169,895,115
Restricted	10,664,782	19,928,667
Unrestricted	15,095,382	16,985,406
Total Net Assets	$ 206,834,126	$ 206,809,188

Table 2 shows the Changes in Net Assets for fiscal years ending June 30, 2012, and June 30, 2011.

Table 2
Change in Net Assets

	Governmental Activities	
	Fiscal Year 2012	Fiscal Year 2011
Revenues		
Program Revenues:		
Charges for Services and Sales	$ 2,057,803	$ 1,796,552
Operating Grants and Contributions	73,630,475	76,412,891
Capital Grants and Contributions	2,295,585	457,752
Total Program Revenues	$ 77,983,863	$ 78,667,195
General Revenues:		
Taxes		
Property Taxes		
For Maintenance and Operations	$ 24,005,762	$ 24,516,571
Other	848,152	909,610
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Capital Projects	6,289,591	11,376,624
Intangible Recording Tax	348,477	341,491
Grants and Contributions not		
Restricted to Specific Programs	7,043,657	7,440,441
Investment Earnings	38,584	288,611
Miscellaneous	3,546,996	3,472,674
Total General Revenues	$ 42,121,219	$ 48,346,022
Total Revenues	$ 120,105,082	$ 127,013,217
Program Expenses:		
Instruction	$ 73,695,428	$ 71,918,897
Support Services		
Pupil Services	4,827,637	4,066,754
Improvement of Instructional Services	3,339,301	2,872,354
Educational Media Services	2,295,468	2,394,144
General Administration	612,075	741,096
School Administration	7,460,635	7,187,933
Business Administration	558,194	450,734
Maintenance and Operation of Plant	7,855,698	7,498,148
Student Transportation Services	5,173,223	5,357,189
Central Support Services	2,573,752	1,931,977
Other Support Services	613,818	862,253
Operations of Non-Instructional Services		
Community Services	332,375	317,995
Food Services	8,550,377	7,570,214
Interest on Short-Term and Long-Term Debt	2,192,163	2,684,664
Total Expenses	$ 120,080,144	$ 115,854,352
Increase in Net Assets	$ 24,938	$ 11,158,865

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. Net cost of services can be defined as the total cost less fees generated by the activities and intergovernmental revenue provided for specific programs. The net cost reflects the financial burden on the School District's taxpayers by each activity.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	Fiscal Year 2012	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2011
Instruction	$ 73,695,428	$ 71,918,897	$ 21,907,919	$ 16,972,960
Support Services:				
Pupil Services	4,827,637	4,066,754	3,909,041	3,463,805
Improvement of Instructional Services	3,339,301	2,872,354	1,042,786	1,618,332
Educational Media Services	2,295,468	2,394,144	480,621	656,113
General Administration	612,075	741,096	-1,379,519	-1,591,045
School Administration	7,460,635	7,187,933	3,356,627	3,524,626
Business Administration	558,194	450,734	518,689	449,102
Maintenance and Operation of Plant	7,855,698	7,498,148	3,513,833	3,438,996
Student Transportation Services	5,173,223	5,357,189	3,350,734	3,342,423
Central Support Services	2,573,752	1,931,977	2,418,111	1,926,680
Other Support Services	613,818	862,253	425,965	742,657
Operations of Non-Instructional Services:				
Community Services	332,375	317,995	289,769	316,659
Food Services	8,550,377	7,570,214	69,542	-358,815
Interest on Short-Term and Long-Term Debt	2,192,163	2,684,664	2,192,163	2,684,664
Total Expenses	$ 120,080,144	$ 115,854,352	$ 42,096,281	$ 37,187,157

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 of $120.2 million and total expenditures of $150.2 million for fiscal year 2012 and total revenues of $126.7 million and total expenditures of $145.3 million for fiscal year 2011.

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 years 2012 and 2011, the School District amended its general fund budget as needed.

During fiscal year 2012 the General Fund had final actual revenues totaling $111.5 million, which was more than the final budgeted amounts of $105.7 million by $5.8 million. This difference (final actual vs. final budget) was primarily due to conservative budgeting. State revenues exceeded

budgeted revenues by $0.8 million due to conservative budgeting. Federal revenue collections were less than budgeted revenues by $90 thousand. Unspent Federal funds carry over to the following year and are planned for use in fiscal year 2012. Miscellaneous revenues exceeded budgeted revenues by $3.0 due to unbudgeted revenues from school activity accounts of $2.4 million. Investment revenue is primarily derived from our investment of cash in the State's Local Government Investment Pool (LGIP). The rate of return continues to decrease as a result of declining interest rates.

During fiscal year 2011 the General Fund had final actual revenues totaling $115.0 million, which was more than the final budgeted amounts of $110.2 million by $4.8 million. This difference (final actual vs. final budget) was primarily due to conservative budgeting. State revenues exceeded budgeted revenues by $3.3 million due conservative budgeting. Federal revenue collections were less than budgeted revenues by $1.7 million. Miscellaneous revenues exceeded budgeted revenues $2.7 due to unbudgeted revenues from school activity accounts of $2.4 million. Investment revenue is primarily derived from our investment of cash in the State's Local Government Investment Pool (LGIP). The rate of return continues to decrease as a result of declining interest rates.

During the fiscal year 2012, the General Fund had final actual expenditures totaling $114.0 million, which was more than the final budgeted amount of $112.5 million by $1.5 million. Instructional actual expenditures were less than budget by $0.2 million due to conservative budgeting. Student Transportation actual expenditures exceeded budget by $0.1 million due to increased fuel costs. The total expenditures include unbudgeted expenditures from school activity accounts of $1.9 million.

During the fiscal year 2011, the General Fund had final actual expenditures totaling $108.3 million, which was less than the final budgeted amount of $108.1 million by $0.2 million. Instructional budget exceeded actual expenses $0.6 million due to conservative budgeting. Student Transportation actual expenditures exceeded budget by $0.6 million due to increased fuel costs. The total expenditures include unbudgeted expenditures from school activity accounts of $2.5 million.

General fund expenditures exceeded revenues resulting in a deficit of $2,486,900 for the fiscal year 2012. General fund revenues exceeded expenditures and other financing uses resulting in a surplus of $6,789,881 for the fiscal year 2011.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the fiscal years ended June 30, 2012, and June 30, 2011, the School District had $212.1 million and $193.6 million, respectively, invested in capital assets, all in governmental activities. Table 4 reflects a summary of these balances net of accumulated depreciation. The district is nearing completion of the construction of Eastbrook Middle School and completed other renovation projects funded through ESPLOST.

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities	
	Fiscal Year 2012	Fiscal Year 2011
Land	$ 8,624,659	$ 8,624,659
Construction In Progress	19,274,239	41,723,302
Building and Improvements	171,449,588	130,786,584
Equipment	8,683,862	7,868,132
Land Improvements	4,040,798	4,548,871
Total	$ 212,073,146	$ 193,551,548

In accordance with the 2006 referendum pass by 2/3's of the voters, the School District has numerous construction projects in progress including a new elementary and high school, additions and renovations.

