



# **DEKALB COUNTY BOARD OF EDUCATION STONE MOUNTAIN, GEORGIA**

**ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2013**

**(Including Independent Auditor's Reports)**



DEKALB COUNTY BOARD OF EDUCATION

- TABLE OF CONTENTS -

Page

SECTION I

FINANCIAL

INDEPENDENT AUDITOR'S REPORT

REQUIRED SUPPLEMENTARY INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS	i
--------------------------------------	---

EXHIBITS

BASIC FINANCIAL STATEMENTS

	DISTRICT-WIDE FINANCIAL STATEMENTS	
A	STATEMENT OF NET POSITION	1
B	STATEMENT OF ACTIVITIES	2
	FUND FINANCIAL STATEMENTS	
C	BALANCE SHEET	
	GOVERNMENTAL FUNDS	4
D	RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET	
	TO THE STATEMENT OF NET POSITION	5
E	STATEMENT OF REVENUES, EXPENDITURES AND CHANGES	
	IN FUND BALANCES	
	GOVERNMENTAL FUNDS	6
F	RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT	
	OF REVENUES, EXPENDITURES AND CHANGES IN FUND	
	BALANCES TO THE STATEMENT OF ACTIVITIES	7
G	STATEMENT OF FIDUCIARY NET POSITION	
	FIDUCIARY FUNDS	9
H	NOTES TO THE BASIC FINANCIAL STATEMENTS	10

SCHEDULES

REQUIRED SUPPLEMENTARY INFORMATION

1	SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES	
	IN FUND BALANCES - BUDGET AND ACTUAL	
	GENERAL FUND	33



DEKALB COUNTY BOARD OF EDUCATION

- TABLE OF CONTENTS -

	<u>Page</u>
SECTION I	
FINANCIAL	
SCHEDULES	
SUPPLEMENTARY INFORMATION	
2 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	34
3 SCHEDULE OF STATE REVENUE	36
4 SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS	38
5 ALLOTMENTS AND EXPENDITURES	
GENERAL FUND - QUALITY BASIC EDUCATION PROGRAMS (QBE)	
BY PROGRAM	41
SECTION II	
COMPLIANCE AND INTERNAL CONTROL REPORTS	
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 <i>GOVERNMENT AUDITING STANDARDS</i>	
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	
SECTION III	
AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS	
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS	
SECTION IV	
FINDINGS AND QUESTIONED COSTS	
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	



SECTION I  
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

June 30, 2014

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

### INDEPENDENT AUDITOR'S REPORT

Ladies and Gentlemen:

#### **Report on the Financial Statements**

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 DeKalb County Board of Education, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of





expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***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 DeKalb County Board of Education, as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As described in Note 2 to the financial statements, in 2013, the DeKalb County Board of Education adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus - An Amendment of GASB Statements No. 14 and No. 34* and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinion is not modified with respect to this matter.

As discussed in Note 2 to the financial statements, in 2013, the DeKalb County Board of Education restated the prior period financial statements to remove the previously reported component units, DeKalb Path Academy, Inc., DeKalb Academy of Technology and The Environment, Inc., Leadership Preparatory Academy, Inc., Destiny Academy of Excellence, Inc., International Community School, Inc. and Avondale Education Association, Inc. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the 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 33 respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management 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.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the DeKalb Board of Education's basic financial statements. The accompanying supplementary information, consisting of Schedules 2 through 5, is presented for the



purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic 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 basic financial statements. Such 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 basic financial statements or to the basic 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.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2014, on our consideration of the DeKalb 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* in considering DeKalb County Board of Education's internal control over financial reporting and compliance.

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

Respectfully submitted,



Greg S. Griffin  
State Auditor

GSG:as  
2013ARL-11



**DEKALB COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

The discussion and analysis of the DeKalb County Board of Education's financial performance provides an overall review of the Board's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the Board's financial performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the Board's financial performance.

### **Financial Highlights**

Key financial highlights for 2013 fiscal year are as follows:

- ❑ In total, net position increased \$104.3 million to \$1.416 billion. This represents an 8.0 percent increase from 2012. This total increase was due to governmental activities since the Board has no business-type activities.
- ❑ General revenues accounted for \$485.8 million in revenue or 47.9 percent of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$529.3 million or 52.1 percent of total revenues of \$1.015 billion.
- ❑ The Board had \$910.8 million in expenses related to governmental activities; \$529.3 million of these expenses were offset by program specific charges for services, grants or contributions.
- ❑ Among major funds, the general fund has \$916.2 million in revenues and \$892.6 million in expenditures. The general fund's "Net Change in Fund Balances" increased by \$23.6 million resulting in a change in the "Total Fund Balances" of the general fund increased from \$(2.5) million to \$21.1 million for the 2013 fiscal year. The fund balance reflects the full accrual of all contracted salaries and benefits unpaid at June 30 in full compliance with GASB 34 regulations.

### **Using the Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the DeKalb County Board of Education as a financial whole, or as an entire operating entity.

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole Board, presenting both an aggregate view of the Board's finances and a longer-term view of those finances. *Fund financial statements* provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Board's most significant funds. In the case of the DeKalb County Board of Education, the general fund is by far the most significant fund.

### **Reporting the Board as a Whole**

#### *Statement of Net Position and the Statement of Activities*

While this document includes a number of funds used by the Board to provide programs and activities, a view of the Board as a whole requires looking at all financial transactions to ask the question, "How did we do financially during 2013?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include *all assets* and *liabilities* using 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.

**DEKALB COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

These two statements report the Board's net position and changes in that position. This change in net position is important because it tells the reader that, for the Board as a whole, the financial position of the Board has improved or diminished. The causes of this change may be a result of many factors, some financial, some not. Nonfinancial factors include the Board's property tax base, facility conditions, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, the Board has one distinct type of activity:

- **Governmental Activities** - All of the Board's programs and services are reported here including instruction, pupil services, improvement of instructional services, educational media services, general administration, school administration, business administration, maintenance and operation of plant, student transportation services, central support services, enterprise operations, food services and interest on debt.

### **Reporting the Board's Most Significant Funds**

#### *Fund Financial Statements*

Fund financial reports provide detailed information about the Board's major funds. The Board uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Board's most significant funds. The Board's major governmental funds are the general fund, District-wide capital projects funds, and the debt service fund.

**Governmental Funds:** Most of the Board'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 an accounting method called *modified accrual* 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 Board's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

**Fiduciary Funds:** The Board is the trustee, or fiduciary, for assets that belong to others, such as school clubs and organizations within the principals' accounts. The Board 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 Board excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

### **The Board as a Whole**

The perspective of the Statement of Net Position is of the Board as a whole. Table 1 provides a summary of the Board's net position for fiscal year 2013 compared to fiscal year 2012.

**DEKALB COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Table 1  
Net Position  
(In Thousands)**

	Governmental Activities	
	Fiscal Year 2013	Fiscal Year 2012
<b>Assets</b>		
Current and Other Assets	\$ 468,577	\$ 318,618
Capital Assets, Net	<u>1,245,423</u>	<u>1,255,188</u>
<b>Total Assets</b>	<u>\$ 1,714,000</u>	<u>\$ 1,573,806</u>
<b>Liabilities</b>		
Current and Other Liabilities	\$ 197,086	\$ 128,806
Long-Term Liabilities	<u>101,201</u>	<u>133,551</u>
<b>Total Liabilities</b>	<u>\$ 298,287</u>	<u>\$ 262,357</u>
<b>Net Position</b>		
Net Investment in Capital Assets	\$ 1,194,865	\$ 1,155,041
Restricted	215,603	190,034
Unrestricted	<u>5,245</u>	<u>-33,626</u>
<b>Total Net Position</b>	<u><u>\$ 1,415,713</u></u>	<u><u>\$ 1,311,449</u></u>

Total net position increased \$104.3 million.

Table 2 shows the changes in net position for fiscal year 2013 compared to fiscal year 2012.



**DEKALB COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Table 2  
Change in Net Position  
(In Thousands)**

	Governmental Activities	
	Fiscal Year 2013	Fiscal Year 2012
<b>Revenues</b>		
Program Revenues:		
Charges for Services and Sales	\$ 22,657	\$ 22,816
Operating Grants and Contributions	501,871	504,729
Capital Grants and Contributions	4,724	4,464
Total Program Revenues	\$ 529,252	\$ 532,009
General Revenues:		
Taxes		
Property Taxes		
For Maintenance and Operations	\$ 372,391	\$ 394,971
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Capital Projects	98,930	102,529
Other Sales Tax	12,247	10,594
Investment Earnings	260	1,894
Miscellaneous	1,998	7,047
Total General Revenues	\$ 485,826	\$ 517,035
Total Revenues	\$ 1,015,078	\$ 1,049,044
<b>Program Expenses:</b>		
Instruction	\$ 560,508	\$ 648,888
Support Services		
Pupil Services	31,347	35,965
Improvement of Instructional Services	35,005	40,887
Educational Media Services	11,828	14,794
General Administration	17,011	18,924
School Administration	54,697	59,917
Business Administration	4,659	4,460
Maintenance and Operation of Plant	73,499	74,473
Student Transportation Services	44,548	52,402
Central Support Services	13,836	15,761
Other Support Services	2,619	3,218
Operations of Non-Instructional Services		
Enterprise Operations	2,176	1,258
Food Services	56,963	58,454
Interest on Short-Term and Long-Term Debt	2,118	8,468
Total Expenses	\$ 910,814	\$ 1,037,869
Increase in Net Position	\$ 104,264	\$ 11,175

**DEKALB COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Governmental Activities**

Instruction, Pupil Services and Improvement of Instructional Services comprises 68.8 percent of governmental program expenses. The Operations of Non-instructional Services amounted to 6.5 percent of the total governmental program expenses. These operations consist primarily of the School Nutrition.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the net cost of services for fiscal year 2013 compared to fiscal year 2012. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**Table 3  
Governmental Activities  
(in Thousands)**

	Net Cost of Services <u>Fiscal Year 2013</u>	Net Cost of Services <u>Fiscal Year 2012</u>
Instruction	\$ 210,144	\$ 311,405
Support Services:		
Pupil Services	26,404	17,651
Improvement of Instructional Services	11,040	21,591
Educational Media Services	-942	7,336
General Administration	4,651	9,184
School Administration	29,954	29,024
Business Administration	4,533	2,187
Maintenance and Operation of Plant	44,023	36,293
Student Transportation Services	34,000	27,030
Central Support Services	13,720	7,648
Other Support Services	393	1,562
Operations of Non-Instructional Services:		
Enterprise Operations	707	575
Food Services	817	25,906
Interest on Short-Term and Long-Term Debt	<u>2,118</u>	<u>8,468</u>
Total Expenses	\$ <u>381,562</u>	\$ <u>505,860</u>

Although program revenues make up 52.1 percent of the revenues, the Board is still primarily dependent upon tax revenues for governmental activities. More than 37.5 percent of instruction activities are supported through taxes and other general revenues; for all governmental activities general revenue support is 41.9 percent.

