



CARROLL COUNTY BOARD OF EDUCATION CARROLLTON, GEORGIA

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



CARROLL COUNTY BOARD OF EDUCATION

- TABLE OF CONTENTS -

Page

SECTION I

FINANCIAL

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

REQUIRED SUPPLEMENTARY INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

i

EXHIBITS

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

A	STATEMENT OF NET ASSETS	1
B	STATEMENT OF ACTIVITIES	2

FUND FINANCIAL STATEMENTS

C	BALANCE SHEET GOVERNMENTAL FUNDS	3
D	RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS	4
E	STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS	5
F	RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES	6
G	STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUNDS	7
H	NOTES TO THE BASIC FINANCIAL STATEMENTS	8

SCHEDULES

REQUIRED SUPPLEMENTARY INFORMATION

1	SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL GENERAL FUND	27
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CARROLL COUNTY BOARD OF EDUCATION

- TABLE OF CONTENTS -

	<u>Page</u>
SECTION I	
FINANCIAL	
SCHEDULES	
SUPPLEMENTARY INFORMATION	
2 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	28
3 SCHEDULE OF STATE REVENUE	30
4 SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS	32
5 ALLOTMENTS AND EXPENDITURES	
GENERAL FUND - QUALITY BASIC EDUCATION PROGRAMS (QBE)	
BY PROGRAM	33
SECTION II	
COMPLIANCE AND INTERNAL CONTROL REPORTS	
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE 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	
SECTION III	
AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS	
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS	
SECTION IV	
FINDINGS AND QUESTIONED COSTS	
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	

CARROLL COUNTY BOARD OF EDUCATION

- TABLE OF CONTENTS -

SECTION V

MANAGEMENT'S RESPONSES

SCHEDULE OF MANAGEMENT'S RESPONSES

SECTION I
FINANCIAL



DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

March 29, 2012

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

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

Ladies and Gentlemen:

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

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

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

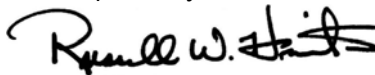
In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2012, on our consideration of the Carroll County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Russell W. Hinton".

Russell W. Hinton, CPA, CGFM
State Auditor

RWH:al
2011ARL-11

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

INTRODUCTION

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

FINANCIAL HIGHLIGHTS

Key financial highlights for 2011 are as follows:

- On the district-wide financial statements, the assets of the School District exceeded liabilities by \$183 million. Of this amount, \$14.4 million is unrestricted and is available for spending at the School District's discretion.
- The School District had \$137.9 million in expenses relating to governmental activities; only \$95.6 million of these expenses are offset by program specific charges for services, grants and contributions. General revenues (primarily property and sales taxes) of \$57.7 million were adequate to provide for these programs.
- As stated above, general revenues accounted for \$57.7 million or 38% of all revenues totaling \$153.3 million. Program specific revenues in the form of charges for services, grants and contributions accounted for the rest.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The fund financial statements focus on individual parts of the School District, reporting the School District's operation in more detail. The *Governmental Funds* statements disclose how basic services are financed in the short-term as well as what remains for future spending. The *Fiduciary Funds* statement provides information about the financial relationships in which the School District acts solely as a trustee or agent for the benefit of others. The fund financial

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

statements reflect the School District's most significant funds. In the case of the Carroll County School District, the General Fund, District-wide Capital Projects Funds, and Debt Service Funds are the most significant funds.

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

District-wide Statements

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

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

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

Fund Financial Statements

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

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

**CARROLL 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 DISTRICT AS A WHOLE

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

By far the largest portion of the District's net assets, (85.8 percent) reflect its investment in capital assets (e.g., land and improvements, building and building improvements, vehicles, furniture, equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

**Table 1
Net Assets**

	Governmental Activities <u>Fiscal Year 2011</u>	Governmental Activities <u>Fiscal Year 2010*</u>
Assets		
Current and Other Assets	\$ 111,029,780	\$ 49,125,256
Capital Assets, Net	<u>193,884,102</u>	<u>184,439,797</u>
Total Assets	\$ <u>304,913,882</u>	\$ <u>233,565,053</u>
Liabilities		
Current and Other Liabilities	\$ 16,264,172	\$ 22,747,335
Long-Term Liabilities	<u>105,645,177</u>	<u>47,907,833</u>
Total Liabilities	\$ <u>121,909,349</u>	\$ <u>70,655,168</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	\$ 157,104,033	\$ 148,572,830
Restricted	11,543,742	8,230,527
Unrestricted	<u>14,356,758</u>	<u>6,106,528</u>
Total Net Assets	\$ <u>183,004,533</u>	\$ <u>162,909,885</u>
Total Liabilities and Net Assets	\$ <u><u>304,913,882</u></u>	\$ <u><u>233,565,053</u></u>

* Fiscal Year 2010 amounts do not reflect the restatement for Capital Assets. See Note 2 in the basic Financial Statements

Table 2 shows the Changes in Net Assets for this fiscal year.

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

**Table 2
Change in Net Assets**

	Governmental Activities Fiscal Year 2011	Governmental Activities Fiscal Year 2010*
Revenues		
Program Revenues		
Charges for Services and Sales	\$ 3,737,316.00	\$ 3,952,245.00
Operating Grants and Contributions	84,044,197.00	81,248,506.00
Capital Grants and Contributions	7,817,938.00	1,469,530.00
Total Program Revenues	<u>\$ 95,599,451.00</u>	<u>\$ 86,670,281.00</u>
General Revenues:		
Taxes		
Property Taxes		
For Maintenance and Operations	\$ 34,161,750.00	\$ 34,536,483.00
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Debt Services	10,811,218.00	11,692,161.00
Intangible Recording Tax	555,531.00	579,296.00
Grants and Contributions not Restricted to Specific Programs	10,779,283.00	10,538,366.00
Investment Earnings	74,048.00	85,111.00
Miscellaneous	<u>1,296,398.00</u>	<u>1,427,999.00</u>
Total General Revenues	<u>\$ 57,678,228.00</u>	<u>\$ 58,859,416.00</u>
Total Revenues	<u>\$ 153,277,679.00</u>	<u>\$ 145,529,697.00</u>
Program Expenses		
Instruction	\$ 84,920,741.00	\$ 86,794,667.00
Support Services		
Pupil Services	4,140,951.00	4,317,213.00
Improvement of Instructional Services	2,964,501.00	2,796,468.00
Educational Media Services	3,067,041.00	2,608,519.00
General Administration	2,889,713.00	2,966,599.00
School Administration	9,107,225.00	8,813,734.00
Business Administration	774,256.00	725,740.00
Maintenance and Operation of Plant	9,031,260.00	8,435,847.00
Student Transportation Services	7,746,956.00	7,532,699.00
Central Support Services	795,397.00	789,370.00
Other Support Services	251,966.00	475,407.00
Operations of Non-Instructional Services		
Enterprise Operations	2,258,000.00	2,105,557.00
Community Services	429,532.00	513,068.00
Food Services	7,570,690.00	7,099,045.00
Interest on Short-Term and Long-Term Debt	<u>1,909,179.00</u>	<u>2,371,663.00</u>
Total Expenses	<u>\$ 137,857,408.00</u>	<u>\$ 138,345,596.00</u>
 Increase in Net Assets	 <u>\$ 15,420,271.00</u>	 <u>\$ 7,184,101.00</u>

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

* Fiscal Year 2010 amounts do not reflect the restatement for Capital Assets. See Note 2 in the basic Financial Statements

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting these services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. It identifies the cost of these services supported by tax revenue and unrestricted State entitlements. The table shows each functions net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions.