Debt

At the fiscal years ending June 30, 2012, and June 30, 2011, the School District had $50.3 million and $61.3 million, respectively, in outstanding debt. Table 5 summarizes the School District's debt for general obligation bonds.

Table 5
Debt at June 30

	Governmental Activities	
	Fiscal Year 2012	Fiscal Year 2011
Compensated Absences	$ 278,649	$ 299,802
Bonds Payable	47,795,000	58,335,000
Bond Premium Amortized	2,185,391	2,637,541
Total	$ 50,259,040	$ 61,272,343

At June 30, 2012, and June 30, 2011, the School District's assigned bond rating was "Aa1" as determined by Moody's Investors Services, Inc.

Current Issues

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

- Economic Recession – decreases in total State funding for education have been forecasted as a result of slowing state tax revenues. Whitfield County Schools continues to prioritize its educational programs and seek opportunities for gained efficiencies within its resources to meet the growing demands of our customers. The District continues to provide an increasing amount of local monies to meet various mandated educational requirements. Whitfield County School District remains optimistic about the ability of the District to maximize all of the financial resources to provide a quality education to our students.

- Capital Improvements - The School District will continue to meet its obligation to the citizens of Whitfield County in accordance with the 2006 ESPLOST referendum. This referendum includes plans for renovations, classroom technology, new elementary and high schools and other capital needs that may arise.

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 demonstrate the School District's accountability for the funds it receives. If you have questions about this report or need additional financial information, contact Whitfield County Board of Education, 1306 South Thornton Avenue, Dalton, Georgia 30720.

WHITFIELD COUNTY BOARD OF EDUCATION

WHITFIELD COUNTY BOARD OF EDUCATION
STATEMENT OF NET ASSETS
JUNE 30, 2012

EXHIBIT "A"

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and Cash Equivalents	$ 41,491,201.42
Investments	6,601,115.13
Accounts Receivable, Net	
Taxes	2,809,980.01
State Government	8,696,508.54
Federal Government	2,663,599.66
Local	394,726.70
Other	72,036.35
Inventories	98,931.97
Capital Assets, Non-Depreciable	27,898,897.99
Capital Assets, Depreciable (Net of Accumulated Depreciation)	184,174,248.46
Total Assets	$ 274,901,246.23
LIABILITIES	
Accounts Payable	$ 993,936.92
Salaries and Benefits Payable	13,694,678.38
Claims Incurred but not Reported (IBNR)	447,729.21
Interest Payable	463,994.00
Contracts Payable	1,264,874.59
Retainages Payable	942,866.84
Long-Term Liabilities	
Due Within One Year	9,257,149.80
Due in More Than One Year	41,001,890.69
Total Liabilities	$ 68,067,120.43
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	$ 181,073,961.83
Restricted for	
Continuation of Federal Programs	4,011,208.74
Continuation of State Programs	14,545.40
Debt Service	463,994.00
Capital Projects	6,175,033.99
Unrestricted	15,095,381.84
Total Net Assets	$ 206,834,125.80
Total Liabilities and Net Assets	$ 274,901,246.23

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

WHITFIELD COUNTY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

	EXPENSES	CHARGES FOR SERVICES
GOVERNMENTAL ACTIVITIES		
Instruction	$ 73,695,428.70	$ 409,246.89
Support Services		
Pupil Services	4,827,637.01	
Improvement of Instructional Services	3,339,300.59	
Educational Media Services	2,295,468.65	
General Administration	612,075.06	
School Administration	7,460,635.14	
Business Administration	558,193.97	
Maintenance and Operation of Plant	7,855,697.66	183,440.82
Student Transportation Services	5,173,222.87	
Central Support Services	2,573,751.67	
Other Support Services	613,817.81	
Operations of Non-Instructional Services		
Community Services	332,374.70	
Food Services	8,550,377.24	1,465,115.63
Interest on Short-Term and Long-Term Debt	2,192,163.50	
Total Governmental Activities	$ 120,080,144.57	$ 2,057,803.34
General Revenues		
Taxes		
Property Taxes		
For Maintenance and Operations		
Other Taxes		
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Capital Projects		
Other Sales Tax		
Grants and Contributions not Restricted to Specific Programs		
Investment Earnings		
Miscellaneous		
Total General Revenues		
Change in Net Assets		
Net Assets - Beginning of Year		
Net Assets - End of Year		

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

PROGRAM REVENUES		NET (EXPENSES)
OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	REVENUES AND CHANGES IN NET ASSETS
$ 49,490,837.19	$ 1,887,425.03	$ -21,907,919.59
918,595.63		-3,909,041.38
2,296,514.94		-1,042,785.65
1,732,280.90	82,566.99	-480,620.76
1,974,831.89	16,762.02	1,379,518.85
4,027,952.55	76,055.57	-3,356,627.02
39,505.24		-518,688.73
4,141,212.97	17,210.91	-3,513,832.96
1,822,488.65		-3,350,734.22
155,640.83		-2,418,110.84
187,852.65		-425,965.16
42,606.00		-289,768.70
6,800,155.86	215,563.93	-69,541.82
		-2,192,163.50
$ 73,630,475.30	$ 2,295,584.45	$ -42,096,281.48
		$ 24,005,762.05
		848,151.61
		6,289,591.01
		348,477.36
		7,043,657.00
		38,584.19
		3,546,996.14
		$ 42,121,219.36
		$ 24,937.88
		206,809,187.92
		$ 206,834,125.80

WHITFIELD COUNTY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

EXHIBIT "C"

	GENERAL FUND	DISTRICT-WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
ASSETS				
Cash and Cash Equivalents	$ 19,642,172.02	$ 21,849,029.40		$ 41,491,201.42
Investments	42,460.78	6,558,622.90	$ 31.45	6,601,115.13
Accounts Receivable, Net				
Taxes	2,801,889.41	8,090.60		2,809,980.01
State Government	8,696,508.54			8,696,508.54
Federal Government	2,663,599.66			2,663,599.66
Local	394,726.70			394,726.70
Other	72,036.35			72,036.35
Inventories	98,931.97			98,931.97
Total Assets	$ 34,412,325.43	$ 28,415,742.90	$ 31.45	$ 62,828,099.78
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	$ 870,132.27	$ 123,804.65		$ 993,936.92
Salaries and Benefits Payable	13,694,678.38			13,694,678.38
Contracts Payable		1,264,874.59		1,264,874.59
Retainages Payable		942,866.84		942,866.84
Deposits and Deferred Revenue	1,582,277.57			1,582,277.57
Total Liabilities	$ 16,147,088.22	$ 2,331,546.08		$ 18,478,634.30
FUND BALANCES				
Nonspendable	$ 98,931.97			$ 98,931.97
Restricted	3,955,896.39	$ 26,084,196.82	$ 31.45	30,040,124.66
Assigned	2,536,283.12			2,536,283.12
Unassigned	11,674,125.73			11,674,125.73
Total Fund Balances	$ 18,265,237.21	$ 26,084,196.82	$ 31.45	$ 44,349,465.48
Total Liabilities and Fund Balances	$ 34,412,325.43	$ 28,415,742.90	$ 31.45	$ 62,828,099.78