**DEKALB COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**The Board's Funds**

The Board's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues and other financing sources of \$1.054 billion and expenditures and other financing uses of \$973.4 million. There was an increase in fund balance of \$57.2 million in the capital project funds due to the increase in bond proceeds and reduction of debt service transfers to the debt service fund. The general fund had an increase in fund balance of \$23.6 million. The change in the fund balance of the general fund for the year was due to increases in revenue over expenditures during the year. The increase in fund balance was mainly the result of a reduction in expenditures from \$996.0 million in 2012 to \$892.6 in 2013.

**General Fund Budgeting Highlights**

The Board's budget is prepared according to Georgia law. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2013, the Board amended its general fund budget as needed from time to time. The Board uses site-based budgeting based on FTE student allocations. The anticipated budgeted revenues for the original General Fund budget were \$891.1 million and anticipated budgeted expenditures were \$866.2 million. The budgeting systems are designed to monitor and control total sited budgets but provide flexibility for site management.

For the General Fund, final budgeted revenues and other sources of \$977.9 million were over performed by the actual by \$10.1 million, excluding Federal revenues. This difference was due mainly to receiving better than expected sales taxes, property taxes and state funds, which were offset by receiving less than expected in Federal funds and miscellaneous revenue.

Actual expenditures and other uses of \$892.6 million were 8.7 percent less than the final budgeted total of \$977.3 million.

General Fund revenues exceeded expenditures by \$23.6 resulting in an increase in "Net Change in Fund Balances" of over \$23.6 million for the year. Revenues for property taxes, sales taxes, state funds and miscellaneous were the major factors in this increase.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2013 the Board had \$1.245 billion invested in capital assets, all in governmental activities. Table 4 shows fiscal year 2013 balances compared with fiscal year 2012 balances.

**DEKALB COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Table 4  
Capital Assets  
(Net of Depreciation, in Thousands)**

	Governmental Activities	
	Fiscal Year 2013	Fiscal Year 2012
Land	\$ 44,485	\$ 44,485
Construction In Progress	20,978	28,997
Building and Improvements	1,109,809	1,104,803
Improvements Other Than Buildings	25,856	26,802
Equipment	44,295	50,101
Total	<u>\$ 1,245,423</u>	<u>\$ 1,255,188</u>

The primary increases occurred in construction in progress and buildings and improvements. Due to the ongoing growth in the county, the Board has numerous construction projects including new buildings, additions, and renovations.

***Debt***

At June 30, 2013 the Board had \$51.8 million in capital leases. There were \$11.7 million in compensated absences. There is \$33.3 million in general obligation bonds and \$4.4 million in premiums from the fiscal year 2013 bond issue. \$11.5 million of the outstanding debt is due within one year.

Table 5 summarizes Long-Term Debt outstanding and compares fiscal year 2013 balances to fiscal year 2012 balances.

**Table 5  
Debt at June 30  
(in Thousands)**

	Governmental Activities	
	Fiscal Year 2013	Fiscal Year 2012
Capital Leases	\$ 51,830	\$ 68,937
Compensated Absences	11,661	12,399
General Obligation Bonds	33,300	50,000
Unamortized Bond Premium	4,410	2,215
Total	<u>\$ 101,201</u>	<u>\$ 133,551</u>

The Board maintains an underlying A+ and A1 credit rating from Standard & Poor's Ratings Services and Moody's Investors Service, respectively.

**DEKALB COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Current Issues**

State funding was slightly higher in 2013 than 2012 due to an increase in "Quality Basic Education" and state grants revenue. However, Federal grant revenue dropped in 2013 by 10.9% from 2012. Combined state and Federal revenues used in general fund operations in 2013 dropped by \$1.6 million from 2012.

Local revenue in DeKalb County School System is no longer decreasing. Property tax revenues had been impacted by the revaluation of property due to foreclosures and weak sales. Digest values are documented to be increasing by at least 3% during fiscal year 2014. Overall, total General Fund revenues are increasing for the last two years. Prior to the 2009 fiscal year, the tax digest in DeKalb had never seen a decrease in value. However, for the last two years, digest increases have been documented.

During 2013, the Board reduced annual budgeted expenditures to address the challenges of prior reduced revenues. The reduced annual budget helped the DeKalb County School System eliminate the deficit from 2012. The Board is committed to rebuilding the District's financial reserves.

**Contacting the Board's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Board's finances and to show the Board's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Dr. Michael J. Bell, Chief Financial Officer, at the DeKalb County Board of Education, 1701 Mountain Industrial Blvd., Stone Mountain, Georgia, 30083.

DEKALB COUNTY BOARD OF EDUCATION



DEKALB COUNTY BOARD OF EDUCATION  
STATEMENT OF NET POSITION  
JUNE 30, 2013

EXHIBIT "A"

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 227,185,247.24
Investments	131,092,862.88
Accounts Receivable, Net	
Interest	4,639.59
Taxes	26,513,011.05
State Government	54,404,847.30
Federal Government	20,902,781.02
Local	3,383,570.99
Inventories	4,634,386.00
Prepaid Items	455,408.51
Capital Assets, Non-Depreciable	65,463,014.00
Capital Assets, Depreciable (Net of Accumulated Depreciation)	<u>1,179,959,947.24</u>
Total Assets	<u>\$ 1,713,999,715.82</u>
<u>LIABILITIES</u>	
Accounts Payable	\$ 7,567,948.99
Salaries and Benefits Payable	110,430,760.06
Short-Term Debt	70,000,000.00
Interest Payable	250,478.32
Contracts Payable	7,646,078.52
Retainages Payable	1,145,433.96
Deposits and Deferred Revenues	45,000.00
Long-Term Liabilities	
Due Within One Year	11,462,517.22
Due in More Than One Year	<u>89,738,355.45</u>
Total Liabilities	<u>\$ 298,286,572.52</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	\$ 1,194,864,669.49
Restricted for	
Continuation of Federal Programs	7,704,980.21
Debt Service	472,983.33
Capital Projects	207,425,432.58
Unrestricted	<u>5,245,077.69</u>
Total Net Position	<u><u>\$ 1,415,713,143.30</u></u>

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



DEKALB COUNTY BOARD OF EDUCATION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013

	EXPENSES	CHARGES FOR SERVICES
<u>GOVERNMENTAL ACTIVITIES</u>		
Instruction	\$ 560,507,706.68	\$ 13,596,723.31
Support Services		
Pupil Services	31,346,832.50	
Improvement of Instructional Services	35,005,157.25	
Educational Media Services	11,827,689.38	
General Administration	17,011,261.24	
School Administration	54,697,482.22	
Business Administration	4,659,215.22	
Maintenance and Operation of Plant	73,498,753.17	
Student Transportation Services	44,548,204.05	656,601.92
Central Support Services	13,836,469.09	
Other Support Services	2,619,297.07	
Operations of Non-Instructional Services		
Enterprise Operations	2,175,836.84	1,230,617.86
Food Services	56,962,791.26	7,173,236.08
Interest on Short-Term and Long-Term Debt	2,117,636.29	
	<u>\$ 910,814,332.26</u>	<u>\$ 22,657,179.17</u>
Total Governmental Activities		
General Revenues		
Taxes		
Property Taxes		
For Maintenance and Operations		
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Capital Projects		
Other Sales Tax		
Investment Earnings		
Miscellaneous		
Total General Revenues		
Change in Net Position		
Net Position - Beginning of Year		
Net Position - End of Year		

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

## EXHIBIT "B"

PROGRAM REVENUES		NET (EXPENSES)	
OPERATING	CAPITAL	REVENUES	
GRANTS AND	GRANTS AND	AND CHANGES IN	
CONTRIBUTIONS	CONTRIBUTIONS	NET POSITION	
\$ 336,148,791.49	\$ 618,542.77	\$ -210,143,649.11	
4,904,881.34	38,170.39	-26,403,780.77	
23,921,334.20	43,708.32	-11,040,114.73	
12,755,144.33	14,401.95	941,856.90	
12,338,597.05	22,074.97	-4,650,589.22	
24,676,776.89	66,602.22	-29,954,103.11	
120,685.00	5,297.44	-4,533,232.78	
29,386,490.70	89,502.50	-44,022,759.97	
6,156,671.69	3,734,755.50	-34,000,174.94	
99,589.90	16,974.82	-13,719,904.37	
2,222,508.76	3,190.26	-393,598.05	
235,152.91	2,702.55	-707,363.52	
48,904,862.18	67,670.07	-817,022.93	
		-2,117,636.29	
\$ 501,871,486.44	\$ 4,723,593.75	\$ -381,562,072.91	
		\$ 372,390,986.56	
		98,930,465.70	
		12,247,193.72	
		260,054.41	
		1,997,722.97	
		\$ 485,826,423.36	
		\$ 104,264,350.45	
		1,311,448,792.85	
		\$ 1,415,713,143.30	

DEKALB COUNTY BOARD OF EDUCATION  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013

EXHIBIT "C"

	GENERAL FUND	DISTRICT- WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 115,503,695.21	\$ 111,633,929.99	\$ 47,622.04	\$ 227,185,247.24
Investments		131,076,399.13	16,463.75	131,092,862.88
Accounts Receivable, Net				
Interest		4,639.51	0.08	4,639.59
Taxes	18,550,530.16	7,962,480.89		26,513,011.05
State Government	54,404,847.30			54,404,847.30
Federal Government	20,902,781.02			20,902,781.02
Other	3,383,570.99			3,383,570.99
Inventories	4,634,386.00			4,634,386.00
Prepaid Items	455,408.51			455,408.51
Total Assets	\$ 217,835,219.19	\$ 250,677,449.52	\$ 64,085.87	\$ 468,576,754.58
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 6,588,204.15	\$ 979,744.84	\$ 0.00	\$ 7,567,948.99
Salaries and Benefits Payable	110,412,019.21	18,740.85		110,430,760.06
Short-Term Debt	70,000,000.00			70,000,000.00
Contracts Payable		7,646,078.52		7,646,078.52
Retainages Payable		1,145,433.96		1,145,433.96
Deposits and Deferred Revenue	9,696,769.34			9,696,769.34
Total Liabilities	\$ 196,696,992.70	\$ 9,789,998.17	\$ 0.00	\$ 206,486,990.87
<u>FUND BALANCES</u>				
Nonspendable	\$ 5,089,794.51			\$ 5,089,794.51
Restricted	6,623,077.93	\$ 240,887,451.35	\$ 64,085.87	247,574,615.15
Assigned	876,851.10			876,851.10
Unassigned	8,548,502.95			8,548,502.95
Total Fund Balances	\$ 21,138,226.49	\$ 240,887,451.35	\$ 64,085.87	\$ 262,089,763.71
Total Liabilities and Fund Balances	\$ 217,835,219.19	\$ 250,677,449.52	\$ 64,085.87	\$ 468,576,754.58

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

DEKALB COUNTY BOARD OF EDUCATION  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2013

EXHIBIT "D"

Total Fund Balances - Governmental Funds (Exhibit "C") \$ 262,089,763.71

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Capital Assets used in Governmental Activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	\$	44,485,477.61	
Construction in Progress		20,977,536.39	
Land Improvements		32,195,938.93	
Buildings		1,529,589,448.87	
Equipment		101,157,945.20	
Accumulated Depreciation		-482,983,385.76	
Total Capital Assets			1,245,422,961.24

Taxes that are not available to pay for current period expenditures are deferred in the funds.

