

**BARTOW COUNTY
BOARD OF EDUCATION**

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

BARTOW COUNTY BOARD OF EDUCATION

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

TABLE OF CONTENTS

<u>I. Financial Section</u>	<u>Page</u>
Independent Auditor's Report	1 and 2
Management's Discussion and Analysis	3-11
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	12
Statement of Activities	13
Fund Financial Statements:	
Balance Sheet – Governmental Funds	14
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
General Fund - Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	17
Statement of Fiduciary Assets and Liabilities – Fiduciary Funds	18
Notes to the Basic Financial Statements	19-38
 <u>II. Other Supplementary Information</u>	
Schedule of State Revenue	39 and 40
Schedule of Quality Basic Education Program (QBE)	
Allotments and Expenditures by Program – General Fund	41
Schedule of Expenditures of Educational Local Option Sales Tax Proceeds	42
 <u>III. Single Audit Section</u>	
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>	43 and 44
Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	45 and 46
Schedule of Expenditures of Federal Awards	47 - 49
Schedule of Findings and Questioned Costs	50 - 54

I. FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

**To the Superintendent and Members of
the Bartow County Board of Education
Cartersville, Georgia**

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2012 on our consideration of the Bartow 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bartow County Board of Education's basic financial statements. The Schedule of State Revenue, Schedule of Quality Basic Education Program (QBE) Allotments and Expenditures by Program – General Fund, and Schedule of Expenditures of Educational Local Option Sales Tax Proceeds are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Mauldin & Jenkins, LLC

Atlanta, Georgia
February 15, 2012

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

INTRODUCTION

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

FINANCIAL HIGHLIGHTS

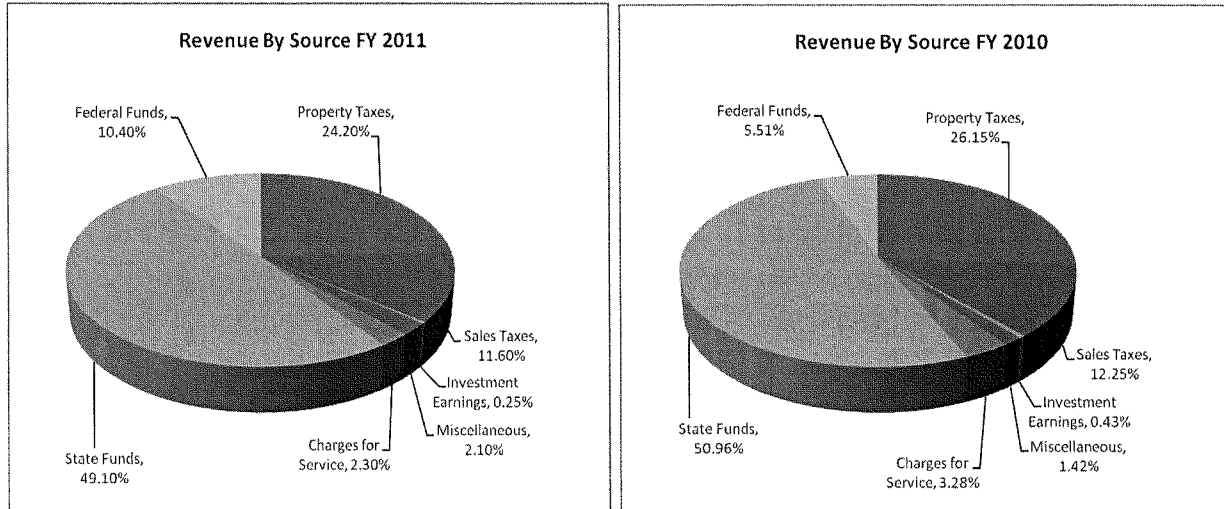
Key financial highlights for fiscal year 2011 are as follows:

In total, combined net assets increased \$13.5 million which represents a 5.9% increase from the prior year.

- Combined general revenues for governmental activities accounted for \$66.7 million or 43.9% of all revenues. Program specific revenues – charges for services, grants and contributions accounted for \$85.2 million or 56.1% of total revenues of \$151.9 million. Total combined revenues were \$4.8 million or 3.3% more than the prior year.
- Combined general revenues for the year were from Federal, State, and Local sources, with the State QBE appropriation, proceeds from the Educational Local Option Sales Tax, and local property tax assessments providing the bulk of the resources. The percentage breakdown by source is as follows: Property Taxes 24.2%; Sales Taxes 11.6%; State funds 49.1%; Federal funds 10.4%; Charges for services 2.3%; Investment earnings .25%; and Miscellaneous 2.1%.
- The School District had \$138.3 million in expenses related to governmental activities and \$85.2 million of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$66.7 million provided the remaining support for these programs.
- Among major funds, the General Fund had \$132.9 million in revenues and \$128.5 million in expenditures and the District Wide Capital Project Fund had \$19.2 million in revenues and \$16.1 million in expenditures (excluding transfers to Debt Service Fund). Fund balance increased for the General Fund by \$4.3 million and the fund balance increased for capital projects by \$60.1 million.

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

The following charts show the source of governmental activities revenue for the current and prior fiscal years.



OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements, other supplementary information, and the single audit section. The basic financial statements include a series of financial statements and notes to the financial statements. These statements are presented so the reader can understand the School District as a financial whole or its individual fund level.

The system-wide financial statements include the statement of net assets and statement of activities and the supporting notes to these financial statements. These financial statements provide aggregated information about the activities of the School District, presenting both short-term and long-term information about the School District's overall financial status.

At the next level, the fund financial statements focus on individual parts of the School District, reporting operation's in more detail and includes the supporting notes to these statements. The governmental funds statements disclose how basic services are financed in the short-term as well as what remains for future spending. The fiduciary fund statements provide information about the financial relationships in which the School District acts solely as a trustee or agent for the benefit of others. The fund financial statements reflect the School District's most significant funds. In the case of the Bartow County School System, the General Fund, District Wide Capital Projects Fund, and Debt Service Fund are the most significant funds and are presented as major funds in separate columns for each fund.

The notes to the financial statements provide additional detailed information that is essential to understanding data provided in the system-wide and fund level statements. The notes can be found on pages 19-38 of this report.

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

System-Wide Statements

The System-wide statements are designed to provide readers with a broad overview of the finances. This view of the School District as a whole looks at financial transactions and asks these questions, "How did we do financially in fiscal year 2011 and are we in a better financial position this year than last?"

The Statement of Net Assets and Statement of Activities provide the basis for answering this question. These statements are presented using the accrual basis of accounting, similar to the accounting used by most private-sector businesses. This basis of accounting includes all of the current year's revenues and expenditures regardless of when cash is received or paid.

The Statement of Net Assets presents information on all of the School District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether our financial position is improving or deteriorating.

The Statement of Activities presents information showing how the School District's net assets changed during the fiscal year. The causes of this change may be the result of many factors, including those not under the School District's control, such as the property tax base, facility conditions, required educational programs, and other factors.

In the Statements of Net Assets and Statement of Activities, the School District has one type of activity-governmental. Governmental activities includes all programs of instruction, support services, operating and maintenance of plant, administration, pupil transportation, school nutrition, after school and school activity accounts.

Fund Financial Statements

The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds.

