



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

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



DEKALB COUNTY BOARD OF EDUCATION

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SECTION I  
FINANCIAL







## DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

October 21, 2013

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

INDEPENDENT AUDITOR'S 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 DeKalb 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 DeKalb County Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Leadership Preparatory Academy, DeKalb Academy of Technology and the Environment, DeKalb PATH Academy, Destiny Academy of Excellence, International Community School and Museum School of Avondale Estates Charter Schools, which are discretely presented component units. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for those financial statements is based on the report of other auditors.

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. The financial statements of DeKalb PATH Academy, International Community School and Museum School of Avondale Estates Charter Schools were not audited in accordance with *Government Auditing Standards*. 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 and the report of other auditors provide a reasonable basis for our opinions.



In our opinion, based on our audit and the report of other auditors, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the DeKalb 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 October 21, 2013, on our consideration of the DeKalb County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and the Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual, as presented on pages i through viii and page 33 respectively, are not a required part of the basic financial statements but are supplementary information required by the 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 and the other auditors 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 DeKalb County Board of Education's financial statements as a whole. The accompanying supplementary information consists of Schedules 2 through 7, which includes the Schedule 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 by us and the other auditors 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 by us and other auditors. In our opinion, based on our audit, the procedures performed as described previously, and the report of other auditors, 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,

A handwritten signature in blue ink that reads "Greg S. Griffin". The signature is written in a cursive, flowing style.

Greg S. Griffin  
State Auditor

GSG:as  
2012ARL-12



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

The discussion and analysis of the DeKalb County Board of Education's financial performance provides an overall review of the Board's financial activities for the fiscal year ended June 30, 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 fiscal year are as follows:

- ❑ In total, net assets increased \$11.2 million to \$1.311 billion. This represents a 0.9 percent increase from 2011. This total increase was due to governmental activities since the Board has no business-type activities.
- ❑ General revenues accounted for \$517.0 million in revenue or 49.3 percent of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$532.0 million or 50.7 percent of total revenues of \$1.049 billion.
- ❑ The Board had \$1.038 billion in expenses related to governmental activities; \$532.0 million of these expenses were offset by program specific charges for services, grants or contributions.
- ❑ Among major funds, the general fund has \$939.6 million in revenues and \$996.0 million in expenditures. The general fund's "Net Change in Fund Balances" decreased by \$56.4 million resulting in a change in the "Total Fund Balances" of the general fund decreasing from \$53.9 million to a deficit of \$2.5 million for the 2012 fiscal year. The fund balance reflects the full accrual of all contracted salaries and benefits unpaid at June 30 in full compliance with GASB 34 regulations.

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

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

The *Statement of Net 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. The fund financial statements also look at the Board's most significant funds. In the case of the DeKalb County Board of Education, the general fund is by far the most significant fund.

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

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

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



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

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 a result of many factors, some financial, some not. Nonfinancial factors include the Board's property tax base, facility conditions, required educational programs and other factors.

In the Statement of Net 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, pupil services, improvement of instructional services, educational media services, general administration, school administration, business administration, maintenance and operation of plant, student transportation services, central support services, enterprise operations, food services and interest on debt.

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

#### *Fund Financial Statements*

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

**Governmental Funds:** Most of the Board's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Board's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net 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 school clubs and organizations within the principals' accounts. The Board is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The Board excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

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

The perspective of the statement of net 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.

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

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

	Governmental Activities	
	Fiscal Year 2012	Fiscal Year 2011
<b>Assets</b>		
Current and Other Assets	\$ 318,618	\$ 409,372
Capital Assets, Net	<u>1,255,188</u>	<u>1,258,617</u>
<b>Total Assets</b>	<u>\$ 1,573,806</u>	<u>\$ 1,667,989</u>
<b>Liabilities</b>		
Current and Other Liabilities	\$ 128,806	\$ 142,773
Long-Term Liabilities	<u>133,551</u>	<u>224,943</u>
<b>Total Liabilities</b>	<u>\$ 262,357</u>	<u>\$ 367,716</u>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	\$ 1,155,041	\$ 1,084,439
Restricted	190,034	195,620
Unrestricted	<u>-33,626</u>	<u>20,214</u>
<b>Total Net Assets</b>	<u>\$ 1,311,449</u>	<u>\$ 1,300,273</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 1,573,806</u></u>	<u><u>\$ 1,667,989</u></u>

Total net assets increased \$11.2 million.