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

WHITFIELD COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012

EXHIBIT "D"

Total Fund Balances - Governmental Funds (Exhibit "C")		$ 44,349,465.48
Amounts reported for Governmental Activities in the Statement of Net Assets are different because:		
Capital Assets used in Governmental Activities are not financial resources and therefore are not reported as assets in governmental funds. These assets consist of:		
Land	$ 8,624,659.08	
Construction in Progress	19,274,238.91	
Land Improvements	9,612,998.57	
Buildings	195,516,802.80	
Equipment	20,433,672.74	
Accumulated Depreciation	-41,389,225.65	
Total Capital Assets		212,073,146.45
Taxes that are not available to pay for current period expenditures are deferred in the governmental funds.		1,582,277.57
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	$ -47,795,000.00	
Accrued Interest Payable	-463,994.00	
Compensated Absences Payable	-278,649.59	
Unamortized Bond Premiums	-2,185,390.90	
Claims and Judgments Payable	-447,729.21	
Total Long-Term Liabilities		-51,170,763.70
Net Assets of Governmental Activities (Exhibit "A")		$ 206,834,125.80

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

WHITFIELD COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

EXHIBIT "E

	GENERAL FUND	DISTRICT-WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
REVENUES				
Property Taxes	$ 24,960,939.61			$ 24,960,939.61
Sales Taxes	348,477.36	$ 6,289,591.01		6,638,068.37
State Funds	66,648,560.87	2,295,584.45		68,944,145.32
Federal Funds	14,025,571.44			14,025,571.44
Charges for Services	2,057,803.34			2,057,803.34
Investment Earnings	1,348.16	37,205.04	$ 30.99	38,584.19
Miscellaneous	3,499,008.92	47,987.22		3,546,996.14
Total Revenues	$ 111,541,709.70	$ 8,670,367.72	$ 30.99	$ 120,212,108.41
EXPENDITURES				
Current				
Instruction	$ 70,695,114.61	$ 209,705.98		$ 70,904,820.59
Support Services				
Pupil Services	4,820,820.80	6,816.21		4,827,637.01
Improvement of Instructional Services	3,337,487.09	1,813.50		3,339,300.59
Educational Media Services	2,176,937.68	11,474.73		2,188,412.41
General Administration	587,297.08			587,297.08
School Administration	7,341,162.70			7,341,162.70
Business Administration	521,238.98	33,108.92		554,347.90
Maintenance and Operation of Plant	7,830,360.87	11,930.00		7,842,290.87
Student Transportation Services	5,243,390.26			5,243,390.26
Central Support Services	1,791,145.92	788,370.75		2,579,516.67
Other Support Services	613,817.81			613,817.81
Community Services	332,374.70			332,374.70
Food Services Operation	8,667,761.19	16,642.64		8,684,403.83
Capital Outlay	69,700.00	22,222,622.10		22,292,322.10
Debt Services				
Principal			$ 10,540,000.00	10,540,000.00
Interest			2,304,226.00	2,304,226.00
Total Expenditures	$ 114,028,609.69	$ 23,302,484.83	$ 12,844,226.00	$ 150,175,320.52
Excess of Revenues over (under) Expenditures	$ -2,486,899.99	$ -14,632,117.11	$ -12,844,195.01	$ -29,963,212.11
OTHER FINANCING SOURCES (USES)				
Transfers In			$ 12,844,193.82	$ 12,844,193.82
Transfers Out		$ -12,844,193.82		-12,844,193.82
Total Other Financing Sources (Uses)		$ -12,844,193.82	$ 12,844,193.82	$ 0.00
Net Change in Fund Balances	$ -2,486,899.99	$ -27,476,310.93	$ -1.19	$ -29,963,212.11
Fund Balances - Beginning	20,752,137.20	53,560,507.75	32.64	74,312,677.59
Fund Balances - Ending	$ 18,265,237.21	$ 26,084,196.82	$ 31.45	$ 44,349,465.48

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

WHITFIELD 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, 2012

EXHIBIT "F"

Total Net Change in Fund Balances - Governmental Funds (Exhibit "E")		$ -29,963,212.11
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	$ 23,153,636.67	
Depreciation Expense	-4,632,038.18	
Excess of Capital Outlay over Depreciation Expense		18,521,598.49
Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		-107,025.95
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		10,540,000.00
Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in Governmental Funds. These activities consist of:		
Net Decrease in Accrued Interest on Issuance of Bonds	$ 112,062.50	
Decrease in Compensated Absences	21,152.53	
Amortization of Bond Premium	452,149.80	
Decrease in Claims and Judgments	448,212.62	
Total Additional Expenditures		1,033,577.45
Change in Net Assets of Governmental Activities (Exhibit "B")		$ 24,937.88

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

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WHITFIELD COUNTY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012

EXHIBIT "G"

	AGENCY FUNDS
ASSETS	
Cash and Cash Equivalents	$ 347,035.89
Investments	60,458.65
Accounts Receivable, Net	
Other	80.00
Total Assets	$ 407,574.54
LIABILITIES	
Funds Held for Others	$ 407,574.54

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 Whitfield 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.

The Northwest Georgia College and Career Academy (Charter School) is organized as a high school in Whitfield County, with a focus toward integrating academics and advanced career/technical education programs. The Charter School may serve students in grades 9 through 12, as well as post-secondary students through an agreement with Dalton State College. The financial statements of the Charter School have been included with the School District's General Fund.

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 Whitfield 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, each displayed in a separate column.

The School District reports the following major governmental funds:

- General Fund is the School District's primary operating fund. It accounts for and reports all financial resources not accounted for and reported in another fund.
- District-wide Capital Projects Fund accounts for and reports financial resources including 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 school activity accounts and flexible spending accounts.

BASIS OF ACCOUNTING

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

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. Property taxes, sales taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, 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 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.

CASH AND CASH EQUIVALENTS

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

INVESTMENTS

Composition of Investments

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

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

The School District does not have a formal policy regarding investment policies that address credit quality risks, custodial credit risks, or interest rate 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 Whitfield County Board of Commissioners fixed the property tax levy for the 2011 tax digest year (calendar year) on October 20, 2011 (levy date). Taxes were due on December 20, 2011 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2011 tax digest are reported as revenue in the governmental funds for fiscal year 2012. The Whitfield 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, 2012, for maintenance and operations amounted to $24,112,788.00.