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

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

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

FINANCIAL ANALYSIS OF THE SCHOOL SYSTEM AS A WHOLE

Recall that the statement of net assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for the current and prior fiscal years:

**Table 1
Condensed Statement of Net Assets
June 30**

	Governmental Activities	
	<u>2011</u>	<u>2010</u>
Assets		
Current and Other Assets	\$ 134,362,685	\$ 69,292,991
Capital Assets	<u>231,347,813</u>	<u>222,980,281</u>
Total Assets	<u>365,710,498</u>	<u>292,273,272</u>
Liabilities		
Current and Other Liabilities	19,258,707	20,207,870
Long-term Liabilities	<u>106,581,532</u>	<u>45,743,070</u>
Total Liabilities	<u>125,840,239</u>	<u>65,950,940</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	125,702,353	178,163,223
Restricted	84,843,522	23,023,496
Unrestricted	<u>29,324,384</u>	<u>25,135,613</u>
Total Net Assets	<u>\$ 239,870,259</u>	<u>\$ 226,322,332</u>

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

Table 2 shows the changes in net assets for the current and prior fiscal years:

**Table 2
Changes in Net Assets
June 30**

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Revenues		
Program Revenues:		
Charges for Services	\$ 3,480,209	\$ 3,691,235
Operating Grants and Contributions	79,945,131	75,386,546
Capital Grants and Contributions	<u>1,777,382</u>	<u>1,213,272</u>
Total Program Revenues	<u>85,202,722</u>	<u>80,291,053</u>
General Revenues:		
Taxes		
Property Taxes	36,829,913	38,180,498
Sales Taxes	17,468,425	18,055,210
Grants and Contributions not Restricted to		
Specific Programs	7,964,256	7,807,733
Investment Earnings	382,710	632,872
Miscellaneous	<u>4,021,152</u>	<u>2,100,255</u>
Total General Revenues	<u>66,666,456</u>	<u>66,776,568</u>
Total Revenues	<u>151,869,178</u>	<u>147,067,621</u>
Program Expenses		
Instruction	88,864,862	89,212,127
Support Services		
Pupil Services	3,857,331	4,398,060
Improvement of Instructional Services	1,008,327	1,294,044
Educational Media Services	2,276,477	2,509,632
General Administration	1,756,497	1,614,264
School Administration	8,291,875	8,120,528
Business Administration	1,137,868	1,118,982
Maintenance and Operations of Plant	9,838,778	9,168,677
Student Transportation Services	7,405,173	6,053,100
Central Support Services	2,438,764	1,878,489
Other Support Services	183,318	109,258
Operations of Non-Instructional Services		
Miscellaneous Non-Instructional Services	2,595,296	2,741,383
Food Services Operation	6,611,941	6,537,471
Interest on Long-Term Debt	<u>2,054,744</u>	<u>1,500,707</u>
Total Expenses	<u>138,321,251</u>	<u>136,256,722</u>
Change in Net Assets	13,547,927	10,810,899
Net Assets, Beginning of Year	226,322,332	215,511,433
Net Assets, End of Year	<u><u>\$ 239,870,259</u></u>	<u><u>\$ 226,322,332</u></u>

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

Governmental Activities

As reported in the Statement of Activities, the cost of all our governmental activities this year was \$138,321,251. Instructional program expenses of \$88,864,862 represent 64.2% of the total. Interest expense was attributable to the various outstanding bond issues and represents 1.5% of total expenses.

Although program revenues make up a majority (56.1%) of the combined revenues, the School District is dependent upon general revenues (property tax, sales tax and other non-restricted revenues) to cover the net cost of services. For 2011, general revenues represented 43.9% or \$66,666,456 of total revenues in the amount of \$151,869,178.

The Statement of Activities, on page 13, shows the cost of program services and the charges for services and grants offsetting these services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted federal and state entitlements.

**Table 3
Statement of Activities
June 30**

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Instruction	\$ 88,864,862	\$ 89,212,127	\$(28,310,886)	\$(33,731,397)
Support Services				
Pupil Services	3,857,331	4,398,060	(3,049,707)	(3,396,373)
Improvement of				
Instructional Services	1,008,327	1,294,044	(33,816)	2,608
Educational Media Services	2,276,477	2,509,632	(461,418)	(711,889)
General Administration	1,756,497	1,614,264	1,037,872	1,318,673
School Administration	8,291,875	8,120,528	(4,492,562)	(4,649,206)
Business Administration	1,137,868	1,118,982	(1,120,032)	(1,099,990)
Maintenance and Operation				
of Plant	9,838,778	9,168,677	(5,543,143)	(4,751,411)
Student Transportation				
Services	7,405,173	6,053,100	(4,962,545)	(4,030,603)
Central Support Services	2,438,764	1,878,489	(2,416,212)	(1,851,601)
Other Support Services	183,318	109,258	(97,443)	(35,781)
Food Services Operation	6,611,941	6,537,471	435,207	689,287
Misc. Non-Instructional Svcs.	2,595,296	2,741,383	(2,049,100)	(2,217,279)
Interest on Long-term Debt	2,054,744	1,500,707	(2,054,744)	(1,500,707)
Total Program Expenses	\$ 138,321,251	\$136,256,722	\$(53,118,529)	\$(55,965,669)

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

FINANCIAL ANALYSIS OF THE SCHOOL SYSTEM'S FUNDS

The School District's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues and other financing sources (excluding transfers) of \$227,263,831 and expenditures and other financing uses (excluding transfers) of \$160,900,900 for a \$66,362,931 increase in fund balance. The total governmental fund balance for 2011 is comprised of the following:

**Table 4
Governmental Fund Balances
June 30**

	<u>2011</u>	<u>2010</u>
General Fund	\$ 29,432,300	\$ 25,124,965
District Wide Capital Projects Fund	82,910,389	22,772,345
Debt Service Fund	<u>1,933,133</u>	<u>15,581</u>
Total Fund Balance	<u><u>\$ 114,275,822</u></u>	<u><u>\$ 47,912,891</u></u>

The \$4.3 million increase in the General Fund's fund balance was the result of managing General Fund expenses and the addition of Job Education funds passed thru the Georgia Department of Education from the federal government.

The \$60.1 million increase for District Wide Capital Projects Fund balance reflected the proceeds of the 2010 bond series issued. EPLOST collections decreased 2.2% from the previous year.

General Fund Budgeting Highlights

The School System's budget is prepared according to Georgia Law.

- The most significant budgeted fund is the General Fund. During 2011, the School District amended its General Fund Budget as needed.
- For the General Fund, the final actual revenues and other financing sources of \$132,913,314 were greater than the original budgeted amount of \$130,367,045 by \$2,546,269. This difference was due largely to a significant decrease in federal funds.
- The final actual expenditures of \$128,525,360 were less than the original budgeted amount of \$130,765,266 by \$2,239,906. This difference was due to budget reductions during the fiscal year to offset decreasing revenues.

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

-
- Overall, the 2011 actual General Fund revenues and other financing sources exceeded the actual General Fund expenditures and other financing uses by \$4,307,335.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year June 30, 2011, the School System had \$231,347,813 invested in capital assets, all in governmental activities. Additional information about capital assets can be found in the notes to the financial statements. Table 5 reflects these balances.

**Table 5
Capital Assets (net of accumulated depreciation)
June 30**

	<u>2011</u>	<u>2010</u>
Land	\$ 16,712,842	\$ 13,468,722
Construction in Progress	2,980,102	62,971,462
Land Improvements	5,258,936	5,735,674
Buildings	198,236,264	134,097,842
Equipment	<u>8,159,669</u>	<u>6,706,581</u>
Total Capital Assets	<u><u>\$ 231,347,813</u></u>	<u><u>\$ 222,980,281</u></u>

Construction in progress at year end includes \$2,068,664 of construction cost for the new Cloverleaf Elementary, \$223,840 of Architectural costs for Adairsville Middle School, \$117,643 of engineering cost for the new Emerson Elementary, and the balance for a roof retrofit at South Central Middle School.

Debt

At the end of fiscal year June 30, 2011, the School System had \$100,330,000 in general obligation bonds outstanding, with \$13,900,000 due within one year. Debt service payments are made from the proceeds of the Educational Local Option Sales Tax. Table 6 summarizes general obligation bonds outstanding. Additional information about long-term debt can be found in the notes to the financial statements.

Compensated absences outstanding at June 30, 2011 were \$561,072 compared to \$626,012 in the prior year.

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

**Table 6
General Obligation Debt
June 30**

	<u>2011</u>	<u>2010</u>
Series 2008 G. O. Bonds	\$ 24,505,000	\$ 36,080,000
Series 2009 G. O. Bonds	5,865,000	7,695,000
Series 2010 G. O. Bonds	<u>69,960,000</u>	<u>-</u>
Total General Obligation bonds	<u>\$ 100,330,000</u>	<u>\$ 43,775,000</u>

At June 30, 2011, the School District's legal debt margin was \$137,741,393. The School District maintains an "AA+" bond rating as determined by Standard and Poor's Ratings Services.

CURRENT ISSUES

- The School District's gross tax digest experienced a two percent decrease which is expected to have leveled off and begin to stabilize the effect on General Fund fund balance.
- Capital Improvements – The School District is currently constructing a new replacement facility for Cloverleaf Elementary. Plans for an Adairsville Middle School replacement are underway and construction is expected to begin in FY2012. Plans for an Emerson Elementary replacement facility are proceeding.

CONTACTING THE SCHOOL SYSTEM'S FINANCIAL MANAGEMENT

This financial report is designed to provide our taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact the business office at the Bartow County Board of Education, 65 Gilreath Road, Cartersville, GA 30121, or 770-606-5800.