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

**DEKALB 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 2012	Fiscal Year 2011
<b>Revenues</b>		
Program Revenues:		
Charges for Services and Sales	\$ 22,816	\$ 19,037
Operating Grants and Contributions	504,729	528,648
Capital Grants and Contributions	4,464	
Total Program Revenues	\$ 532,009	\$ 547,685
General Revenues:		
Taxes		
Property Taxes		
For Maintenance and Operations	\$ 394,971	\$ 448,123
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Capital Projects	102,529	95,122
Other Sales Tax	10,594	10,604
Investment Earnings	1,894	2,334
Miscellaneous	7,047	4,220
Total General Revenues	\$ 517,035	\$ 560,403
Total Revenues	\$ 1,049,044	\$ 1,108,088
<b>Program Expenses:</b>		
Instruction	\$ 648,888	\$ 643,454
Support Services		
Pupil Services	35,965	35,895
Improvement of Instructional Services	40,887	31,486
Educational Media Services	14,794	14,886
General Administration	18,924	26,606
School Administration	59,917	60,248
Business Administration	4,460	3,696
Maintenance and Operation of Plant	74,473	76,449
Student Transportation Services	52,402	52,620
Central Support Services	15,761	14,995
Other Support Services	3,218	1,977
Operations of Non-Instructional Services		
Enterprise Operations	1,258	20
Food Services	58,454	55,371
Interest on Short-Term and Long-Term Debt	8,468	11,839
Total Expenses	\$ 1,037,869	\$ 1,029,542
Increase in Net Assets	\$ 11,175	\$ 78,546

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

**Governmental Activities**

Instruction, Pupil Services and Improvement of Instructional Services comprises 69.9 percent of governmental program expenses. The Operations of Non-instructional Services amounted to 5.8 percent of the total governmental program expenses. These operations consist primarily of the School Nutrition.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the net cost of services for fiscal year 2012 compared to 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)**

	Net Cost of Services <hr/> Fiscal Year 2012 <hr/>	Net Cost of Services <hr/> Fiscal Year 2011 <hr/>
Instruction	\$ 311,405	\$ 262,995
Support Services:		
Pupil Services	17,651	29,759
Improvement of Instructional Services	21,591	14,547
Educational Media Services	7,336	2,483
General Administration	9,184	4,989
School Administration	29,024	34,940
Business Administration	2,187	3,559
Maintenance and Operation of Plant	36,293	47,060
Student Transportation Services	27,030	46,863
Central Support Services	7,648	14,762
Other Support Services	1,562	401
Operations of Non-Instructional Services:		
Enterprise Operations	575	20
Food Services	25,906	7,640
Interest on Short-Term and Long-Term Debt	<hr/> 8,468	<hr/> 11,839
Total Expenses	<hr/> <hr/> \$ 505,860	<hr/> <hr/> \$ 481,857

Although program revenues make up 50.7 percent of the revenues, the Board is still primarily dependent upon tax revenues for governmental activities. More than 61.6 percent of instruction activities are supported through taxes and other general revenues; for all governmental activities general revenue support is 48.7 percent.

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

**The Board's Funds**

The Board's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues and other financing sources of \$1.137 billion and expenditures and other financing uses of \$1.219 billion. There was a decrease in fund balance of \$25.6 million in the capital projects funds due to the increase in construction projects during the year and the funding of bond payments to the debt service fund. The general fund had a decrease in fund balance of \$56.4 million. The change in the fund balance of the general fund for the year was due to decreases in revenue over expenditures during the year. The depletion in fund balance was caused by a decline in property tax and Federal tax revenues of \$55.1 million and \$19.8 million, respectively. In addition, general fund expenditures increased \$17.1 million from fiscal year 2011.

**General Fund Budgeting Highlights**

The Board's budget is supposed to be 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 from time to time. The Board uses site-based budgeting based on FTE student allocations. The anticipated budgeted revenues for the original General Fund budget were \$901.2 million and anticipated budgeted expenditures were \$916.7 million. The budgeting systems are designed to monitor and control total sited budgets but provide flexibility for site management.

For the General Fund, final budgeted revenues and other sources of \$931.9 million were over performed by the actual by \$7.7 million. This difference was due mainly to receiving better than expected in property taxes, sales taxes, State funds, and charges for services, which were offset by receiving less than expected Federal funds, miscellaneous revenue, and investment earnings.

Actual expenditures and other uses of \$996.0 million were 1.0 percent greater than the final budgeted expenditures and other uses of \$989.5 million. More than projected instructional activities, general administration activities, maintenance and operation activities, student transportation activities, central support services activities, enterprise operations, food service operations, capital outlay, debt service lease payments, and other uses contributed to the budget variance.

General Fund revenues were exceeded by expenditures resulting in a decrease in "Net Change in Fund Balances" of over \$56.4 million for the year. Expenditures for instructional activities, general administration activities, maintenance and operation activities, student transportation activities, central support services activities, enterprise operations, food service operations, capital outlay, and debt service lease payments were the major factors in this decrease.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2012 the Board had \$1.255 billion invested in capital assets, all in governmental activities. Table 4 shows fiscal year 2012 balances compared with fiscal year 2011 balances.

**DEKALB 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	\$ 44,485	\$ 44,485
Construction In Progress	28,997	76,538
Building and Improvements	1,104,803	1,057,253
Improvements Other Than Buildings	26,802	27,712
Equipment	50,101	52,629
Total	<u>\$ 1,255,188</u>	<u>\$ 1,258,617</u>

The primary decreases occurred in construction in progress, improvements other than buildings, as well as equipment. Due to the ongoing growth in the county, the Board has numerous construction projects including new buildings, additions, and renovations.

***Debt***

At June 30, 2012, the Board had \$68.9 million in capital leases. There was \$12.4 million in compensated absences liability. There were \$50.0 million in general obligation bonds and \$2.2 million in premiums from the fiscal year 2007 bond issue. \$65.4 million of the outstanding debt is due within one year.