The tax millage rate levied for the 2011 tax year (calendar year) for the Whitfield County Board of Education was as follows (a mill equals $1 per thousand dollars of assessed value):

School Operations	14.756 mills

SALES TAXES

Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to $6,289,591.01 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

Consumable Supplies
One the basic financial statements, inventories of consumable supplies are reported at cost (first-in, first-out). The School District uses the consumption method to account for inventories whereby consumable supplies are recorded as an asset when purchased and expenses/expenditures are recorded as the inventory items as used.

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		All	N/A
Land Improvements	$	20,000.00	15 years
Buildings and Improvements	$	100,000.00	70 years
Equipment	$	10,000.00	10 to 12 years
Intangible Assets	$	50,000.00	15 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.

COMPENSATED ABSENCES

Members of the Teachers' Retirement System of Georgia (TRS) may apply unused sick leave toward early retirement. The liability for early retirement will be borne by TRS rather than by the individual school districts. Otherwise, sick leave does not vest with the employee, and no liability is reported in the School District's financial statements.

Vacation leave of 10 days is awarded on a fiscal year basis to all full time personnel employed on a twelve month basis. No other employees are eligible to earn vacation leave. Vacation leave not utilized during the fiscal year may be carried over to the next fiscal year, providing such vacation leave does not exceed 15 days. At the end of September, all vacation lease in excess of 15 days is forfeited.

	Beginning of Year Liability	Increases	Decreases	End of Year Liability
2010	$ 303,607.83	$ 185,557.24	$ 211,332.92	$ 277,832.15
2011	$ 277,832.15	$ 191,085.21	$ 169,115.24	$ 299,802.12
2012	$ 299,802.12	$ 189,461.80	$ 210,614.33	$ 278,649.59

GENERAL OBLIGATION BONDS

The School District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. In the District-wide financial statements, bond premiums and discounts, are deferred and amortized over the life of the bonds using the straight-line method. The School District recognizes bond issuance costs during the fiscal year bonds are issued. To conform to generally accepted accounting principles, 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.

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

NET ASSETS

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

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

Restricted net assets - These represent resources for which the School District is legally or contractually obligated to spend resources for continuation of Federal and State 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, 2012, are as follows:

Nonspendable		
Inventories		$ 98,931.97
Restricted		
Continuation of Federal Programs	$ 3,941,350.99	
Continuation of State Programs	14,545.40	
Capital Projects	25,156,240.27	
Debt Service	927,988.00	30,040,124.66
Assigned		
School Activity Accounts	$ 934,627.15	
Self-Insurance	1,601,655.97	2,536,283.12
Unassigned		11,674,125.73
Fund Balance, June 30, 2012		$ 44,349,465.48

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: BUDGETARY DATA

The budget is a complete financial plan for the School District's fiscal year, and is based upon careful estimates of expenditures together with probable funding sources. The budget is legally adopted each year for the general, debt service, and capital projects funds. There is no statutory prohibition

regarding over expenditure of the budget at any level. The budget for all governmental funds is prepared and adopted by fund. The legal level of budgetary control was established by the Board at the aggregate fund level. The budget for the General Fund was prepared in accordance with accounting principles generally accepted in the United States of America.

The budgetary process begins with the School District's administration presenting an initial budget for the Board's review. The administration makes revisions as necessary based on the Board's guidelines and a tentative budget is approved. After approval of this tentative budget by the Board, such budget is advertised at least once in a newspaper of general circulation in the locality, as well as the School District's website. At the next regularly scheduled meeting of the Board after advertisement, the Board receives comments on the tentative budget, makes revisions as necessary and adopts a final budget. The approved budget is then submitted, in accordance with provisions of Official Code of Georgia Annotated section 20-2-167(c), to the Georgia Department of Education. The Board may increase or decrease the budget at any time during the year. All unexpended budget authority lapses at fiscal year-end.

See Schedule 1 – General Fund Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual for a detail of any over/under expenditures during the fiscal year under review.

NOTE 4: DEPOSITS AND INVESTMENTS

COLLATERALIZATION OF DEPOSITS

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

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

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

CATEGORIZATION OF DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. At June 30, 2012, the bank balances were $45,428,957.02. 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, 2012, are as follows:

Custodial Credit Risk Category	Bank Balance
1	$ 0.00
2	171,351.33
3	0.00
Total	$ 171,351.33

CATEGORIZATION OF INVESTMENTS

The School District's investments as of June 30, 2012, 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	$ 31.45	$ 31.45
Investment Pools		
Office of the State Treasurer		
Georgia Fund 1	6,582,000.81	
Total Investments	$ 6,582,032.26	

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, 2012, was 48 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.

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.

At June 30, 2012, $31.45 of the School District's applicable investments were 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 5: 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 6: CAPITAL ASSETS

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

	Balances July 1, 2011	Increases	Decreases	Balances June 30, 2012
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	$ 8,624,659.08			$ 8,624,659.08
Construction in Progress	41,723,302.05	$ 22,301,622.64	$ 44,750,685.78	19,274,238.91
Total Capital Assets Not Being Depreciated	$ 50,347,961.13	$ 22,301,622.64	$ 44,750,685.78	$ 27,898,897.99
Capital Assets Being Depreciated				
Buildings and Improvements	$ 152,051,779.94	$ 43,465,022.86	$ 0.00	$ 195,516,802.80
Equipment	18,295,995.79	2,137,676.95		20,433,672.74
Land Improvements	9,612,998.57			9,612,998.57
Less Accumulated Depreciation for:				
Buildings and Improvements	21,265,196.25	2,802,018.00		24,067,214.25
Equipment	10,427,863.66	1,321,947.03		11,749,810.69
Land Improvements	5,064,127.56	508,073.15		5,572,200.71
Total Capital Assets, Being Depreciated, Net	$ 143,203,586.83	$ 40,970,661.63	$ 0.00	$ 184,174,248.46
Governmental Activity Capital Assets - Net	$ 193,551,547.96	$ 63,272,284.27	$ 44,750,685.78	$ 212,073,146.45

Current year depreciation expense by function is as follows:

Instruction		$ 3,170,839.08
Support Services		
Educational Media Services	$ 164,845.92	
General Administration	30,250.37	
School Administration	195,903.92	
Maintenance and Operation of Plant	34,497.69	
Student Transportation Services	601,295.20	1,026,793.10
Food Services		434,406.00
		$ 4,632,038.18

NOTE 7: INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2012, consisted of the following:

Transfer to	Transfers From District-wide Capital Projects
Debt Service Fund	$ 12,844,193.82

Transfers are used to move sales tax revenues collected by the Capital Projects Fund to Debt Service Fund for bond payments

NOTE 8: 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 participates in the Georgia School Boards Association Risk and Insurance Management System, a public entity risk pool organized on July 1, 1994, to develop and administer a plan to reduce risk of loss on account of general liability, motor vehicle liability, or property damage, including safety engineering and other loss prevention and control techniques, and to administer one or more groups of self-insurance funds, including the processing and defense of claims brought against members of the system. The School District pays an annual premium to the system for its general insurance coverage. Additional coverage is provided through agreements by the system with other companies according to their specialty for property, boiler and machinery (including coverage for flood and earthquake), general liability (including coverage for sexual harassment, molestation and abuse), errors and omissions, crime and automobile risks. Payment of excess insurance for the system varies by line of coverage.