Property Taxes			9,651,769.34
----------------	--	--	--------------

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	\$	-33,300,000.00	
Accrued Interest		-250,478.32	
Capital Leases Payable		-51,829,968.41	
Compensated Absences Payable		-11,660,713.31	
Unamortized Bond Premiums		-4,410,190.95	
Total Long-Term Liabilities			-101,451,350.99

Net Position of Governmental Activities (Exhibit "A") \$ 1,415,713,143.30

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

DEKALB COUNTY BOARD OF EDUCATION  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2013

EXHIBIT "E"

	GENERAL FUND	DISTRICT- WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
<u>REVENUES</u>				
Property Taxes	\$ 372,565,175.01			\$ 372,565,175.01
Sales Taxes	12,247,193.72	\$ 98,930,465.70		111,177,659.42
State Funds	387,766,383.18	644,690.23		388,411,073.41
Federal Funds	118,184,006.77			118,184,006.77
Charges for Services	22,657,179.17			22,657,179.17
Investment Earnings	144,037.57	115,780.01	\$ 236.83	260,054.41
Miscellaneous	2,655,288.26	29,309.24		2,684,597.50
Total Revenues	\$ 916,219,263.68	\$ 99,720,245.18	\$ 236.83	\$ 1,015,939,745.69
<u>EXPENDITURES</u>				
Current				
Instruction	\$ 537,725,370.11	\$ 207,845.00		\$ 537,933,215.11
Support Services				
Pupil Services	30,203,349.45			30,203,349.45
Improvement of Instructional Services	33,695,772.67			33,695,772.67
Educational Media Services	11,396,245.37			11,396,245.37
General Administration	16,349,954.08			16,349,954.08
School Administration	52,702,257.26			52,702,257.26
Business Administration	4,175,857.43	95,521.27		4,271,378.70
Maintenance and Operation of Plant	70,817,496.95			70,817,496.95
Student Transportation Services	46,834,361.68	381,097.50		47,215,459.18
Central Support Services	13,325,865.05	2,083.79		13,327,948.84
Other Support Services	2,523,725.51			2,523,725.51
Enterprise Operations	2,094,875.51			2,094,875.51
Food Services Operation	54,935,576.50			54,935,576.50
Capital Outlay		22,424,623.01		22,424,623.01
Debt Services				
Principal	14,861,662.03	2,245,000.00	\$ 50,000,000.00	67,106,662.03
Dues and Fees		229,139.36		229,139.36
Interest	963,340.94	2,307,278.29	2,931,850.00	6,202,469.23
Total Expenditures	\$ 892,605,710.54	\$ 27,892,588.22	\$ 52,931,850.00	\$ 973,430,148.76
Excess of Revenues over (under) Expenditures	\$ 23,613,553.14	\$ 71,827,656.96	\$ -52,931,613.17	\$ 42,509,596.93
<u>OTHER FINANCING SOURCES (USES)</u>				
Proceeds of Bonds	\$ 0.00	\$ 33,300,000.00		\$ 33,300,000.00
Premiums on Bonds Sold		4,992,669.00		4,992,669.00
Transfers In			\$ 52,931,850.00	52,931,850.00
Transfers Out		-52,931,850.00		-52,931,850.00
Total Other Financing Sources (Uses)	\$ 0.00	\$ -14,639,181.00	\$ 52,931,850.00	\$ 38,292,669.00
Net Change in Fund Balances	\$ 23,613,553.14	\$ 57,188,475.96	\$ 236.83	\$ 80,802,265.93
Fund Balances - Beginning	-2,475,326.65	183,698,975.39	63,849.04	181,287,497.78
Fund Balances - Ending	\$ 21,138,226.49	\$ 240,887,451.35	\$ 64,085.87	\$ 262,089,763.71

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

DEKALB 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, 2013

EXHIBIT "F"

Total Net Change in Fund Balances - Governmental Funds (Exhibit "E") \$ 80,802,265.93

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	\$ 24,455,557.00	
Depreciation Expense	-32,957,518.29	
Excess of Capital Outlay over Depreciation Expense		-8,501,961.29

Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	-409,861.70
--	-------------

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, and disposals) is to decrease net assets.	-1,263,120.28
---	---------------

Bond proceeds provide current financial resources to Governmental Funds; however, issuing debt increases Long-Term Liabilities in the Statement of Net Position. In the current period, proceeds were received from:

General Obligation Bonds Issued, Including a Premium of \$4,992,000.00	-38,292,669.00
--	----------------

Repayment of Long-Term Debt is reported as an expenditure in Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Position. In the current year, these amounts consist of:

Bond Principal Retirements	\$ 50,000,000.00	
Capital Lease Payments	17,106,662.03	
Amortization of Bond Premiums	2,797,868.52	
Total Long-Term Debt Repayments		69,904,530.55

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	\$ 1,286,963.42	
Net Decrease in Compensated Absences	738,202.82	
Total Additional Expenditures		2,025,166.24

Change in Net Position of Governmental Activities (Exhibit "B") \$ 104,264,350.45

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

(This page left intentionally blank)

DEKALB COUNTY BOARD OF EDUCATION  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2013

EXHIBIT "G"

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 756,473.33
Accounts Receivable, Net	
Other	<u>11,591,951.42</u>
 Total Assets	 <u>\$ 12,348,424.75</u>
 <u>LIABILITIES</u>	
Contracts Payable	\$ 6,779,104.77
Retainages Payable	2,983,317.86
Funds Held for Others	<u>2,586,002.12</u>
 Total Liabilities	 <u>\$ 12,348,424.75</u>

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 DeKalb 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.

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 DeKalb County Board of Education.

***District-wide Statements:***

The Statement of Net Position 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, including fiduciary funds. Eliminations have been made to minimize the double counting of internal activities. Separate statements for each category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The 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.

DEKALB COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013

EXHIBIT "H"

- Debt Service Fund accounts for and reports financial resources that are restricted, committed, or assigned including taxes (sales) legally restricted for the payment of general long-term principal and interest.

The School District reports the following fiduciary fund type:

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

### **BASIS OF ACCOUNTING**

The basis of accounting determines when transactions are reported on the financial statements. The District-wide governmental and fiduciary 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, except for reimbursable grants. 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 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 and acquisitions under capital leases are reported as other financing sources.

The School District funds certain programs by a combination of specific cost-reimbursement grants, categorical grants, and general revenues. Thus, when program costs are incurred, there are both restricted and unrestricted net position 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.

### **RESTATEMENTS - CHANGE IN ACCOUNTING ENTITY**

In fiscal year 2012, the following six charter schools were discretely presented: DeKalb PATH Academy, Inc., DeKalb Academy of Technology and The Environment, Inc., Leadership Preparatory Academy, Inc., Destiny Academy of Excellence, Inc., International Community School, Inc., and Avondale Education Association, Inc. During the year ended June 30, 2013, the District determined

DEKALB COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013

EXHIBIT "H"

that, per GASB Statement No. 14, *The Financial Reporting Entity* as amended by GASB 39 and 61, the charter schools are not component units for financial reporting purposes. In management's professional judgment, exclusion of the charter schools does not render the District's financial statements incomplete or misleading. Due to this change in accounting entity, a restatement of the June 30, 2012 net position is required. June 30, 2012 net position has been adjusted as shown below:

Discretely Presented Component Unit:	
Net Position, July 1, 2012, as previously reported	\$ 15,104,475.00
Change in Reporting Entity - Component Unit	
Change in positions	<u>-15,104,475.00</u>
Discretely presented component unit, net position, restated	<u>\$ 0.00</u>

### NEW ACCOUNTING PRONOUNCEMENTS

In fiscal year 2013, the School District adopted the Governmental Accounting Standards Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The provisions of this Statement establish accounting and financial reporting standards for governments who enter into Service Concession Arrangements (SCA) with other governmental or nongovernmental entities. As of June 30, 2013, the School District has not entered into arrangements that meet the qualifications to be reported as a SCA in accordance with this standard.

In fiscal year 2013, the School District adopted the Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus - An Amendment of GASB Statements No. 14 and No. 34*. The provisions of this Statement modify certain requirements for inclusion of component units in the financial reporting entity.

In fiscal year 2013, the School District adopted the Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The provisions of this Statement incorporate certain accounting and financial reporting guidance into authoritative GASB literature.

In fiscal year 2013, the School District adopted the Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. The provisions of this Statement establish financial reporting standards for the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. The School District changed its presentation of net assets to net position for fiscal year 2013. There were no other applicable reporting changes for the School District.

### 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 risks, custodial credit risks, concentration of credit risks, interest rate risks or foreign currency risks.

## RECEIVABLES

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

## PROPERTY TAXES

The DeKalb County Board of Commissioners fixed the property tax levy for the 2012 tax digest year (calendar year) on July 9, 2012 (levy date). Taxes were due on November 15, 2012 (lien date) and could be paid in two installments on September 30, 2012 and November 15, 2012 (due dates). Taxes collected within the current fiscal year or within 60 days after year-end on the 2012 tax digest are reported as revenue in the governmental funds for fiscal year 2013. The DeKalb County Tax Commissioner bills and collects the property taxes for the School District, withholds 1.25% 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, 2013, for maintenance and operations amounted to \$368,710,341.85.

DEKALB COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013

EXHIBIT "H"

The tax millage rate levied for the 2012 tax year (calendar year) for the DeKalb County Board of Education was as follows (a mill equals \$1 per thousand dollars of assessed value):

School Operations	<u>23.98</u> mills
-------------------	--------------------

Additionally, Title Ad Valorem Taxes in the amount of \$3,854,833.16 were collected during the fiscal year.

## **SALES TAXES**

Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to \$98,930,465.70 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**

On the basic financial statements, consumable supplies are reported at cost (first-in, first-out). The School District uses the consumption method to account for the consumable supplies inventory whereby an asset is recorded when supplies are purchased and expenses are recorded at the time the supplies are consumed.

### **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.

## **PREPAID ITEMS**

Payments made to vendors for services that will benefit periods subsequent to June 30, 2013, are recorded as prepaid items.