Table 5 summarizes long-term debt outstanding and compares fiscal year 2012 balances to fiscal year 2011 balances.

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

	Governmental Activities	
	Fiscal Year 2012	Fiscal Year 2011
Capital Leases	\$ 68,937	\$ 73,168
Compensated Absences	12,399	12,344
General Obligation Bonds	50,000	135,000
Unamortized Bond Premium	2,215	4,431
Total	<u>\$ 133,551</u>	<u>\$ 224,943</u>

The Board maintains an AA- and Aa3 bond rating from Standard and Poor's and Moody's, respectively.

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

**Current Issues**

Although State funding was slightly higher in 2012 than 2011, the DeKalb County School System continues to face serious reductions in the state's "Quality Basic Education" funding formula earnings that is used to fund a substantial portion of operating expenditures. QBE funding was decreased by more than \$60.0 million from fiscal year 2011, even though the student population was stable. Sales tax collections continue to exceed projections year over year and actual fiscal year 2012 collections exceeded fiscal year 2011 collections by 8%.

Local revenue in DeKalb County School System is decreasing also. Property tax revenues are impacted by the revaluation of property due to foreclosures and weak sales. Overall, total General Fund revenues are decreasing for the fifth consecutive year. Prior to the 2009 fiscal year, the tax digest in DeKalb County had never seen a decrease in value.

The Board will be challenged to continue to overcome any current or future financial challenges given the state of the local, state, and national economy. DeKalb County School System does continue to strive to increase the working reserve to higher levels in order to sustain the School System and will do so as soon as it is feasible.

**Contacting the Board's Financial Management**

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

DEKALB COUNTY BOARD OF EDUCATION





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

EXHIBIT "A"

	PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES	COMPONENT UNITS CHARTER SCHOOLS
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 42,680,740.93	\$ 3,383,337.00
Investments	158,513,296.46	
Accounts Receivable, Net		
Taxes	33,842,741.72	
State Government	54,839,672.69	499,844.00
Federal Government	22,427,630.95	
Local	140,370.68	
Other	2,496,484.00	638,435.00
Inventories	3,334,727.78	
Prepaid Items	342,038.07	72,943.00
Deferred In-kind Donation		1,986,028.00
Other Assets		14,591.00
Capital Assets, Non-Depreciable	73,481,984.77	1,340,456.00
Capital Assets, Depreciable (Net of Accumulated Depreciation)	<u>1,181,706,059.04</u>	<u>7,168,841.00</u>
 Total Assets	 <u>\$ 1,573,805,747.09</u>	 <u>\$ 15,104,475.00</u>
<u>LIABILITIES</u>		
Accounts Payable	\$ 9,705,325.50	\$ 992,706.00
Salaries and Benefits Payable	114,573,360.96	
Interest Payable	1,537,442.74	
Contracts Payable	1,827,756.13	
Retainages Payable	1,139,486.94	
Deposits and Deferred Revenues	22,644.93	
Other Liabilities		19,131.00
Long-Term Liabilities		
Due Within One Year	65,396,001.54	344,884.00
Due in More Than One Year	<u>68,154,935.50</u>	<u>7,218,568.00</u>
 Total Liabilities	 <u>\$ 262,356,954.24</u>	 <u>\$ 8,575,289.00</u>
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	\$ 1,155,041,022.90	\$ 1,718,508.00
Restricted for		
Continuation of Federal Programs	7,462,857.83	
Debt Service	203,312.50	
Capital Projects	182,367,448.28	1,290,142.00
Unrestricted (Deficit)	<u>-33,625,848.66</u>	<u>3,520,536.00</u>
 Total Net Assets	 <u>\$ 1,311,448,792.85</u>	 <u>\$ 6,529,186.00</u>
 Total Liabilities and Net Assets	 <u>\$ 1,573,805,747.09</u>	 <u>\$ 15,104,475.00</u>

