

COWETA COUNTY BOARD OF EDUCATION

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ANNUAL FINANCIAL REPORT

**Coweta Committed
to Student Success**

**NEWNAN, GEORGIA
FOR THE FISCAL YEAR
ENDED JUNE 30, 2012**

INCLUDING INDEPENDENT AUDITOR'S REPORT

COWETA COUNTY BOARD OF EDUCATION

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FINANCIAL



DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

March 1, 2013

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2013, on our consideration of the Coweta 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 ix and page 25 respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Coweta County Board of Education's financial statements as a whole. The accompanying supplementary information consists of Schedules 2 through 5, which includes the Schedule of Expenditures of Federal Awards as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Respectfully submitted,



Greg S. Griffin
State Auditor

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

The discussion and analysis of Coweta County Board of Education's financial performance provides an overall review of the Board's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the Board's financial performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the Board's financial performance.

Financial Highlights

Key financial highlights for 2012 are as follows:

- ☐ In total, net assets increased \$17.0 million which represents a 5.4 percent increase from 2011. This total increase was due to governmental activities since the Board has no business-type activities.
- ☐ General revenues accounted for \$100.8 million in revenue or 47.7 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$110.7 million or 52.3 percent of total revenues of \$211.5 million.
- ☐ The Board had \$194.4 million in expenses related to governmental activities; only \$110.7 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$100.8 million were adequate to provide for these programs.
- ☐ Among major funds, the general fund had \$186.4 million in revenues, \$186.3 million in expenditures and \$0.2 million in other financing uses. The general fund's fund balance decreased to \$34.2 million from \$34.3 million.
- ☐ Due to the financial condition of the State of Georgia, the State again reduced the Board's funding. The current reduction is \$15.3 million, which follows a \$14.8 million reduction in 2011, a \$19.1 million reduction in 2010, a \$7.0 million reduction for 2009, a \$1.8 million reduction for 2008, \$2.1 million reduction for 2007, a \$3.9 million reduction for 2006, a \$3.9 million reduction for 2005, a \$3.3 million reduction for 2004, and a \$1.6 million reduction for 2003. The reduction will be \$15.3 million for 2013.

Using the Basic Financial Statements

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

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

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

Reporting the Board as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the Board to provide programs and activities, the view of the Board as a whole looks at all financial transactions and asks the question, "How did we do financially during 2012?" The Statement of Net Assets and the Statement of Activities answers this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. The accrual basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

- ☐ **Governmental Activities** - All of the Board's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, food service, after school program, principal's accounts and various others.

Reporting the Board's Most Significant Funds

Fund Financial Statements

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

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

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

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

The Board as a Whole

- The perspective of the statement of net assets is of the Board as a whole. Table 1 provides a summary of the Board's net assets for fiscal year 2012 compared to fiscal year 2011.

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

	Governmental Activities	
	Fiscal Year 2012	Fiscal Year 2011
Assets		
Current and Other Assets	\$ 124,601	\$ 126,086
Capital Assets, Net	<u>255,048</u>	<u>239,082</u>
Total Assets	<u>\$ 379,649</u>	<u>\$ 365,168</u>
Liabilities		
Current and Other Liabilities	\$ 30,795	\$ 24,361
Long-Term Liabilities	<u>17,823</u>	<u>26,807</u>
Total Liabilities	<u>\$ 48,618</u>	<u>\$ 51,168</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	\$ 238,434	\$ 213,574
Restricted	44,519	47,882
Unrestricted	<u>48,078</u>	<u>52,544</u>
Total Net Assets	<u>\$ 331,031</u>	<u>\$ 314,000</u>

Total net assets increased \$17.0 million in fiscal year 2012.

Table 2 shows the changes in net assets for fiscal year 2012 compared to the changes in net assets for fiscal year 2011.

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

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

	Governmental Activities	
	Fiscal Year	Fiscal Year
	2012	2011
Revenues		
Program Revenues:		
Charges for Services and Sales	\$ 4,938	\$ 6,010
Operating Grants and Contributions	102,680	110,129
Capital Grants and Contributions	3,052	3,962
Total Program Revenues	<u>\$ 110,670</u>	<u>\$ 120,101</u>
General Revenues:		
Taxes		
Property Taxes		
For Maintenance and Operations	\$ 70,290	\$ 69,911
For Debt Services		1
Railroad Cars	53	57
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Debt Services	9,720	13,730
For Capital Projects	10,846	5,116
Other Sales Taxes	1,319	1,083
Grants and Contributions not		
Restricted to Specific Programs	4,729	3,510
Investment Earnings	122	174
Miscellaneous	3,683	2,118
Total General Revenues	<u>\$ 100,762</u>	<u>\$ 95,700</u>
Total Revenues	<u>\$ 211,432</u>	<u>\$ 215,801</u>
Program Expenses:		
Instruction	\$ 122,287	\$ 122,594
Support Services		
Pupil Services	9,328	8,506
Improvement of Instructional Services	3,346	3,317
Educational Media Services	2,731	2,624
General Administration	828	2,652
School Administration	13,465	13,052
Business Administration	1,790	1,205
Maintenance and Operation of Plant	15,766	15,793
Student Transportation Services	10,058	9,204
Central Support Services	1,007	987
Other Support Services	1,229	1,325
Operations of Non-Instructional Services		
Enterprise Operations	1,009	991
Community Services	1,148	1,276
Food Services	9,796	8,965
Interest on Short-Term and Long-Term Debt	613	1,111
Total Expenses	<u>\$ 194,401</u>	<u>\$ 193,602</u>
Increase in Net Assets	<u>\$ 17,031</u>	<u>\$ 22,199</u>

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

Governmental Activities

Governmental program expenses are comprised of the following: Instruction 63.0 percent, Support Services 30.6 percent, Operations of Non-Instructional Services 6.1 percent and Interest on Short-Term and Long-Term Debt 0.3 percent. Interest expense was attributable to the outstanding bonds for capital projects.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services comparing fiscal year 2012 with fiscal year 2011. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

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

	Total Cost of Services		Net Cost of Services	
	Fiscal Year 2012	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2011
Instruction	\$ 122,287	\$ 122,594	\$ 47,784	\$ 36,365
Support Services:				
Pupil Services	9,328	8,506	6,897	7,471
Improvement of Instructional Services	3,346	3,317	733	1,882
Educational Media Services	2,731	2,624	486	318
General Administration	828	2,652	-1,391	-1,422
School Administration	13,465	13,052	8,308	8,606
Business Administration	1,790	1,205	1,650	1,162
Maintenance and Operation of Plant	15,766	15,793	8,934	9,588
Student Transportation Services	10,058	9,204	7,027	5,574
Central Support Services	1,007	987	920	980
Other Support Services	1,229	1,325	1,119	1,190
Operations of Non-Instructional Services:				
Enterprise Operations	1,009	991	266	329
Community Services	1,148	1,276	-18	204
Food Services	9,796	8,965	403	143
Interest on Short-Term and Long-Term Debt	613	1,111	613	1,111
Total Expenses	\$ 194,401	\$ 193,602	\$ 83,731	\$ 73,501

Although program revenues make up a majority of the revenues, the Board is still dependent upon tax revenues for governmental activities. Taxes and other general revenues support 39.1 percent of instructional activities; for all governmental activities general revenue support is 43.1 percent.

The Board's Funds

The Board's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues, and other financing sources of \$210.4 million and expenditures and other financing uses of \$219.6 million. There was a decrease of \$9.1 million in the capital projects fund due to the ongoing construction and renovation program. The general fund had a decrease of \$0.1 million. The decrease in the general fund for the year is due to reduced state, Federal, and local funds. The decrease in general fund revenue results in the continuation of the spending restrictions implemented by the administration.

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

General Fund Budgeting Highlights

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

During the course of fiscal year 2012, the Board amended its general fund budget as needed. The Board uses site-based budgeting. The budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, the final budgeted revenues and other financing sources of \$193.2 million exceeded the original budgeted amount of \$183.7 million by \$9.5 million. This difference was due to an increase in miscellaneous revenues of \$7.0 million, an increase in state revenues of \$1.9 million (for on-behalf payments), and an increase in Federal revenues of \$0.6 million. The miscellaneous revenues budgeted increased due to the inclusion of the principals' accounts in our financial statements, the state revenues increased due to the inclusion of the on-behalf payments, and the Federal revenues increased due to an increase in the Federal grants. The final budgeted revenues and other financing sources of \$193.2 million exceeded the actual revenues and other financing sources by \$6.8 million.