## **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.

DEKALB COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013

EXHIBIT "H"

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	\$ 100,000.00	20 to 40 years
Buildings and Improvements	\$ 100,000.00	up to 50 years
Improvements Other than Buildings	\$ 100,000.00	50 years
Equipment		
Outdoor Equipment	\$ 5,000.00	15 to 20 years
Vehicles	\$ 5,000.00	8 years
Kitchen Equipment	\$ 5,000.00	15 years
Computers	\$ 5,000.00	5 years
Miscellaneous	\$ 5,000.00	7 to 20 years
Buses	\$ 5,000.00	15 years
Intangible Assets	\$ 1,000,000.00	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 15 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 through 20 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 30 days.

	Beginning of Year Liability	Increases	Decreases	End of Year Liability
2011	\$ 12,482,194.54	\$ 7,091,294.97	\$ 7,228,758.38	\$ 12,344,731.13
2012	\$ 12,344,731.13	\$ 6,964,575.74	\$ 6,910,390.74	\$ 12,398,916.13
2013	\$ 12,398,916.13	\$ 5,424,262.33	\$ 6,162,465.15	\$ 11,660,713.31

### 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, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are reported as deferred charges and amortized over the term of the debt.

DEKALB COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013

EXHIBIT "H"

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 primary security for the payment of these bonds is sales tax collections. The outstanding amount of these bonds is recorded in the Statement of Net Position.

## NET POSITION

The School District's net position in the District-wide Statements is classified as follows:

**Net Investment in capital assets** - 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 Net investment in capital assets.

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

**Unrestricted net position** - Unrestricted net position represents 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.

DEKALB COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013

EXHIBIT "H"

**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, 2013, are as follows:

Nonspendable			
Inventories	\$	4,634,386.00	
Prepaid Assets		<u>455,408.51</u>	\$ 5,089,794.51
Restricted			
Continuation of Federal Programs	\$	6,623,077.93	
Capital Projects		240,285,537.22	
Debt Service		<u>666,000.00</u>	247,574,615.15
Assigned			
School Activity Accounts			876,851.10
Unassigned			<u>8,548,502.95</u>
Fund Balance, June 30, 2013			<u>\$ 262,089,763.71</u>

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, except the various school activity (principal) accounts, is prepared and adopted by fund, function and object. The legal level of budgetary control was established by the Board at the aggregate function 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.



DEKALB COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013

EXHIBIT "H"

The Superintendent is authorized by the Board to approve adjustments of no more than 10 percent of the amount budgeted for expenditures in any budget function for any fund. The Superintendent shall report any such adjustments to the Board. If expenditure of funds in any budget function for any fund is anticipated to be more than 10 percent of the budgeted amount, the Superintendent shall request Board approval for the budget amendment. Under no circumstance is the Superintendent or other staff person authorized to spend funds that exceed the total budget without approval by the Board.

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. At June 30, 2013 \$9,978,764.36 of deposits were not secured by surety bond, insurance or collateral as specified above. The School District is working with the affected financial institution to ensure appropriate levels of collateral are maintained for all of the School District's deposits.

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.

DEKALB COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013

EXHIBIT "H"

### 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, 2013, the bank balances were \$228,249,863.56. 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 credit risk category at June 30, 2013, are as follows:

<u>Custodial Credit Risk Category</u>	<u>Bank Balance</u>
1	\$ 9,978,764.36
2	0.00
3	0.00
Total	<u>\$ 9,978,764.36</u>

### CATEGORIZATION OF INVESTMENTS

The School District's investments as of June 30, 2013, are presented below. All investments are presented by investment type and debt securities are presented by maturity.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturity Less than 1 Year</u>
Debt Securities		
U. S. Treasury Money Market Funds		
First America Government Obligation Fund	\$ 82,327,367.66	\$ 82,327,367.66
First American Treasury Obligation Fund	2,850,525.00	2,850,525.00
Goldman Sachs Financial Square Trust		
Treasury Obligation Fund	<u>45,912,569.67</u>	<u>45,912,569.67</u>
	<u>\$ 131,090,462.33</u>	<u>\$ 131,090,462.33</u>
Investment Pools		
Office of State Treasurer		
Georgia Fund 1	<u>2,400.55</u>	
Total Investments	<u>\$ 131,092,862.88</u>	

DEKALB COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013

EXHIBIT "H"

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 [www.audits.ga.gov/SGD/CAFR.html](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, 2013, was 43 days.

**Interest Rate Risk**

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

**Custodial Credit Risk**

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

At June 30, 2013, \$131,090,462.33 of the School District's applicable investments were uninsured and unregistered, with securities held by the counterparty's trust department or agent in the name of the School District.

**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 credit quality risk.

The investments subject to credit quality risk are reflected below:

<u>Rated Debt Investments</u>	<u>Fair Value</u>	<u>Quality Ratings</u>	
		<u>AAAM</u>	
Debt Securities			
U. S. Treasury Money Market Funds			
First American Government Obligation Fund	\$ 82,327,367.66	\$	82,327,367.66
First American Treasury Obligation Fund	2,850,525.00		2,850,525.00
Goldman Sachs Financial Square Trust			
Treasury Obligation Fund	45,912,569.67		45,912,569.67
Totals by Quality Ratings	\$ 131,090,462.33	\$	131,090,462.33

**Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The School District does not have a formal policy for managing concentration of credit risk. More than 5% of the School District's investments are in First American Government Obligations Fund and Goldman Sachs Financial Square Treasury Obligation Fund. These investments are 63% and 35%, respectively, of the School District's total investments.

DEKALB COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013

EXHIBIT "H"

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, 2012		Increases		Decreases		Balances June 30, 2013
Governmental Activities							
Capital Assets, Not Being Depreciated:							
Land	\$ 44,485,477.61					\$ 44,485,477.61	
Construction Work In Progress	28,996,507.16	\$	19,312,406.59	\$	27,331,377.36	20,977,536.39	
	<u>73,481,984.77</u>	<u>\$</u>	<u>19,312,406.59</u>	<u>\$</u>	<u>27,331,377.36</u>	<u>\$ 65,463,014.00</u>	
Total Capital Assets, Not Being Depreciated							
Capital Assets, Being Depreciated:							
Buildings and Improvements	\$ 1,499,591,957.65	\$	30,026,810.36	\$	29,319.14	\$ 1,529,589,448.87	
Equipment	106,894,801.48		5,118,714.38		10,855,570.66	101,157,945.20	
Land Improvements	32,171,502.90		24,436.03			32,195,938.93	
Less: Accumulated Depreciation:							
Buildings and Improvements	394,789,289.16		24,994,643.42		3,452.33	419,780,480.25	
Equipment	56,793,292.40		7,586,026.98		7,515,878.45	56,863,440.93	
Land Improvements	5,369,621.43		969,843.15			6,339,464.58	
	<u>1,181,706,059.04</u>	<u>\$</u>	<u>1,619,447.22</u>	<u>\$</u>	<u>3,365,559.02</u>	<u>\$ 1,179,959,947.24</u>	
Total Capital Assets, Being Depreciated, Net							
Governmental Activity Capital Assets - Net	<u>\$ 1,255,188,043.81</u>	<u>\$</u>	<u>20,931,853.81</u>	<u>\$</u>	<u>30,696,936.38</u>	<u>\$ 1,245,422,961.24</u>	

Capital assets being acquired under capital leases as of June 30, 2013, are as follows:

	Governmental Activities
Buildings and Improvements	\$ 55,360,000.00
Less: Accumulated Depreciation	<u>5,315,200.00</u>
	<u>\$ 50,044,800.00</u>

DEKALB COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013

EXHIBIT "H"

Current year depreciation expense by function is as follows:

Instruction		\$ 20,034,757.38
Support Services		
Pupil Services	\$ 1,143,483.05	
Improvement of Instructional Services	1,309,384.58	
Educational Media Services	431,444.01	
General Administration	661,307.16	
School Administration	1,995,224.96	
Business Administration	158,697.16	
Maintenance and Operation of Plant	2,681,256.22	
Student Transportation Services	1,829,695.87	
Central Support Services	508,520.25	
Other Support Services	95,571.56	10,814,584.82
Enterprise Operations		80,961.33
Food Services		2,027,214.76
		<u>\$ 32,957,518.29</u>

Note 7: INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2013, consisted of the following:

	Transfers From
	<u>District-wide</u>
	Capital
<u>Transfer to</u>	<u>Projects</u>
Debt Service Fund	\$ <u>52,931,850.00</u>

Transfers are used to move SPLOST revenue collected in the Capital Projects Fund to the Debt Service Fund to fund the bond principal and interest 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 has obtained commercial insurance for risk of loss associated with torts, assets, and acts of God. The School District has neither significantly reduced coverage for these risks nor incurred losses (settlements) which exceeded the School District's insurance coverage in any of the past three years.

The School District 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

DEKALB COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013

EXHIBIT "H"

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. 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 \$500,000.00 loss per occurrence, up to \$10,000,000.00.

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
2012	\$ 0.00	\$ 4,992,983.44	\$ 4,992,983.44	\$ 0.00
2013	\$ 0.00	\$ 4,050,705.02	\$ 4,050,705.02	\$ 0.00

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

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

	Beginning of Year Liability	Claims and Changes in Estimates	Claims Paid	End of Year Liability
2012	\$ 0.00	\$ 778,792.63	\$ 778,792.63	\$ 0.00
2013	\$ 0.00	\$ 2,335,540.70	\$ 2,335,540.70	\$ 0.00

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

<u>Position Covered</u>	<u>Amount</u>
All Employees	\$1,000,000.00

Note 9: SHORT-TERM DEBT

The School District issues tax anticipation notes in advance of property tax collections, depositing the proceeds in its General Fund. This short-term debt is to provide cash for operations until property tax collections are received by the School District. Article IX, Section V, Paragraph V of the Constitution of the State of Georgia limits the aggregate amount of short-term debt to 75 percent of the total gross income from taxes collected in the preceding year and requires all short-term debt to be repaid no later than December 31 of the calendar year in which the debt was incurred.

DEKALB COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013

EXHIBIT "H"

Short-term debt activity for the fiscal year is as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance
Tax Anticipation Notes	\$ 0.00	\$ 160,000,000.00	\$ 90,000,000.00	\$ 70,000,000.00

**Note 10: LONG-TERM DEBT**

**CAPITAL LEASES**

The DeKalb County Board of Education entered into an agreement dated September 1, 2005, with the Georgia School Board Association for the construction and subsequent lease of purchase of land, buildings, and all furnishings and subsequent lease of two new elementary school facilities. Under the terms of the agreement, the School District will make annual payments through December 1, 2026.

The DeKalb County Board of Education entered into an agreement dated March 1, 2007, with the Georgia School Board Association for the construction and subsequent lease of purchase of land, buildings, and all furnishings and subsequent lease of one new elementary school facility. Under the terms of the agreement, the School District will make annual payments through December 1, 2027.

The DeKalb County Board of Education entered into an agreement dated December 1, 2009, with the Bank of America for the purchase of textbooks over the next five years and subsequent lease of textbooks. Under the terms of the agreement, the School District will make annual payments through July 12, 2017.