BASIC FINANCIAL STATEMENTS

BARTOW COUNTY BOARD OF EDUCATION

STATEMENT OF NET ASSETS

JUNE 30, 2011

	Governmental Activities
<hr/>	
ASSETS	
Cash and cash equivalents	\$ 12,655,253
Restricted cash	72,793,209
Investments	32,176,300
Receivables:	
Taxes	1,533,970
State government	11,968,180
Federal government	1,598,712
Other	419,434
Inventory	557,860
Deferred charges	659,767
Capital assets (nondepreciable)	19,692,944
Capital assets (net of accumulated depreciation)	211,654,869
Total assets	<hr/> 365,710,498 <hr/>
LIABILITIES	
Accounts payable	1,690,414
Salaries and benefits payable	16,445,940
Accrued interest payable	867,871
Retainage payable	223,869
Other payables	30,613
Bonds payable due within one year	13,900,000
Bonds payable due in more than one year	91,745,460
Accrued claims payable, due in less than one year	131,250
Accrued claims payable, due in more than one year	243,750
Compensated absences, due in less than one year	303,790
Compensated absences, due in more than one year	257,282
Total liabilities	<hr/> 125,840,239 <hr/>
NET ASSETS	
Invested in capital assets, net of related debt	125,702,353
Restricted for:	
Capital projects	82,910,389
Debt service	1,933,133
Unrestricted	29,324,384
Total net assets	<hr/> \$ 239,870,259 <hr/>

The accompanying notes are an integral part of these financial statements.

BARTOW COUNTY BOARD OF EDUCATION

STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 88,864,862	\$ 764,317	\$ 58,909,733	\$ 879,926	\$ (28,310,886)
Support services:					
Pupil services	3,857,331	-	804,907	2,717	(3,049,707)
Improvement of instructional services	1,008,327	-	974,511	-	(33,816)
Educational media services	2,276,477	-	1,813,788	1,271	(461,418)
General administration	1,756,497	-	2,773,219	21,150	1,037,872
School administration	8,291,875	-	3,739,479	59,834	(4,492,562)
Business administration	1,137,868	-	7,798	10,038	(1,120,032)
Maintenance and operation of plant	9,838,778	-	4,232,471	63,164	(5,543,143)
Student transportation services	7,405,173	-	1,743,061	699,567	(4,962,545)
Central support services	2,438,764	-	9,329	13,223	(2,416,212)
Other support services	183,318	-	85,875	-	(97,443)
Operations of non-instructional services:					
Miscellaneous non-instructional services	2,595,296	546,196	-	-	(2,049,100)
Food services operation	6,611,941	2,169,696	4,850,960	26,492	435,207
Interest on long-term debt	2,054,744	-	-	-	(2,054,744)
Total governmental activities	<u>\$ 138,321,251</u>	<u>\$ 3,480,209</u>	<u>\$ 79,945,131</u>	<u>\$ 1,777,382</u>	<u>(53,118,529)</u>
General revenues:					
Property taxes, levied for general purposes					36,829,913
Sales taxes					17,468,425
Grants and contributions not restricted to specific programs					7,964,256
Unrestricted investment earnings					382,710
Other					4,021,152
Total general revenues					<u>66,666,456</u>
Change in net assets					13,547,927
Net assets, beginning of year					226,322,332
Net assets, end of year					<u>\$ 239,870,259</u>

The accompanying notes are an integral part of these financial statements.

BARTOW COUNTY BOARD OF EDUCATION

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2011

ASSETS	General	District-Wide Capital Projects	Debt Service	Total Governmental Funds
Cash and cash equivalents	\$ 12,655,253	\$ -	\$ -	\$ 12,655,253
Restricted cash	-	70,860,076	1,933,133	72,793,209
Investments	21,608,335	10,567,965	-	32,176,300
Receivables:				
Taxes	1,533,970	-	-	1,533,970
State government	9,290,584	2,677,596	-	11,968,180
Federal government	1,598,712	-	-	1,598,712
Other	419,434	-	-	419,434
Inventory	557,860	-	-	557,860
Total assets	\$ 47,664,148	\$ 84,105,637	\$ 1,933,133	\$ 133,702,918

LIABILITIES AND FUND BALANCES

LIABILITIES				
Accounts payable	\$ 719,035	\$ 971,379	\$ -	\$ 1,690,414
Salaries and benefits payable	16,445,940	-	-	16,445,940
Retainage payable	-	223,869	-	223,869
Other payables	30,613	-	-	30,613
Deferred revenue	1,036,260	-	-	1,036,260
Total liabilities	18,231,848	1,195,248	-	19,427,096

FUND BALANCES

Fund Balances:				
Nonspendable:				
Inventory	557,860	-	-	557,860
Restricted:				
Debt service	-	-	1,933,133	1,933,133
Capital projects	-	82,910,389	-	82,910,389
Unassigned:	28,874,440	-	-	28,874,440
Total fund balances	29,432,300	82,910,389	1,933,133	114,275,822
Total liabilities and fund balances	\$ 47,664,148	\$ 84,105,637	\$ 1,933,133	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Cost	298,812,702
Less accumulated depreciation	(67,464,889)

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

Property taxes	1,036,260
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds	(100,330,000)
Bond premium, net of amortization	(5,410,933)
Loss on bond refunding	95,473
Bond issuance costs, net of amortization	659,767
Claims payable	(375,000)
Accrued interest	(867,871)
Compensated absences	(561,072)

Net assets of governmental activities	\$ 239,870,259
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The accompanying notes are an integral part of these financial statements.

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

	General	District Wide Capital Projects	Debt Service	Total Governmental Funds
REVENUES				
Property taxes	\$ 36,791,001	\$ -	\$ -	\$ 36,791,001
Sales taxes	-	17,704,015	-	17,704,015
State funds	73,396,819	1,243,340	-	74,640,159
Federal funds	15,768,387	-	-	15,768,387
Charges for services	3,480,208	-	-	3,480,208
Investment earnings	161,438	220,829	443	382,710
Miscellaneous	3,299,356	-	-	3,299,356
Total revenues	<u>132,897,209</u>	<u>19,168,184</u>	<u>443</u>	<u>152,065,836</u>
EXPENDITURES				
Current:				
Instruction	83,750,990	15,015	-	83,766,005
Support services:				
Pupil services	3,841,874	-	-	3,841,874
Improvement of instructional services	1,008,327	-	-	1,008,327
Educational media services	2,269,245	-	-	2,269,245
General administration	1,636,192	-	-	1,636,192
School administration	8,016,472	-	-	8,016,472
Business administration	1,080,772	-	-	1,080,772
Maintenance and operation of plant	9,363,036	116,459	-	9,479,495
Student transportation services	6,463,658	-	-	6,463,658
Central support services	1,854,932	508,617	-	2,363,549
Other support services	183,318	-	-	183,318
Other miscellaneous operations	2,595,296	-	-	2,595,296
Food services operation	6,461,248	-	-	6,461,248
Capital outlay	-	15,474,633	-	15,474,633
Debt service:	-	-	-	-
Principal retirement	-	-	13,405,000	13,405,000
Interest and fees	-	-	2,292,958	2,292,958
Costs of debt issuance	-	-	562,858	562,858
Total expenditures	<u>128,525,360</u>	<u>16,114,724</u>	<u>16,260,816</u>	<u>160,900,900</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,371,849</u>	<u>3,053,460</u>	<u>(16,260,373)</u>	<u>(8,835,064)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from debt issuance	-	-	69,960,000	69,960,000
Premium on issuance of debt	-	-	5,221,890	5,221,890
Proceeds from sale of capital assets	16,105	-	-	16,105
Transfers in	-	74,717,100	17,632,516	92,349,616
Transfers out	(80,619)	(17,632,516)	(74,636,481)	(92,349,616)
Total other financing sources (uses)	<u>(64,514)</u>	<u>57,084,584</u>	<u>18,177,925</u>	<u>75,197,995</u>
Net change in fund balances	4,307,335	60,138,044	1,917,552	66,362,931
FUND BALANCE, beginning of year	<u>25,124,965</u>	<u>22,772,345</u>	<u>15,581</u>	<u>47,912,891</u>
FUND BALANCE, end of year	<u>\$ 29,432,300</u>	<u>\$ 82,910,389</u>	<u>\$ 1,933,133</u>	<u>\$ 114,275,822</u>

The accompanying notes are an integral part of these financial statements.