The School District has established a limited risk management program for workers' compensation claims. In connection with this program, a self-insurance reserve has been established within the General Fund by the School District. 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. An excess coverage insurance policy covers individual claims in excess of $250,000.00 loss per occurrence, up to the statutory limit.

Changes in the workers' 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
2011	$ 780,557.75	$ 429,934.11	$ 314,550.03	$ 895,941.83
2012	$ 895,941.83	$ 102,865.46	$ 551,078.08	$ 447,729.21

The School District is self-insured with regard to unemployment compensation claims. In connection with this program, a self-insurance reserve has been established within the General Fund by the School District. 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
2011	$ 0.00	$ 246,510.03	$ 246,510.03	$ 0.00
2012	$ 0.00	$ 51,148.00	$ 51,148.00	$ 0.00

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

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

NOTE 9: OPERATING LEASES

Whitfield County Board of Education has entered into various leases as lessee for office equipment. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the year ended June 30, 2012, for governmental funds amounted to $206,125.20. Future minimum lease payments for these leases are as follows:

Year Ending	Governmental Funds
2013	206,125.20
2014	206,125.20
2015	206,125.20
2016	188,948.10
Total	$ 807,323.70

NOTE 10: LONG-TERM DEBT

COMPENSATED ABSENCES

Compensated absences represent obligations of the School District relating to employees' rights to receive compensation for future absences based upon service already rendered. This obligation relates only to vesting accumulating leave in which payment is probable and can be reasonably estimated. Typically, the General Fund is the fund used to liquidate this long-term debt. The School District uses the vesting method to compute compensated absences.

GENERAL OBLIGATION DEBT OUTSTANDING

General Obligation Bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
General Government - Series 2006	3.61%	$ 9,910,000.00
General Government - Series 2009	2.50% - 5.00%	37,885,000.00
		$ 47,795,000.00

The changes in Long-Term Debt during the fiscal year ended June 30, 2012, were as follows:

	Governmental Funds				
	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012	Due Within One Year
G.O. Bonds	$ 58,335,000.00		$ 10,540,000.00	$ 47,795,000.00	$ 8,805,000.00
Compensated Absences (1)	299,802.12	$ 189,461.80	210,614.33	278,649.59	
Bond Premiums Amortized	2,637,540.70		452,149.80	2,185,390.90	452,149.80
	$ 61,272,342.82	$ 189,461.80	$ 11,202,764.13	$ 50,259,040.49	$ 9,257,149.80

(1) The portion of Compensated Absences due within one year has been determined to be immaterial to the basic financial statements.

At June 30, 2012, payments due by fiscal year which includes principal and interest for these items are as follows:

	General Obligation Debt		Unamortized
	Principal	Interest	Bond Premium
Fiscal Year Ended June 30:			
2013	$ 8,805,000.00	$ 1,855,976.00	$ 452,149.80
2014	9,160,000.00	1,557,188.50	452,149.80
2015	9,540,000.00	1,305,288.50	452,149.80
2016	9,935,000.00	859,876.00	452,149.80
2017	10,335,000.00	380,001.00	376,791.70
Total Principal and Interest	$ 47,775,000.00	$ 5,958,330.00	$ 2,185,390.90

NOTE 11: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of $9,191,019.87 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 Certificated Personnel
In the amount of $9,042,055.00

Paid to the Teachers' Retirement System of Georgia
For Teachers' Retirement System (TRS) Employer's Cost
In the amount of $24,494.87

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 $124,470.00

NOTE 12: SIGNIFICANT COMMITMENTS

The following is an analysis of significant outstanding construction or renovation contracts executed by the School District as of June 30, 2012, together with funding available:

Project	Unearned Executed Contracts	Funding Available From State
Eastbrook Middle School	$ 1,323,342.17	$ 4,250,850.55

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

NOTE 13: 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 14: SUBSEQUENT EVENTS

In the subsequent fiscal year, voters authorized a Special Purpose Local Option Sales Tax to take effect January 1, 2013. It is projected that the tax will raise no more than $105,000,000.00 and will be used for various capital projects and debt service payments.

NOTE 15: 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. For members with fewer than five years of service as of January 1, 2012, contributions also vary based on years of service. On average, members with five years or more of service as of January 1, 2012, pay approximately 25 percent of the cost of the health insurance coverage. In accordance with the Board resolution dated December 8, 2011, for members with fewer than five years of service as of January 1, 2012, the

State provides a premium subsidy in retirement that ranges from 0% for fewer than 10 years of service to 75% (but no greater than the subsidy percentage offered to active employees) for 30 or more years of service. The subsidy for eligible dependents ranges from 0% to 55% (but no greater than the subsidy percentage offered to dependents of active employees minus 20%). No subsidy is available to Medicare eligible members not enrolled in a Medicare Advantage Option. The Board of Community Health sets all member premiums by resolution and in accordance with the law and applicable revenue and expense projections. Any subsidy policy adopted by the Board may be changed at any time by Board resolution and does not constitute a contract or promise of any amount of subsidy.

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, 2012:

For certificated teachers, librarians and regional educational service agencies and certain other eligible participants:

June 2011	1.429%	of covered payroll for July coverage
July 2011	18.534%	of covered payroll for August coverage
August 2011 - March 2012	24.000%	of covered payroll for September - April coverage
April 2012 - June 2012	3.958%	of covered payroll for May - July coverage

For non-certificated school personnel:

July 2011 - August 2011	$246.20	per member per month
September 2011 - June 2012	$296.20	per member per month

No additional contribution was required by the Board for fiscal year 2012 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
2012	100%	$ 11,003,880.52
2011	100%	$ 10,059,535.41
2010	100%	$ 10,774,149.96

NOTE 16: 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, 2012, 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 2012 were 10.28% of annual salary as required by the June 30, 2009, 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
2012	100%	$ 6,368,009.68
2011	100%	$ 6,235,080.52
2010	100%	$ 6,730,783.20

PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS)

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

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WHITFIELD COUNTY BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2012

SCHEDULE "1"