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

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

	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>
<u>GOVERNMENTAL ACTIVITIES</u>		
Instruction	\$ 648,888,018.70	\$ 17,692,693.93
Support Services		
Pupil Services	35,965,379.48	
Improvement of Instructional Services	40,886,432.38	
Educational Media Services	14,794,015.38	
General Administration	18,924,194.81	
School Administration	59,917,072.00	
Business Administration	4,460,313.45	
Maintenance and Operation of Plant	74,472,512.65	
Student Transportation Services	52,402,407.58	905,819.48
Central Support Services	15,760,871.17	
Other Support Services	3,217,999.42	
Operations of Non-Instructional Services		
Enterprise Operations	1,257,685.56	
Food Services	58,453,931.78	4,217,266.64
Interest on Short-Term and Long-Term Debt	8,467,577.69	
	<u>\$ 1,037,868,412.05</u>	<u>\$ 22,815,780.05</u>
<u>COMPONENT UNITS</u>		
Charter Schools	<u>\$ 17,596,277.00</u>	<u>\$ 466,820.00</u>
General Revenues		
Taxes		
Property Taxes		
For Maintenance and Operations		
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Capital Projects		
Other Sales Tax		
Investment Earnings		
Miscellaneous		
Total General Revenues		
Change in Net Assets		
Net Assets - Beginning of Year (Restated)		
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) REVENUES AND CHANGES IN NET ASSETS	
		PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES	COMPONENT UNITS CHARTER SCHOOLS
OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS		
\$ 317,193,081.59	\$ 2,597,075.24	\$ -311,405,167.94	
18,314,676.64		-17,650,702.84	
18,875,411.83	420,115.11	-21,590,905.44	
7,439,649.92	17,981.48	-7,336,383.98	
9,740,587.86		-9,183,606.95	
30,893,563.10		-29,023,508.90	
2,273,636.55		-2,186,676.90	
38,179,388.90		-36,293,123.75	
23,056,151.92	1,410,408.00	-27,030,028.18	
8,112,374.23		-7,648,496.94	
1,656,356.13		-1,561,643.29	
682,350.35		-575,335.21	
28,312,140.07	18,259.89	-25,906,265.18	
		-8,467,577.69	
<u>\$ 504,729,369.09</u>	<u>\$ 4,463,839.72</u>	<u>\$ -505,859,423.19</u>	
<u>\$ 16,751,478.00</u>			<u>\$ -377,979.00</u>
		\$ 394,970,751.77	
		102,528,709.71	
		10,593,638.05	
		1,894,485.17	\$ 509.00
		<u>7,047,233.39</u>	<u>3,802,755.00</u>
		<u>\$ 517,034,818.09</u>	<u>\$ 3,803,264.00</u>
		\$ 11,175,394.90	\$ 3,425,285.00
		<u>1,300,273,397.95</u>	<u>3,103,901.00</u>
		<u>\$ 1,311,448,792.85</u>	<u>\$ 6,529,186.00</u>

DEKALB 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>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 32,725,048.22	\$ 9,908,070.67	\$ 47,622.04	\$ 42,680,740.93
Investments		158,497,069.46	16,227.00	158,513,296.46
Accounts Receivable, Net				
Taxes	16,066,554.40	17,776,187.32		33,842,741.72
State Government	53,481,032.69	1,358,640.00		54,839,672.69
Federal Government	22,427,630.95			22,427,630.95
Local	140,370.68			140,370.68
Other	2,496,484.00			2,496,484.00
Inventories	3,334,727.78			3,334,727.78
Prepaid Items	342,038.07			342,038.07
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
 Total Assets	 \$ <u>131,013,886.79</u>	 \$ <u>187,539,967.45</u>	 \$ <u>63,849.04</u>	 \$ <u>318,617,703.28</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 8,831,576.51	\$ 873,748.99		\$ 9,705,325.50
Salaries and Benefits Payable	114,573,360.96			114,573,360.96
Contracts Payable		1,827,756.13		1,827,756.13
Retainages Payable		1,139,486.94		1,139,486.94
Deposits and Deferred Revenue	10,084,275.97			10,084,275.97
	<u>                    </u>	<u>                    </u>		<u>                    </u>
 Total Liabilities	 \$ <u>133,489,213.44</u>	 \$ <u>3,840,992.06</u>		 \$ <u>137,330,205.50</u>
 <u>FUND BALANCES</u>				
Nonspendable	\$ 3,676,765.85			\$ 3,676,765.85
Restricted	6,606,065.74	\$ 183,698,975.39	\$ 63,849.04	190,368,890.17
Assigned	1,229,762.67			1,229,762.67
Unassigned (Deficit)	-13,987,920.91			-13,987,920.91
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
 Total Fund Balances	 \$ <u>-2,475,326.65</u>	 \$ <u>183,698,975.39</u>	 \$ <u>63,849.04</u>	 \$ <u>181,287,497.78</u>
  Total Liabilities and Fund Balances	  \$ <u>131,013,886.79</u>	  \$ <u>187,539,967.45</u>	  \$ <u>63,849.04</u>	  \$ <u>318,617,703.28</u>

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

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

EXHIBIT "D"

Total Fund Balances - Governmental Funds (Exhibit "C") \$ 181,287,497.78

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	\$	44,485,477.61	
Construction in Progress		28,996,507.16	
Land Improvements		32,171,502.90	
Buildings		1,499,591,957.65	
Equipment		106,894,801.48	
Accumulated Depreciation		-456,952,202.99	
Total Capital Assets		1,255,188,043.81	1,255,188,043.81

Taxes that are not available to pay for current period expenditures are deferred in the funds. 10,061,631.04

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	\$	-50,000,000.00	
Accrued Interest		-1,537,442.74	
Capital Leases Payable		-68,936,630.44	
Compensated Absences Payable		-12,398,916.13	
Unamortized Bond Premiums		-2,215,390.47	
Total Long-Term Liabilities		-135,088,379.78	-135,088,379.78