The final budgeted expenditures and other financing uses of \$197.9 million exceeded the original budgeted amount of \$187.7 million by \$10.2 million. The majority of this difference was due to an increase in instruction of \$7.6 million (\$1.9 million of this increase was for on-behalf payments and \$5.5 million was due to the inclusion of the principals' accounts) and an increase in enterprise activities of \$1.5 million due to the inclusion of the principals' accounts in our financial statements. The budgeted ending fund balance decreased \$4.7 million. The actual expenditures and other financing uses of \$186.6 million was \$11.3 million less than budgeted.

General Fund revenues and other financing sources exceeded expenditures and other financing uses by \$4.6 million.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2012 the Board had \$255.0 million invested in capital assets, all in governmental activities. Table 4 shows fiscal year 2012 balances compared with fiscal year 2011 balances.

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

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

	Governmental Activities	
	Fiscal Year 2012	Fiscal Year 2011
Land	\$ 10,567	\$ 9,848
Construction In Progress	19,737	4,249
Buildings and Building Improvements	194,298	194,654
Equipment	14,372	14,091
Land Improvements	16,074	16,240
Total	<u>\$ 255,048</u>	<u>\$ 239,082</u>

Construction in progress increased due to the construction program associated with the bonds issued in fiscal year 2006. Decreases were noted in buildings and building improvements and land improvements due to the continued depreciation of existing assets.

Debt

At June 30, 2012, the Board had \$16.6 million in bonds outstanding, all due within one year. Table 5 summarizes general operations bonds, compensated absences outstanding and unamortized bond premium. Table 5 shows fiscal year 2012 balances compared with fiscal year 2011 balances.

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

	Governmental Activities	
	Fiscal Year 2012	Fiscal Year 2011
General Obligation Bonds	\$ 16,600	\$ 25,075
Compensated Absences	958	1,011
Unamortized Bond Premium	265	720
Total	<u>\$ 17,823</u>	<u>\$ 26,806</u>

The Georgia Constitution provides school districts a standard debt limitation of 10% of the property tax digest. For the Coweta County School System, the standard debt limitation is \$374,938,296. The constitutional amendment that created the Coweta County School System provided for an additional debt limitation of 7% of the property tax digest, which provides an additional \$262,456,807 to the standard debt limitation. Therefore, at June 30, 2012, the Coweta County School System's overall legal bonding authority was \$637,395,103. The School District maintains a Moody's bond rating of Aa2 and a Standard and Poor's bond rating of AA+.

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

Current Issues

Coweta County's population growth and economic development continued to grow slowly in 2011 and into the summer of 2012. Trends in school system enrollment and in the local tax digest growth showed that Coweta County continued to be affected by national economic trends in the form of high unemployment and growth rates slower than the decade preceding the national recession.

U. S. Census estimates placed Coweta County's population at 129,629 in June, 2011, up from 127,317 (or 1.8%) over the year prior. Coweta's growth – while slower than pre-recession years – has remained consistent during recent years, with the county's population estimated by the U. S. Census Bureau growing from 89,215 residents in 2000 to 122,924 in June, 2008. The county's population was likely just above 130,000 residents in 2012 assuming the same growth trends.

Coweta County School System enrollment reflected those trends. The school system showed enrollment of 22,498 during the last enrollment period of 2012. The average rate of enrollment for the system in the period 1991-2006 was approximately 4% or higher, with increases of 500 to 1,200 students each year during that period. There were 21,354 students in the fall of 2006, increasing to only 22,151 by the fall of 2009, representing a slowing of student population growth to an average closer to 1% per year. This slowing in student enrollment matched similar rates in Coweta County's housing permits, tax digest growth, and unemployment figures.

In 2007, some 645 housing permits valued at \$160.7 million were issued in Coweta County. By 2008, only 263 housing permits valued at \$74.7 million were issued in Coweta County, and new housing growth appeared to remain steady at that lower rate in 2011 and 2012.

Statistics released in May, 2012 by the Georgia Department of Labor showed an unemployment rate in Coweta County at 8.1%, up from 7.8% rate in April. That compared to a state-wide rate of 8.9% in May and 8.7% in April in 2012. Neighboring Fayette County posted a jobless rate of 7.8% in May, up from a rate of 7.7% in April.

Those rates were improvements over the same period the year before. In May, 2011, Coweta's unemployment rate had been 9.8%, and had shown six straight months of decline after peaking above 11% in the winter of 2011. Fayette County had an 8.3% unemployment rate in July, 2011. The regional unemployment situation was similar. In the 10-county Three Rivers Commission area that includes Coweta County, unemployment increased from 9.2% in April to 9.5% in May. The jobless rate in Three Rivers a year ago was 10.3% in May, 2012. Similarly, the 10-county Atlanta Regional Commission area, of which Fayette County is part, saw a May unemployment rate of 8.7% and a rate of 9.5% in May 2011.

For its fiscal year 2013 budget, adopted in June, 2012, the Coweta County Board of Education approved a General Fund Budget of \$168,516,698. The new fiscal year's budget was an increase from a budget of \$165,483,455 adopted for fiscal year 2012, and a decrease of \$7.4 million over the school system's General Fund budget of \$175,931,581 adopted in June of 2009, following several years of state budget cuts. In adopting the fiscal year 2013 budget, the Board anticipated a decrease in the Coweta County tax digest growth of 3.21%, following a 4.7% decrease the year before. This compares to previous year tax digest increases of 10% to 20% or higher in previous years. The Board maintained its local tax rate at 18.59 mills during 2012-13.

Coweta County School System Special Purpose Local Option Sales Tax cash basis revenue collections for fiscal year 2012 were \$20,599,681, which reflects an increase of 8.74% when compared to fiscal year 2011 and an increase of 7.14% when compared to fiscal year 2010. The Special Purpose Local Option Sales Tax cash basis revenue collections for fiscal year 2011 and fiscal year 2010 were \$18,943,641 and \$19,227,088, respectively.

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

In Coweta County, new retail and commercial services grew slightly. A new Sam's Club Superstore and ancillary retail shopping destinations – including a new movie theatre - in eastern Coweta County in the winter of 2011, and ground was broken in August, 2012, for a new 21,410 square-foot Don Jackson Chrysler/Dodge/Jeep/Ram dealership in east Coweta along Ga. Highway 34 across from the Summit Family YMCA. Growth in the Senoia-area's retail base was significantly stronger in 2012 and recent years, following the east Coweta city's growth as a film production location.

Despite slow housing construction and retail construction, the county continued to see significant new industrial development including completion of the new \$180 million Piedmont-Newnan Hospital campus and related Allied Health complex on Poplar Road in Newnan in the spring of 2012. By the late summer of 2012, construction was also completed on the \$125 million Cancer Treatment Center of America's (CTCA's) southeastern campus at Ashley Park in Newnan. CTCA officials projected a local economic impact of \$500 million in the first five years of operation. One of Coweta's largest employers – Yamaha Motor Manufacturing Corporation - also significantly expanded its ATV production line at its Newnan campus.

Looking ahead, work is also expected to be complete in 2013 on a new West Georgia Technical College Campus near Turkey Creek Road near Newnan, and the State University of West Georgia continued plans to expand its university's presence in Newnan with conversion of the old Newnan Hospital location on Jackson Street into a larger satellite campus. Coweta voters also approved on March 6, 2012, a six-year renewal of the Special Purpose Local Option Sales Tax. That approval secured funding for a new I-85 interchange at Poplar Road which is scheduled for construction in 2015 through 2017.

While improving unemployment rates, home sales and construction bode well for Coweta County's tax base, one possible negative factor would be a possible future closure of the coal-fed generators at Georgia Power's Plant Yates facility in Coweta County. The power generation plant provides 9% of the local tax base. Though no plans have been announced for that contingency in the summer of 2012, new rules impacting coal-fired power generation may play a role in Georgia Power's continued operation of the facility.

In any case, while not experiencing harsher trends that had affected other Georgia counties' school enrollment counts, tax collections, and tax digests, and while experiencing several causes for optimism, Coweta County still faced a continuation of difficult trends during 2012.