**Table 3
Governmental Activities**

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	Fiscal	Fiscal	Fiscal	Fiscal
	Year 2011	Year 2011	Year 2010*	Year 2010*
Instruction	\$ 84,920,741.00	19,713,393	\$ 86,794,667.00	27,700,249
Support Services				
Pupil Services	4,140,951.00	2,521,977	4,317,213.00	2,260,959
Improvement of Instructional Services	2,964,501.00	700,964	2,796,468.00	1,068,729
Educational Media Services	3,067,041.00	562,340	2,608,519.00	748,372
General Administration	2,889,713.00	(28,503)	2,966,599.00	61,659
School Administration	9,107,225.00	5,177,552	8,813,734.00	4,960,832
Business Administration	774,256.00	770,226	725,740.00	722,202
Maintenance and Operation of Plant	9,031,260.00	4,727,533	8,435,847.00	4,116,240
Student Transportation Services	7,746,956.00	5,415,292	7,532,699.00	5,697,315
Central Support Services	795,397.00	780,033	789,370.00	785,142
Other Support Services	251,966.00	139,410	475,407.00	398,585
Operations of Non-Instructional Services				
Enterprise Operations	2,258,000.00	166,775	2,105,557.00	2,105,557
Community Services	429,532.00	412,226	513,068.00	(755,094)
Food Services	7,570,690.00	(710,440)	7,099,045.00	(567,095)
Interest on Short-Term and Long-Term Debt	1,909,179.00	1,909,179	2,371,663.00	2,371,663
Total Expenses	\$ <u>137,857,408.00</u>	\$ <u>42,257,957.00</u>	\$ <u>138,345,596.00</u>	\$ <u>51,675,315.00</u>

* Fiscal Year 2010 amounts do not reflect the restatement for Capital Assets. See Note 2 in the basic Financial Statements

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

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

Governmental Funds. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year. The School District's governmental funds are accounted for using the modified accrual basis of accounting. The governmental funds had total revenues and other financing sources of \$240.2 million and total expenditures and other financing uses of \$172.3 million. General Fund equity increased by \$2.4 million during the year. The Capital Projects Fund equity increased by \$59.6 million. Construction of school facilities to be re-paid by SPLOST sales tax receipts were forward funded with a \$56.5 million bond issue. Capital Projects fund equity at June 30, 2011, was \$68.2 million to be used in the continuing construction of school facilities.

General Fund Budgeting Highlights

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

During the course of fiscal year 2011, the School District amended its general fund budget as needed in particular due to student growth and facility safety needs.

For the General Fund, the actual revenues of \$134.87 million were over the final budgeted amounts of \$134.85 million by \$14 thousand. This difference (actual vs. final budget) was due primarily to charges for services over final budget of \$1.7 million, property taxes under final budget by \$246 thousand, state revenues over budget by \$1.84 million, Federal revenue under budget by \$4.5 million and miscellaneous revenues over budget by \$1.19. The charges for services and miscellaneous revenue over final budget were due to the inclusion of the principals' accounts in our financial statements, but not in the budget.

The actual expenditures of \$132.5 million were under the final budgeted amount of \$134.3 million by \$1.8 million. General Fund revenues were greater than expenditures by \$2.4 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At fiscal year ended June 30, 2011, the School District had \$193.9 million invested in capital assets, including school buildings, athletic facilities, buses and other vehicles, computers, and other equipment, all in governmental activities. Table 4 reflects a summary of these balances net of accumulated depreciation.

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

**Table 4
Capital Assets
(Net of Depreciation)**

	<u>Governmental Activities Fiscal Year 2011</u>	<u>Governmental Activities Fiscal Year 2010*</u>
Land	\$8,215,855	\$8,215,855
Construction in Progress	695,511	28,073,947
Land Improvements	2,183,362	1,639,554
Buildings and Improvements	177,382,871	140,432,190
Equipment	<u>5,406,503</u>	<u>6,078,251</u>
 Total	 <u><u>\$193,884,102</u></u>	 <u><u>\$184,439,797</u></u>

* Fiscal Year 2010 amounts do not reflect the restatement for Capital Assets. See Note 2 in the basic Financial Statements

Due to the ongoing growth in the county, the School District has numerous construction projects including new buildings, additions and renovations.

Debt

At fiscal year ended June 30, 2011, the School District had \$104.1 million in bonds payable, and \$1.5 million in other long-term debt. Table 5 summarizes the School District's debt which includes general obligation bonds and compensated absences outstanding.

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

**Table 5
Debt at June 30**

	<u>Year 2011</u>	<u>Year 2010</u>
Bonds and Notes Payable	\$ 93,865,000.00	\$ 45,225,000.00
Unamortized Bond Premium	10,685,094.00	765,569.00
Loss on Debt Refunding	(448,507.00)	
Capital Leases	952,672.00	1,349,517.00
Compensated Absences	<u>590,918.00</u>	<u>567,747.00</u>
Total	<u>\$ 105,645,177.00</u>	<u>\$ 47,907,833.00</u>

At June 30, 2011, the School District's assigned bond ratings were "A+" as determined by Fitch Ratings, Inc.

CURRENT ISSUES

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

- **Economic Slowdown** – State funding for education has been stagnant and as a result more pressure is being placed on the local school districts to prioritize its educational programs and provide additional local funding. During fiscal year 2011, the Carroll County Board lost over \$12 million in state funding shifting the burden to the local tax base. The current millage rate is 19.6 mills with a maximum of 20 mills. Currently, a mill of tax in Carroll County generates \$1.6 million. Despite these challenges, the Carroll County School District is strong financially and we remain optimistic about the ability of the School District to maximize all of the financial resources to provide a quality education to our students.
- **Capital Improvements** – The School District plans capital improvements as future capital needs arise due to increased student population and facility repair and maintenance needs. Specific capital expenditure plans are formalized in conjunction with individual general obligation bond issues and anticipated annual receipts of capital outlay funds from the State of Georgia Department of Education. The School District regularly monitors anticipated capital outlay needs.

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

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. Greg Denney, Chief Financial Officer for the Carroll County School System, 164 Independence Drive, Carrollton Georgia 30117. You may also email your questions to Mr. Denney at greg.denney@carrollcountyschools.com.