Net Assets of Governmental Activities (Exhibit "A") \$ 1,311,448,792.85

DEKALB 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	\$ 391,622,547.45			\$ 391,622,547.45
Sales Taxes	10,593,638.05	\$ 102,528,709.71		113,122,347.76
State Funds	374,850,028.10	1,636,578.00		376,486,606.10
Federal Funds	132,706,602.71			132,706,602.71
Charges for Services	22,815,780.05			22,815,780.05
Investment Earnings	141,515.86	1,752,649.44	\$ 319.87	1,894,485.17
Miscellaneous	6,872,932.28	174,301.11		7,047,233.39
Total Revenues	\$ 939,603,044.50	\$ 106,092,238.26	\$ 319.87	\$ 1,045,695,602.63
<u>EXPENDITURES</u>				
Current				
Instruction	\$ 624,845,307.16			\$ 624,845,307.16
Support Services				
Pupil Services	35,965,379.48			35,965,379.48
Improvement of Instructional Services	36,671,500.30			36,671,500.30
Educational Media Services	14,453,889.90			14,453,889.90
General Administration	18,924,194.81			18,924,194.81
School Administration	59,917,072.00			59,917,072.00
Business Administration	4,349,583.32	\$ 67,679.96		4,417,263.28
Maintenance and Operation of Plant	74,143,575.80			74,143,575.80
Student Transportation Services	48,559,121.03	11,530.12		48,570,651.15
Central Support Services	15,760,871.17			15,760,871.17
Other Support Services	3,217,999.42			3,217,999.42
Enterprise Operations	1,257,685.56			1,257,685.56
Food Services Operation	55,005,351.00			55,005,351.00
Capital Outlay	888.56	35,650,350.94		35,651,239.50
Debt Services				
Principal	2,091,297.19	2,140,000.00	\$ 85,000,000.00	89,231,297.19
Interest	793,088.49	2,151,226.25	6,633,650.00	9,577,964.74
Total Expenditures	\$ 995,956,805.19	\$ 40,020,787.27	\$ 91,633,650.00	\$ 1,127,611,242.46
Excess of Revenues over (under) Expenditures	\$ -56,353,760.69	\$ 66,071,450.99	\$ -91,633,330.13	\$ -81,915,639.83
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In			\$ 91,633,650.00	\$ 91,633,650.00
Transfers Out		\$ -91,633,650.00		\$ -91,633,650.00
Total Other Financing Sources (Uses)		\$ -91,633,650.00	\$ 91,633,650.00	\$ 0.00
Net Change in Fund Balances	\$ -56,353,760.69	\$ -25,562,199.01	\$ 319.87	\$ -81,915,639.83
Fund Balances - Beginning	53,878,434.04	209,261,174.40	63,529.17	263,203,137.61
Fund Balances - Ending (Deficit)	\$ -2,475,326.65	\$ 183,698,975.39	\$ 63,849.04	\$ 181,287,497.78

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

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

EXHIBIT "F"

Total Net Change in Fund Balances - Governmental Funds (Exhibit "E") \$ -81,915,639.83

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	\$ 29,174,711.47	
Depreciation Expense	<u>-31,783,241.83</u>	
Excess of Capital Outlay over Depreciation Expense		-2,608,530.36

Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	3,348,204.32
--	--------------

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, and disposals) is to decrease net assets.	-820,524.15
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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	\$ 85,000,000.00	
Capital Lease Payments	4,231,297.19	
Amortization to Bond Premium	<u>2,215,390.47</u>	
Total Long-Term Debt Repayments		91,446,687.66

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

Net Decrease in Accrued Interest on Issuance of Bonds	\$ 1,779,382.26	
Net Increase in Compensated Absences	<u>-54,185.00</u>	
Total Additional Expenditures		<u>1,725,197.26</u>

Change in Net Assets of Governmental Activities (Exhibit "B") \$ 11,175,394.90



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

EXHIBIT "G"

	AGENCY FUNDS
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 2,022,365.49
Accounts Receivable - Net	
Other	<u>2,202,484.46</u>
 Total Assets	 \$ <u><u>4,224,849.95</u></u>
 <u>LIABILITIES</u>	
Contracts Payable	\$ 1,688,404.33
Retainage Payable	282,244.11
Funds Held for Others	<u>2,254,201.51</u>
 Total Liabilities	 \$ <u><u>4,224,849.95</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 DeKalb County Board of Education (School District) was established under the laws of the State of Georgia and operates under the guidance of a school board elected by the voters and a Superintendent appointed by the Board. The Board is organized as a separate legal entity and has the power to levy taxes and issue bonds. Its budget is not subject to approval by any other entity. Accordingly, the School District is a primary government and consists of all the organizations that compose its legal entity.

**Discretely Presented Component Unit**

Included within the School District are six Charter Schools. Each Charter School is responsible for the public education of all students attending its school. The Charter Schools were created through a contract between the School District and each Charter School whereby all State funding associated with the students attending the Charter Schools and certain specified local funds are remitted to the Charter Schools to cover their operations.

Because the major portion of the funding for the Charter Schools comes through the School System, the School System is considered financially accountable for the Charter Schools. The financial activities of the charter schools have been presented discretely because they provide services to third-parties outside the School System.