Contacting the Board's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Board's finances and to show the Board's accountability for the money it receives. If you have questions about this report or need additional financial information, you may contact W. Keith Chapman, CPA, Assistant Superintendent for Financial Services at the Coweta County Board of Education, 237 Jackson Street, Newnan, Georgia 30263. You may also email your questions to keith.chapman@cowetaschools.net.

COWETA COUNTY BOARD OF EDUCATION

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

EXHIBIT "A"

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 49,316,250.50
Investments	51,584,257.27
Accounts Receivable, Net	
Taxes	8,555,976.54
State Government	13,688,504.71
Federal Government	1,037,823.03
Other	271,909.02
Inventories	146,723.47
Capital Assets, Non-Depreciable	30,303,328.00
Capital Assets, Depreciable (Net of Accumulated Depreciation)	<u>224,744,743.00</u>
 Total Assets	 <u><u>\$ 379,649,515.54</u></u>
<u>LIABILITIES</u>	
Accounts Payable	\$ 8,087,518.54
Salaries Payable	16,729,938.84
Claims Incurred But Not Reported (IBNR)	842,548.00
Interest Payable	343,958.33
Contracts Payable	3,437,459.34
Retainages Payable	1,343,571.00
Deferred Revenue	9,989.00
Long-Term Liabilities	
Due Within One Year	<u>17,822,571.79</u>
 Total Liabilities	 <u><u>\$ 48,617,554.84</u></u>
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	\$ 238,433,877.62
Restricted for	
Continuation of Federal Programs	937,982.80
Debt Service	70,323.47
Capital Projects	43,511,938.52
Unrestricted	<u>48,077,838.29</u>
 Total Net Assets	 <u><u>\$ 331,031,960.70</u></u>
 Total Liabilities and Net Assets	 <u><u>\$ 379,649,515.54</u></u>

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

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

	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>
<u>GOVERNMENTAL ACTIVITIES</u>		
Instruction	\$ 122,288,253.07	\$ 49,055.00
Support Services		
Pupil Services	9,328,020.20	
Improvement of Instructional Services	3,345,772.02	
Educational Media Services	2,731,278.45	
General Administration	828,338.13	
School Administration	13,464,983.04	
Business Administration	1,789,669.02	
Maintenance and Operation of Plant	15,765,985.40	
Student Transportation Services	10,058,327.81	
Central Support Services	1,006,725.01	
Other Support Services	1,228,638.44	
Operations of Non-Instructional Services		
Enterprise Operations	1,008,687.71	639,149.50
Community Services	1,147,963.05	1,090,269.00
Food Services	9,796,423.39	3,159,787.64
Interest on Short-Term and Long-Term Debt	613,291.56	
	<u>\$ 194,402,356.30</u>	<u>\$ 4,938,261.14</u>
Total Governmental Activities		
General Revenues		
Taxes		
Property Taxes		
For Maintenance and Operations		
Railroad Cars		
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Debt Services		
For Capital Projects		
Other Sales Tax		
Grants and Contributions not Restricted to Specific Programs		
Investment Earnings		
Miscellaneous		
Total General Revenues		
Change in Net Assets		
Net Assets - Beginning of Year		
Net Assets - End of Year		

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

EXHIBIT "B"

PROGRAM REVENUES		NET (EXPENSES)	
OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	REVENUES AND CHANGES IN NET ASSETS	
\$ 72,583,409.87	\$ 1,871,632.58	\$	-47,784,155.62
2,431,293.01			-6,896,727.19
2,605,328.77	7,061.24		-733,382.01
2,190,589.33	54,638.96		-486,050.16
2,216,755.15	2,982.82		1,391,399.84
5,131,741.40	24,806.97		-8,308,434.67
99,350.13	38,479.79		-1,651,839.10
6,048,162.79	783,966.23		-8,933,856.38
3,031,485.35			-7,026,842.46
80,947.79	6,129.54		-919,647.68
109,778.71			-1,118,859.73
100,405.78	3,048.28		-266,084.15
1,345.13	74,835.92		18,487.00
6,049,437.84	184,496.99		-402,700.92
			-613,291.56
<u>\$ 102,680,031.05</u>	<u>\$ 3,052,079.32</u>	<u>\$</u>	<u>-83,731,984.79</u>
		\$	70,290,252.15
			53,413.57
			9,719,681.26
			10,846,403.24
			1,318,912.55
			4,729,167.00
			122,450.00
			<u>3,683,141.77</u>
		\$	<u>100,763,421.54</u>
		\$	17,031,436.75
			<u>314,000,523.95</u>
		\$	<u><u>331,031,960.70</u></u>

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

EXHIBIT "C"

	GENERAL FUND	DISTRICT- WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 38,622,271.13	\$ 10,692,447.57	\$ 1,531.80	\$ 49,316,250.50
Investments	3,960,596.12	47,623,661.15		51,584,257.27
Accounts Receivable, Net				
Taxes	6,880,844.96	1,674,443.09	688.49	8,555,976.54
State Government	12,682,098.88	1,006,405.83		13,688,504.71
Federal Government	1,037,823.03			1,037,823.03
Other	271,909.02			271,909.02
Inventories	146,723.47			146,723.47
Total Assets	<u>\$ 63,602,266.61</u>	<u>\$ 60,996,957.64</u>	<u>\$ 2,220.29</u>	<u>\$ 124,601,444.54</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 7,663,836.62	\$ 423,681.92		\$ 8,087,518.54
Salaries Payable	16,729,938.84			16,729,938.84
Contracts Payable		3,437,459.34		3,437,459.34
Retainages Payable		1,343,571.00		1,343,571.00
Deferred Revenue	5,026,503.03		\$ 688.49	5,027,191.52
Total Liabilities	<u>\$ 29,420,278.49</u>	<u>\$ 5,204,712.26</u>	<u>\$ 688.49</u>	<u>\$ 34,625,679.24</u>
<u>FUND BALANCES</u>				
Nonspendable	\$ 146,723.47			\$ 146,723.47
Restricted	791,259.33	\$ 43,923,156.72	\$ 1,531.80	44,715,947.85
Committed	9,769,021.09			9,769,021.09
Assigned	667,933.77	11,869,088.66		12,537,022.43
Unassigned	22,807,050.46			22,807,050.46
Total Fund Balances	<u>\$ 34,181,988.12</u>	<u>\$ 55,792,245.38</u>	<u>\$ 1,531.80</u>	<u>\$ 89,975,765.30</u>
Total Liabilities and Fund Balances	<u>\$ 63,602,266.61</u>	<u>\$ 60,996,957.64</u>	<u>\$ 2,220.29</u>	<u>\$ 124,601,444.54</u>

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

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

EXHIBIT "D"

Total Fund Balances - Governmental Funds (Exhibit "C") \$ 89,975,765.30

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

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

Land	\$	10,566,613.00	
Construction in Progress		19,736,715.00	
Land Improvements		22,433,178.00	
Buildings and Improvements		242,735,302.00	
Equipment		24,126,333.00	
Accumulated Depreciation		<u>-64,550,070.00</u>	
Total Capital Assets			255,048,071.00

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

Property Taxes			5,017,202.52
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Long-Term Liabilities, including Bonds Payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.
Long-Term Liabilities at year-end consist of:

Bonds Payable	\$	-16,600,000.00	
Compensated Absences		-957,251.79	
Unamortized Bond Premiums		-265,320.00	
Claims Incurred but not Reported (IBNR)		-842,548.00	
Interest Payable		<u>-343,958.33</u>	
Total Long-Term Liabilities			<u>-19,009,078.12</u>

Net Assets of Governmental Activities (Exhibit "A") \$ 331,031,960.70

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

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

EXHIBIT "E"