BARTOW COUNTY BOARD OF EDUCATION

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$	66,362,931
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which capital outlays exceeded depreciation expense.

Capital outlay	\$	14,367,441	
Depreciation expense		<u>(5,965,060)</u>	8,402,381

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.	(34,849)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes	38,912
Sales taxes	<u>(235,570)</u>

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments - bonds	\$	13,405,000	
Bond premium		<u>(5,221,890)</u>	
Bond issuance costs		562,858	
Issuance of refunding general obligation debt		<u>(69,960,000)</u>	(61,214,032)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in compensated absences	\$	64,940	
Amortization of bond premium		1,004,337	
Amortization of deferred charge on refunding		<u>(55,849)</u>	
Amortization of bond issuance costs		(165,051)	
Change in claims payable		(75,000)	
Change in accrued interest		<u>(545,223)</u>	228,154

Change in net assets of governmental activities	\$	<u>13,547,927</u>
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The accompanying notes are an integral part of these financial statements.

BARTOW COUNTY BOARD OF EDUCATION

GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Property taxes	\$ 36,332,000	\$ 37,082,891	\$ 36,791,001	\$ (291,890)
State funds	72,261,476	73,335,231	73,396,819	61,588
Federal funds	15,757,601	18,430,497	15,768,387	(2,662,110)
Charges for services	3,624,074	4,060,864	3,480,208	(580,656)
Investment earnings	172,841	171,767	161,438	(10,329)
Miscellaneous	2,219,053	3,117,493	3,299,356	181,863
Total revenues	<u>130,367,045</u>	<u>136,198,743</u>	<u>132,897,209</u>	<u>(3,301,534)</u>
EXPENDITURES				
Current				
Instruction	84,296,876	84,842,092	83,750,990	1,091,102
Support services				
Pupil services	4,045,733	4,045,889	3,841,874	204,015
Improvement of instructional services	1,935,912	2,281,479	1,008,327	1,273,152
Educational media services	2,397,160	2,269,245	2,269,245	-
General administration	1,699,902	1,715,719	1,636,192	79,527
School administration	8,466,118	8,022,498	8,016,472	6,026
Business administration	1,405,885	1,115,067	1,080,772	34,295
Maintenance and operation of plant	9,414,732	9,376,866	9,363,036	13,830
Student transportation service	6,000,514	6,562,715	6,463,658	99,057
Central support services	1,441,853	1,856,229	1,854,932	1,297
Other support services	211,955	203,822	183,318	20,504
Other miscellaneous operations	2,271,658	3,379,670	2,595,296	784,374
Food services operation	7,176,968	7,386,482	6,461,248	925,234
Total expenditures	<u>130,765,266</u>	<u>133,057,773</u>	<u>128,525,360</u>	<u>4,532,413</u>
Excess (deficiency) of revenues over (under) expenditures	(398,221)	3,140,970	4,371,849	1,230,879
OTHER FINANCING SOURCES (USES)				
Transfers in	502,666	1,796	-	(1,796)
Transfers out	(461,891)	(80,619)	(80,619)	-
Proceeds from sale of capital assets	-	15,484	16,105	621
Total other financing sources (uses)	<u>40,775</u>	<u>(63,339)</u>	<u>(64,514)</u>	<u>(1,175)</u>
Net change in fund balances	<u>(357,446)</u>	<u>3,077,631</u>	<u>4,307,335</u>	<u>1,229,704</u>
FUND BALANCE, beginning of year	<u>25,124,965</u>	<u>25,124,965</u>	<u>25,124,965</u>	<u>-</u>
FUND BALANCE, end of year	<u>\$ 24,767,519</u>	<u>\$ 28,202,596</u>	<u>\$ 29,432,300</u>	<u>\$ 1,229,704</u>

The accompanying notes are an integral part of these financial statements.

BARTOW COUNTY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2011

ASSETS	Agency Fund
Cash	<u>\$ 129,982</u>
Total assets	<u><u>\$ 129,982</u></u>
 LIABILITIES	
Due to others	<u>\$ 129,982</u>
Total liabilities	<u><u>\$ 129,982</u></u>

The accompanying notes are an integral part of these financial statements.

BARTOW COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

Note 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

REPORTING ENTITY

The Bartow 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 Bartow County Board of Education.

District-wide Statements:

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

BARTOW COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements: (continued)

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 all financial resources of the School District, except those resources required to be accounted for in another fund.
- *District Wide Capital Projects Fund* accounts for financial resources including Educational Local Option Sales Tax (ELOST), bond proceeds and grants from Georgia State Financing and Investment Commission to be used for the acquisition, construction or renovation of major capital facilities.
- *Debt Service Fund* accounts for transactions and resources for the payment of general long-term principal, interest and paying agent's fees.

The School District reports the following fiduciary fund type:

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

Basis of Accounting/Measurement Focus

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.

BARTOW COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting/Measurement Focus (continued)

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

Revenue from grants and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School System must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School System on a reimbursement basis.

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

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

Cash and Cash Equivalents

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

BARTOW COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents (Continued)

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

Compositions 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 investment pool administered by the State of Georgia, Office of Treasury and Fiscal Services,
- (7) Repurchase agreements, and
- (8) Obligations of other political subdivisions of the State of Georgia.

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

**BARTOW COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 in the basic financial statements do not include any amounts which would necessitate the need for an allowance for uncollectible receivables.

Property Taxes

The Bartow County Commissioners fixed the property tax levy for the 2010 tax digest year (calendar year) on August 2, 2010 (levy date). Taxes were due on November 20, 2010 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2010 tax digest are reported as revenue in the governmental funds for fiscal year 2011. The Bartow County Tax Commissioner bills and collects the property taxes for the School District, withholds 2.5% of taxes collected as a fee for tax collection and remits the balance of taxes collected to the School District. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2011, for maintenance and operations amounted to \$36,791,001.

The Georgia Constitution, Article VIII, Section VI, Paragraph I requires the board of education of each school system to annually certify to its fiscal authority or authorities a school tax not greater than 20 mills per dollar for the support and maintenance of education. The Bartow County Board of Education is in compliance with this law. Tax millage rates levied for the 2010 tax year (calendar year) for the Bartow County Board of Education were as follows (a mill equals \$1 per thousand dollars of assessed value):

School Operations	17.90 mills
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Sales Taxes

Educational Local Option Sales Tax revenue, at the fund reporting level, during the fiscal year amounted to \$17,704,015 and is used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

Inventories

On the basic financial statements, inventories of donated food commodities used in the preparation of meals are reported at their federally assigned value and purchased foods inventories are reported at cost (weighted average). 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

BARTOW COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories (continued)

used. Purchased foods are recorded as an asset when purchased and expenses/expenditures are recorded as the inventory items are used.

Capital Assets

Capital assets purchased, including capital outlay costs, are recorded as expenditures in the fund financial statements at the time of purchase (including ancillary charges). On the District-wide financial statements, all purchased capital assets are valued at cost where historical records are available and at estimated historical cost based on appraisals or deflated current replacement cost where no historical records exist. Donated capital assets are recorded at estimated fair market value on the date donated. Disposals are deleted at depreciated recorded cost. The cost of normal maintenance and repairs that do not add to the value of assets or materially extend the useful lives of the assets is not capitalized. Depreciation is computed using the straight-line method. The School District does not capitalize book collections or works of art. During the fiscal year under review, no events or changes in circumstances affecting a capital asset that may indicate impairment were known to the School District.

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

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
Land	Any Amount	N/A
Land and Improvements	\$5,000	20 to 30 years
Buildings and Improvements	\$5,000	15 to 60 years
Equipment	\$5,000	5 to 20 years

Depreciation is used to allocate the actual or estimated historical cost of all capital assets over estimated useful lives.

Compensated Absences

The School District's policy is to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for non-vesting accumulated rights to receive sick pay benefits since it is the School District's policy not to pay any amounts when employees separate from service with the School District. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example as a result of employee resignations and retirements.

**BARTOW COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, issuance costs, as well as the loss on bond refunding are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and the loss on bond refunding. Bond issuance costs are reported as deferred charges and amortized over the term of the debt.

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. In addition, general obligation bonds have been issued to refund existing general obligation bonds. General obligation bonds are direct obligations and pledge the full faith and credit of the government. The outstanding amount of these bonds is recorded in the Statement of Net Assets.