A listing of Charter Schools follows:

DeKalb PATH Academy, Incorporated  
3007 Hermance Drive  
Clarkston, Georgia 30021

Destiny Academy of Excellence, Incorporated  
3595 Linecrest Road  
Ellenwood, Georgia 30294

DeKalb Academy of Technology and  
The Environment, Incorporated  
1833 Stone Mountain Lithonia Road  
Lithonia, Georgia 30058

International Community School, Incorporated  
3260 Covington Highway  
Decatur, Georgia 30032

Leadership Preparatory Academy,  
Incorporated  
6400 Woodrow Road  
Lithonia, Georgia 30038

Avondale Education Association, Incorporated  
d/b/a The Museum School of Avondale Estates  
3191 Covington Highway  
Avondale Estates, Georgia 30002

The Gateway to College Academy (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, Charter School, and Georgia Perimeter College 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. Gateway to College Academy was included in the financial statements of Georgia Perimeter College.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

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

***District-wide Statements:***

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

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

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

***Fund Financial Statements:***

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

The School District reports the following major governmental funds:

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

The School District reports the following fiduciary fund type:

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

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

EXHIBIT "H"

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

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

**RESTATEMENT OF PRIOR YEAR NET ASSETS**

For fiscal year 2012, the School District restated beginning net assets related to Destiny Academy of Excellence (discretely presented component unit) for various errors and omissions. The result is a decrease in Net Assets at July 1, 2011, of \$90,175.00. This change is in accordance with generally accepted accounting principles.

Component Units:	
Net assets, July 1, 2011, as previously reported	\$ 3,194,076.00
Correction of Various Errors and Omissions:	
Destiny Academy of Excellence	<u>-90,175.00</u>
Net Assets, July 1, 2011, as restated	<u>\$ 3,103,901.00</u>

## **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 and equity investments 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.

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

EXHIBIT "H"

## PROPERTY TAXES

The DeKalb County Board of Commissioners fixed the property tax levy for the 2011 tax digest year (calendar year) on July 12, 2011 (levy date). Taxes were due on November 15, 2011 (lien date) and could be paid in two installments on September 30, 2011 and November 15, 2011 (due dates). 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 DeKalb County Tax Commissioner bills and collects the property taxes for the School District, withholds 1.25% of taxes collected as a fee for tax collection and remits the balance of taxes collected to the School District. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2012, for maintenance and operations amounted to \$391,622,547.45.

The tax millage rate levied for the 2010 tax year (calendar year) for the DeKalb Board of Education was as follows (a mill equals \$1 per thousand dollars of assessed value):

School Operations	<u>22.98</u> mills
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## SALES TAXES

Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to \$102,528,709.71 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

## INVENTORIES

### Consumable Supplies

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

### Food Inventories

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

## PREPAID ITEMS

Payments made to vendors for services that will benefit periods subsequent to June 30, 2012, are recorded as prepaid items.

## CAPITAL ASSETS

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

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

EXHIBIT "H"

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

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

Amortization of intangible assets such as water, timber, and mineral rights, easements, patents, trademarks, copyrights and internally generated software is computed using the straight-line method over the estimated useful lives of the assets, generally 15 years.

### COMPENSATED ABSENCES

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

Vacation leave of 10 through 20 days is awarded on a fiscal year basis to all full time personnel employed on a twelve month basis. No other employees are eligible to earn vacation leave. Vacation leave not utilized during the fiscal year may be carried over to the next fiscal year, providing such vacation leave does not exceed 30 days.

	Beginning of Year Liability	Increases	Decreases	End of Year Liability
2010	\$ 12,644,615.89	\$ 7,601,727.92	\$ 7,764,149.27	\$ 12,482,194.54
2011	\$ 12,482,194.54	\$ 7,091,294.97	\$ 7,228,758.38	\$ 12,344,731.13
2012	\$ 12,344,731.13	\$ 6,964,575.74	\$ 6,910,390.74	\$ 12,398,916.13



## GENERAL OBLIGATION BONDS

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

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

## NET ASSETS

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

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

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

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

## 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.

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**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	\$	3,334,727.78	
Prepaid Assets		<u>342,038.07</u>	\$ 3,676,765.85
Restricted			
Continuation of Federal Programs	\$	6,606,065.74	
Capital Projects		182,542,949.43	
Debt Service		<u>1,219,875.00</u>	190,368,890.17
Assigned			
School Activity Accounts			1,229,762.67
Unassigned			
General Fund			<u>-13,987,920.91</u>
Fund Balance, June 30, 2012			<u>\$ 181,287,497.78</u>

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

#### DEFICIT FUND BALANCES

The fund reporting a deficit fund balance at June 30, 2012, is as follows:

<u>Fund Type/Fund Name</u>	<u>Deficit Balance</u>
Governmental Funds	
General Fund	
Unassigned	<u>\$13,987,920.91</u>

The School District has developed a plan to eliminate the budget deficit over a four year period by including one fourth of the deficit as an obligation during the budget process for the next four years. The School District anticipates the deficit will be eliminated in less than the four years.

#### USE OF ESTIMATES

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

Note 3: BUDGETARY DATA

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

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

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

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

Note 4: DEPOSITS AND INVESTMENTS

COLLATERALIZATION OF DEPOSITS

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

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

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

#### CATEGORIZATION OF DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. At June 30, 2012, the bank balances were \$53,577,602.69. All bank balances were either insured or collateralized with securities held by the pledging financial institution's trust department in the School District's name.