	GENERAL FUND	DISTRICT- WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
<u>REVENUES</u>				
Property Taxes	\$ 68,990,583.89		\$ 395.68	\$ 68,990,979.57
Sales Taxes	1,318,912.55	\$ 10,846,403.24	9,719,681.26	21,884,997.05
State Funds	93,018,376.25	3,052,079.32		96,070,455.57
Federal Funds	14,390,821.80			14,390,821.80
Charges for Services	4,938,261.14			4,938,261.14
Investment Earnings	51,259.74	71,190.26		122,450.00
Miscellaneous	3,724,558.66	33,378.06	15.05	3,757,951.77
	<u>186,432,774.03</u>	<u>14,003,050.88</u>	<u>9,720,091.99</u>	<u>210,155,916.90</u>
Total Revenues	\$	\$	\$	\$
<u>EXPENDITURES</u>				
Current				
Instruction	\$ 117,708,915.56	\$ 1,096,683.32		\$ 118,805,598.88
Support Services				
Pupil Services	9,296,283.89			9,296,283.89
Improvement of Instructional Services	3,330,522.83			3,330,522.83
Educational Media Services	2,631,836.26			2,631,836.26
General Administration	825,127.15	7,500.00		832,627.15
School Administration	13,461,845.32			13,461,845.32
Business Administration	1,733,442.60	18.00	\$ 3,750.00	1,737,210.60
Maintenance and Operation of Plant	14,350,123.76	1,050.00		14,351,173.76
Student Transportation Services	9,505,953.62	888,216.00		10,394,169.62
Central Support Services	993,968.43			993,968.43
Other Support Services	999,055.86			999,055.86
Enterprise Operations	1,002,989.43			1,002,989.43
Community Services	1,013,795.63			1,013,795.63
Food Services Operation	9,477,148.83			9,477,148.83
Capital Outlay		21,326,666.99		21,326,666.99
Debt Services				
Principal			8,475,000.00	8,475,000.00
Interest			1,241,431.26	1,241,431.26
	<u>186,331,009.17</u>	<u>23,320,134.31</u>	<u>9,720,181.26</u>	<u>219,371,324.74</u>
Total Expenditures	\$	\$	\$	\$
Excess of Revenues over (under) Expenditures	\$ 101,764.86	\$ -9,317,083.43	\$ -89.27	\$ -9,215,407.84
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In		\$ 230,831.96		\$ 230,831.96
Transfers Out	\$ -230,831.96			-230,831.96
	<u>-230,831.96</u>	<u>230,831.96</u>		<u>0.00</u>
Total Other Financing Sources (Uses)	\$	\$	\$	\$
Net Change in Fund Balances	\$ -129,067.10	\$ -9,086,251.47	\$ -89.27	\$ -9,215,407.84
Fund Balances - Beginning	34,311,055.22	64,878,496.85	1,621.07	99,191,173.14
	<u>34,181,988.12</u>	<u>55,792,245.38</u>	<u>1,531.80</u>	<u>89,975,765.30</u>
Fund Balances - Ending	\$	\$	\$	\$

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

COWETA COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2012

EXHIBIT "F"

Total Net Change in Fund Balances - Governmental Funds (Exhibit "E") \$ -9,215,407.84

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

Capital Outlays are reported as expenditures in Governmental Funds. However, in the Statement of Activities, the cost of Capital Assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital Outlay	\$ 21,668,150.00	
Depreciation Expense	-5,627,388.00	
Excess of Capital Outlay over Depreciation Expense	16,040,762.00	16,040,762.00

Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	1,352,686.15
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The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, and disposals) is to decrease net assets.	-74,810.00
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Repayment of Long-Term Debt is reported as an expenditure in Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Assets. In the current year, these amounts consist of:

Bond Principal Retirements	\$ 8,475,000.00	
Amortized Bond Premium	454,835.00	
Total Long-Term Debt Repayments	8,929,835.00	8,929,835.00

Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in Governmental Funds. These activities consist of:

Decrease in Compensated Absences	\$ 54,133.74	
Increase in Claims Incurred but Not Reported (IBNR)	-229,067.00	
Decrease in Interest Payable	173,304.70	
Total Additional Expenditures	-1,628.56	-1,628.56

Change in Net Assets of Governmental Activities (Exhibit "B") \$ 17,031,436.75

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

EXHIBIT "G"

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 684,454.71
Investments	
Certificate of Deposit	<u>279,821.21</u>
 Total Assets	 <u><u>\$ 964,275.92</u></u>
 <u>LIABILITIES</u>	
Funds Held for Others	<u><u>\$ 964,275.92</u></u>

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

NOTE 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

REPORTING ENTITY

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

Blended Component Unit

The Central Education Center (Charter School) is responsible for the public education of all students attending its school. The Charter School was created through a contract between the School District and the Charter School whereby all State funding associated with the students attending the Charter School and certain specified local funds are turned over to the Charter School to cover the cost of its operations. The financial statements of the Charter School have been blended with the School District's general fund.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

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

District-wide Statements:

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

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

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

Fund Financial Statements:

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

The School District reports the following major governmental funds:

- General Fund is the School District's primary operating fund. It accounts for and reports all financial resources not accounted for and reported in another fund.

- District-wide Capital Projects Fund accounts for and reports financial resources including Special Purpose Local Option Sales Tax (SPLOST), Bond Proceeds, and grants from Georgia State Financing and Investment Commission that are restricted, committed or assigned to the expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.
- Debt Service Fund accounts for and reports financial resources that are restricted, committed, or assigned including taxes (property and sales) legally restricted for the payment of general long-term principal, interest, and paying agent fees.

The School District reports the following fiduciary fund type:

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

BASIS OF ACCOUNTING

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

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

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

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

CASH AND CASH EQUIVALENTS

Composition of Deposits

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

INVESTMENTS

Composition of Investments

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

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

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

RECEIVABLES

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

PROPERTY TAXES

The Coweta County Board of Commissioners fixed the property tax levy for the 2011 tax digest year (calendar year) on August 18, 2011 (levy date). Maintenance and operations taxes were due on December 1, 2011 (lien date). Motor Vehicle taxes were due on the tax payer's birthday (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2011 tax digest are reported as revenue in the governmental funds for fiscal year 2012. The Coweta County Tax Commissioner bills and collects the property taxes for the School District, withholds 2.5% of taxes collected as a fee for tax collection and remits the balance of taxes collected to the School District. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2012, for maintenance and operations amounted to \$62,975,860.21 and for school bonds amounted to \$395.68. Motor vehicle tax revenue amounted to \$5,961,310.11.

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

School Operations	<u>18.59 mills</u>
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COWETA COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

EXHIBIT "H"

SALES TAXES

Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to \$20,566,084.50 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

INVENTORIES

Food Inventories

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

CAPITAL ASSETS

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

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

	Capitalization Policy	Estimated Useful Life
Land	All	N/A
Land Improvements	\$ 10,000.00	20 to 80 years
Buildings and Improvements	\$ 10,000.00	25 to 80 years
Equipment	\$ 10,000.00	10 to 50 years
Intangible Assets	\$ 500,000.00	5 to 80 years

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

Amortization of intangible assets such as water, timber, and mineral rights, easements, patents, trademarks, copyrights and internally generated software is computed using the straight-line method.

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.

COWETA COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

EXHIBIT "H"

At June 30, 2012, the School District's compensated absences liability is composed of an overtime compensation liability of \$195,872.33 and a vacation leave liability of \$761,379.46.

The overtime compensation liability is calculated in accordance with the Fair Labor Standards Act and applies to all non-exempt employees of the School District as defined in the Fair Labor Standards Act. Applicable employees may accrue up to no more than 240 hours of compensatory leave.

Twelve month employees earn vacation leave. Twelve month hourly employees earn 10 days of vacation leave for the first year of service, with an additional vacation day for each additional year of service completed through the 10th year. Twelve month hourly employees earn a maximum of 20 days of vacation leave at 10 years of service, and any unused vacation leave days must be used within a 24 month period to avoid forfeiture.

Changes in the compensation absence liability during the last three fiscal years are as follows:

	Beginning of Year Liability	Increases	Decreases	End of Year Liability
2010	\$ 1,119,049.00	\$ 536,634.00	\$ 560,682.00	\$ 1,095,001.00
2011	\$ 1,095,001.00	\$ 646,632.96	\$ 730,248.43	\$ 1,011,385.53
2012	\$ 1,011,385.53	\$ 653,341.92	\$ 707,475.66	\$ 957,251.79

GENERAL OBLIGATION BONDS

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

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

NET ASSETS

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

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

Restricted net assets - These represent resources for which the School District is legally or contractually obligated to spend resources for continuation of Federal 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.