	NONAPPROPRIATED BUDGETS		ACTUAL	VARIANCE
	ORIGINAL (1)	FINAL (1)	AMOUNTS	OVER/UNDER
REVENUES				
Property Taxes	$ 23,790,000.00	$ 23,790,000.00	$ 24,960,939.61	$ 1,170,939.61
Sales Taxes			348,477.36	348,477.36
State Funds	65,407,982.00	65,848,853.00	66,648,560.87	799,707.87
Federal Funds	12,106,358.00	14,116,505.00	14,025,571.44	-90,933.56
Charges for Services	1,389,973.00	1,389,973.00	2,057,803.34	667,830.34
Investment Earnings	27,800.00	27,800.00	1,348.16	-26,451.84
Miscellaneous	481,575.00	481,575.00	3,499,008.92	3,017,433.92
Total Revenues	$ 103,203,688.00	$ 105,654,706.00	$ 111,541,709.70	$ 5,887,003.70
EXPENDITURES				
Current				
Instruction	$ 69,923,470.00	$ 70,848,741.00	$ 70,695,114.61	$ 153,626.39
Support Services				
Pupil Services	3,961,678.00	4,059,241.00	4,820,820.80	-761,579.80
Improvement of Instructional Services	2,657,243.00	3,628,167.00	3,337,487.09	290,679.91
Educational Media Services	2,331,200.00	2,319,767.00	2,176,937.68	142,829.32
General Administration	756,600.00	601,805.00	587,297.08	14,507.92
School Administration	7,057,123.00	7,055,794.00	7,341,162.70	-285,368.70
Business Administration	414,736.00	729,514.00	521,238.98	208,275.02
Maintenance and Operation of Plant	8,556,073.00	8,556,073.00	7,830,360.87	725,712.13
Student Transportation Services	4,675,362.00	5,134,195.00	5,243,390.26	-109,195.26
Central Support Services	1,676,036.00	1,700,036.00	1,791,145.92	-91,109.92
Other Support Services	155,055.00	277,159.00	613,817.81	-336,658.81
Food Services Operation	7,566,666.00	7,566,666.00	8,667,761.19	-1,101,095.19
Capital Outlay			332,374.70	-332,374.70
Debt Service			69,700.00	-69,700.00
Total Expenditures	$ 109,731,242.00	$ 112,477,158.00	$ 114,028,609.69	$ -1,551,451.69
Excess of Revenues over (under) Expenditures	$ -6,527,554.00	$ -6,822,452.00	$ -2,486,899.99	$ 4,335,552.01
OTHER FINANCING SOURCES (USES)				
Other Sources	$ 827,059.00	$ 827,059.00		$ -827,059.00
Other Uses	-827,059.00	-827,059.00		827,059.00
Total Other Financing Sources (Uses)	$ 0.00	$ 0.00		$ 0.00
Net Change in Fund Balances	$ -6,527,554.00	$ -6,822,452.00	$ -2,486,899.99	$ 4,335,552.01
Fund Balances - Beginning	20,829,335.70	20,829,325.88	20,752,137.20	-77,188.68
Fund Balances - Ending	$ 14,301,781.70	$ 14,006,873.88	$ 18,265,237.21	$ 4,258,363.33

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 ($2,381,409.53) or expenditures ($1,935,508.07) 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.

WHITFIELD COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FFEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

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	$ 8,129,210.91	(1)
Total Child Nutrition Cluster				$ 8,129,210.91	
Schools and Roads Cluster					
Pass-Through From Office of the State Treasurer					
Schools and Roads - Grants to States		10.665	N/A	(3)	
Total U. S. Department of Agriculture				$ 8,129,210.91	
Education, U. S. Department of					
Education of Homeless Children and Youth Cluster					
Pass-Through From Georgia Department of Education					
Education for Homeless Children and Youth		84.196	N/A	$ 33,639.00	
Special Education Cluster					
Pass-Through From Georgia Department of Education					
Special Education					
Grants to States	*	84.027	N/A	$ 2,477,322.00	
Preschool Grants	*	84.173	N/A	39,806.07	
Total Special Education Cluster				$ 2,517,128.07	
Title I, Part A Cluster					
Pass-Through From Georgia Department of Education					
Title I Grants to Local Educational Agencies		84.010	N/A	$ 3,937,354.09	
Other Programs					
Pass-Through From Georgia Department of Education					
Career and Technical Education - Basic Grants to States		84.048	N/A	$ 138,226.15	
Education Jobs Fund		84.410	N/A	33,690.00	
English Language Acquisition Grants		84.365	N/A	310,058.05	
Improving Teacher Quality State Grants		84.367	N/A	414,639.24	
Migrant Education - State Grant Program		84.011	N/A	50,883.87	
Safe and Drug-Free Schools and Communities - State Grants		84.186	N/A	952.55	
Total Other Programs				$ 948,449.86	
Total U. S. Department of Education				$ 7,436,571.02	
Total Expenditures of Federal Awards				$ 15,565,781.93	

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 $402,205.98.
(2) Expenditures for the funds earned on the School Breakfast Program ($1,649,680.44) were not maintained separately and are included in the 2012 National School Lunch Program.
(3) Funds earned on this program, in the amount of $9,239.14, 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 Whitfield 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.

WHITFIELD COUNTY BOARD OF EDUCATION
SCHEDULE OF STATE REVENUE
YEAR ENDED JUNE 30, 2012

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	$ 808,022.99		$ 808,022.99
Education, Georgia Department of			
Quality Basic Education			
Direct Instructional Cost			
Kindergarten Program	3,456,824.00		3,456,824.00
Kindergarten Program - Early Intervention Program	1,245,525.00		1,245,525.00
Primary Grades (1-3) Program	7,768,940.00		7,768,940.00
Primary Grades - Early Intervention (1-3) Program	2,643,913.00		2,643,913.00
Upper Elementary Grades (4-5) Program	3,945,939.00		3,945,939.00
Upper Elementary Grades - Early Intervention (4-5) Program	1,090,538.00		1,090,538.00
Middle Grades (6-8) Program	7,034,842.00		7,034,842.00
High School General Education (9-12) Program	6,251,008.00		6,251,008.00
Vocational Laboratory (9-12) Program	1,830,867.00		1,830,867.00
Students with Disabilities	6,441,524.00		6,441,524.00
Gifted Student - Category VI	3,089,978.00		3,089,978.00
Remedial Education Program	6,814.00		6,814.00
Alternative Education Program	556,771.00		556,771.00
English Speakers of Other Languages (ESOL)	2,543,643.00		2,543,643.00
Media Center Program	1,309,634.00		1,309,634.00
20 Days Additional Instruction	383,518.00		383,518.00
Staff and Professional Development	286,937.00		286,937.00
Indirect Cost			
Central Administration	1,502,164.00		1,502,164.00
School Administration	2,855,897.00		2,855,897.00
Facility Maintenance and Operations	3,454,510.00		3,454,510.00
Mid-term Adjustment Hold-Harmless	136,620.00		136,620.00
Amended Formula Adjustment	-10,631,233.00		-10,631,233.00
Categorical Grants			
Pupil Transportation			
Regular	1,193,349.00		1,193,349.00
Education Equalization Funding Grant	7,043,657.00		7,043,657.00
Food Services	213,016.00		213,016.00
Nursing Services	201,967.00		201,967.00
Other State Programs			
Dual Enrollment Funding	74,196.00		74,196.00
Health Insurance	9,042,055.00		9,042,055.00
Preschool Handicapped Program	127,145.45		127,145.45
Teachers' Retirement	24,494.87		24,494.87
Virtual Schools Grant	3,625.00		3,625.00
Vocational Education	474,889.56		474,889.56
Georgia State Financing and Investment			
Commission			
Reimbursement on Construction Projects		$ 2,295,584.45	2,295,584.45
Office of the State Treasurer			
Public School Employees Retirement	124,470.00		124,470.00
Technical College System of Georgia			
Grant for Northwest Georgia College and Career Academy	112,500.00		112,500.00
	$ 66,648,560.87	$ 2,295,584.45	$ 68,944,145.32