CARROLL COUNTY BOARD OF EDUCATION

STATEMENT OF NET ASSETS
JUNE 30, 2011

ASSETS	Governmental Activities
Cash and cash equivalents	\$ 95,508,826
Receivables:	
Taxes	2,872,016
Intergovernmental:	
State	9,369,708
Federal	2,061,549
Other	28,463
Inventory	203,956
Prepaid items	235,688
Deferred charges	749,574
Capital assets (nondepreciable)	8,911,366
Capital assets (net of accumulated depreciation)	184,972,736
Total assets	<u>304,913,882</u>
 LIABILITIES	
Accounts Payable	1,337,288
Salaries and benefits payable	14,343,679
Accrued interest payable	524,232
Contracts & Retainage payable	58,973
Bonds payable due within one year	9,163,398
Bonds payable due in more than one year	94,938,189
Capital leases due within one year	324,958
Capital leases due in more than one year	627,714
Compensated absences due in less than one year	413,643
Compensated absences due in more than one year	177,275
Total liabilities	<u>121,909,349</u>
 NET ASSETS	
Investment in capital assets, net of related debt	157,104,033
Restricted for:	
Debt service	9,472,933
Continuation of federal programs	2,070,809
Unrestricted	14,356,758
Total net assets	<u>\$ 183,004,533</u>

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

CARROLL COUNTY BOARD OF EDUCATION

EXHIBIT "B"

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

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
Instruction	\$ 84,920,741	\$ 23,495	\$ 59,389,787	\$ 5,794,066	\$ (19,713,393)
Support services:					
Pupil services	4,140,951		1,618,974		(2,521,977)
Improvement of instructional services	2,964,501		2,263,537		(700,964)
Educational media services	3,067,041		1,760,217	744,484	(562,340)
General administration	2,889,713		2,864,668	53,548	28,503
School administration	9,107,225		3,929,673		(5,177,552)
Business administration	774,256		4,030		(770,226)
Maintenance and operation of facilities	9,031,260		4,231,363	72,364	(4,727,533)
Student transportation services	7,746,956		1,797,619	534,045	(5,415,292)
Central support services	795,397		15,364		(780,033)
Other support services	251,966		112,556		(139,410)
Enterprise operation	2,258,000	2,091,225			(166,775)
Food services operation	7,570,690	1,622,596	6,039,103	619,431	710,440
Community service operation	429,532		17,306		(412,226)
Interest on long-term debt	1,909,179				(1,909,179)
Total governmental activities	<u>\$ 137,857,408</u>	<u>\$ 3,737,316</u>	<u>\$ 84,044,197</u>	<u>\$ 7,817,938</u>	<u>(42,257,957)</u>
General revenues:					
Taxes:					
Property taxes, levied for general purposes					34,161,750
Sales taxes:					
For debt service					10,811,218
Intangible taxes					555,531
Grants and contributions not restricted to specific programs					10,779,283
Unrestricted investment earnings					74,048
Other					1,296,398
Total general revenues					<u>57,678,228</u>
Change in net assets					<u>15,420,271</u>
Net assets, beginning of year (Restated)					<u>167,584,262</u>
Net assets, end of year					<u>\$ 183,004,533</u>

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

CARROLL COUNTY BOARD OF EDUCATION

EXHIBIT "C"

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2011

ASSETS	General	District-Wide Capital Projects	Debt Service	Total Governmental Funds
Cash and cash equivalents	\$ 18,858,028	\$ 67,586,368	\$ 9,064,430	\$ 95,508,826
Receivables:				
Taxes	1,940,629		931,387	2,872,016
Intergovernmental:				
State	8,658,584	711,124		9,369,708
Federal	2,061,549			2,061,549
Other	7,533	19,582	1,348	28,463
Prepaid Expenses	235,688			235,688
Inventory	203,956			203,956
Total assets	<u>\$ 31,965,967</u>	<u>\$ 68,317,074</u>	<u>\$ 9,997,165</u>	<u>\$ 110,280,206</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 1,324,373	\$ 12,915		\$ 1,337,288
Salaries and benefits payable	14,343,679			14,343,679
Retainage payable		58,973		58,973
Deferred revenue	1,548,225			1,548,225
Total liabilities	<u>17,216,277</u>	<u>71,888</u>		<u>17,288,165</u>
FUND BALANCES				
Nonspendable	439,644			439,644
Restricted for:				
Capital outlay		68,245,186		68,245,186
Debt service			\$ 9,997,165	9,997,165
Continuation of federal programs	1,866,853			1,866,853
Unassigned	12,443,193			12,443,193
Total fund balances	<u>14,749,690</u>	<u>68,245,186</u>	<u>9,997,165</u>	<u>92,992,041</u>
Total liabilities and fund balances	<u>\$ 31,965,967</u>	<u>\$ 68,317,074</u>	<u>\$ 9,997,165</u>	

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	238,486,302	
Less accumulated depreciation	<u>(44,602,200)</u>	193,884,102

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

Property taxes		1,548,225
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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	(93,865,000)	
Bond premium, net of amortization	(10,685,094)	
Bond issuance costs, net of amortization	749,574	
Loss on refunding of general obligation debt	448,507	
Accrued interest	(524,232)	
Capital leases	(952,672)	
Compensated absences	<u>(590,918)</u>	<u>(105,419,835)</u>

Net assets of governmental activities \$ 183,004,533

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

CARROLL COUNTY BOARD OF EDUCATION

EXHIBIT "D"

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	\$ 33,878,570			\$ 33,878,570
Sales taxes			\$ 11,171,893	11,171,893
Other taxes	555,531			555,531
State funds	76,542,247	\$ 7,283,893		83,826,140
Federal funds	18,815,278			18,815,278
Charges for services	3,737,316			3,737,316
Investment earnings	42,076	24,647	7,325	74,048
Miscellaneous	1,296,398			1,296,398
Total revenues	<u>134,867,416</u>	<u>7,308,540</u>	<u>11,179,218</u>	<u>153,355,174</u>
EXPENDITURES				
Current:				
Instruction	81,914,151			81,914,151
Support services:				
Pupil services	4,140,951			4,140,951
Improvement of instructional services	2,964,501			2,964,501
Educational media services	2,709,034			2,709,034
General administration	2,863,963			2,863,963
School administration	9,084,054			9,084,054
Business administration	774,256			774,256
Maintenance and operation of facilities	9,010,961			9,010,961
Student transportation services	7,486,634			7,486,634
Central support services	795,397			795,397
Other support services	204,221			204,221
Enterprise operations	2,258,000			2,258,000
Food services operation	7,345,336			7,345,336
Community services operation	429,532			429,532
Capital outlay	42,180	8,671,816		8,713,996
Debt service:				
Principal retirement	396,845		14,495,000	14,891,845
Interest and fees	52,924		2,141,750	2,194,674
Bond issuance costs		652,393	1,000	653,393
Total expenditures	<u>132,472,940</u>	<u>9,324,209</u>	<u>16,637,750</u>	<u>158,434,899</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,394,476</u>	<u>(2,015,669)</u>	<u>(5,458,532)</u>	<u>(5,079,725)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	1			1
Transfers in			5,260,066	5,260,066
Transfers out		(5,260,066)		(5,260,066)
Bonds issued		56,572,769	14,672,231	71,245,000
Premium on bonds sold		10,301,204		10,301,204
Payment to refunded bond escrow agent			(8,558,507)	(8,558,507)
Total other financing sources (uses)	<u>1</u>	<u>61,613,907</u>	<u>11,373,790</u>	<u>72,987,698</u>
Net change in fund balances	2,394,477	59,598,238	5,915,258	67,907,973
FUND BALANCE, beginning of year	<u>12,355,213</u>	<u>8,646,948</u>	<u>4,081,907</u>	<u>25,084,068</u>
FUND BALANCE, end of year	<u>\$ 14,749,690</u>	<u>\$ 68,245,186</u>	<u>\$ 9,997,165</u>	<u>\$ 92,992,041</u>

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

**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	\$	67,907,973
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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. This is the amount by which capital outlays exceeded depreciation expense in the current year.