COWETA COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

EXHIBIT "H"

FUND BALANCES

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

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

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

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

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

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

Fund Balances of the Governmental Funds at June 30, 2012, are as follows:

Nonspendable			
Inventories		\$	146,723.47
Restricted			
Continuation of Federal Programs	\$	791,259.33	
Capital Projects		43,511,938.52	
Debt Service		412,750.00	44,715,947.85
Committed			
Self-Insurance	\$	8,521,625.38	
School Activity Accounts		1,247,395.71	9,769,021.09
Assigned			
After School Program	\$	667,933.77	
Local Capital Outlay Projects		11,869,088.66	12,537,022.43
Unassigned			22,807,050.46
Fund Balance, June 30, 2012		\$	<u>89,975,765.30</u>

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 5% of budgeted expenditures, 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: BUDGETARY DATA

The budget is a complete financial plan for the School District's fiscal year, and is based upon careful estimates of expenditures together with probable funding sources. The budget is legally adopted each year for the general, special revenue, debt service, and capital projects funds. There is no statutory prohibition regarding over expenditure of the budget at any level. The budget for all governmental funds is prepared and adopted by fund, function and object. The legal level of budgetary control was established by the Board at the aggregate fund level. The budget for the General Fund was prepared in accordance with accounting principles generally accepted in the United States of America.

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

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

NOTE 4: DEPOSITS AND INVESTMENTS

COLLATERALIZATION OF DEPOSITS

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

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

1. Surety bond signed by a surety company duly qualified and authorized to transact business within the State of Georgia,
2. Insurance on accounts provided by the Federal Deposit Insurance Corporation,
3. Bonds, bills, notes, certificates of indebtedness or other direct obligations of the United States or of the State of Georgia,
4. Bonds, bills, notes, certificates of indebtedness or other obligations of the counties or municipalities of the State of Georgia,

COWETA COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
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EXHIBIT "H"

5. Bonds of any public authority created by the laws of the State of Georgia, providing that the statute that created the authority authorized the use of the bonds for this purpose,
6. Industrial revenue bonds and bonds of development authorities created by the laws of the State of Georgia, and
7. Bonds, bills, notes, certificates of indebtedness, or other obligations of a subsidiary corporation of the United States government, which are fully guaranteed by the United States government both as to principal and interest or debt obligations issued by or securities guaranteed by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, the Central Bank for Cooperatives, the Farm Credit Banks, the Federal Home Loan Mortgage Association, and the Federal National Mortgage Association.

CATEGORIZATION OF DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At June 30, 2012, the bank balances were \$52,560,725.22. The bank balances were covered by Federal depository insurance or collateralized with securities held by the pledging financial institution in the School District's name.

CATEGORIZATION OF INVESTMENTS

At June 30, 2012, the carrying value of the School District's total investments was \$51,584,257.27, which is materially the same as fair value. This investment consisted entirely of funds invested in the Georgia Fund 1, formerly referred to as LGIP, administered by the State of Georgia, Office of the State Treasurer which is not required to be categorized since the School District did not own any specific identifiable securities in the pool. The investment policy of the State of Georgia, Office of the State Treasurer for the Georgia Fund 1 (Primary Liquidity Portfolio) does not provide for investment in derivatives or similar investments. Additional information on the Georgia Fund 1 is disclosed in the *State of Georgia* Comprehensive Annual Financial Report. This audit can be obtained from the Georgia Department of Audits and Accounts at <http://www.audits.ga.gov/SGD/cafr.html>.

The Primary Liquidity Portfolio consists of Georgia Fund 1 which is not registered with the SEC as an investment company but does operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. The investment is valued at the pool's share price, \$1.00 per share. The pool is an AAAM rated investment pool by Standard and Poor's. The weighted average maturity of Georgia Fund 1 may not exceed 60 days. The weighted average maturity for Georgia Fund 1 on June 30, 2012, was 48 days.

NOTE 5: NON-MONETARY TRANSACTIONS

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

COWETA COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

EXHIBIT "H"

NOTE 6: CAPITAL ASSETS

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

	Balances July 1, 2011	Increases	Decreases	Balances June 30, 2012
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 9,847,626.00	\$ 718,987.00		\$ 10,566,613.00
Construction in Progress	4,248,872.00	18,929,706.00	\$ 3,441,863.00	19,736,715.00
Total Capital Assets Not Being Depreciated	\$ 14,096,498.00	\$ 19,648,693.00	\$ 3,441,863.00	\$ 30,303,328.00
Capital Assets Being Depreciated				
Buildings and Improvements	\$ 239,174,982.00	\$ 3,560,320.00		\$ 242,735,302.00
Equipment	23,434,437.00	1,336,396.00	\$ 644,500.00	24,126,333.00
Land Improvements	21,868,574.00	564,604.00		22,433,178.00
Less Accumulated Depreciation for:				
Buildings and Improvements	44,520,860.00	3,916,056.00		48,436,916.00
Equipment	9,343,199.00	980,671.00	569,690.00	9,754,180.00
Land Improvements	5,628,313.00	730,661.00		6,358,974.00
Total Capital Assets, Being Depreciated, Net	\$ 224,985,621.00	\$ -166,068.00	\$ 74,810.00	\$ 224,744,743.00
Governmental Activity Capital Assets - Net	\$ 239,082,119.00	\$ 19,482,625.00	\$ 3,516,673.00	\$ 255,048,071.00

Current year depreciation expense by function is as follows:

Instruction	\$ 3,013,951.94
Support Services	
Improvements of Instructional Services	\$ 11,370.95
Educational Media Services	87,986.92
General Administration	4,803.33
School Administration	39,947.49
Business Administration	61,965.28
Maintenance and Operation of Plant	1,262,446.79
Student Transportation Services	712,523.58
Central Support Services	9,870.60
Enterprise Operations	4,908.74
Community Services	120,510.76
Food Services	2,316,334.44
	297,101.62
	\$ 5,627,388.00

NOTE 7: INTERFUND TRANSFERS

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

<u>Transfers to</u>	<u>Transfers From General Fund</u>
District-wide Capital Projects	\$ 230,831.96

Transfers are used to move property tax revenues collected by the General Fund to the District-wide Capital Projects Fund as supplemental funding source for capital construction projects.

COWETA COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
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EXHIBIT "H"

NOTE 8: RISK MANAGEMENT

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

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

The School District has established a limited risk management program for workers' compensation claims. In connection with this program, a self-insurance reserve has been established within the General Fund by the School District. The School District accounts for claims within the General Fund with expenses/expenditures and liability being reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. An excess coverage insurance policy covers individual claims in excess of \$350,000.00 loss per occurrence, up to the statutory limit.

For purposes of estimating the claims incurred but not reported (IBNR) liability as of June 30, 2012, the School District computed the liability based on the estimated cost of each outstanding claim from claims experience of similar claims.

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

	Beginning of Year Liability	Claims and Changes in Estimates	Claims Paid	End of Year Liability
2011	\$ 520,440.00	\$ 934,604.91	\$ 841,563.91	\$ 613,481.00
2012	\$ 613,481.00	\$ 791,694.60	\$ 562,627.60	\$ 842,548.00

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

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

	Beginning of Year Liability	Claims and Changes in Estimates	Claims Paid	End of Year Liability
2011	\$ 0.00	\$ 28,312.00	\$ 28,312.00	\$ 0.00
2012	\$ 0.00	\$ 16,125.92	\$ 16,125.92	\$ 0.00

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

<u>Position Covered</u>	<u>Amount</u>
Superintendent	\$ 20,000.00
Assistant Superintendent for Financial Services	\$ 10,000.00
Board Treasurer	\$ 10,000.00
All Employees	\$ 250,000.00

COWETA COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

EXHIBIT "H"

NOTE 9: LONG-TERM DEBT

COMPENSATED ABSENCES

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

GENERAL OBLIGATION DEBT OUTSTANDING

General Obligation Bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
General Government - Series 2005	3.50% - 5.00%	\$ 16,600,000.00

Voters have authorized \$60,000,000.00 in general obligation debt for completion of SPLOST IV projects which was not issued as of June 30, 2012.

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

	Governmental Funds				
	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012	Due Within One Year
G. O. Bonds	\$ 25,075,000.00		\$ 8,475,000.00	\$ 16,600,000.00	\$ 16,600,000.00
Compensated Absences	1,011,385.53	\$ 653,341.92	707,475.66	957,251.79	957,251.79
Bond Premiums Amortized	720,155.00		454,835.00	265,320.00	265,320.00
	<u>\$ 26,806,540.53</u>	<u>\$ 653,341.92</u>	<u>\$ 9,637,310.66</u>	<u>\$ 17,822,571.79</u>	<u>\$ 17,822,571.79</u>

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

Fiscal Year Ended June 30:	General Obligation Debt		Unamortized
	Principal	Interest	Bond Premium
2013	\$ 16,600,000.00	\$ 825,500.00	\$ 265,320.00

NOTE 10: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of \$14,341,846.00 for health insurance and retirement contributions paid on the School District's behalf by the following State Agencies.