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CATEGORIZATION OF INVESTMENTS

The School District's investments as of June 30, 2012, are presented below. All investments are presented by investment type and debt securities are presented by maturity.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturity</u>	
		<u>Less Than 1 Year</u>	<u>1 - 5 Years</u>
Debt Securities			
U. S. Treasury	\$ 31,810,849.56		\$ 31,810,849.56
U. S. Treasury			
Money Market Mutual Fund	114,324,862.27	\$ 114,324,862.27	
Goldman Sachs Financial Square Trust			
Treasury Obligation Fund	<u>12,375,148.98</u>	<u>12,375,148.98</u>	
	\$ 158,510,860.81	<u>\$ 126,700,011.25</u>	<u>\$ 31,810,849.56</u>
Other Investments			
Cash	38.83		
Investment Pools			
Office of State Treasurer			
Georgia Fund 1	<u>2,396.82</u>		
Total Investments	<u>\$ 158,513,296.46</u>		

The Georgia Fund 1, formerly referred to as LGIP, administered by the State of Georgia, Office of the State Treasurer is not required to be categorized since the School District did not own any specific identifiable securities in the pool. The investment policy of the State of Georgia, Office of the State Treasurer for the Georgia Fund 1 (Primary Liquidity Portfolio) does not provide for investment in derivatives or similar investments. Additional information on the Georgia Fund 1 is disclosed in the *State of Georgia* Comprehensive Annual Financial Report. This audit can be obtained from the Georgia Department of Audits and Accounts at [www.audits.ga.gov/SGD/CAFR.html](http://www.audits.ga.gov/SGD/CAFR.html).

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

**Interest Rate Risk**

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

**Custodial Credit Risk**

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

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At June 30, 2012, \$158,510,860.81 of the School District's applicable investments were uninsured and unregistered, with securities held by the counterparty's trust department or agent in the name of the School District.

**Credit Quality Risk**

Credit quality risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The School District does not have a formal policy for managing credit quality risk.

The investments subject to credit quality risk are reflected below:

<u>Rated Debt Investments</u>	<u>Fair Value</u>	<u>Quality Ratings</u>
		<u>AAAm</u>
Debt Securities		
U. S. Treasury		
Money Market Mutual Fund	\$ 114,324,862.27	\$ 114,324,862.27
Goldman Sachs Financial Square		
Treasury Obligation Fund	<u>12,375,148.98</u>	<u>12,375,148.98</u>
Totals by Quality Ratings	<u>\$ 126,700,011.25</u>	<u>\$ 126,700,011.25</u>

**Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The School District does not have a formal policy for managing concentration of credit risk. More than 5% of the School District's investments are in U. S. Treasury Money Market Mutual Funds, U. S. Treasury Debt Securities and Goldman Sachs Financial Square Treasury Obligation Fund. These investments are 72%, 20% and 8%, respectively, of the School District's total investments.

**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**

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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	\$ 44,485,477.61			\$ 44,485,477.61
Construction Work In Progress	76,537,590.01	\$ 23,657,615.30	\$ 71,198,698.15	28,996,507.16
Total Capital Assets, Not Being Depreciated	\$ 121,023,067.62	\$ 23,657,615.30	\$ 71,198,698.15	\$ 73,481,984.77
Capital Assets, Being Depreciated:				
Buildings and Improvements	\$ 1,428,596,867.52	\$ 71,147,800.15	\$ 152,710.02	\$ 1,499,591,957.65
Equipment	103,030,454.61	5,567,994.17	1,703,647.30	106,894,801.48
Land Improvements	32,171,502.90			32,171,502.90
Less: Accumulated Depreciation:				
Buildings and Improvements	371,343,921.36	23,461,171.88	15,804.08	394,789,289.16
Equipment	50,401,848.93	7,411,472.56	1,020,029.09	56,793,292.40
Land Improvements	4,459,024.04	910,597.39		5,369,621.43
Total Capital Assets, Being Depreciated, Net	\$ 1,137,594,030.70	\$ 44,932,552.49	\$ 820,524.15	\$ 1,181,706,059.04
Governmental Activity Capital Assets - Net	\$ 1,258,617,098.32	\$ 68,590,167.79	\$ 72,019,222.30	\$ 1,255,188,043.81

Capital assets being acquired under capital leases as of June 30, 2012, are as follows:

	Governmental Funds
Buildings and Improvements	\$ 55,360,000.00
Less: Accumulated Depreciation	4,208,000.00
	<u>\$ 51,152,000.00</u>

Current year depreciation expense by function is as follows:

Instruction	\$ 21,612,604.45
Support Services	
Improvement of Instructional Services	\$ 3,496,156.60
Educational Media Services	282,123.63
Business Administration	35,708.79
Maintenance and Operation of Plant	317,832.42
Student Transportation Services	3,178,324.18
Food Services	2,860,491.76
	<u>\$ 31,783,241.83</u>

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Note 7: INTERFUND TRANSFERS

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

<u>Transfer to</u>	Transfers
	From
	District-wide
	Capital
	Projects
Debt Service Fund	\$ 91,633,650.00

Transfers are used to move SPLOST revenue collected in Capital Projects to Debt Service to fund the bond principal and interest.