Capital outlay	\$	8,961,891	
Depreciation expense		<u>(3,971,624)</u>	4,990,267

The net effect of the disposal of fixed assets is to decrease net assets	(220,339)
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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	\$	283,180	
Sales taxes		<u>(360,675)</u>	(77,495)

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	\$	14,495,000	
Principal payments - capital leases		396,845	
Bond premium		(10,301,204)	
Bond issuance costs		653,393	
Issuance of general obligation debt		(71,245,000)	
Payment of refunded general obligation debt into escrow account		<u>8,558,507</u>	(57,442,459)

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	\$	(23,171)	
Bond premium amortization expense		381,679	
Bond issuance costs amortization expense		(95,627)	
Change in accrued interest		<u>(557)</u>	262,324
	\$		<u><u>15,420,271</u></u>

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

CARROLL COUNTY BOARD OF EDUCATION EXHIBIT "F"**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011**

ASSETS	Private Purpose Trust	Agency Fund
Cash	\$ 2,285	\$ 446,593
Investments	38,424	11,000
Total assets	<u>\$ 40,709</u>	<u>\$ 457,593</u>
LIABILITIES		
Funds held for others	<u>\$ -</u>	<u>\$ 457,593</u>
NET ASSETS		
Held in trust for private purposes	<u>\$ 40,709</u>	

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

CARROLL COUNTY BOARD OF EDUCATION EXHIBIT "G"

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Private Purpose Trust
ADDITIONS	
Investment earnings:	
Interest	\$ 229
Change in Net Assets	229
Net assets, beginning of year	40,480
Net assets, end of year	\$ 40,709

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

**CARROLL COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

EXHIBIT “H”

Note 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

Reporting Entity

The Carroll County Board of Education (the “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 Carroll County Board of Education.

District-wide Statements:

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

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

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

Fund Financial Statements:

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

CARROLL COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

EXHIBIT “H”

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The School District reports the following major governmental funds:

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

The School District reports the following fiduciary fund types:

- The *Private Purpose Trust Fund* reports a trust arrangement under which principal is to be invested and preserved intact with the resultant income to be used to assist University of West Georgia juniors and seniors who have committed to a career in education or to veteran teachers who are returning to school to upgrade their teaching credentials.
- *Agency Funds* account for assets held by the School District as an agent for various funds, governments or individuals.

Basis of Accounting

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

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available.

**CARROLL COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

EXHIBIT “H”

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

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

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

New Accounting Pronouncements

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

Restatement of Prior Year Net Assets

For fiscal year 2011, the School District restated construction in progress Capital Assets due to errors and omissions. The School District increased construction in progress by \$4,674,377. The result is an increase in Net Assets at July 1, 2010, of \$4,674,377. This change is in accordance with generally accepted accounting principles.

Cash and Cash Equivalents

COMPOSITION OF DEPOSITS

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

**CARROLL COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

EXHIBIT “H”

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

COMPOSITION OF INVESTMENTS

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

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

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

Receivables

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

**CARROLL COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

EXHIBIT “H”

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes

The Carroll County Board of Commissioners fixed the property tax levy for the 2010 tax digest year (calendar year) on September 4, 2010 (levy date). Taxes were due on December 1, 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 Carroll County Tax Commissioner bills and collects the property taxes for the School District, withholds 1% 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 \$33,878,570.

Tax millage rates levied for the 2010 tax year (calendar year) for the Carroll County Board of Education were as follows (a mill equals \$1 per thousand dollars of assessed value):

School Operations	<u>18.10</u> mills
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Sales Taxes

Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to \$11,171,893 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

Inventories

FOOD INVENTORIES

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

Prepaid Items

Payments made to vendors for services that will benefit periods subsequent to June 30, 2011, are recorded as prepaid items.

Capital Assets

Capital assets purchased, including capital outlay costs, are recorded as expenditures in the fund financial statements at the time of purchase (including ancillary charges). On the District-wide financial statements, all purchased capital assets are valued at cost where historical records are available and at estimated historical cost based on appraisals or deflated current replacement cost where no historical records exist. Donated capital assets are recorded at estimated fair market value on the date donated.

**CARROLL COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

EXHIBIT “H”

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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	All	N/A
Land Improvements	\$10,000	15 to 80 years
Buildings and Improvements	\$10,000	20 to 80 years
Intangible Assets	\$10,000	15 to 20 years
All Equipment	\$5,000 to 10,000	3 to 20 years

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

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

Compensated Absences

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

Vacation leave is awarded on a fiscal year basis to all full time personnel employed on twelve month basis, according to the following guidelines:

Classified Employees	10 days per year
Certified Employees with 0-5 years experience in Carroll County	12 days per year
Certified Employees with 6-10 years experience in Carroll County	15 days per year
Certified Employees with 11 plus years experience in Carroll County	18 days per year

No other employees are eligible to earn vacation leave.

Vacation leave not utilized during the fiscal year may be carried over to the next fiscal year, providing such vacation leave does not exceed 20 days for Classified Employees and 25 days for Certified Employees.

**CARROLL COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

EXHIBIT “H”

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Changes in compensated absences liability during the last three fiscal years are as follows:

	<u>Beginning of Year Liability</u>	<u>Increase</u>	<u>Decrease</u>	<u>End of Year Liability</u>
2009	\$ 631,517	\$ 426,968	\$ 469,989	\$ 588,496
2010	\$ 588,496	\$ 373,531	\$ 394,280	\$ 567,747
2011	\$ 567,747	\$ 398,517	\$ 375,346	\$ 590,918

General Obligation Bonds

The School District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. In the District-wide financial statements, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are reported as deferred charges and amortized over the term of the debt.

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

The School District’s net assets in the District-Wide Statements are classified as follows:

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

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

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

**CARROLL COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

EXHIBIT “H”

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balances

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

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

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

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

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

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

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

FUND BALANCES

Nonspendable			
Prepaid Assets	\$	235,688.00	
Inventories		203,956.00	\$ 439,644.00
Restricted			
Continuation of Federal Programs	\$	1,866,853.00	
Capital Projects		68,245,186.00	
Debt Service		9,997,165.00	80,109,204.00
Unassigned			<u>12,443,193.00</u>
Fund Balance, June 30, 2011			<u>\$ 92,992,041.00</u>

CARROLL COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

EXHIBIT “H”

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

It is the goal of the School District to achieve and maintain a committed, assigned, and unassigned fund balance in the general fund at fiscal year end of not less than 12-14% of annual operating expenditures for the subsequent fiscal year budget, not to exceed 15% of the total budget of the subsequent fiscal year, in compliance with Official Code of Georgia Annotated Section 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.