On May 1, 2011, the School District entered into a lease agreement with the Georgia Municipal Association, Inc. (Association) for the purchase of a replacement high school in the amount of \$63,460,000.00. The lease will commence upon the acquisition, construction and equipping of the replacement high school, which is expected to be completed in fiscal year 2014.

These lease agreements qualify as capital leases for accounting purposes, and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

**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 Rate	Amount
General Government - Series 2012	4.0%	\$ 33,300,000.00

DEKALB COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013

EXHIBIT "H"

The changes in Long-Term Debt during the fiscal year ended June 30, 2013, were as follows:

	Governmental Activities				
	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013	Due Within One Year
G. O. Bonds	\$ 50,000,000.00	\$ 33,300,000.00	\$ 50,000,000.00	\$ 33,300,000.00	
Capital Leases	68,936,630.44		17,106,662.03	51,829,968.41	\$ 3,696,778.66
Compensated Absences	12,398,916.13	5,424,262.33	6,162,465.15	11,660,713.31	6,767,204.76
Bond Premiums Amortized	2,215,390.47	4,992,669.00	2,797,868.52	4,410,190.95	998,533.80
	<u>\$ 133,550,937.04</u>	<u>\$ 43,716,931.33</u>	<u>\$ 76,066,995.70</u>	<u>\$ 101,200,872.67</u>	<u>\$ 11,462,517.22</u>

At June 30, 2013, payments due by fiscal year which includes principal and interest for these items are as follows:

	Capital Leases	
	Principal	Interest
<u>Fiscal Year Ended June 30:</u>		
2014	\$ 3,696,778.66	\$ 2,158,037.85
2015	3,844,813.39	2,019,865.85
2016	3,999,615.94	1,874,028.27
2017	3,945,511.75	1,715,470.98
2018	3,456,618.23	1,565,221.21
2019 - 2023	15,870,000.00	5,873,410.00
2024 - 2028	17,016,630.44	1,839,593.76
Total Principal and Interest	<u>\$ 51,829,968.41</u>	<u>\$ 17,045,627.92</u>

	General Obligation Debt		Unamortized
	Principal	Interest	Bond Premium
<u>Fiscal Year Ended June 30:</u>			
2014	\$ 1,332,000.00	\$ 998,533.80	
2015	1,332,000.00	998,533.80	
2016	1,332,000.00	998,533.80	
2017	1,332,000.00	998,533.80	
2018	\$ 33,300,000.00	666,000.00	416,055.75
Total Principal and Interest	<u>\$ 33,300,000.00</u>	<u>\$ 5,994,000.00</u>	<u>\$ 4,410,190.95</u>



DEKALB COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013

EXHIBIT "H"

Note 11: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of \$59,233,599.22 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 \$57,408,540.00

Paid to the Teachers' Retirement System of Georgia  
For Teachers' Retirement System (TRS) Employer's Cost  
In the amount of \$399,140.22

Office of State Treasurer

Paid to the Public School Employees' Retirement System  
For Public School Employees' Retirement (PSERS) Employer's Cost  
In the amount of \$1,425,919.00

Funds paid to the Georgia Department of Community Health by the Georgia Department of Education on behalf of the School District are reported as part of the Quality Basic Education revenue allotments on Schedule 3 - Schedule of State Revenue.

DEKALB COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013

EXHIBIT "H"

**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, 2013, together with funding available:

Project	Unearned Executed Contracts	Funding Available From State
ADA Group A2b Modifications - Multiple Locations	\$ 174,533.82	
ADA Group C	184,475.05	
Allgood ES Kitchen	35,800.00	
Chamblee HS Construction	18,230,597.09	
Chapel Hill MS Ceiling Tile Replacement and Driveway Repair	114,001.50	
Clifton ES Architectural and Engineering Design Services	17,500.00	
Columbia MS Track Refurbishment	26,002.00	
Dunwoody HS Renov & Addition	163,004.05	
Engineering Services for Emergency Generators - Task Release 2	165,645.01	
Knollwood Elementary School	129,905.08	
Lakeside High School	92,568.02	
McNair MS Track Refurbishment	26,279.50	
Miller Grove High School	2,430,659.00	\$ 262,279.00
MLK HS - Addition	5,332,198.89	2,318,478.37
Plumbing Fixtures at Various Schools	154,271.51	
Redan HS Renovations	460,197.25	
SW DeKalb HS	12,578,875.00	1,767,198.40
Wadsworth ES Architectural and and Engineering Design Services	18,200.00	
William Bradley Bryant Center Renovation and Modifications	87,324.90	
	<u>\$ 40,422,037.67</u>	<u>\$ 4,347,955.77</u>

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 (DCSD) was a defendant and counterclaim plaintiff in a lawsuit filed by Heery International, Inc., E. R. Mitchell & Co., and Heery/Mitchell, a Joint Venture in DeKalb County Superior Court on February 20, 2007. This case was settled in fiscal year 2014. The School District received \$6,000,000.00 from the settlement.

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

On December 17, 2012 the Southern Association of Colleges and Schools (SACS), notified the School District that it was placing the School District on Accredited Probation. As a result of this probation, Governor Nathan Deal removed and replaced six Board Members on March 13, 2013, in accordance with O.C.G.A. §20-2-73. The Governor's decision was upheld by the Georgia Supreme Court on November 25, 2013. On January 21, 2014, the School District was upgraded from probation to warning by SACS. The School District has taken significant steps to address the problems addressed by SACS and believes that the warning will be lifted by fiscal year 2015. The School District's management does not expect any material financial impact to the School District as a result of these events.

In the subsequent fiscal year, the Board has approved the issuance of tax anticipation notes not to exceed \$50,000,000.00. The School District issues tax anticipation notes to provide cash for operations until property tax collections are received by the school district. The School District expects the closing to occur on July 15, 2014; therefore, this debt will not be reported in fiscal year 2014.

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.

DEKALB COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013

EXHIBIT "H"

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, 2013:

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

July 2012 - February 2013	\$912.34 per member per month
March 2013 - June 2013	\$937.34 per member per month

**For non-certificated school personnel:**

July 2012 - June 2013	\$446.20 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:

<u>Fiscal Year</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>
2013	100%	\$ 87,675,055.19
2012	100%	\$ 90,925,607.37
2011	100%	\$ 87,542,127.58

**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

DEKALB COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013

EXHIBIT "H"

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, 2013, were 6.00% of annual salary. Employer contributions required for fiscal year 2013 were 11.41% of annual salary as required by the June 30, 2010, actuarial valuation. The employer contribution rate will increase to 12.28% effective July 1, 2013.

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

<u>Fiscal Year</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>
2013	100%	\$ 56,336,367.47
2012	100%	\$ 57,343,233.76
2011	100%	\$ 57,198,714.74

#### **PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS)**

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

#### **DEFINED CONTRIBUTION PLAN**

On July 11, 1983, DeKalb County Board of Education began an employer paid 403(b) annuity plan for the group of employees covered under the Public School Employees' Retirement System (PSERS). Recognizing that PSERS was a limited defined contribution and defined benefit plan which did not provide for an adequate retirement for this group of employees, it was the Board's desire to supplement the retirement of this group.

DEKALB COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013

EXHIBIT "H"

The Board selected Fidelity Investments as the provider of this plan. For each employee covered under PSERS, the Board began contributing to the plan an amount equal to eight percent of the employee's base pay.

The employee becomes vested in the plan when the first contribution is made.

Funds accumulated in the employer paid accounts are only available to the employee upon termination of employment.

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

<u>Fiscal Year</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>
2013	100%	\$ 3,972,798.87
2012	100%	\$ 4,357,473.75
2011	100%	\$ 4,201,789.00

(This page left intentionally blank)

DEKALB COUNTY BOARD OF EDUCATION  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2013

SCHEDULE "1"

	NONAPPROPRIATED BUDGETS		ACTUAL	VARIANCE
	ORIGINAL (1)	FINAL (1)	AMOUNTS	OVER/UNDER
<u>REVENUES</u>				
Property Taxes	\$ 365,165,638.00	\$ 365,165,638.00	\$ 372,565,175.01	\$ 7,399,537.01
Sales Taxes	5,000,000.00	5,000,000.00	12,247,193.72	7,247,193.72
State Funds	373,019,522.00	377,327,861.00	387,766,383.18	10,438,522.18
Federal Funds	109,640,802.00	189,898,679.00	118,184,006.77	-71,714,672.23
Charges for Services	6,513,680.00	6,513,680.00	22,657,179.17	16,143,499.17
Investment Earnings	154,000.00	154,000.00	144,037.57	-9,962.43
Miscellaneous	31,656,830.00	32,712,669.00	2,655,288.26	-30,057,380.74
Total Revenues	\$ 891,150,472.00	\$ 976,772,527.00	\$ 916,219,263.68	\$ -60,553,263.32
<u>EXPENDITURES</u>				
Current				
Instruction	\$ 519,095,835.00	\$ 564,663,075.45	\$ 537,725,370.11	\$ 26,937,705.34
Support Services				
Pupil Services	35,083,653.00	36,412,815.52	30,203,349.45	6,209,466.07
Improvement of Instructional Services	38,507,524.00	56,268,295.57	33,695,772.67	22,572,522.90
Educational Media Services	11,779,424.00	12,036,353.81	11,396,245.37	640,108.44
General Administration	19,411,833.00	26,333,856.00	16,349,954.08	9,983,901.92
School Administration	55,828,579.00	55,615,403.00	52,702,257.26	2,913,145.74
Business Administration	4,743,027.00	5,119,201.00	4,175,857.43	943,343.57
Maintenance and Operation of Plant	75,804,925.00	76,799,312.00	70,817,496.95	5,981,815.05
Student Transportation Services	38,013,825.00	53,487,752.40	46,834,361.68	6,653,390.72
Central Support Services	14,953,447.00	15,277,048.00	13,325,865.05	1,951,182.95
Other Support Services	1,417,488.00	2,982,263.25	2,523,725.51	458,537.74
Enterprise Operations	1,229,980.00	1,229,980.00	2,094,875.51	-864,895.51
Food Services Operation	50,041,096.00	50,041,096.00	54,935,576.50	-4,894,480.50
Capital Outlay	274,455.00	274,455.00		274,455.00
Debt Service		192,314.00	15,825,002.97	-15,632,688.97
Total Expenditures	\$ 866,185,091.00	\$ 956,733,221.00	\$ 892,605,710.54	\$ 64,127,510.46
Excess of Revenues over (under) Expenditures	\$ 24,965,381.00	\$ 20,039,306.00	\$ 23,613,553.14	\$ 3,574,247.14
<u>OTHER FINANCING SOURCES (USES)</u>				
Other Sources	\$ 9,281,460.00	\$ 1,083,959.00	\$ 0.00	\$ -1,083,959.00
Other Uses	-28,755,136.00	-20,557,635.00		20,557,635.00
Total Other Financing Sources (Uses)	\$ -19,473,676.00	\$ -19,473,676.00	\$ 0.00	\$ 19,473,676.00
Net Change in Fund Balances	\$ 5,491,705.00	\$ 565,630.00	\$ 23,613,553.14	\$ 23,047,923.14
Fund Balances - Beginning	0.00	34,148,958.60	-2,475,326.65	-36,624,285.25
Adjustments		279,807.36		-279,807.36
Fund Balances - Ending	\$ 5,491,705.00	\$ 34,994,395.96	\$ 21,138,226.49	\$ -13,856,169.47

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

- (1) Original and Final Budget amounts do not include budgeted revenues or expenditures of the various principal accounts.  
Principal accounts had actual revenues of \$8,018,358.86 and actual expenditures of \$8,956,806.03

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.