Net Assets/Fund Balances

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

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

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

- ***Nonspendable*** – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.
- ***Restricted*** – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Board or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

BARTOW COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balance (Continued)

- ***Committed*** – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the Board members through the adoption of a resolution. Only the Board Members may modify or rescind the commitment.
- ***Assigned*** - Fund balances are reported as assigned when amounts are constrained by the Board's intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the Board Members have authorized the Board's Superintendent and Director of Finance to assign fund balances.
- ***Unassigned*** - Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The Board reports positive unassigned fund balance only in the General Fund. Negative unassigned fund balances may be reported in all funds.

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

- Committed
- Assigned
- Unassigned

It is the goal of the School District to achieve and maintain an unassigned fund balance in the General Fund at fiscal year-end of not less than 5% of budgeted expenditures, not to exceed 15% of the total budget of the subsequent fiscal year, net of any Committed Reserve Balance for capital expenditures, in compliance with O.C.G.A. 20-2-167(a)5. If the unassigned fund balance at fiscal year-end falls below the goal, the School District shall develop a restoration plan to achieve and maintain the minimum fund balance.

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

**BARTOW COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

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

Note 3: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The School District adopts an annual budget for its General Fund and Debt Service Fund. The budget is prepared in accordance with the provision of the OCGA §20-2-167 and in accordance with U.S. generally accepted accounting principles. After the Board has tentatively adopted the budget, it is advertised at least one time in the local newspaper of general circulation. At the next regular meeting of the Board after advertising the budget it is revised as necessary and adopted as the final budget.

Note 4: DEPOSITS AND INVESTMENTS

Collateralization of Deposits

Official Code of Georgia Annotated (OCGA) §45-8-12 provides that there shall not be on deposit at any time in any depository for a time longer than ten days a sum of money which has not been secured by surety bond, by guarantee of insurance, or by collateral. The aggregate of the face value of such surety bond and the market value of securities pledged shall be equal to not less than 110 percent of the public funds being secured after the deduction of the amount of deposit insurance. If a depository elects the pooled method (OCGA §45-8-13.1) the aggregate of the market value of the securities pledged to secure a pool of public funds shall be not less than 110 percent of the daily pool balance. As of June 30, 2011, the School District's deposits were secured by surety bond, insurance or collateral.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the School District will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of June 30, 2011, the School District's cash accounts and investments were properly collateralized as required by State statutes.

**BARTOW COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011**

Note 4: DEPOSITS AND INVESTMENTS (continued)

Custodial Credit Risk (continued)

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, notes, 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.

At June 30, 2011, the carrying value of the School District's total investments was \$32,176,300, which is materially the same as fair value. This investment consisted of funds invested in certificates of deposit through CDARS, money market accounts and the Georgia Fund 1, formerly referred to as LGIP, administered by the State of Georgia, Office of Treasury and Fiscal Services which are 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 Treasury and Fiscal Services for the Georgia Fund 1 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 located at the following address: <http://www.audits.state.ga.us/internet/searchRpts.html>.

The Georgia Fund 1, which is not registered with the SEC as an investment company, operates in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. The

BARTOW COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

Note 4: DEPOSITS AND INVESTMENTS (continued)

Custodial Credit Risk (continued)

investment is valued at the pool's share price, \$1.00 per share. The pool is an AAAM rated investment pool by Standard and Poor's. The weighted average maturity of Georgia Fund 1 may not exceed 60 days. The weighted average maturity for Georgia Fund 1 on June 30, 2011, was 59 days. The remaining investments are certificates of deposit that mature in 12 months.

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
Georgia Fund 1	59 days	\$ 1,537,845
CD	7/20/2011 - 6/9/2014	153,539
Money Market	N/A	30,484,916
Total		<u>\$ 32,176,300</u>

The School District does not have a formal policy for managing custodial credit risk.

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.

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.

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. The only investments in excess of 5% of the School District's investment portfolio are Georgia Fund 1.

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. For the year ended June 30, 2011, the commodities inventory is recorded at the federally assigned value of \$252,365.

BARTOW COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

Note 6: CAPITAL ASSETS

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

	<u>Balance</u> <u>June 30, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2011</u>
Governmental activities:				
Nondepreciable capital assets				
Land	\$ 13,468,722	\$ 3,244,120	\$ -	\$ 16,712,842
Construction in progress	62,971,462	2,929,876	(62,921,236)	2,980,102
Total	<u>76,440,184</u>	<u>6,173,996</u>	<u>(62,921,236)</u>	<u>19,692,944</u>
Capital assets, being depreciated:				
Buildings and improvements	176,636,689	69,005,994	(942,500)	244,700,183
Equipment	18,977,164	2,108,687	(64,699)	21,021,152
Land improvements	13,398,424	-	-	13,398,424
Total	<u>209,012,277</u>	<u>71,114,681</u>	<u>(1,007,199)</u>	<u>279,119,759</u>
Less accumulated depreciation for:				
Buildings and improvements	(42,538,847)	(3,963,989)	38,917	(46,463,919)
Equipment	(12,270,583)	(1,524,333)	933,433	(12,861,483)
Land improvements	(7,662,750)	(476,738)	-	(8,139,488)
Total	<u>(62,472,180)</u>	<u>(5,965,060)</u>	<u>972,350</u>	<u>(67,464,890)</u>
Total capital assets being depreciated, net	<u>146,540,097</u>	<u>65,149,621</u>	<u>(34,849)</u>	<u>211,654,869</u>
Governmental activities capital assets, net	<u>\$ 222,980,281</u>	<u>\$ 71,323,617</u>	<u>\$ (62,956,085)</u>	<u>\$ 231,347,813</u>

Current year depreciation expense by function is as follows:

Instruction	\$ 4,221,541
Support services	
Pupil services	13,037
Educational media services	6,100
General administration	101,471
School administration	287,061
Business administration	48,157
Maintenance and operation of plant	303,036
Student transportation services	794,117
Central support services	63,440
Food services operation	127,100
Total depreciation expense	<u>\$ 5,965,060</u>

BARTOW COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

Note 7: INTER-FUND TRANSFERS

Inter-fund transfers for the year ended June 30, 2011, consisted of the following:

<u>Transfer from :</u>	<u>Transfer to :</u>	<u>Amount</u>
Debt Service Fund	District-Wide Capital Projects Fund	\$ 74,636,481
District-Wide Capital Projects Fund	Debt Service Fund	17,632,516
General Fund	Debt Service Fund	80,619

Routine inter-fund transfers are made from the District Wide Capital Project Fund to the Debt Service Fund to pay bond principal payments and interest expenditures.

Note 8: RISK MANAGEMENT

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

The School District participates in the Georgia School Boards Association Risk and Insurance Management System, a public entity risk pool organized on July 1, 1994, to develop and administer a plan to reduce risk of loss on account of general liability, motor vehicle liability, or property damage, including safety engineering and other loss prevention and control techniques, and to administer one or more groups of self-insurance funds, including the processing and defense of claims brought against members of the system. The School District pays an annual premium to the system for its general insurance coverage.

The School District has established a limited risk management program for workers' compensation claims. In connection with this program, a self-insurance reserve has been established within the General Fund by the School District. The School District accounts for claims within the General Fund with expenses/expenditures and liabilities 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 \$350,000 loss per occurrence, up to the statutory limit. For purposes of estimating the unpaid claims liability as of June 30, 2011, the District's third party administrator calculated the reserve liability based on the estimated cost of each outstanding claim, and an estimate for incurred but unreported claims, from claims experience for like claims.