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

Use of Estimates

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

Note 3: DEPOSITS

COLLATERALIZATION OF DEPOSITS

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

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,

**CARROLL COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

EXHIBIT "H"

Note 3: DEPOSITS (Continued)

- (5) Bonds of any public authority created by the laws of the State of Georgia, providing that the statute that created the authority authorized the use of the bonds for this purpose,
- (6) Industrial revenue bonds and bonds of development authorities created by the laws of the State of Georgia, and
- (7) Bonds, bills, notes, certificates of indebtedness, or other obligations of a subsidiary corporation of the United States government, which are fully guaranteed by the United States government both as to principal and interest or debt obligations issued by 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.

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk.

Note 4: NON-MONETARY TRANSACTIONS

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

Note 5: CAPITAL ASSETS

The following is a summary of changes in the capital assets during the fiscal year:

	Balance July 1, 2010	Prior Year Corrections	Restated Beginning Balance	Increases	Decreases / Transfers	Balance June 30, 2011
Governmental activities:						
Capital assets, not being depreciated:						
Land	\$ 8,215,855	\$ -	\$ 8,215,855	\$ -	\$ -	\$ 8,215,855
Construction in progress	28,073,947	4,674,377	32,748,324	6,340,460	(38,393,273)	695,511
Total capital assets not being depreciated	36,289,802	4,674,377	40,964,179	6,340,460	(38,393,273)	8,911,366
Capital assets, being depreciated:						
Buildings and improvements	166,393,843	-	166,393,843	39,731,871	-	206,125,714
Equipment	16,614,097	-	16,614,097	573,318	(884,400)	16,303,015
Land improvements	6,436,692	-	6,436,692	709,515	-	7,146,207
Total capital assets being depreciated	189,444,632	-	189,444,632	41,014,704	(884,400)	229,574,936
Less accumulated depreciation for:						
Buildings and improvements	(25,961,653)	-	(25,961,653)	(2,781,190)	-	(28,742,843)
Equipment	(10,535,846)	-	(10,535,846)	(1,024,727)	664,061	(10,896,512)
Land improvements	(4,797,138)	-	(4,797,138)	(165,707)	-	(4,962,845)
Total accumulated depreciation	(41,294,637)	-	(41,294,637)	(3,971,624)	664,061	(44,602,200)
Total capital assets, being depreciated, net	148,149,995	-	148,149,995	37,043,080	(220,339)	184,972,736
Governmental activities capital assets, net	\$ 184,439,797	\$ 4,674,377	\$ 189,114,174	\$ 43,383,540	\$ (38,613,612)	\$ 193,884,102

**CARROLL COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

EXHIBIT “H”

Note 5: CAPITAL ASSETS (Continued)

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

	Governmental Funds
	<hr/>
Equipment	\$ 1,482,022
Less: Accumulated Depreciation	<hr/> 148,202
	<hr/> \$ 1,333,820 <hr/>

Current year depreciation expense by function is as follows:

Instruction	\$ 2,575,244	
Support Services:		
Education Media Services	\$ 330,895	
General Administration	23,800	
Maintenance and Operation of Facilities	32,163	
Student Transportation Services	<hr/> 734,208	1,121,066
Food Services Operation		<hr/> 275,314
		<hr/> \$ 3,971,624 <hr/>

Note 6: INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2011, consisted of the following:

Transfers To	Transfers From Capital Projects Fund
<hr/>	<hr/>
Debt Service fund	\$ 5,260,066
Total governmental funds	<hr/> \$ 5,260,066 <hr/>

Transfers are used to move unused bond proceeds in the Capital Projects Fund to the Debt Service Fund to service outstanding debt.

Note 7: 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.

CARROLL COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

EXHIBIT “H”

Note 7: RISK MANAGEMENT (Continued)

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

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

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

	<u>Beginning of Year</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Paid</u>	<u>End of Year</u>
2010	\$ -	\$ 17,217	\$ 17,217	\$ -
2011	\$ -	\$ 226,337	\$ 226,337	\$ -

The School District participates in the Georgia School Boards Association Workers' Compensation Fund, a public entity risk pool organized on July 1, 1992, to develop, implement, and administer a program of workers' compensation self-insurance for its member organizations. The School District pays an annual premium to the Fund for its general insurance coverage. Additional insurance coverage is provided through an agreement by the Fund with the Safety National Casualty Corporation to provide coverage for potential losses sustained by the Fund in excess of \$400,000 loss per occurrence, up to \$1,000,000.

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

<u>Position Covered</u>	<u>Amount</u>
Superintendent	\$100,000
Each Principal and Assistant Principal	\$20,000
All Other Employees	\$100,000

CARROLL COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

EXHIBIT “H”

Note 8: LONG – TERM DEBT

CAPITAL LEASES

The Carroll County Board of Education has entered into various lease agreements as lessee for HVAC, lighting retrofit and buses. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

COMPENSATED ABSENCES

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

ADVANCE REFUNDING

During fiscal year 2011, the Carroll County Board of Education issued \$71,245,000 in General Obligation Bonds. A portion of the issue was used to advance refund \$8,100,000 of outstanding bonds. The bond issue of \$71,245,000, plus premiums of \$10,301,203.55 less underwriters and bond issue cost of \$655,072.88 provided net proceeds of \$80,891,130.67. The total net proceeds plus additional debt service funds of \$8,558,506.50 were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on portions of the 2007 Bond issue. As a result, portions of the 2007 Series Bonds are considered defeased, and the liability for these portions has been removed from the District-wide Statement of Net Assets. The Carroll County Board of Education refunded the aforementioned bonds to reduce its total Debt Service payments in fiscal year 2012 and 2013 by a combined amount of \$8,575,000. This advanced refunding restructured a portion of the debt service, provided cash flow savings for 2 years, but extended the debt service into fiscal year 2015. The net effect is an economic loss of about \$108,002.98.