DEKALB COUNTY BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2013

SCHEDULE "2"

FUNDING AGENCY PROGRAM/GRANT	CFDA NUMBER	PASS- THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD
Agriculture, U. S. Department of			
Child Nutrition Cluster			
Pass-Through From Georgia Department of Education			
Food Services			
School Breakfast Program	* 10.553	N/A	(2)
National School Lunch Program	* 10.555	N/A	\$ 53,932,194.66 (1)
Total U. S. Department of Agriculture			\$ 53,932,194.66
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	\$ 45,827.94
School Improvement Grants Cluster			
Pass-Through From Georgia Department of Education			
ARRA - School Improvement Grants	* 84.388	N/A	\$ 1,527,871.24
School Improvement Grants	* 84.377	N/A	1,015,869.07
Total School Improvement Grants Cluster			\$ 2,543,740.31
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Grants to States	84.027	N/A	\$ 17,886,506.81
Preschool Grants	84.173	N/A	423,103.49
Total Special Education Cluster			\$ 18,309,610.30
Title I, Part A Cluster			
Pass-Through From Georgia Department of Education			
ARRA - Title I Grants to Local Educational Agencies	84.389	N/A	\$ 148,687.19
Title I Grants to Local Educational Agencies	84.010	N/A	33,560,165.86
Total Title I, Part A Cluster			\$ 33,708,853.05
Other Programs			
Direct			
Transition to Teaching Program Grant	84.350		\$ 492,673.38
Fund for the Improvement of Education (FIE)	84.215		1,368,164.42
Pass-Through From Georgia Department of Education			
ARRA - Race-to-the-Top Incentive Grants	* 84.395	N/A	5,595,747.94
Career and Technical Education - Basic Grants to States	84.048	N/A	773,714.76
Charter Schools	84.282	N/A	88,847.81
Education Jobs Fund	84.410	N/A	37,383.00
English Language Acquisition Grants	84.365	N/A	1,566,320.56
Improving Teacher Quality State Grants	84.367	N/A	2,450,825.55
Mathematics and Science Partnerships	84.366	N/A	174,211.74
Special Education			
State Personnel Development	84.323	N/A	32,146.26
Twenty-First Century Community Learning Centers	84.287	N/A	252,917.03
Pass-Through From Georgia State University			
Teacher Quality Partnership Grants	34.350	N/A	2,880.00
Pass-Through From Success for All Foundation, Inc.			
Teacher Quality Partnership Grants	84.411A	N/A	264,845.69
Total Other Programs			\$ 13,100,678.14
Total U. S. Department of Education			\$ 67,708,709.74

DEKALB COUNTY BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2013

SCHEDULE "2"

FUNDING AGENCY PROGRAM/GRANT	CFDA NUMBER	PASS- THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD
Environmental Protection Agency, U. S. Department of Pass-Through From Georgia Department of Natural Resources ARRA - State Clean Diesel Grant Program	66.040	N/A	\$ 381,097.50
Energy, U. S. Department of Direct National Aeronautics and Space Administration Science	43.001		\$ 30,298.00
Health and Human Services, U. S. Department of Pass-Through From Georgia Department of Human Resources Refugee and Entrance Assistance-State Administered Programs	93.566	N/A	\$ 177,438.46
Pass-Through From Georgia Department of Behavioral Health and Development Disabilities Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	48,000.00
Total U. S. Department of Health and Human Services			\$ 225,438.46
Justice, U. S. Department of Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	\$ 49,062.75
Transportation, U. S. Department of Highway Safety Cluster Pass-Through From Department of Public Safety State and Community Highway Safety	20.600	N/A	\$ 34,293.86
Defense, U. S. Department of Direct Department of the Air Force R.O.T.C. Program			\$ 431,934.75
Department of the Army R.O.T.C. Program			150,999.66
Department of the Navy R.O.T.C. Program			786,099.05
Total U. S. Department of Defense			\$ 1,369,033.46
Total Expenditures of Federal Awards			\$ 123,730,128.43

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 \$9,007,849.11.
- (2) Expenditures for the funds earned on the School Breakfast Program (\$8,892,476.58) were not maintained separately and are included in the 2013 National School Lunch Program.

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 DeKalb 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.

DEKALB COUNTY BOARD OF EDUCATION  
SCHEDULE OF STATE REVENUE  
YEAR ENDED JUNE 30, 2013

SCHEDULE "3"

AGENCY/FUNDING	GOVERNMENTAL FUND TYPES		TOTAL
	GENERAL FUND	CAPITAL PROJECTS FUND	
GRANTS			
Bright From the Start:			
Georgia Department of Early Care and Learning			
Pre-Kindergarten Program	\$ 7,347,496.05		\$ 7,347,496.05
Education, Georgia Department of			
Quality Basic Education (1)			
Direct Instructional Cost			
Kindergarten Program	34,018,690.88		34,018,690.88
Kindergarten Program - Early Intervention Program	1,176,123.00		1,176,123.00
Primary Grades (1-3) Program	70,878,886.00		70,878,886.00
Primary Grades - Early Intervention (1-3) Program	6,615,598.00		6,615,598.00
Upper Elementary Grades (4-5) Program	32,691,390.00		32,691,390.00
Upper Elementary Grades - Early Intervention (4-5) Program	3,952,024.00		3,952,024.00
Middle Grades (6-8) Program	805,418.00		805,418.00
Middle School (6-8) Program	53,330,500.00		53,330,500.00
High School General Education (9-12) Program	54,303,847.00		54,303,847.00
Vocational Laboratory (9-12) Program	8,306,559.00		8,306,559.00
Students with Disabilities			
Category I	7,079,582.00		7,079,582.00
Category II	5,905,938.00		5,905,938.00
Category III	25,712,269.00		25,712,269.00
Category IV	6,196,668.00		6,196,668.00
Category V	4,923,225.00		4,923,225.00
Gifted Student - Category VI	19,062,652.00		19,062,652.00
Remedial Education Program	587,963.00		587,963.00
Alternative Education Program	4,366,711.00		4,366,711.00
English Speakers of Other Languages (ESOL)	17,044,581.00		17,044,581.00
Special Education Itinearant	19,072.00		19,072.00
Special Education Supplemental Speech	210,477.00		210,477.00
Media Center Program	10,040,188.00		10,040,188.00
20 Days Additional Instruction	3,012,429.00		3,012,429.00
Staff and Professional Development	1,862,385.00		1,862,385.00
Indirect Cost			
Central Administration	8,326,151.00		8,326,151.00
School Administration	19,431,587.00		19,431,587.00
Facility Maintenance and Operations	23,276,939.00		23,276,939.00
Categorical Grants			
Pupil Transportation			
Regular	4,500,877.00		4,500,877.00
Nursing Services	1,640,516.00		1,640,516.00
Food Services	1,297,150.00		1,297,150.00
Amended Formula Adjustment	-63,754,803.00		-63,754,803.00
Other State Programs			
Career, Technical, and Agriculture - Ag Extended Day	4,073.00		4,073.00
Career, Technical, and Agriculture - Ag Extended Day	1,722.00		1,722.00
Career, Technical, and Agriculture - CTE Apprenticeship	38,351.00		38,351.00
Career, Technical, and Agriculture - CTE Extended Day	984,721.94		984,721.94
Career, Technical, and Agriculture - CTE Extended Year	61,553.00		61,553.00
Career, Technical, and Agriculture - Industry Certification	29,717.56		29,717.56
Career, Technical, and Agriculture - Supervision	56,245.00		56,245.00
Charter Schools - Facilities	470,041.19		470,041.19
GNETS State Grant	3,097,149.43		3,097,149.43
Math and Science Supplements	959,708.35		959,708.35
Move On When Ready	2,300.00		2,300.00
Preschool Handicapped Program	1,690,690.96		1,690,690.96
Pupil Transportation - State Bonds	3,734,755.50		3,734,755.50
Residential Treatment Centers Grant	115,737.74		115,737.74
Rule 10 Special Education State Grant	181,320.35		181,320.35
Teachers' Retirement	399,140.22		399,140.22
Vocational Construction Related Equipment - State Bonds	344,148.01		344,148.01

DEKALB COUNTY BOARD OF EDUCATION  
SCHEDULE OF STATE REVENUE  
YEAR ENDED JUNE 30, 2013

SCHEDULE "3"

AGENCY/FUNDING	GOVERNMENTAL FUND TYPES		TOTAL
	GENERAL FUND	CAPITAL PROJECTS FUND	
Georgia State Financing and Investment Commission Reimbursement on Construction Projects		\$ 644,690.23	\$ 644,690.23
Office of the State Treasurer Public School Employees' Retirement	\$ 1,425,919.00		1,425,919.00
	<u>\$ 387,766,383.18</u>	<u>\$ 644,690.23</u>	<u>\$ 388,411,073.41</u>

- (1) Payments to the Georgia Department of Community Health by the Georgia Department of Education on behalf of the School District in the amount of \$57,408,540.00 are included as part of the Quality Basic Education revenue allotments above.

See notes to the basic financial statements.