**BARTOW COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011**

Note 8: RISK MANAGEMENT (continued)

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

	<u>Beginning Of Year Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Paid</u>	<u>End of Year Liability</u>
2011	\$ 300,000	\$ 93,750	\$ 18,750	\$ 375,000
2010	410,006	34,442	144,448	300,000

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

Superintendent	\$ 50,000
Chief Financial Officer	50,000

Note 9: LEASES

Operating Leases

The Bartow County Board of Education has entered into various leases as lessee for copiers. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the year ended June 30, 2011, for governmental funds is zero however an operating lease was entered into on June 14, 2011. Future minimum lease payments for this lease are as follows:

<u>Year Ending</u>	<u>Governmental Funds</u>
2011	\$ 172,388
2012	172,388
2013	172,388

Note 10: LONG-TERM DEBT

Compensated Absences

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

BARTOW COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

Note 10: LONG-TERM DEBT (continued)

General Long Term Debt

General Obligation Bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
General Government-Series 2008	3.25% - 5.00%	\$ 24,505,000
General Government-Series 2009	2.50% - 4.00%	5,865,000
General Government-Series 2010	2.375% -5.00%	69,960,000
Total		<u>\$ 100,330,000</u>

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

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2011</u>	<u>Due Within One Year</u>	<u>Due In More Than One Year</u>
G.O. Bonds	\$ 43,775,000	\$ 69,960,000	\$ (13,405,000)	\$ 100,330,000	\$ 13,900,000	\$ 86,430,000
Unamortized Bond Premium	1,193,379	5,221,890	(1,004,337)	5,410,932	-	5,410,932
Loss on bond refunding	<u>(151,321)</u>	<u>-</u>	<u>55,849</u>	<u>(95,472)</u>	<u>-</u>	<u>(95,472)</u>
Total bonds payable	<u>44,817,058</u>	<u>75,181,890</u>	<u>(14,353,488)</u>	<u>105,645,460</u>	<u>13,900,000</u>	<u>91,745,460</u>
Claims payable:						
Workers'						
Compensation	300,000	93,750	(18,750)	375,000	131,250	243,750
Compensated absences	<u>626,012</u>	<u>238,309</u>	<u>(303,249)</u>	<u>561,072</u>	<u>303,790</u>	<u>257,282</u>
Total long-term liabilities	<u>\$ 45,743,070</u>	<u>\$ 75,513,949</u>	<u>\$ (14,675,487)</u>	<u>\$ 106,581,532</u>	<u>\$ 14,335,040</u>	<u>\$ 92,246,492</u>

BARTOW COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

Note 10: LONG-TERM DEBT (continued)

General Long Term Debt (continued)

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

2012	\$	13,900,000	\$	3,625,871	\$	1,463,720
2013		14,445,000		3,009,453		1,245,503
2014		14,410,000		2,425,528		1,030,753
2015		12,615,000		1,814,059		766,426
2016		23,450,000		1,236,290		522,323
2017 -2018		21,510,000		904,645		382,206
		<u> </u>		<u> </u>		<u> </u>
Totals	\$	<u>100,330,000</u>	\$	<u>13,015,846</u>	\$	<u>5,410,931</u>

In the current fiscal year, the School District issued \$69,960,000 of Series 2010A General Obligation Bonds in the amount of \$46,960,000 and Series 2010B Taxable General Obligation Bonds in the amount of \$23,000,000 for the purpose of financing the costs of acquiring, constructing, and equipping ne school facilities, adding to, renovating, repairing, improving, and equipping existing school facilities and acquiring system-wide technology improvements.

Note 11: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of \$318,069 for health insurance and retirement contributions paid on the School District's behalf by the following State Agencies.

Georgia Department of Education

Paid to the Georgia Department of Community Health for Health Insurance of Non-Certified Personnel in the amount of \$202,037.

Paid to the Teachers' Retirement System for Teachers' Retirement System (TRS) Employer's Cost in the amount of \$41,730.

Office of Treasury and Fiscal Services

Paid to the Public School Employees Retirement System for Public School Employees Retirement (PSERS) Employer's Cost in the amount of \$74,302.

**BARTOW COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011**

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, 2011, together with the funding available:

Project	Unearned Contracts	Funding from the State
Cloverleaf Elementary	11,338,170	-
	11,338,170	-

Note 13: SIGNIFICANT CONTINGENT LIABILITIES

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: POST EMPLOYMENT BENEFITS

Georgia Retiree Health Benefit Fund

Plan Description. The School District contributes to the Georgia School Personnel Post-employment Health Benefit Fund ("Benefit Fund"), a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the Department of Community Health. The Benefit Fund provides health insurance benefits to eligible retirees and their qualified beneficiaries. Pursuant to Title 45, Chapter 18 of the Official Code of Georgia Annotated, the authority to establish and amend the benefit provisions of the plan is assigned to the Board of Community Health. The Department of Community Health issues a publicly available financial report that includes financial statements and required supplementary information for the Benefit Fund. That report may be obtained from the Department of community Health at 2 Peachtree Street, Atlanta, Georgia 30303.

Funding Policy. The contribution requirements of the plan members and participating employers are established and may be amended by the Board of Community Health. Contributions of plan members or beneficiaries receiving benefits vary based on plan election, dependent coverage, and Medicare eligibility and election. On Average, plan members pay approximately twenty-five percent (25%) of the cost of health insurance coverage. Participating employers are statutorily required to contribute in accordance with the employer contribution rate established to fund both the active and retired employee health insurance plans based on projected pay-as-you-go financing requirements.

**BARTOW COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011**

Note 14: POST EMPLOYMENT BENEFITS (continued)

Georgia Retiree Health Benefit Fund (continued)

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

Certified employees

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

Non-Certificated Employees \$246.20 per month at June 30, 2011

No additional contribution was required by the Board of Community Health for fiscal year 2011 nor contributed to GRHBF to prefund retiree benefits. Such additional contribution amounts are determined annually by the Board of Community health in accordance with the State plan for other post-employment benefits and are subject to appropriation.

The School District's contribution to the health insurance plans, which equaled the required contribution, for the fiscal year ended June 30, 2011, 2010, and 2009 were \$12,014,837 and \$11,480,874, \$8,619,997 respectively.

Retiree health benefits were previously funded through the Georgia Retiree Health Benefit Fund (GRHBF). In 2009, the General Assembly revisited the GRHBF and enacted legislation that, effective August 31, 2009, separated the GRHBF into two new funds: the Georgia School Personnel Post-employment Health Benefit Fund and the Georgia State Employees Post-employment Health Benefit Fund. The purpose of this change was to assure employers responsible for planning and funding future retiree health costs that their contributions will be dedicated to their respective retiree populations. Funds in the GRHBF were transferred to the Georgia State Employees Post-employment Health Benefit Fund or the Georgia School Personnel Post-employment Health Benefit Fund as described in the plan financial statements. The statute that created the GRHBF is repealed effective September 1, 2010.

Note 15: 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.

**BARTOW COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011**

Note 15: RETIREMENT PLANS (continued)

Teachers Retirement System of Georgia (TRS) (continued)

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

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

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

Funding Policy: TRS is funded by member and employer contributions as adopted and amended by the Board of Trustees. Member contributions are limited by State law to not less than 5% or more than 6% of a member's earnable compensation. Member contributions as adopted by the Board of Trustees for the fiscal year ended June 30, 2011, were 5.53% of annual salary.

The required employer contribution rate for 2011 is 10.28% and School District 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>
2011	100%	\$7,517,123
2010	100%	7,399,714
2009	100%	7,079,586

**BARTOW COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011**

Note 15: RETIREMENT PLANS (continued)

Teachers Retirement System of Georgia (TRS) (continued)

The required employer contribution rate for 2011 is 10.28% and School District 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>
2011	100%	\$7,517,123
2010	100%	7,399,714
2009	100%	7,079,586

Public School Employees Retirement System (PSERS)

Substantially all bus drivers, maintenance, custodial, and lunchroom personnel employed by the District are members of the Public School Employees Retirement System of Georgia (PSERS), which is also a cost-sharing multiple employer public employee retirement system. The Board of the Public School Employees Retirement System of Georgia issues a publicly available financial report that includes financial statements and supplementary information for PSERS.

That report may be obtained by writing Public School Employee Retirement System, Two Northside 75, Atlanta, Georgia 30318-7778, or by calling 1-800-805-4609.

PSERS provides service retirement, disability retirement and survivor's benefits for its members. A member is eligible for normal service retirement after 10 years of service and attainment of age 65. A member applying for service retirement with 10 years of services and retirees between the ages of 60 and 65 receive a reduced benefit. Monthly retirement benefits paid to members are equal to eight dollars per month multiplied by the number of years of creditable service. Retirement provisions include death and disability benefits. Benefits are established by state statute.

Covered employees are required by state statute to contribute four dollars per month for the nine month school year. Unlike TRS, the District makes no contribution to PSERS. Total contributions from employees of the District made during the fiscal year ended June 30, 2011, 2010, and 2009 totaled \$13,836, \$13,796 and \$14,144, respectively.

Members become fully vested after 10 years of service. If a member terminates with less than 10 years of service, no vesting of employer contributions occurs, but the member's contributions are refunded with interest. There were 413 employees (members) covered under PSERS for the year ended June 30, 2011.