GENERAL OBLIGATION DEBT OUTSTANDING

General Obligation Bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
General Government – Series 2007	3.67% - 3.77 %	\$22,620,000
General Government – Series 2011	1.08% - 3.37 %	<u>\$71,245,000</u>
		<u>\$93,865,000</u>

CARROLL COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

EXHIBIT “H”

Note 8: LONG – TERM DEBT (Continued)

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

	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011	Due Within One Year
G.O. Bonds	\$ 45,225,000	\$ 71,245,000	\$ (22,605,000)	\$ 93,865,000	\$ 9,130,000
Unamortized Bond Premium	765,569	10,301,204	(381,679)	10,685,094	257,652
Loss on Debt Refunding	-	(448,507)	-	(448,507)	(224,254)
Total bonds payable	<u>\$ 45,990,569</u>	<u>\$ 81,097,697</u>	<u>\$ (22,986,679)</u>	<u>\$ 104,101,587</u>	<u>\$ 9,163,398</u>
Capital Leases	\$ 1,349,517	\$ -	\$ (396,845)	\$ 952,672	\$ 324,958
Compensated absences	<u>567,747</u>	<u>398,517</u>	<u>(375,346)</u>	<u>590,918</u>	<u>413,643</u>
Total long-term liabilities	<u>\$ 47,907,833</u>	<u>\$ 81,496,214</u>	<u>\$ (23,758,870)</u>	<u>\$ 105,645,177</u>	<u>\$ 9,901,999</u>

The following is a summary of future annual debt service payments on long-term debt:

Fiscal Year Ended June 30	Capital Leases	
	Principal	Interest
2012	\$ 324,958	\$ 37,021
2013	307,733	24,983
2014	<u>319,981</u>	<u>12,735</u>
Totals	<u>\$ 952,672</u>	<u>\$ 74,739</u>

Fiscal Year Ended June 30	Loss on Debt Refunding	General Obligation Debt		Unamortized Bond Premium
		Principal	Interest	
2012	\$ (224,254)	\$ 9,130,000	\$ 3,782,674	\$ 257,652
2013	(224,253)	13,490,000	4,018,600	126,238
2014		8,030,000	3,369,900	648,021
2015		8,350,000	3,048,700	784,372
2016		8,700,000	2,718,950	1,324,224
2017-2021		34,715,000	7,460,650	5,706,657
2022-2023		<u>11,450,000</u>	<u>863,000</u>	<u>1,837,930</u>
Totals	<u>\$ (448,507)</u>	<u>\$ 93,865,000</u>	<u>\$ 25,262,474</u>	<u>\$ 10,685,094</u>

**CARROLL COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

EXHIBIT "H"

Note 9: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of \$359,489 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 \$234,251

Georgia Department of Education
Paid the Teachers Retirement System
For Teachers Retirement (TRS)
In the amount of \$40,268

Office of State Treasurer
Paid to the Public School Employees Retirement System
For Public School Employees Retirement (PSERS) Employer's Cost
In the amount of \$84,970

Note 10: 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 funding available:

<u>Project</u>	<u>Unearned Executed Contracts</u>
Carroll County College	\$ 106,105
Central High School	2,550
Mount Zion High School Athletic Facility	2,821,442
Sandhill Elementary Additions/Renovations	159,750
Technical High Academy Project	1,254,114
Technical High School	67,375
Temple High PE Facility	168,300
Temple Middle School	57,000
Villa Rica High Gym	193,275
Villa Rica High Parking	7,333
Villa Rica/Temple Parking Lot	<u>458,936</u>
	\$ <u>5,296,180</u>

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

CARROLL COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

EXHIBIT “H”

Note 11: SIGNIFICANT CONTINGENT LIABILITIES

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

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

Note 12: RETIREMENT PLANS

TEACHERS RETIREMENT SYSTEM OF GEORGIA (TRS)

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

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

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

Normal retirement (pension) benefits paid to members are equal to 2% of the average of the member's two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. Early retirement benefits are reduced by the lesser of one-twelfth of 7% for each month the member is below age 60 or by 7% for each year or fraction thereof by which the member has less than 30 years of service. It is also assumed that certain cost-of-living adjustments, based on the Consumer Price Index, will be made in future years.

Retirement benefits are payable monthly for life. A member may elect to receive a partial lump-sum distribution in addition to a reduced monthly retirement benefit. Death, disability, and spousal benefits are also available.

CARROLL COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

EXHIBIT “H”

Note 12: RETIREMENT PLANS (Continued)

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 covered salary. Employer contributions required for fiscal year 2011 were 10.28% of annual covered salary.

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

<u>Fiscal Year</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>
2011	100%	\$ 7,431,613
2010	100%	\$ 7,232,354
2009	100%	\$ 7,232,746

Note 13: POST-EMPLOYMENT BENEFITS

Georgia School Personnel Post-employment Health Benefit Fund

Plan Description. The Georgia School Personnel Post-employment Health Benefit Fund (School OPEB Fund) is a cost-sharing multiple-employer defined benefit post-employment healthcare plan that covers eligible former employees of public school systems, libraries and regional educational service agencies. The School OPEB Fund provides health insurance benefits to eligible former employees and their qualified beneficiaries through the State Employees Health Benefit Plan administered by the Department of Community Health. 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 School OPEB 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. The employer contribution rates for the combined active and retiree plans for the fiscal year ended June 30, 2011, were as follows:

**CARROLL COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

EXHIBIT “H”

Note 13: POST-EMPLOYMENT BENEFITS (Continued)

Certified employees

<u>Period</u>	<u>Percentage of Covered Payroll</u>
July 2010 - April 2011	21.955% of covered payroll for August through May coverage
May 2011 – June 2011	1.429% of covered payroll for June through July coverage

<i>Non-certified employees</i>	\$162.72 per month for July – December
	\$218.20 per month for January - May
	\$246.20 per month for June

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

The School District’s contribution to the health insurance plans for the fiscal years ended June 30, 2010 and June 30, 2011, respectively, were \$11,284,197 and \$11,568,808, which equaled the required contributions.

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.

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CARROLL COUNTY BOARD OF EDUCATION

SCHEDULE "1"

GENERAL FUND SCHEDULE 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 (1)	Final (1)		
REVENUES				
Property taxes	\$ 34,124,686	\$ 34,124,686	\$ 33,878,570	\$ (246,116)
Other taxes	470,000	470,000	555,531	85,531
State funds	76,515,856	74,703,456	76,542,247	1,838,791
Federal funds	19,307,422	23,348,990	18,815,278	(4,533,712)
Charges for services	2,064,350	2,064,350	3,737,316	1,672,966
Investment earnings	35,500	35,500	42,076	6,576
Miscellaneous	106,000	106,000	1,296,398	1,190,398
Total revenues	132,623,814	134,852,982	134,867,416	14,434
EXPENDITURES				
Current:				
Instruction	84,044,138	85,548,915	81,914,151	(3,634,764)
Support services:				
Pupil services	4,522,262	4,522,262	4,140,951	(381,311)
Improvement of instructional services	3,779,621	3,779,621	2,964,501	(815,120)
Educational media services	2,733,783	2,733,783	2,709,034	(24,749)
General administration	1,847,183	1,847,183	2,863,963	1,016,780
School administration	9,058,860	9,058,860	9,084,054	25,194
Business administration	728,641	728,641	774,256	45,615
Maintenance and operation of facilities	9,103,955	8,986,903	9,010,961	24,058
Student transportation services	8,359,341	8,026,625	7,486,634	(539,991)
Central support services	869,771	819,276	795,397	(23,879)
Other support services	193,296	243,791	204,221	(39,570)
Enterprise operations	-	-	2,258,000	2,258,000
Food services operation	7,518,953	7,518,953	7,345,336	(173,617)
Community services operation	-	-	429,532	429,532
Capital outlay	53,173	502,941	42,180	(460,761)
Debt service:				
Principal retirement	-	-	396,845	396,845
Interest and fiscal charges	-	-	52,924	52,924
Total expenditures	132,812,977	134,317,754	132,472,940	(1,844,814)
Excess of revenues over expenditures	(189,163)	535,228	2,394,476	1,859,248
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	-	1	1
Transfers out	(863,815)	(1,437,815)	-	1,437,815
Total other financing sources (uses)	(863,815)	(1,437,815)	1	1,437,816
Net change in fund balances	(1,052,978)	(902,587)	2,394,477	3,297,064
FUND BALANCE, beginning of year	12,355,213	12,355,213	12,355,213	-
FUND BALANCE, end of year	\$ 11,302,235	\$ 11,452,626	\$ 14,749,690	\$ 3,297,064

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

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

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

See notes to the basic financial statements.