DEKALB COUNTY BOARD OF EDUCATION  
SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS  
YEAR ENDED JUNE 30, 2013

SCHEDULE "4"

PROJECT	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3)	AMOUNT EXPENDED IN PRIOR YEARS	TOTAL COMPLETION COST	EXCESS PROCEEDS NOT EXPENDED	ESTIMATED COMPLETION DATE
2002 Sales Tax-Authorized Projects							
Property acquisition, construction and equipping a minimum of eight (8) new schools and two (2) new centers; renovations, modifications, additions and equipment for existing schools; acquisition and installation of information systems hardware and infrastructure at all schools and selected other facilities; purchase of both new school buses and school buses currently under lease.	\$ 524,404,330.00	\$ 506,958,262.48	\$ 119,986.43	\$ 506,838,276.05	\$ 506,958,262.48	\$ 0.00	Completed
2007 Sales Tax- Authorized Projects							
1 Lease-hold improvements for Rock Chapel ES, Princeton ES, and Dunwoody ES (COPS 05/07)	\$ 66,000,000.00	\$ 67,267,516.60	\$ 4,300,438.75	\$ 19,036,430.65	\$ 0.00	\$ 0.00	Dec-27
2 Renovations/expansion at SWD HS, Towers HS, Columbia HS, McNair HS, and emergency HVAC	25,000,000.00	20,543,141.00	13,040.12	22,874,975.23	0.00	0.00	Jul-14
3 Cross keys HS Renovation and Career Tech	16,927,348.00	18,078,925.00	6,615.00	17,725,912.61	0.00	0.00	Jul-14
4 Tucker HS Replacement	66,330,016.00	60,359,593.17	10,780.00	60,348,813.17	60,359,593.17	0.00	Completed
5 Roofing Portfolio #1	9,677,168.00	12,238,001.23	0.00	12,238,001.23	12,238,001.23	0.00	Completed
6 HVAC Portfolio #1	17,168,224.00	12,448,271.00	66,433.27	10,437,054.60	0.00	0.00	Aug-14
7 ADA Code Requirements Portfolio #1	4,730,336.00	3,285,617.00	62,167.58	2,418,740.60	0.00	0.00	Oct-14
8 Local School Priority Requests (LSPR)	5,156,419.00	7,707,025.00	161,598.74	6,194,327.05	0.00	0.00	Oct-14
9 Site Improvements	13,417,986.00	9,221,216.00	596,492.73	5,350,148.78	0.00	0.00	Oct-14
10 Druid Hills HS Improvements	9,739,800.00	17,915,398.55	25,375.00	17,890,023.55	17,915,398.55	0.00	Completed
11 Renovation and expansion of relocated DeKalb School of the Arts	10,000,000.00	5,400,913.97	92,558.80	5,308,355.17	5,400,913.97	0.00	Completed
12 Renovation and expansion of Mountain Industrial Center	29,836,296.00	31,417,047.83	37,933.12	31,379,114.71	31,417,047.83	0.00	Completed
13 Purchase of Land	3,000,000.00	11,350.00	0.00	11,350.00	11,350.00	0.00	Completed
14 Hills HS, Dunwoody HS, Lakeside HS, and Redan HS	63,292,805.00	55,338,929.00	4,320,795.68	32,667,577.47	0.00	0.00	Aug-14
15 Technology-Refresh cycle	19,418,581.00	24,319,433.42	0.00	24,319,433.42	24,319,433.42	0.00	Completed
16 Lithonia HS addition and improvements	11,447,624.00	25,488.00	0.00	25,488.00	25,488.00	0.00	Completed
17 MLK Jr HS addition and improvements	10,178,779.00	16,932,814.00	5,180,306.76	324,466.51	0.00	0.00	Aug-14
18 Miller Grove HS addition and improvements	5,874,487.00	6,095,989.00	1,948,898.60	257,898.20	0.00	0.00	Feb-14
19 Dunwoody HS addition and improvements	4,819,395.00	20,530,480.00	518,672.42	19,170,880.22	0.00	0.00	Aug-14
20 Clarkston HS Improvements	4,000,000.00	11,759,987.13	64,668.16	11,695,318.97	11,759,987.13	0.00	Completed
21 HVAC Portfolio #2	10,716,737.00	8,759,599.00	87,578.00	5,820,973.47	0.00	0.00	Dec-14
22 Roofing Portfolio #2	10,681,471.00	4,277,803.00	0.00	4,124,513.16	0.00	0.00	Aug-18
23 ADA Code Requirements Portfolio #2	2,052,729.00	2,214,373.00	164,720.75	570,126.97	0.00	0.00	Oct-14
24 School buses	12,000,000.00	11,999,776.00	0.00	11,999,761.12	11,999,761.12	0.00	Completed
25 Technology-Media Center upgrades	10,000,000.00	9,652,209.21	0.00	9,652,209.21	9,652,209.21	0.00	Completed
26 HVAC Portfolio #3	17,408,662.00	7,649,918.00	218,646.37	114,989.60	0.00	0.00	Dec-14
27 Roofing Portfolio #3	7,125,137.00	2,926,166.09	0.00	2,926,166.09	2,926,166.09	0.00	Completed
28 Other improvements and supporting services (4)	0.00	71,704,448.30	4,641,579.25	41,132,329.20	0.00	0.00	Jul-15
29 Bond Interest Payments	0.00	56,021,915.62	2,249,897.16	53,772,018.46	56,021,915.62	0.00	Completed
	\$ 466,000,000.00	\$ 576,103,345.12	\$ 24,769,196.26	\$ 429,787,397.42	\$ 244,047,265.34	\$ 0.00	

DEKALB COUNTY BOARD OF EDUCATION  
SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS  
YEAR ENDED JUNE 30, 2013

SCHEDULE "4"

PROJECT	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3)	AMOUNT EXPENDED IN PRIOR YEARS	TOTAL COMPLETION COST	EXCESS PROCEEDS NOT EXPENDED	ESTIMATED COMPLETION DATE
2012 Sales Tax-Authorized Projects							
1 Americans with Disabilities Act (ADA)	\$ 2,342,500.00	\$ 2,067,989.90	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	Dec-18
2 Stadiums	9,557,400.00	9,434,239.05	0.00	0.00	0.00	0.00	Dec-18
3 Capital Renewal Program	84,892,200.00	85,391,523.01	53,651.31	0.00	0.00	0.00	Dec-18
4 Code Requirements	2,342,500.00	1,920,248.23	0.00	0.00	0.00	0.00	Dec-18
5 Coralwood Diagnostic Center Addition	9,932,200.00	9,804,210.01	0.00	0.00	0.00	0.00	Dec-18
6 Early Learning Center	2,717,300.00	2,682,284.00	0.00	0.00	0.00	0.00	Dec-18
7 Arts School at former Avondale MS	4,029,100.00	3,977,179.00	0.00	0.00	0.00	0.00	Dec-18
8 Renovation of Southwest DeKalb HS and Stone Mountain HS	11,056,600.00	33,224,370.02	3,055,173.61	0.00	0.00	0.00	Feb-17
9 Replacement of Austin ES, Fernbank ES, Gresham Park ES, Pleasantdale ES, Peachtree ES, Rockbridge ES, Smoke Rise ES	135,021,700.00	130,198,959.93	454,579.93	0.00	0.00	0.00	Jul-18
10 Henderson MS Renovation/Addition	14,992,000.00	14,798,807.99	29,000.00	0.00	0.00	0.00	Jul-15
11 Redan HS Renovation/Addition	20,988,800.00	20,718,330.00	0.00	0.00	0.00	0.00	Jun-15
12 Chamblee HS Replacement	55,001,900.00	54,992,632.00	251,839.54	0.00	0.00	0.00	Jun-19
13 McNair MS Replacement	35,043,800.00	34,592,213.00	0.00	0.00	0.00	0.00	Dec-17
14 Local School Priority Requests	5,153,500.00	3,202,478.00	0.00	0.00	0.00	0.00	Jul-15
15 Demolition	2,342,500.00	2,312,313.00	10,783.00	0.00	0.00	0.00	Jul-15
16 Safety/Security Systems Upgrade	2,342,500.00	2,312,313.00	0.00	0.00	0.00	0.00	Jun-14
17 Technology Equipment and Infrastructure Refresh	36,261,900.00	35,955,789.00	3,039,288.42	0.00	0.00	0.00	Dec-17
18 School Buses	9,463,700.00	9,341,746.99	381,097.50	0.00	0.00	0.00	Jul-16
19 Services Vehicles	1,592,900.00	1,572,373.00	19,620.00	0.00	0.00	0.00	Jun-13
20 Other capital improvements and supporting services (Includes Bond Series 2012 Bond Issuance Costs, Principal Payments and 2011 COPs Interest Payments	29,925,000.00	75,500,000.87	3,173,415.62	0.00	0.00	0.00	Jun-19
	<u>\$ 475,000,000.00</u>	<u>\$ 534,000,000.00</u>	<u>\$ 10,468,448.93</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	
	<u>\$ 1,465,404,330.00</u>	<u>\$ 1,617,061,607.60</u>	<u>\$ 35,357,631.62</u>	<u>\$ 936,625,673.47</u>	<u>\$ 751,005,527.82</u>	<u>\$ 0.00</u>	

- (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 DeKalb 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.

See notes to the basic financial statements.

(This page left intentionally blank)

DEKALB COUNTY BOARD OF EDUCATION  
GENERAL FUND - QUALITY BASIC EDUCATION PROGRAMS (QBE)  
ALLOTMENTS AND EXPENDITURES BY PROGRAM  
YEAR ENDED JUNE 30, 2013

SCHEDULE "5"

DESCRIPTION	ALLOTMENTS FROM GEORGIA DEPARTMENT OF EDUCATION (1) (2) (3)	ELIGIBLE QBE PROGRAM COSTS		
		SALARIES	OPERATIONS	TOTAL
Direct Instructional Programs				
Kindergarten Program	\$ 42,700,852.00	\$ 32,044,060.16	\$ 82,789.19	\$ 32,126,849.35
Kindergarten Program-Early Intervention Program	1,503,730.00	1,609,265.60		1,609,265.60
Primary Grades (1-3) Program	89,518,635.00	69,399,927.79	1,330,690.85	70,730,618.64
Primary Grades-Early Intervention (1-3) Program	8,108,493.00	2,709,059.34		2,709,059.34
Upper Elementary Grades (4-5) Program	41,408,918.00	43,343,425.84		43,343,425.84
Upper Elementary Grades-Early Intervention (4-5) Program	5,052,464.00	1,778,782.96		1,778,782.96
Middle Grades (6-8) Program	1,065,112.00	3,804,439.12	32,079.15	3,836,518.27
Middle School (6-8) Program	67,237,158.00	56,793,472.06	536,255.38	57,329,727.44
High School General Education (9-12) Program	68,680,759.00	67,915,388.10	1,953,565.64	69,868,953.74
Vocational Laboratory (9-12) Program	10,405,453.00	10,409,676.93	337,239.81	10,746,916.74
Students with Disabilities	62,807,406.00			
Category I		45,414,660.80	1,079,748.50	46,494,409.30
Category II		6,336,264.31	5,166.10	6,341,430.41
Category III		30,552,802.61	53,601.51	30,606,404.12
Category IV		2,844,173.42	-760.43	2,843,412.99
Category V		276,589.88	1,709.23	278,299.11
Gifted Student - Category VI	24,168,655.00	5,946,009.37	6,343.83	5,952,353.20
Remedial Education Program	825,427.00	112,865.57		112,865.57
Alternative Education Program	5,514,229.00	954,203.94	20,683.84	974,887.78
English Speakers of Other Languages (ESOL)	21,064,866.00	12,455,952.32		12,455,952.32
TOTAL DIRECT INSTRUCTIONAL PROGRAMS	\$ 450,062,157.00	\$ 394,701,020.12	\$ 5,439,112.60	\$ 400,140,132.72
Media Center Program	12,637,547.00	9,381,989.61	1,640,977.48	11,022,967.09
Staff and Professional Development	2,349,839.00			646,696.79
TOTAL QBE FORMULA FUNDS	\$ 465,049,543.00	\$ 404,083,009.73	\$ 7,080,090.08	\$ 411,809,796.60

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

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

(3) Allotments do not include the State Health payments made by GDOE to the Department of Community Health for the certified employees.