Georgia Department of Education

Paid to the Georgia Department of Community Health
For Health Insurance of Certificated Personnel
In the amount of \$14,075,293.00

Office of the State Treasurer

Paid to the Public School Employees' Retirement System
For Public School Employees' Retirement (PSERS) Employer's Cost
In the amount of \$266,553.00

COWETA COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
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EXHIBIT "H"

NOTE 11: SIGNIFICANT COMMITMENTS

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

Project	Unearned Executed Contracts	Funding Available From State
CEC Re-Roofing Improvement	\$ 340,857.18	
Newnan High School Renovations	13,111.34	\$ 233,388.10
Newnan High School Stadium Repairs	6,355.34	
Ruth Hill Elementary School Renovation	374,978.02	77,968.50
Western Elementary School Renovations	542,977.86	4,137.40
White Oak Elementary School Renovations	1,279,677.04	77,357.80
	<u>\$ 2,557,956.78</u>	<u>\$ 392,851.80</u>

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

NOTE 12: 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 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. The Official Code of Georgia Annotated (O.C.G.A.) assigns the authority to establish and amend the benefit provisions of the group health plans, including benefits for retirees, to the Board of Community Health (Board). The Department of Community Health, which includes the School OPEB Fund, issues a separate stand alone financial audit report and a copy can be obtained from the Georgia Department of Audits and Accounts.

Funding Policy. The contribution requirements of plan members and participating employers are established by the Board in accordance with the current Appropriations Act and may be amended by the Board. Contributions of plan members or beneficiaries receiving benefits vary based on plan election, dependent coverage, and Medicare eligibility and election. For members with fewer than five years of service as of January 1, 2012, contributions also vary based on years of service. On average, members with five years or more of service as of January 1, 2012, pay approximately 25 percent of the cost of the health insurance coverage. In accordance with the Board resolution dated December 8, 2011, for members with fewer than five years of service as of January 1, 2012, the State provides a premium subsidy in retirement that ranges from 0% for fewer than 10 years of service to 75% (but no greater than the subsidy percentage offered to active employees) for 30 or more years of service. The subsidy for eligible dependents ranges from 0% to 55% (but no greater

COWETA COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
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EXHIBIT "H"

than the subsidy percentage offered to dependents of active employees minus 20%). No subsidy is available to Medicare eligible members not enrolled in a Medicare Advantage Option. The Board of Community Health sets all member premiums by resolution and in accordance with the law and applicable revenue and expense projections. Any subsidy policy adopted by the Board may be changed at any time by Board resolution and does not constitute a contract or promise of any amount of subsidy.

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

The combined active and retiree contribution rates established by the Board for employers participating in the School OPEB Fund were as follows for the fiscal year ended June 30, 2012:

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

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

For non-certificated school personnel:

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

No additional contribution was required by the Board for fiscal year 2012 nor contributed to the School OPEB Fund to prefund retiree benefits. Such additional contribution amounts are determined annually by the Board in accordance with the School plan for other post-employment benefits and are subject to appropriation.

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

Fiscal Year	Percentage Contributed	Required Contribution
2012	100%	\$ 19,476,929.41
2011	100%	\$ 17,570,310.20
2010	100%	\$ 16,497,656.00

NOTE 14: 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

COWETA COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

EXHIBIT "H"

State employees is ultimately responsible for the administration of TRS. The Teachers' Retirement System of Georgia issues a separate stand alone financial audit report and a copy can be obtained from the Georgia Department of Audits and Accounts.

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

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

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

Funding Policy. TRS is funded by member and employer contributions as adopted and amended by the Board of Trustees. Members become fully vested after 10 years of service. If a member terminates with less than 10 years of service, no vesting of employer contributions occurs, but the member's contributions may be refunded with interest. Member contributions are limited by State law to not less than 5% or more than 6% of a member's earnable compensation. Member contributions as adopted by the Board of Trustees for the fiscal year ended June 30, 2012, were 5.53% of annual salary. The member contribution rate will increase to 6.00% effective July 1, 2012. Employer contributions required for fiscal year 2012 were 10.28% of annual salary as required by the June 30, 2009, actuarial valuation. The employer contribution rate will increase to 11.41% effective July 1, 2012.

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

<u>Fiscal Year</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>
2012	100%	\$ 11,019,167.20
2011	100%	\$ 11,151,923.30
2010	100%	\$ 10,697,979.00

PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS)

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

COWETA COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

EXHIBIT "H"

DEFINED CONTRIBUTION PLAN

Employees of the School District may elect to contribute to a qualifying 403(b) and/or 457 plan by selecting a vendor that has been approved by the School District. The School District does not provide matching funds to supplement the employee contributions. The employee contributions, disbursements, and loans are governed by the Internal Revenue Service rules and regulations and the plan document approved by the School District. The School District selected a third party administrator to assist in the administration of the 403(b) plan and common remitting services for the 457 plan. Contributions to the plan become property of the employee without a vesting period.

The School District also provides a supplemental 403(b) plan option for employees who are not members of the Teachers' Retirement System. Employees who are not members of the Teachers' Retirement System may elect to contribute to a supplemental 403(b) plan by choosing a vendor that has been approved by the School District. The School District provides matching funds of 50% of the employee's contribution up to a maximum School District contribution of 3% of the employee's contribution. The employee and employer contributions, disbursements, and loans are governed by the Internal Revenue Service rules and regulations and the plan document approved by the School District. The School District selected a third party administrator to assist in the administration of the supplemental 403(b) plan. Employee and employer contributions become property of the employee without a vesting period.

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

<u>Fiscal Year</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>
2012	100%	\$ 74,890.43
2011	100%	\$ 96,616.23
2010	100%	\$ 102,800.76

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

SCHEDULE "1"

	NONAPPROPRIATED BUDGETS		ACTUAL	VARIANCE
	ORIGINAL (1)	FINAL	AMOUNTS	OVER/UNDER
<u>REVENUES</u>				
Property Taxes	\$ 68,617,326.00	\$ 68,617,326.00	\$ 68,990,583.89	\$ 373,257.89
Sales Taxes	1,200,000.00	1,200,000.00	1,318,912.55	118,912.55
State Funds	91,850,369.00	93,717,391.00	93,018,376.25	-699,014.75
Federal Funds	15,861,474.00	16,537,980.00	14,390,821.80	-2,147,158.20
Charges for Services	5,397,511.00	5,397,511.00	4,938,261.14	-459,249.86
Investment Earnings	58,000.00	58,000.00	51,259.74	-6,740.26
Miscellaneous	333,028.00	7,304,450.00	3,724,558.66	-3,579,891.34
Total Revenues	\$ 183,317,708.00	\$ 192,832,658.00	\$ 186,432,774.03	\$ -6,399,883.97
<u>EXPENDITURES</u>				
Current				
Instruction	\$ 119,143,558.00	\$ 126,789,051.00	\$ 117,708,915.56	\$ 9,080,135.44
Support Services				
Pupil Services	8,626,663.00	9,982,137.00	9,296,283.89	685,853.11
Improvement of Instructional Services	3,602,774.00	3,623,185.00	3,330,522.83	292,662.17
Educational Media Services	2,467,111.00	2,578,638.00	2,631,836.26	-53,198.26
General Administration	2,710,047.00	901,625.00	825,127.15	76,497.85
School Administration	13,145,939.00	13,317,232.00	13,461,845.32	-144,613.32
Business Administration	1,767,297.00	1,780,152.00	1,733,442.60	46,709.40
Maintenance and Operation of Plant	14,481,375.00	14,590,050.00	14,350,123.76	239,926.24
Student Transportation Services	8,933,299.00	9,680,263.00	9,505,953.62	174,309.38
Central Support Services	1,247,311.00	1,259,309.00	993,968.43	265,340.57
Other Support Services	482,908.00	135,402.00	999,055.86	-863,653.86
Enterprise Operations		1,500,000.00	1,002,989.43	497,010.57
Community Services	1,698,083.00	1,712,849.00	1,013,795.63	699,053.37
Food Services Operation	8,943,407.00	8,943,407.00	9,477,148.83	-533,741.83
Total Expenditures	\$ 187,249,772.00	\$ 196,793,300.00	\$ 186,331,009.17	\$ 10,462,290.83
Excess of Revenues over (under) Expenditures	\$ -3,932,064.00	\$ -3,960,642.00	\$ 101,764.86	\$ 4,062,406.86
<u>OTHER FINANCING SOURCES (USES)</u>				
Other Sources	\$ 375,000.00	\$ 375,000.00		\$ -375,000.00
Other Uses	-375,000.00	-1,125,000.00	\$ -230,831.96	894,168.04
Total Other Financing Sources (Uses)	\$ 0.00	\$ -750,000.00	\$ -230,831.96	\$ 519,168.04
Net Change in Fund Balances	\$ -3,932,064.00	\$ -4,710,642.00	\$ -129,067.10	\$ 4,581,574.90
Fund Balances - Beginning	33,054,239.70	34,253,559.22	34,311,055.22	57,496.00
Adjustments		-3,227.16		3,227.16
Fund Balances - Ending	\$ 29,122,175.70	\$ 29,539,690.06	\$ 34,181,988.12	\$ 4,642,298.06