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

SCHEDULE "2"

Funding Agency Program/Grant	CFDA Number	Pass- Through Entity ID Number	Total Expenditures
Agriculture, U. S. Department of			
Child Nutrition Cluster			
Pass-Through From Georgia Department of Education			
Food Services			
School Breakfast Program	10.553	N/A	See Note (2)
National School Lunch Program - Cash	10.555	N/A	\$ 6,423,045
National School Lunch Program - Commodities (1)	10.555	N/A	<u>529,910</u>
Total Child Nutrition Cluster			<u>6,952,955</u>
Other Programs			
Pass-Through From Georgia Department of Education			
ARRA - Child Nutrition Discretionary Grants Limited Availability	10.582	N/A	12,469
Fresh Fruit and Vegetable Program	10.579	N/A	<u>68,909</u>
Total Other Programs			<u>81,378</u>
Total U. S. Department of Agriculture			<u>7,034,333</u>
Education, U. S. Department of			
Education for Homeless Children and Youth Cluster			
Pass-Through From Georgia Department of Education			
Education for Homeless Children and Youth	84.196	N/A	<u>36,062</u>
Education Technology State Grants Cluster			
Pass-Through From Georgia Department of Education			
Education Technology State Grants	84.318	N/A	<u>9,430</u>
School Improvement Grants Cluster			
Pass-Through From Georgia Department of Education			
ARRA - School Improvement Grants	* 84.388	N/A	<u>798,593</u>
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Grants to States	* 84.027	N/A	2,401,876
Grants to States - ARRA	* 84.391	N/A	1,400,626
Preschool Grants - ARRA	* 84.392	N/A	45,432
Preschool Grants	* 84.173	N/A	<u>101,401</u>
Total Special Education Cluster			<u>3,949,335</u>
Title I, Part A Cluster			
Pass-Through From Georgia Department of Education			
ARRA - Title I Grants to Local Education Agencies	* 84.389	N/A	1,317,080
Title I - Improving the Academic Achievement of the Disadvantaged	* 84.010	N/A	3,027,290
Title I - Distinguished School Awards	* 84.010	N/A	6,678
Title I - School Improvement	* 84.010	N/A	<u>111,276</u>
Total Title I, Part A Cluster			<u>4,462,324</u>

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

SCHEDULE "2"

Funding Agency <u>Program/Grant</u>	<u>CFDA Number</u>	Pass- Through Entity ID <u>Number</u>	Total <u>Expenditures</u>
Other Programs			
Pass-Through From Georgia Department of Education			
Education Job Fund	* 84.410	N/A	2,836,289
English Language Acquisition Grants	84.365	N/A	51,545
Improving Teacher Quality State Grants	* 84.367	N/A	675,875
Vocational Education - Basic Grants to States	84.048	N/A	138,438
			<u>3,702,147</u>
Total Other Programs			3,702,147
Total U. S. Department of Education			<u>12,957,891</u>
Defense, U. S. Department of			
Direct			
Department of the Army			
R.O.T.C. Program			54,362
			<u>54,362</u>
Total Expenditures of Federal Awards			<u>\$ 20,046,586</u>

N/A = Not Available

Notes to the Schedule of Expenditures of Federal Awards

- (1) The amounts shown for the Food Donation Program represent the Federally assigned value of nonmonetary assistance for donated commodities received and/or consumed by the School District during the current fiscal year.
- (2) Expenditures for the funds earned on the School Breakfast Program (\$1,322,251.98) were not maintained separately and are included in the National School Lunch Program.

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

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

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

See notes to the basic financial statements.

CARROLL COUNTY BOARD OF EDUCATION

SCHEDULE "3"

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>Capital Projects Fund</u>	
Grants			
Bright from the Start:			
Georgia Department of Early Care and Learning			
Pre-Kindergarten Program	\$ 2,224,808	\$ -	\$ 2,224,808
Education, Georgia Department of			
Quality Basic Education			
Direct Instructional Cost			
Kindergarten Program	4,431,377	-	4,431,377
Kindergarten Program - Early Intervention Program	421,328	-	421,328
Primary Grades (1-3) Program	10,559,871	-	10,559,871
Primary Grades - Early Intervention (1-3) Program	898,006	-	898,006
Upper Elementary Grades (4-5) Program	5,235,858	-	5,235,858
Upper Elementary Grades - Early Intervention (4-5) Program	716,543	-	716,543
Middle Grades (6-8) Program	11,732	-	11,732
Middle School (6-8) Program	8,490,185	-	8,490,185
High School General Education (9-12) Program	7,195,353	-	7,195,353
Vocational Laboratory (9-12) Program	2,527,831	-	2,527,831
Program for Intellectually Gifted Students - Category VI	3,075,527	-	3,075,527
Remedial Education Program	577,470	-	577,470
Alternative Education Program	668,434	-	668,434
English Speakers of Other Languages (ESOL)	356,963	-	356,963
Media Center Program	1,543,718	-	1,543,718
Twenty Days Additional Instruction	462,254	-	462,254
Staff and Professional Development	304,946	-	304,946
Indirect Cost			
Central Administration	1,810,116	-	1,810,116
School Administration	3,415,561	-	3,415,561
Facility Maintenance and Operations	3,696,056	-	3,696,056
Categorical Grants			
Pupil Transportation	1,587,873	-	1,587,873
Vocational Supervisors	29,270	-	29,270
Nursing Services	213,348	-	213,348
Mid Term Hold Harmless	607,911	-	607,911

CARROLL COUNTY BOARD OF EDUCATION

SCHEDULE "3"

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>Capital Projects Fund</u>	
Education Equalization Funding Grant	\$ 10,779,283	\$ -	\$ 10,779,283
Food Services	236,078	-	236,078
Vocational Education	227,942	-	227,942
Austerity Reduction	(10,177,310)	-	(10,177,310)
Other State Programs			
CTAE Middle School	10,650	-	10,650
Dual Enrollment	11,666	-	11,666
Health Insurance	234,251	-	234,251
Math and Science Supplements	93,825	-	93,825
Preschool Handicapped Program	264,651	-	264,651
Pupil Transportation - State Bonds	534,044	-	534,044
Residential Treatment	324,381	-	324,381
Teachers' Retirement	40,268	-	40,268
Virtual Schools	1,025	-	1,025
Georgia State Financing and Investment Commission			
Reimbursement on Construction Projects	-	7,283,893	7,283,893
Special Education Programs			
Total Quality Basic Education Formula Earnings	14,069,363		14,069,363
QBE Allotment (Operating Costs)	272,475		272,475
QBE Contra Account (Debit)	(1,569,904)		(1,569,904)
Office of State Treasurer			
Public School Employees Retirement	84,970	-	84,970
Other			
Funds from Other State Agencies	42,250	-	42,250
	<u>\$ 76,542,247</u>	<u>\$ 7,283,893</u>	<u>\$ 83,826,140</u>

See notes to the basic financial statements.

**SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

<u>Project</u>	<u>Original Estimated Cost(1)</u>	<u>Current Estimated Costs(2)</u>	<u>Expended In Current Year (3)</u>	<u>Expended In Prior Years (3)</u>	<u>Project Status</u>
(A) Providing funds to pay or to be applied toward the cost of capital outlay projects within the Carroll County School District, consisting of acquiring, constructing, adding to, renovating, modifying, repairing, improving and equipping existing schools and other buildings and facilities and acquiring any property necessary or desirable therefore, both real and personal; acquiring real estate for the construction of new schools and facilities; constructing and equipping new schools and facilities and acquiring any property necessary or desirable therefore, both real and personal.	\$ <u>105,420,000</u>	\$ <u>105,420,000</u>	\$ <u>10,813,566</u>	\$ <u>77,545,668</u>	Ongoing
	<u>\$ 105,420,000</u>	<u>\$ 105,420,000</u>	<u>\$ 10,813,566</u>	<u>\$ 77,545,668</u>	

- (1) The School District's original cost estimate as specified in the resolution calling for the imposition of the Local Option Sales Tax.
- (2) The School District's current estimate of total cost for the project(s). Includes all cost from project inception to completion.
- (3) The voters of Carroll 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.

**GENERAL FUND - SCHEDULE OF QUALITY BASIC EDUCATION PROGRAM (QBE)
ALLOTMENTS AND EXPENDITURES BY PROGRAM
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	\$ 5,025,080	\$ 4,230,704	\$ 70,735	\$ 4,301,439
Kindergarten Program - Early Intervention Program	510,695	550,304	3,321	553,625
Primary Grades (1-3) Program	12,060,416	10,951,246	278,874	11,230,120
Primary Grades - Early Intervention (1-3) Program	1,068,613	778,406	7,278	785,684
Upper Elementary Grades (4-5) Program	5,912,234	7,085,730	104,857	7,190,587
Upper Elementary Grades-Early Intervention (4-5) Program	833,973	929,725	5,867	935,592
Middle Grades (6-8) Program	12,765	-	-	-
Middle School (6-8) Program	9,619,886	8,997,127	163,236	9,160,363
High School General Education (9-12) Program	8,218,089	9,188,610	270,134	9,458,744
Vocational Laboratory (9-12) Program	2,819,133	1,934,498	159,768	2,094,266
Students with Disabilities	13,053,172	-	-	-
Category I	-	376,446	9,172	385,618
Category II	-	817,152	2,781	819,933
Category III	-	7,128,948	61,532	7,190,480
Category IV	-	2,079,773	33,880	2,113,653
Category V	-	919,733	57,082	976,815
Gifted Student - Category VI	3,480,975	3,829,738	36,900	3,866,638
Remedial Education Program	661,027	725,617	2,658	728,275
Alternative Education Program	759,539	1,072,882	16,497	1,089,379
English Speakers of Other Languages (ESOL)	407,713	331,388	1,399	332,787
TOTAL DIRECT INSTRUCTIONAL PROGRAMS	64,443,310	61,928,027	1,285,971	63,213,998
Media Center Program	1,753,890	2,520,046	165,783	2,685,829
Staff and Professional Development	346,279	42,908	-	42,908
TOTAL QBE FORMULA FUNDS	\$ 66,543,479	\$ 64,490,981	\$ 1,451,754	\$ 65,942,735

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

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

See notes to the basic financial statements.

SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS



DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

March 29, 2012

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

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

Ladies and Gentlemen:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Carroll County Board of Education as of and for the year ended June 30, 2011, which collectively comprise Carroll County Board of Education's basic financial statements and have issued our report thereon dated March 29, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses and therefore, there can be no assurances that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider item FS-6221-11-01 in the accompanying Schedule of Findings and Questioned Costs to be a material weakness.

Compliance and Other Matters

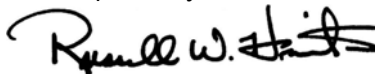
As part of obtaining reasonable assurance about whether Carroll County Board of Education's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a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

We noted certain matters that we have reported to management of Carroll County Board of Education in a separate letter dated March 29, 2012.

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

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Russell W. Hinton", is written over a horizontal line.

Russell W. Hinton, CPA, CGFM
State Auditor

RWH:al
2011YB-41



DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

March 29, 2012

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

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

Ladies and Gentlemen:

Compliance

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

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

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

Internal Control Over Compliance

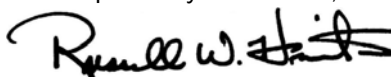
Management of Carroll County Board of Education is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Carroll County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

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

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

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Russell W. Hinton".

Russell W. Hinton, CPA, CGFM
State Auditor

RWH:al
2011SA-10

SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

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

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FA-6221-10-01	Previously Reported Corrective Action Implemented
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SECTION IV

FINDINGS AND QUESTIONED COSTS

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

I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

- Material weakness identified? Yes
- Significant deficiency identified? None Reported

Noncompliance material to financial statements noted: No

Federal Awards

Internal Control over major programs:

- Material weakness identified? No
- Significant deficiency identified? None Reported

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

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010, 84.389	Title I, Part A Cluster
84.027, 84.173, 84.391, 84.392	Special Education Cluster
84.410	Education Jobs Fund
84.367	Improving Teacher Quality State Grants
84.388	School Improvement Grants Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$601,398

Auditee qualified as low-risk auditee? No

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

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

CAPITAL ASSETS

Restatement of Beginning Capital Assets

Material Weakness

Finding Control Number: FS-6221-11-01

Condition:

The School District did not capitalize all applicable construction expenses when incurred.

Criteria:

The School District's management is responsible for designing and maintaining internal controls that provide reasonable assurance that construction in progress is reported in accordance with generally accepted accounting principles (GAAP).

Questioned Cost:

N/A

Information:

During the fiscal year, the School District capitalized \$4,676,377 of prior year's expenses associated with construction in progress that were not capitalized during the year the expenses were incurred. The School District restated beginning capital assets to correct these errors.

Cause:

The School District's policy for reporting construction in progress was not in accordance with GAAP.

Effect:

Material restatement of beginning net assets.

Recommendation:

Management should revise the capital assets policy to ensure that all applicable construction expenses are capitalized in accordance with GAAP.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION V

MANAGEMENT'S RESPONSES

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

Finding Control Number: FS-6221-11-01

We concur with this finding. The School District will implement policies and procedures to insure that Construction in Progress is calculated and reported in accordance with Generally Accepted Accounting Principles.

Contact Person: Greg Denney, CFO
Telephone: (770) 832-3568
Fax: (770) 836-2739
E-mail: greg.denney@carrollcountyschools.com