II. OTHER SUPPLEMENTARY INFORMATION

BARTOW COUNTY BOARD OF EDUCATION

SCHEDULE OF STATE REVENUE FOR THE FISCAL YEAR ENDED JUNE 30, 2011

<u>Agency/Funding</u>	<u>Governmental Fund Types</u>		<u>Total</u>
	<u>General Fund</u>	<u>District Wide Capital Projects Fund</u>	
Grants			
Education, Georgia Department of			
Quality Basic Education			
Direct Instructional Cost			
Kindergarten Program	\$ 4,298,112	\$ -	\$ 4,298,112
Kindergarten Program - Early Intervention	676,351	-	676,351
Primary Grades (1-3) Program	10,507,160	-	10,507,160
Primary Grades - Early Intervention (1-3) Program	1,725,280	-	1,725,280
Upper Elementary Grades (4-5) Program	4,764,327	-	4,764,327
Primary Grades - Early Intervention (4-5) Program	1,381,978	-	1,381,978
Middle School (6-8) Program	9,633,862	-	9,633,862
High School General Education (9-12) Program	7,952,965	-	7,952,965
Vocational Laboratory (9-12) Program	2,061,791	-	2,061,791
Program for Intellectually Gifted Students-Category VI	2,988,025	-	2,988,025
Remedial Education Program	771,085	-	771,085
Alternative Education Program	700,380	-	700,380
English Speakers of Other Languages (ESOL)	753,337	-	753,337
Media Center Program	1,569,728	-	1,569,728
20 Days Additional Instruction	478,072	-	478,072
Staff Development	295,147	-	295,147
Indirect Cost			
Central Administration	1,795,229	-	1,795,229
School Administration	3,064,697	-	3,064,697
Facility Maintenance and Operations	3,630,893	-	3,630,893
Categorical Grants			
Pupil Transportation			
Regular	1,525,330	-	1,525,330
Nurses	212,675	-	212,675
Mid Term Hold Harmless	1,314,668	-	1,314,668
Vocational Supervisors	29,270	-	29,270
Equalization Grant	7,964,256	-	7,964,256
Food Services (source 3510)	209,318	-	209,318
Vocational Education (Total Pgms 3100-3999)	584,468	-	584,468
Amended Formula Adjustment	(10,260,186)	-	(10,260,186)
Health Insurance	202,037	-	202,037
Preschool Handicapped State Grant	160,323	-	160,323
Teachers Retirement	41,730	-	41,730
	<u>61,032,308</u>	<u>-</u>	<u>61,032,308</u>

BARTOW COUNTY BOARD OF EDUCATION

SCHEDULE OF STATE REVENUE FOR THE FISCAL YEAR ENDED JUNE 30, 2011

<u>Agency/Funding</u>	<u>Governmental Fund Types</u>		<u>Total</u>
	<u>General Fund</u>	<u>District Wide Capital Projects Fund</u>	
Office of Treasury And Fiscal Services			
Public School Employees Retirement			
Total	74,302	-	74,302
Total Quality Basic Education Formula Earnings (State and Local Funds)			
Special Education Programs			
Total	11,267,932	-	11,267,932
QBE Allotment (Operating Grants)			
Special Education Programs			
Total	232,932	-	232,932
QBE Contra Account (Debit)			
Special Education Programs			
Total	(1,449,647)	-	(1,449,647)
Grants From Pre-K Lottery			
Georgia Prekindergarten Program			
Total	1,550,305	-	1,550,305
Capital Outlay Grants			
Misc			
Total	-	1,243,340	1,243,340
Other Grants From Georgia Department of Education			
Pupil Transportation - State Bonds	534,044	-	534,044
Dual Enrollment	9,810	-	9,810
Industry Certification Related Equipment - State Bonds	19,789	-	19,789
Virtual School Grant	575	-	575
Math and Science Supplement	124,469	-	124,469
Total	688,687	-	688,687
Total State Revenues	<u>\$ 73,396,819</u>	<u>\$ 1,243,340</u>	<u>\$ 74,640,159</u>

BARTOW COUNTY BOARD OF EDUCATION

SCHEDULE OF QUALITY BASIC EDUCATION PROGRAM (QBE) ALLOTMENTS AND EXPENDITURES BY PROGRAM GENERAL FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Description	Allotments From Georgia Department of Education (1)(2)	Eligible QBE Program Costs		
		Salaries	Operations	Total
Direct Instructional Funds:				
Kindergarten Program	\$ 4,951,440	\$ 5,048,838	\$ 60,483	\$ 5,109,321
Kindergarten Program - Early Intervention Program	791,177	596,676	3,143	599,819
Primary Grades (1-3) Program	12,014,854	10,898,563	257,923	11,156,486
Primary Grades - Early Intervention (1-3) Program	1,988,411	1,899,902	6,186	1,906,088
Upper Elementary Grades (4-5) Program	5,498,026	6,237,336	75,894	6,313,230
Upper Elementary Grades-Early Intervention (4-5) Program	1,586,951	1,018,017	5,007	1,023,024
Middle School (6-8) Program	10,076,723	8,736,216	100,295	8,836,511
High School General Education (9-12) Program	9,151,069	9,364,373	274,993	9,639,366
Vocational Laboratory (9-12) Program	2,390,159	2,444,966	114,069	2,559,035
Students with Disabilities	11,085,403	-	-	-
Category I	-	4,648,904	476,379	5,125,283
Category II	-	528,748	6,703	535,451
Category III	-	8,275,082	44,789	8,319,871
Category IV	-	213,054	11,617	224,671
Category V	-	-	14,001	14,001
Gifted Student - Category VI	3,359,154	3,159,609	43,271	3,202,880
Remedial Education Program	908,097	561,609	3,775	565,384
Alternative Education Program	803,402	81,879	237	82,116
English Speakers of Other Languages (ESOL)	865,136	829,517	4,110	833,627
TOTAL DIRECT INSTRUCTIONAL PROGRAMS	<u>65,470,002</u>	<u>64,543,289</u>	<u>1,502,875</u>	<u>66,046,164</u>
Media Center Program	1,801,588	2,114,696	147,345	2,262,041
Staff and Professional Development	339,980	-	-	195,842
TOTAL QBE FORMULA FUNDS	<u>\$ 67,611,570</u>	<u>\$ 66,657,985</u>	<u>\$ 1,650,220</u>	<u>\$ 68,504,047</u>

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

(2) Allotments do not include the impact of the State budget austerity reduction.

BARTOW COUNTY BOARD OF EDUCATION

SCHEDULE OF EXPENDITURES OF EDUCATIONAL LOCAL OPTION SALES TAX PROCEEDS FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Project	Original Estimated Cost (1)	Current Estimated Cost (2)	Prior Years(3)	Current Year(3)	Total	Project Status
Retiring a portion of Bartow School Districts General Obligation School Bonds, Series 1998 or bonds issued by the School District to refund such bonds.	\$ 3,157,036	\$ 3,219,540	\$ 3,219,540	\$ -	\$ 3,219,540	Ongoing
Retiring a portion of Bartow School Districts General Obligation School Bonds, Series 1999 or bonds issued by the School District to refund such bonds.	7,378,156	7,066,425	3,155,562	2,076,500	5,232,062	Ongoing
Acquiring, constructing and equipping one(1) new high school and one (1) new elementary school, acquiring school buses, drivers education vehicles, and instructional and administrative technology improvements for existing schools, adding to, renovating, repairing, improving and equipping existing school buildings and other buildings and facilities useful or desirable in connection therewith, and acquiring and necessary property therefore, both real and personal.	109,098,608	109,098,608	62,671,587	16,114,724	78,786,311	Ongoing
Totals	<u>\$ 119,633,800</u>	<u>\$ 119,384,573</u>	<u>\$ 69,046,689</u>	<u>\$ 18,191,224</u>	<u>\$ 87,237,913</u>	

(1) The School District's original cost estimate as specified in the resolution calling for the imposition of the Educational 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 Bartow County approved the imposition of a 1% sales tax to fund the above projects and retire associated debt. Amounts expended for these projects may include sales tax proceeds, state, local property taxes and/or other funds over the life of the projects.

(4) The School District issued General Obligation Bond Issue 2009 to refund a portion of the 1999 General Obligation Bond Issue. The amount expended in the current year includes debt service on the 1999 and 2009 General Obligation Bond Issues.