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

June 30, 2014

Honorable Nathan Deal, Governor  
Members of the General Assembly  
Members of the State Board of Education  
and  
Superintendent and Members of the  
DeKalb 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, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of DeKalb County Board of Education as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise DeKalb County Board of Education's basic financial statements and have issued our report thereon dated June 30, 2014.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered DeKalb County Board of Education's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 DeKalb County Board of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of the DeKalb County Board of Education's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items FS-6441-13-01 and FS-6441-13-02 to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether DeKalb County Board of Education's financial statements are free from 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 DeKalb County Board of Education in a separate letter dated June 30, 2014.

### **DeKalb County Board of Education's Response to Findings**

DeKalb County Board of Education's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. DeKalb County Board of Education's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Greg S. Griffin  
State Auditor





## 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

June 30, 2014

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

### INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Ladies and Gentlemen:

#### **Report on Compliance for Each Major Federal Program**

We have audited DeKalb 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, 2013. DeKalb 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.

#### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of DeKalb County Board of Education's major Federal programs based on our audit of the types of compliance requirements referred to above. 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 DeKalb 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 on compliance for each major Federal program. However, our audit does not provide a legal determination of DeKalb County Board of Education's compliance.





### ***Opinion on Each Major Federal Program***

In our opinion, the DeKalb County Board of Education complied, in all material respects, with the types of 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, 2013.

### **Report on Internal Control over Compliance**

Management of DeKalb County Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered DeKalb County Board of Education's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program 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 DeKalb 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



Greg S. Griffin  
State Auditor



### SECTION III

#### AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS



DEKALB COUNTY BOARD OF EDUCATION  
AUDITEE'S RESPONSE  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

**FINDING CONTROL NUMBER AND STATUS**

FS-6441-12-01	Previously Reported Corrective Action Implemented
FS-6441-12-02	Partially Resolved - See Corrective Action/Responses

**CORRECTIVE ACTION/RESPONSES**

REVENUES/RECEIVABLES/RECEIPTS  
EXPENDITURES/LIABILITIES/DISBURSEMENTS  
CAPITAL ASSETS  
FINANCIAL REPORTING  
Inadequate Accounting Procedures  
Material Weakness  
Finding Control Number: FS-6441-12-02

The District has committed resources in the fiscal year 2015 tentative budget to make additional staff available to perform reconciliations on a timelier basis, in addition to hiring an accounting manager and continuing the conversion to the state chart of accounts. Additionally, we have completed our conversion to a new school based accounting software and are continuing the rewrite of our standard operating procedures. We believe that these new resources will provide for adequate and improved internal controls.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

**FINDING CONTROL NUMBER AND STATUS**

FA-6441-12-01	Previously Reported Corrective Action Implemented
---------------	---



## SECTION IV

### FINDINGS AND QUESTIONED COSTS





DEKALB COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013

**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 Unmodified

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 Unmodified

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:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	Child Nutrition Cluster
84.377, 84.388	School Improvement Grants Cluster
84.395	ARRA Race-to-the-Top Incentive Grants

Dollar threshold used to distinguish between Type A and Type B programs: \$3,000,000.00

Auditee qualified as low-risk auditee? No

DEKALB COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013

## II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Finding Control Number: FS-6441-13-01  
Control Category: Financial Reporting  
Internal Control Impact: Material Weakness

### Description:

The School District did not have adequate controls in place to ensure the accuracy of the financial statement information presented for audit.

### Criteria:

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

### Condition:

During the audit, the following items were noted in the financial statements presented for audit:

- Correcting entries were proposed and accepted to reclassify the following account balances:
  - Deposits that were highly liquid in nature and readily convertible to cash totaling \$102,537,968 were recorded as investments rather than cash equivalents.
  - Revenues totaling \$11,445,362 related to the after school program, meal sales and athletic sales were recorded as miscellaneous revenues rather than charges for services.
  - Benefits payable totaling \$16,551,793 were originally recorded as accounts payable.
  - School Activity Account balances totaling \$580,697 that were not custodial in nature were recorded as agency funds rather than as part of governmental activities.
- The Salaries and Benefits payable listing of school nutrition employees did not agree to the financial statements. An entry was proposed and accepted to correct an understatement of \$2,249,299.
- An entry was proposed and accepted to record Federal revenue of \$1,902,945 and Title Ad Valorem Tax revenues totaling \$2,305,762 that were earned at fiscal year-end. An additional entry was proposed to reduce State revenues of \$931,995 that were not earned at fiscal year-end.
- An entry was proposed and accepted to eliminate revenues, expenses, and accounts payable of \$3,796,543, \$4,584,088 and \$787,545, respectively for inter-fund activity that was not eliminated for financial statement reporting purposes.
- On the Statement of Activities, the method used by the School District to allocate Federal and State program revenues to offset expenditures by function was based on the percentage of each function's expenses to total expenses rather than allocating revenues to their relevant function. An entry was proposed and accepted to reallocate the revenues to the appropriate function.
- Current year bus purchases recorded as Pupil Transportation in the General Fund were incorrectly removed from the Instruction function in the financial statement preparation entry posted by the School District to record capital additions in the District-wide financial statements. An entry was proposed and accepted to reclassify this entry.

DEKALB COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013

## II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

- An entry was proposed and accepted to record expenditures in the Capital Projects Fund of \$207,845 paid in the subsequent period for goods and services provided by June 30, 2013.
- Corrections were proposed and accepted to correct various errors noted in the notes to the financial statements.

### Cause:

Per inquiry of management, the School District could not adequately implement internal controls over the review process of the financial statements due to legacy accounting system inadequacies. The impact of these inadequacies resulted in staff and time constraints.

### Effect or Potential Effect:

The School District did not have adequate financial reporting controls in place to ensure the financial statements were properly prepared in accordance with generally accepted accounting principles.

### Recommendation:

The School District should implement internal controls to monitor the financial reporting process to ensure the accuracy and completeness of the financial statements.

### Views of Responsible Officials:

The present (legacy) accounting system is very labor intensive and lacks an adequate reporting capability. Additionally, due to its rounding conventions, additional work is required to reconcile account balances. Our present chart of accounts is not in compliance with the State Chart of Accounts and requires extensive manual crosswalks presenting the opportunity for additional errors.

### Corrective Action Plan:

The Finance Division has instituted a Chart of Accounts conversion project which is approximately 35% complete. Scheduled completion date for the Chart of Accounts conversion project is June 15, 2015. Hardware upgrades have taken place relative to most of the staff involved in the financial statement preparation process, and the IT and Finance Divisions are reviewing software options relative to replacing the Accounting and other software reporting packages. A decision should be made on which software option(s) to put in place by January 15, 2015.

### Estimated Corrective Action Date:

Chart of Accounts – June 15, 2015; New Software Installation – June 2016

### Contact Persons:

Dr. Michael J. Bell, CFO

[Michael\\_Bell@fc.dekalb.k12.ga.us](mailto:Michael_Bell@fc.dekalb.k12.ga.us)

678-676-0133

Mr. Gary Brantley, CIO

[Gary\\_I\\_brantley@fc.dekalb.k12.ga.us](mailto:Gary_I_brantley@fc.dekalb.k12.ga.us)

678-676-1194

DEKALB COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013

## II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Finding Control Number: FS-6441-13-02  
Control Category: Capital Assets  
Internal Control Impact: Material Weakness

### Description:

Adequate policies and procedures are not in place to ensure capital assets inventory records are properly maintained.

### Criteria:

The School District's management is responsible for designing and maintaining internal controls that provide reasonable assurance that capital assets inventory records are properly maintained. Chapter 37 *Implementing a Capital Assets Management System* of the Financial Management for Georgia Local Units of Administration provides that School Districts must establish capital asset policies, define system requirements, implement a capital asset system, and maintain capital asset inventory records.

### Condition:

Financial statement entries were proposed and accepted by the School District to correct the following items noted in capital assets:

- Construction in progress additions were overstated by \$11,764,447 for items that either did not meet the School District's capitalization threshold or were also capitalized within another capital asset category.
- An error was noted in the construction in progress calculation spreadsheet that caused construction in progress additions to be overstated by \$2,981,327.
- Contracts and retainage payable totaling \$1,231,543 for construction work performed before June 30, 2013 were not recorded.
- Mobile classrooms with a value of \$811,920 were recorded in previous years that did not meet the School District's capitalization threshold.
- The School District has not formally adopted an amended capitalization policy to include the procedures for recording intangible assets in accordance with Governmental Accounting Standards Board Statement No. 51, Accounting and Reporting for Intangible Assets.

Other items noted during review of capital assets were as follows:

- Procedures were not in place to periodically reconcile capital outlay expenditures to capital assets additions. This procedure would ensure that all assets meeting the capitalization threshold are recorded.
- The School District's allocation of depreciation expense by function was not as a direct expense of the related functions of the capital assets being depreciated on the Statement of Activities.

DEKALB COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013

## II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

### Cause:

Per inquiry of management, the School District could not adequately implement internal controls to maintain capital assets activity due to legacy accounting system inadequacies. The impact of these inadequacies resulted in staff and time constraints.

### Effect or Potential Effect:

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

### Recommendation:

The School District should design and implement controls over capital assets to ensure (1) an ongoing analysis of capital projects is maintained and (2) capital assets inventory records are reviewed for accuracy and appropriate adjustments are made as necessary.

### Views of Responsible Officials:

The labor intensive nature of the present (legacy) accounting system requires experienced staff members to spend an inordinate amount of time in managing their required areas which has had the impact of restricting their time available relative to improving capital assets documentation. Although a new capital asset accountant was hired, they received a promotional offer and returned to their original division.

### Corrective Action Plan:

The Finance Division has instituted a Chart of Accounts conversion project which is approximately 35% complete. This conversion covers approximately 6,800 capital asset accounts which should be reduced in number as a result of the conversion to the State Chart of Accounts. The scheduled completion date for the Chart of Accounts conversion project is June 15, 2015. Hardware upgrades have taken place relative to most of the staff involved in the financial statement preparation process, and the IT and Finance Divisions are reviewing software options relative to replacing our legacy accounting and capital assets software. A decision should be made on which software options to pursue by January 15, 2015.

### Estimated Corrective Action Date:

Chart of Accounts – June 15, 2015; New Software Installation – June 2016

### Contact Persons:

Dr. Michael J. Bell, CFO

[Michael\\_Bell@fc.dekalb.k12.ga.us](mailto:Michael_Bell@fc.dekalb.k12.ga.us)

678-676-0133

Mr. Gary Brantley, CIO

[Gary\\_I\\_brantley@fc.dekalb.k12.ga.us](mailto:Gary_I_brantley@fc.dekalb.k12.ga.us)

678-676-1194

## III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.