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

- (1) Original Budget amounts do not include budgeted revenues or expenditures of the various principal accounts or revenues or expenditures for health insurance and retirement contributions paid on the School District's behalf.

The actual amounts include revenues (\$5,231,886.08) and expenditures (\$5,430,152.84) 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.

COWETA COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

SCHEDULE "2"

FUNDING AGENCY PROGRAM/GRANT	CFDA NUMBER	PASS- THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD
Agriculture, U. S. Department of			
Child Nutrition Cluster			
Pass-Through From Georgia Department of Education			
Food Services			
School Breakfast Program	* 10.553	N/A	(2)
National School Lunch Program	* 10.555	N/A	\$ 9,198,003.42 (1)
Total U. S. Department of Agriculture			\$ 9,198,003.42
Education, U. S. Department of			
Education of Homeless Children and Youth Cluster			
Pass-Through From Georgia Department of Education			
Education for Homeless Children and Youth	84.196	N/A	\$ 32,945.63
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Grants to States	84.027	N/A	\$ 3,920,588.07
Preschool Grants	84.173	N/A	125,457.94
Total Special Education Cluster			\$ 4,046,046.01
Title I, Part A Cluster			
Pass-Through From Georgia Department of Education			
ARRA - Title I Grants to Local Educational Agencies	84.389	N/A	\$ 3,971.03
Title I Grants to Local Educational Agencies	84.010	N/A	3,463,858.51
Total Title I, Part A Cluster			\$ 3,467,829.54
Other Programs			
Pass-Through From Georgia Department of Education			
Career and Technical Education - Basic Grants to States	84.048	N/A	\$ 108,323.33
Education Jobs Fund	84.410	N/A	52,425.00
English Language Acquisition Grants	84.365	N/A	86,218.81
Improving Teacher Quality State Grants	84.367	N/A	487,166.64
Mathematics and Science Partnerships	84.366	N/A	143,721.86
Total Other Programs			\$ 877,855.64
Total U. S. Department of Education			\$ 8,424,676.82
Health and Human Services, U. S. Department of			
Child Care and Development Block Grant Cluster			
Pass-Through From Bright From the Start:			
Georgia Department of Early Care and Learning			
ARRA - Block Grants for Child Care and Development	93.713	N/A	\$ 2,400.00
Child Care and Development Block Grant	93.575	N/A	2,500.00
Total U. S. Department of Health and Human Services			\$ 4,900.00

COWETA COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

SCHEDULE "2"

FUNDING AGENCY PROGRAM/GRANT	CFDA NUMBER	PASS- THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD
Defense, U. S. Department of			
Direct			
Department of the Air Force			
R.O.T.C. Program			\$ 127,381.55
Department of the Marine Corps			
R.O.T.C. Program			<u>55,709.59</u>
Total U. S. Department of Defense			\$ <u>183,091.14</u>
Total Expenditures of Federal Awards			\$ <u><u>17,810,671.38</u></u>

N/A = Not Available

Notes to the Schedule of Expenditures of Federal Awards

- (1) Includes the Federally assigned value of donated commodities for the Food Donation Program in the amount of \$273,283.18.
- (2) Expenditures for the funds earned on the School Breakfast Program (\$1,165,285.38) were not maintained separately and are included in the 2012 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 Coweta 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.

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

SCHEDULE "3"

AGENCY/FUNDING	GOVERNMENTAL FUND TYPES		TOTAL
	GENERAL FUND	CAPITAL PROJECTS FUND	
GRANTS			
Bright From the Start:			
Georgia Department of Early Care and Learning			
Pre-Kindergarten Program	\$ 1,860,005.77		\$ 1,860,005.77
Education, Georgia Department of			
Quality Basic Education			
Direct Instructional Cost			
Kindergarten Program	5,740,584.00		5,740,584.00
Kindergarten Program - Early Intervention Program	371,564.00		371,564.00
Primary Grades (1-3) Program	13,007,901.00		13,007,901.00
Primary Grades - Early Intervention (1-3) Program	1,194,113.00		1,194,113.00
Upper Elementary Grades (4-5) Program	6,318,818.00		6,318,818.00
Upper Elementary Grades - Early Intervention (4-5) Program	626,989.00		626,989.00
Middle School (6-8) Program	11,061,982.00		11,061,982.00
High School General Education (9-12) Program	11,189,450.00		11,189,450.00
Vocational Laboratory (9-12) Program	2,207,090.00		2,207,090.00
Students with Disabilities	13,217,165.00		13,217,165.00
Gifted Student - Category VI	3,537,638.00		3,537,638.00
Remedial Education Program	517,939.00		517,939.00
Alternative Education Program	908,053.00		908,053.00
English Speakers of Other Languages (ESOL)	426,901.00		426,901.00
Media Center Program	1,950,695.00		1,950,695.00
20 Days Additional Instruction	593,131.00		593,131.00
Staff and Professional Development	428,093.00		428,093.00
Indirect Cost			
Central Administration	2,004,332.00		2,004,332.00
School Administration	3,848,649.00		3,848,649.00
Facility Maintenance and Operations	5,293,130.00		5,293,130.00
Categorical Grants			
Pupil Transportation			
Regular	1,675,006.00		1,675,006.00
Nursing Services	316,022.00		316,022.00
Vocational Supervisors	28,189.00		28,189.00
Education Equalization Funding Grant	4,729,167.00		4,729,167.00
Food Services	271,284.00		271,284.00
Vocational Education	61,427.00		61,427.00
Amended Formula Adjustment	-15,332,947.00		-15,332,947.00
Other State Programs			
Dual Enrollment	125,954.00		125,954.00
Health Insurance	14,075,293.00		14,075,293.00
Math and Science Supplements	86,517.48		86,517.48
Preschool Handicapped Program	316,067.00		316,067.00
Tuition for the Multi-Handicapped	95,021.00		95,021.00
Virtual Schools Grant	600.00		600.00
Georgia State Financing and Investment			
Commission			
Reimbursement on Construction Projects		\$ 3,052,079.32	3,052,079.32
Office of State Treasurer			
Public School Employees Retirement	266,553.00		266,553.00
	<u>\$ 93,018,376.25</u>	<u>\$ 3,052,079.32</u>	<u>\$ 96,070,455.57</u>

See notes to the basic financial statements.