III. SINGLE AUDIT SECTION



CERTIFIED PUBLIC ACCOUNTANTS, LLC

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

**To the Superintendent and Members of
the Bartow County Board of Education
Cartersville, Georgia**

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Bartow County Board of Education, the "School District" as of and for the year ended June 30, 2011, which collectively comprise the Bartow County Board of Education's basic financial statements and have issued our report thereon dated February 15, 2012. As discussed in Note 2, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective July 1, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

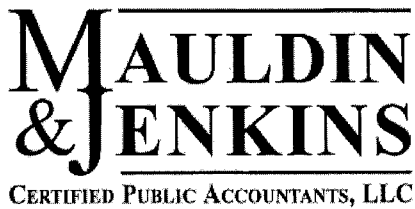
As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

We noted certain matters that we reported to management of the School District in a separate letter dated February 15, 2012.

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

Mauldin & Jenkins, LLC

Atlanta, Georgia
February 15, 2012



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

**To the Superintendent and Members of
the Bartow County Board of Education
Cartersville, Georgia**

Compliance

We have audited Bartow County Board of Education's (the "School District") 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 the School District's major federal programs for the year ended June 30, 2011. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

As described in item 2011-1 in the accompanying schedule of findings and questioned costs, the School District did not comply with requirements regarding allowable costs that are applicable to its Special Education Cluster (IDEA) Grants. Compliance with such requirements is necessary, in our opinion, for the School District to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2011-1 to be a material weakness.

The School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the School District's response and, accordingly, we express no opinion on it.

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

Mauldin & Jenkins, LLC

Atlanta, Georgia
February 15, 2012

BARTOW COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass-Through Grantor /Program Title	Federal CFDA Number	Pass- Through Entity ID Number	Total Expenditures
<i>Agriculture, U.S. Department of</i>			
Child Nutrition Cluster			
Pass-Through From Georgia Department of Education			
Food and Nutrition Program			
Child Nutrition Cluster			
School Breakfast Program	10.553	N/A	\$ 965,994
National School Snack Program	10.555	N/A	45,686
National School Lunch Program:			
Cash Assistance	10.555	N/A	3,377,597
Non-Cash Assistance Commodities (1)	10.555	N/A	252,365
Total Child Nutrition Cluster			<u>4,641,642</u>
Total U. S. Department of Agriculture			<u>4,641,642</u>
<i>Defense, U. S. Department of</i>			
Direct			
Department of the Army			
R. O . T. C.-Salaries	Unknown	N/A	108,331
Department of the Army, Office of the Chief of Engineers			
Payments to States In Lieu of Real Estate Taxes	12.112	N/A	99,248
Total U. S. Department of Defense			<u>207,579</u>
<i>Education, U. S. Department of</i>			
Special Education Cluster (IDEA)			
Pass-Through from Georgia Department of Education			
Special Education			
Title VI-B Flowthrough	84.027	N/A	1,518,206
Title VI-B Preschool	84.173	N/A	89,875
Title VI-B Flowthrough - ARRA	84.391	N/A	2,322,745
Title VI-B Preschool - ARRA	84.392	N/A	35,381
Total Special Education Cluster			<u>3,966,207</u>
			(continued)

BARTOW COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass-Through Grantor /Program Title	Federal CFDA Number	Pass- Through Entity ID Number	Total Expenditures
<i>Education, U. S. Department of</i>			
Title I, Part A Cluster			
Pass-Through from Georgia Department of Education			
Elementary and Secondary Education Act			
Title I, Part A			
Title I - ARRA	84.389	N/A	\$ 1,170,011
Distinguished District Awards	84.010	N/A	6,458
Local Education Agency	84.010	N/A	1,795,398
Total Title I Cluster			<u>2,971,867</u>
Other Programs			
Pass-Through from Georgia Department of Education			
Title II, Part A - Improving Teacher Quality Grant	84.367	N/A	435,949
Title II, Part A - Advanced Placement Grant	84.367	N/A	4,100
Subtotal			<u>440,049</u>
Title III - English Language Acquisition Grants	84.365	N/A	<u>94,061</u>
Education of Homeless Children and Youth	84.196	N/A	<u>51,400</u>
Vocational Grants - Program Improvement	84.048	N/A	113,353
Vocational Grants - Perkins Plus	84.048	N/A	14,064
Subtotal			<u>127,417</u>
Education Jobs Fund	84.410	N/A	<u>2,892,637</u>
Total U. S. Department of Education			<u>10,543,638</u>
			(continued)

BARTOW COUNTY BOARD OF EDUCATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass-Through Grantor /Program Title	Federal CFDA Number	Pass- Through Entity ID Number	Total Expenditures
<i>Health and Human Resources, U.S. Department of GA PreK Transition Program</i>	93.575	N/A	<u>13,333</u>
<i>Total U. S. Department of Health and Human Resources</i>			<u>13,333</u>
<i>Total Expenditures of Federal Awards</i>			<u><u>\$ 15,406,192</u></u>

(1) The amount shown for National School Lunch Program-Commodities represents the Federally assigned value of nonmonetary assistance for donated commodities received/consumed by the School District during the current

Note: The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Board of Education and is presented on the modified accrual basis of accounting.

Note: The School District did not provide Federal assistance to any subrecipients.

**BARTOW COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

**SECTION I
SUMMARY OF AUDITOR'S RESULTS**

Financial Statements

Type of auditor's report issued

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

___ yes X no

Significant deficiency(ies) identified?

___ yes X none reported

Noncompliance material to financial statements noted?

___ yes X no

Federal Awards

Internal Control over major programs:

Material weakness(es) identified?

X yes ___ no

Significant deficiency(ies) identified?

___ yes X none reported

Type of auditor's report issued on compliance for
major programs

Qualified for allowable costs for the
Special Education Cluster (IDEA)
Grants

Unqualified for other requirements of
the Special Education Cluster (IDEA)
grants and for all requirements of the
Title I, Part A Cluster grants and the
Education Jobs Fund grants

Any audit findings disclosed that are required to
be reported in accordance with Section 510(a)
of OMB Circular?

X yes ___ no

**BARTOW COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

**SECTION I
SUMMARY OF AUDITOR'S RESULTS (CONTINUED)**

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.027, 84.173, 84.391, 84.392	Special Education Cluster (IDEA)
84.010, 84.389	Title I, Part A Cluster
84.410	Education Jobs Fund

Dollar threshold used to distinguish between
Type A and Type B programs:

\$462,186

Auditee qualified as low-risk auditee?

___ yes X no

**BARTOW COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

**SECTION II
FINANCIAL STATEMENT FINDINGS**

None reported.

**BARTOW COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

**SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

2011-1 Semi – Annual Certification of Time and Efforts Sheets – Special Education Cluster (IDEA):

U.S. Department of Education, Flow Through, CFDA #84.027

U.S. Department of Education, Preschool, CFDA #84.173

U.S. Department of Education, Flow Through - ARRA, CFDA #84.391

U.S. Department of Education, Preschool - ARRA, CFDA #84.392

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

Condition and Context: For the year ended June 30, 2011, we reviewed forty (40) teachers paid out of Special Education (IDEA) funds to determine if the School System was properly maintaining semi-annual certification of time and effort sheets. We found that for six (6) teachers paid out of Special Education (IDEA) funds the BOE was not properly maintaining semi-annual certification or time and effort sheets.

Questioned Costs: \$153,913

Effects or possible effects: Personnel salaries unrelated to Special Education (IDEA) services could be funded with Special Education (IDEA) funds. Therefore, unallowable costs could be charged to the grant.

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

Recommendation: We recommend the School District maintain semi-annual certification of time and effort sheets that meet all the OMB A-87 requirements on all employees whose salaries are funded out of Special Education (IDEA) funds.

Views of Responsible Officials: We concur with the finding and corrective action has already been taken to ensure the School District complies with the time and effort requirement.

**BARTOW COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

**SECTION IV
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**

2010-1 Semi – Annual Certification of Time and Efforts Sheets – Special Education Cluster (IDEA):

U.S. Department of Education, Flow Through, CFDA #84.027

U.S. Department of Education, Preschool, CFDA #84.173

U.S. Department of Education, Flow Through - ARRA, CFDA #84.391

U.S. Department of Education, Preschool - ARRA, CFDA #84.392

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

Condition and Context: For the year ended June 30, 2010, we reviewed sixty (60) teachers paid out of Special Education (IDEA) funds to determine if the School System was properly maintaining semi-annual certification of time and effort sheets. We found that all teachers paid out of Special Education (IDEA) funds that were not properly maintaining semi-annual certification or time and effort sheets.

Status: This is a repeat finding in the current year.