See notes to the basic financial statements.

WHITFIELD COUNTY BOARD OF EDUCATION
SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS
YEAR ENDED JUNE 30, 2012

SCHEDULE "4"

PROJECT	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3) (4)	AMOUNT EXPENDED IN PRIOR YEARS (3) (4)	TOTAL COMPLETION COST	EXCESS PROCEEDS NOT EXPENDED	ESTIMATED COMPLETION DATE
Acquisitions, construction and equipping of a new elementary school, a new middle school and a new high school, including the acquisition of any furniture, fixtures and equipment necessary or desirable therefore; renovations and improvements at existing schools, including the acquisition of any furniture, fixtures and equipment necessary or desirable therefore; the acquisition, construction and equipping of a central warehouse facility; the acquisition of school buses; and system-wide technology improvements	$ 53,531,937.00	$ 75,692,499.23	$ 3,198,624.16	$ 70,208,812.01	$ 0.00	$ 0.00	June 2015
Acquisition, construction, equipping, and furnishing of new school buildings and facilities, including but not limited to, a new high school and a new elementary school; the addition, renovation, repair and improvement to existing school buildings and facilities; the acquisition and purchase of technology and safety equipment, including but not limited to, computer hardware and software and security and safety equipment; the acquisition and purchase of school buses and other transportation or maintenance vehicles; the acquisition of land; acquisition and purchase of any property necessary and desirable therefore, both real and personal.	96,100,000.00	108,658,852.54	19,866,615.31	65,172,517.04	0.00	0.00	June 2016
	$ 149,631,937.00	$ 184,351,351.77	$ 23,065,239.47	$ 135,381,329.05	$ 0.00	$ 0.00	

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

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

(3) The voters of Whitfield 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	$ 7,651,335.89
Current Year	2,304,226.00
Total	$ 9,955,561.89

See notes to the basic financial statements.

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WHITFIELD COUNTY BOARD OF EDUCATION
GENERAL FUND - QUALITY BASIC EDUCATION PROGRAMS (QBE)
ALLOTMENTS AND EXPENDITURES BY PROGRAM
YEAR ENDED JUNE 30, 2012

SCHEDULE "5"

DESCRIPTION	ALLOTMENTS FROM GEORGIA DEPARTMENT OF EDUCATION (1) (2)	ELIGIBLE QBE PROGRAM COSTS SALARIES	OPERATIONS	TOTAL
Direct Instructional Programs				
Kindergarten Program	$ 4,065,106.00	$ 4,897,806.16	$ 96,900.25	$ 4,994,706.41
Kindergarten Program-Early Intervention Program	1,356,007.00	426,948.39	962.57	427,910.96
Primary Grades (1-3) Program	9,126,164.00	11,611,308.86	318,605.07	11,929,913.93
Primary Grades-Early Intervention (1-3) Program	2,856,654.00	1,413,435.18	2,262.73	1,415,697.91
Upper Elementary Grades (4-5) Program	4,573,518.00	5,513,755.29	130,811.44	5,644,566.73
Upper Elementary Grades-Early Intervention (4-5) Program	1,269,882.00	795,435.42	2,250.96	797,686.38
Middle Grades (6-8) Program	8,060,332.00	8,198,342.94	363,133.42	8,561,476.36
Middle School (6-8) Program	7,241,426.00	8,909,308.46	679,462.64	9,588,771.10
High School General Education (9-12) Program	2,078,530.00	1,657,509.91	143,978.68	1,801,488.59
Vocational Laboratory (9-12) Program				
Students with Disabilities	7,348,139.00			
Category I		121,866.61	6,130.33	127,996.94
Category II		518,794.99	1,085.43	519,880.42
Category III		4,733,890.30	34,845.89	4,768,736.19
Category IV		177,683.32	1,098.49	178,781.81
Category V		137,372.58		137,372.58
Gifted Student - Category VI	3,609,273.00	3,626,302.61	16,893.94	3,643,196.55
Remedial Education Program	7,846.00			
Alternative Education Program	640,181.00	960,545.15	5,097.55	965,642.70
English Speakers of Other Languages (ESOL)	2,962,888.00	3,026,857.06	19,250.44	3,046,107.50
TOTAL DIRECT INSTRUCTIONAL PROGRAMS	$ 55,195,946.00	$ 56,727,163.23	$ 1,822,769.83	$ 58,549,933.06
Media Center Program	1,511,992.00	1,991,711.59	155,813.48	2,147,525.07
Staff and Professional Development	330,567.00	141,519.62	156,076.06	297,595.68
TOTAL QBE FORMULA FUNDS	$ 57,038,505.00	$ 58,860,394.44	$ 2,134,659.37	$ 60,995,053.81

(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

Greg S. Griffin
STATE AUDITOR
(404) 656-2174

March 28, 2013

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
Whitfield 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 Whitfield County Board of Education as of and for the year ended June 30, 2012, which collectively comprise Whitfield County Board of Education's basic financial statements and have issued our report thereon dated March 28, 2013. 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 Whitfield County Board of Education is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Whitfield 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 Whitfield County Board of Education's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Whitfield County Board of Education's internal control over financial reporting.

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 and therefore, there can be no assurances that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider items FS-7551-12-01, and FS-7551-12-02 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Whitfield 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 Whitfield County Board of Education in a separate letter dated March 28, 2013.

Whitfield 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 Whitfield County Board of Education's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of management, members of the Whitfield 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,

Greg S. Griffin
State Auditor

GSG:as
2012YB-40

DEPARTMENT OF AUDITS AND ACCOUNTS

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

Greg S. Griffin
STATE AUDITOR
(404) 656-2174

March 28, 2013

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
Whitfield 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 Whitfield 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, 2012. Whitfield 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 Whitfield County Board of Education's management. Our responsibility is to express an opinion on Whitfield 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 Whitfield 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 Whitfield County Board of Education's compliance with those requirements.