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

SCHEDULE "4"

PROJECT	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3)	AMOUNT EXPENDED IN PRIOR YEARS (3)	TOTAL COMPLETION COST	EXCESS PROCEEDS NOT EXPENDED	ESTIMATED COMPLETION DATE
SPLOST II	\$ 97,983,261.00	\$ 103,430,325.83					
i) The payment of all of the principal and interest due on the School District's Series 1992 Bonds, Series 1993 Bonds, and Series 1998 Bonds with the result that no additional ad valorem taxes will need to be collected in order to pay principal and interest on such bonds.				\$ 39,630,408.00	\$ 39,630,408.00		Completed
ii) The construction and equipment of a new middle school and two new elementary schools;				31,046,572.00	31,046,572.00		Completed
iii) Renovation of, modification of, making of new additions to and equipping of the following schools or facilities: Arbor Springs Elementary School, Arnall Middle School, Arnco-Sargent Elementary School, Atkinson Elementary School, Canongate Elementary School, Central Education Center, East Coweta High School, East Coweta Middle School, Eastside Elementary School, Elm Street Elementary School, O.P. Evans Middle School, Winston Dowdell Academy, Jefferson Parkway Elementary School, Madras Middle School, Maggie Brown Pre-K, Moreland Elementary School, Newnan Crossing Elementary School, Newnan High School, Northgate High School, Northgate Elementary School, Poplar Road Elementary School, Ruth Hill Elementary School, Smokey Road Middle School, Thomas Crossroads Elementary School, Western Elementary School, Westside Burwell, White Oak Elementary School and school on Willis Road;				29,321,543.83	29,321,543.83		Completed
iv) the acquisition of land for the foregoing purpose;							Canceled
v) the furnishing and equipping of the Fine Arts Center;							Canceled
vi) the acquisition of additional transportation facilities and school buses;				2,199,635.00	2,199,635.00		Completed
vii) the acquisition, construction and equipping of additions at facilities system-wide;							Canceled
viii) the addition of new technology and modification to existing technology system-wide.				1,232,167.00	1,232,167.00		Completed
Total SPLOST II	\$ 97,983,261.00	\$ 103,430,325.83	\$ 0.00	\$ 103,430,325.83	\$ 103,430,325.83	\$ 0.00	
SPLOST III	\$ 130,000,000.00	\$ 187,800,000.00					
i) The payment of principal and interest on the School District's 2005 General Obligation Sales Tax Bonds in the aggregate principal amount of \$58,000,000.			\$ 9,716,431.26	\$ 44,234,436.26			2/2013
ii) The acquiring, constructing and equipping of three ninth grade academies, one middle school and an addition to Eastside Elementary School;				32,025,879.00			8/2015
iii) the retirement of any public purpose master lease executed for renovating, adding to and improving any existing school buildings and facilities;				4,585,075.00	\$ 4,585,075.00		Completed
iv) renovating, adding to and improving existing school buildings and facilities;			13,741,192.26	10,356,925.47			8/2015
v) providing additional technology;			1,097,691.32	310,977.04			8/2015
vi) providing additional buses;			888,216.00				8/2015
vii) acquisition, construction and equipping all facilities and additions thereto system-wide;			909,807.11	19,215,996.00			8/2015
viii) and acquiring land for future school projects;			590,061.90	\$ 2,468,350.00			8/2015
ix) capitalizing interest on bonds through July 1, 2007.				1,986,994.00	1,986,994.00		Completed
Total SPLOST III	\$ 130,000,000.00	\$ 187,800,000.00	\$ 26,943,399.85	\$ 115,184,632.77	\$ 6,572,069.00	\$ 0.00	

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

SCHEDULE "4"

PROJECT	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3)	AMOUNT EXPENDED IN PRIOR YEARS (3)	TOTAL COMPLETION COST	EXCESS PROCEEDS NOT EXPENDED	ESTIMATED COMPLETION DATE
SPLOST IV	\$ 130,000,000.00	\$ 158,000,000.00					
i) The acquisition, construction and equipping of one or more new high schools, one or more new middle schools, one or more new elementary schools and a new transportation facility,							7/2018
ii) additions throughout the School System, including, but not limited to, additions at Newnan High School and Evans Middle School,							7/2018
iii) the acquisition of buses,							7/2018
iv) the acquisition of technology							7/2018
v) the acquisition of text books, and digital media,							7/2018
vi) the acquisition of land,							7/2018
vii) and renovations and improvements throughout the School System, including, but not limited to, renovations and improvements at East Coweta High School, Canongate Elementary School, Newnan Crossing Elementary School, Thomas Crossroads Elementary School, Jefferson Parkway Elementary School, and Northgate High School,							7/2018
viii) issuance of general obligation debt of the Coweta County School System in the maximum principal amount of \$60,000,000 for the above purposes.							7/2018
Total SPLOST IV	\$ 130,000,000.00	\$ 158,000,000.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	
Total All Projects	\$ 357,983,261.00	\$ 449,230,325.83	\$ 26,943,399.85	\$ 218,614,958.60	\$ 110,002,394.83	\$ 0.00	

- (1) The School District's original cost estimate as specified in the resolution calling for the imposition of the Local Option Sales Tax
- (2) The School District's current estimate of total cost for the projects. Includes all cost from project inception to completion.
- (3) The voters of Coweta County approved the imposition of a 1% sales tax to fund the above projects and retire associated debt. Amounts expended for these projects may include sales tax proceeds, state, local property taxes and/or other funds over the life of the projects.

See notes to the basic financial statements.

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

SCHEDULE "5"

DESCRIPTION	ALLOTMENTS FROM GEORGIA DEPARTMENT OF EDUCATION (1) (2)	ELIGIBLE QBE PROGRAM COSTS		
		SALARIES	OPERATIONS	TOTAL
Direct Instructional Programs				
Kindergarten Program	\$ 7,093,748.00	\$ 7,855,075.77	\$ 46,937.97	\$ 7,902,013.74
Kindergarten Program-Early Intervention Program	453,601.00	176,952.21	601.19	177,553.40
Primary Grades (1-3) Program	16,157,371.00	17,637,518.51	228,598.86	17,866,117.37
Primary Grades-Early Intervention (1-3) Program	1,395,347.00	1,518,301.34	1,639.94	1,519,941.28
Upper Elementary Grades (4-5) Program	7,866,590.00	9,521,884.38	112,948.27	9,634,832.65
Upper Elementary Grades-Early Intervention (4-5) Program	764,461.00	958,498.11	823.99	959,322.10
Middle School (6-8) Program	13,670,624.00	15,027,210.55	127,026.51	15,154,237.06
High School General Education (9-12) Program	13,778,982.00	19,407,393.05	357,050.87	19,764,443.92
Vocational Laboratory (9-12) Program	2,753,939.00	1,768,514.48	21,283.01	1,789,797.49
Students with Disabilities	16,265,961.00			
Category I		213,632.15	6,380.45	220,012.60
Category II		961,980.20	1,178.45	963,158.65
Category III		14,296,747.68	42,630.18	14,339,377.86
Category IV		413,612.08	5,769.54	419,381.62
Category V		710,342.55	243.45	710,586.00
Gifted Student - Category VI	4,338,267.00	3,726,093.53	14,199.37	3,740,292.90
Remedial Education Program	633,610.00	134,541.07		134,541.07
Alternative Education Program	1,120,875.00	440,892.47	2,237.00	443,129.47
English Speakers of Other Languages (ESOL)	519,838.00	699,806.01	4,270.60	704,076.61
TOTAL DIRECT INSTRUCTIONAL PROGRAMS	\$ 86,813,214.00	\$ 95,468,996.14	\$ 973,819.65	\$ 96,442,815.79
Media Center Program	2,413,215.00	2,513,689.06	113,092.12	2,626,781.18
Staff and Professional Development	531,146.00	218,306.01		218,306.01
TOTAL QBE FORMULA FUNDS	\$ 89,757,575.00	\$ 98,200,991.21	\$ 1,086,911.77	\$ 99,287,902.98

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

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

SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS



DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

March 1, 2013

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
Coweta 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 Coweta County Board of Education as of and for the year ended June 30, 2012, which collectively comprise Coweta County Board of Education's basic financial statements and have issued our report thereon dated March 1, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Coweta County Board of Education is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Coweta 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 Coweta County Board of Education's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Coweta County Board of Education's internal control over financial reporting.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Coweta 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*.

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



Greg S. Griffin
State Auditor

GSG:as
2012YB-10



DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

March 1, 2013

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
Coweta 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 Coweta County Board of Education's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2012. Coweta 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 Coweta County Board of Education's management. Our responsibility is to express an opinion on Coweta 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 Coweta 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 Coweta County Board of Education's compliance with those requirements.

In our opinion, the Coweta County Board of Education complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of Coweta 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 Coweta 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 Coweta 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 Coweta 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,



Greg S. Griffin
State Auditor

GSG:as
2012SA-10

SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

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

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV

FINDINGS AND QUESTIONED COSTS

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

I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

- Material weakness identified? No
- 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>
10.553, 10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$534,320.00

Auditee qualified as low-risk auditee? Yes

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.