In our opinion, the Whitfield 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, 2012.

Internal Control Over Compliance

Management of Whitfield 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 Whitfield 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 Whitfield 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 Whitfield 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,



Greg S. Griffin
State Auditor

GSG:as
2012SA-10

SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

WHITFIELD COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FINDING CONTROL NUMBER AND STATUS

FS-7551-11-01	Unresolved - See Corrective Action/Responses

CORRECTIVE ACTION/RESPONSES

FINANCIAL REPORTING
Inadequate Controls over Financial Reporting
Material Weakness
Finding Control Number: FS-7551-11-01

With the departure of the former Chief Financial Officer (CFO), we had no staff that worked on the FY 2011 books and the former CFO was not available to complete the preparation of the financial statements. Accordingly, we requested that the auditors complete the FY 2011 financial statements in conjunction with the audit.

The School District has hired a new CFO and added a position of Finance Director. However, these actions happened well into the FY 2012 year and we still had about half the year completed with no CFO in place and more than half the year before the Finance Director was able to assume her new duties. The School District is also implementing new financial software and is therefore planning to ask the same financial statement preparation assistance for FY 2012. With the new staff and the new software in place, the School District is putting additional financial statement controls in place to begin full financial statement preparation in place for FY 2013.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING CONTROL NUMBER AND STATUS

FA-7551-08-01	Previously Reported Corrective Action Implemented
FA-7551-10-01	Previously Reported Corrective Action Implemented
FA-7551-11-01	Unresolved - See Corrective Action/Responses

CORRECTIVE ACTION/RESPONSES

ACTIVITIES ALLOWED/UNALLOWED
ALLOWABLE COSTS/COST PRINCIPLES
Inadequate Internal Control Procedures
Finding Control Number: FA-7551-11-01

The School District has implemented new procedures to ensure that all staff charged to the Special Education Cluster meets with Federal guidelines including having a director who will approve all Special Education hires. In addition, the new financial software includes position control which will be an additional control with the hiring process and charging staff correctly.

SECTION IV

FINDINGS AND QUESTIONED COSTS

WHITFIELD COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

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 weaknesses identified? — Yes
- Significant deficiency identified? — None Reported

Noncompliance material to financial statements noted: — No

Federal Awards

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

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

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

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
10.553, 10.555	Child Nutrition Cluster
84.027, 84.173	Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs: $466,973.46

Auditee qualified as low-risk auditee? — No

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

CAPITAL ASSETS
Failure to Maintain Adequate Capital Asset Records
Material Weakness
Finding Control Number: FS-7551-12-01

Condition:
The School District did not adequately maintain capital assets inventory records.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Criteria:
Chapter 37 *Implementing a Capital Assets Management System* of the Financial Management for Georgia Local Units of Administration provides that School Districts must establish fixed assets policies, define system requirements, implement a fixed asset system, and maintain fixed assets inventory records.

Questioned Cost:
N/A

Information:
A review of the School District's capital assets records noted the following deficiencies and errors or omissions:

- The School District did not calculate depreciation expense.
- The School District failed to provide an accurate and complete listing of equipment.
- The School District did not appropriately classify the completed high school project assets when reclassifying from construction in progress into the various classifications of land, buildings, equipment and land improvements.

Cause:
The School District failed to ensure that adequate accounting procedures were in place to process, record and report capital assets and the related activity.

Effect:
The failure of the School District to maintain a complete and accurate capital assets listing can lead to inaccurate internal and external reporting, as well as noncompliance with generally accepting accounting principles.

Recommendation:
The School District should review its capital asset records and make appropriate adjustments to ensure that the capital assets are properly maintained and correctly reported.

FINANCIAL REPORTING
Inadequate Controls over Financial Reporting
Material Weakness
Finding Control Number: FS-7551-12-02

Condition:
The School District did not have adequate controls in place over the financial statement reporting process.

Criteria:
Chapter 22A *Annual Financial Reporting* of the Financial Management for Georgia Local Units of Administration provides that School Districts must prepare their financial statements in accordance with generally accepted accounting principles.

Questioned Cost:
N/A

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Information:

The Department of Audits and Accounts provided basic accounting assistance limited to services such as preparing draft financial statements that were based on the entity's chart of accounts and general ledgers including any adjusting, correcting, and closing entries that have been approved by the entity's staff; prepared draft notes to the financial statements based on information determined and approved by management; and prepared trial balances based on the entity's chart of accounts.

During the audit, the following correcting entries were proposed and accepted by the client to properly present the entity's financial statements.

- Several entries were necessary to tie beginning net assets and beginning fund balance to the prior year totals.
- Entries were necessary to properly record Property Taxes, Sales Taxes, Contracts Payable, Capital Assets and On-Behalf Payments.
- Numerous reclassification entries were made to improve financial statement presentation.
- Supplemental Schedules and Notes to the Basic Financial Statements were prepared by the auditor.

Cause:

The School District did not maintain an adequate system of internal control over the financial statement reporting process.

Effect:

The School District did not comply with the requirements of the Georgia Department of Education regarding financial reporting. Several adjustments were necessary in order for the School District's financial statements to be in conformity with generally accepted accounting principles.

Recommendation:

The School District should implement controls over the financial statement reporting process to ensure that all required activity is included in the financial statement information.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION V

MANAGEMENT'S RESPONSES

WHITFIELD COUNTY BOARD OF EDUCATION
SCHEDULE OF MANAGEMENT'S RESPONSES
YEAR ENDED JUNE 30, 2012

Finding Control Number: FS-7551-12-01

We concur with this finding. Our capital assets were tracked on a spreadsheet with the inherent risk of errors of this method of accounting. The system has purchased new financial accounting software that includes a Fixed Asset module and we are transferring the fixed asset inventory into the new software. We will review the inventory with our audit team to insure the accuracy of the assets on hand at June 30, 2012. The new software will assist in capturing new assets and will calculate the annual depreciation entry in addition to our procedures of validating asset disposals and acquisitions with our Directors and Principals and insuring compliance with our fixed asset policy.

Finding Control Number: FS-7551-12-02

We concur with this finding. As mentioned last year: "The school district has hired a new CFO and added a position of Finance Director. However, these actions happened will into the FY 2012 year and we still had about half the year completed with no CFO in place and more than half the year before the Finance Director was able to assume her new duties. The district is also implementing new financial software and is therefore planning to ask the same financial statement preparation assistance for FY 2012. With the new staff and the new software in place, the district is putting additional financial statement controls in place to begin full financial statement preparation in place for FY 2013."

We went live with the new software on January 1, 2013. With the new tools and staffing in place for the entire year, we are on track to issue the FY 2013 financials with our internal staff.

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