Note 8: RISK MANAGEMENT

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

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

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

The School District has established a limited risk management program for workers' compensation claims. The School District accounts for claims within the same fund that the employee's salaries and benefits are paid. An excess coverage insurance policy covers individual claims in excess of \$500,000.00 loss per occurrence, up to \$10,000,000.00.

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

	Beginning of Year Liability	Claims and Changes in Estimates	Claims Paid	End of Year Liability
2011	\$ 0.00	\$ 3,904,192.76	\$ 3,904,192.76	\$ 0.00
2012	\$ 0.00	\$ 4,992,983.44	\$ 4,992,983.44	\$ 0.00



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

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

	Beginning of Year Liability	Claims and Changes in Estimates	Claims Paid	End of Year Liability
2011	\$ 0.00	\$ 1,379,848.09	\$ 1,379,848.09	\$ 0.00
2012	\$ 0.00	\$ 778,792.63	\$ 778,792.63	\$ 0.00

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

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

**Note 9: SHORT-TERM DEBT**

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

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

	Beginning Balance	Issued	Redeemed	Ending Balance
Tax Anticipation Notes	\$ 75,000,000.00	\$ 0.00	\$ 75,000,000.00	\$ 0.00

**Note 10: LONG-TERM DEBT**

**CAPITAL LEASES**

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

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

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The DeKalb County Board of Education entered into an agreement dated April 30, 2009, with Motorola, Inc. for the purchase of public safety radios. This lease was paid off during the current year.

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

On May 1, 2011, the School District entered into a lease agreement with the Georgia Municipal Association, Inc. (Association) for the purchase of a replacement high school in the amount of \$63,460,000.00. The lease will commence upon the acquisition, construction and equipping of the replacement high school, which is expected to be in fiscal year 2013.

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

#### COMPENSATED ABSENCES

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

#### GENERAL OBLIGATION DEBT OUTSTANDING

General Obligation Bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
General Government - Series 2007	4.0% - 5.0%	\$ <u>50,000,000.00</u>

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	\$ 135,000,000.00		\$ 85,000,000.00	\$ 50,000,000.00	\$ 50,000,000.00
Capital Leases	73,167,927.63		4,231,297.19	68,936,630.44	5,900,000.00
Compensated Absences	12,344,731.13	\$ 6,964,575.74	6,910,390.74	12,398,916.13	7,280,611.07
Bond Premiums Amortized	4,430,780.94		2,215,390.47	2,215,390.47	2,215,390.47
	<u>\$ 224,943,439.70</u>	<u>\$ 6,964,575.74</u>	<u>\$ 98,357,078.40</u>	<u>\$ 133,550,937.04</u>	<u>\$ 65,396,001.54</u>

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

	Capital Leases	
	Principal	Interest
<u>Fiscal Year Ended June 30:</u>		
2013	\$ 5,900,000.00	\$ 2,743,431.82
2014	6,150,000.00	2,516,072.44
2015	6,395,000.00	2,288,152.19
2016	6,650,000.00	2,049,030.01
2017	6,305,000.00	1,800,608.38
2018 - 2022	17,065,000.00	6,571,817.75
2023 - 2027	18,970,000.00	2,690,324.00
2028	1,501,630.44	37,500,000.00
Total Principal and Interest	<u>\$ 68,936,630.44</u>	<u>\$ 58,159,436.59</u>

  

	General Obligation Debt		Unamortized
	Principal	Interest	Bond Premium
<u>Fiscal Year Ended June 30:</u>			
2013	<u>\$ 50,000,000.00</u>	<u>\$ 2,439,750.00</u>	<u>\$ 2,215,390.47</u>

Note 11: PRIOR YEAR DEFEASEMENT OF DEBT

In fiscal year 2003, the School District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the School District's basic financial statements. At June 30, 2012, none of the bonds were outstanding.

Note 12: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of \$63,509,054.66 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 \$62,227,393.00

Paid to the Teachers' Retirement System of Georgia  
For Teachers' Retirement System (TRS) Employer's Cost  
In the amount of \$390,410.66

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 \$891,251.00

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Note 13: SIGNIFICANT COMMITMENTS

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

Project	Unearned Executed Contracts
ADA Group A2b Modifications - Multiple Locations	\$ 204,033.40
Cedar Grove HS HVAC & Renovations	69,500.00
Chamblee HS - ADA & Career Tech	142,658.74
Chamblee HS ADA Modifications	393,698.53
Chamblee HS Replacement	57,585,728.05
Chapel Hill MS Ceiling Tile Replacement and Driveway Repair	55,853.10
Chesnut Charter ES ADA Mod	10,374.00
DSA Relocation to Avondale HS - Renovations	80,624.28
Dunwoody HS Flooring Project	61,093.00
Lakeside High School	1,705,143.62
Plumbing Fixtures at Allgood, Stone Mill and Panola ES	28,693.96
Plumbing Fixtures at Avondale and Midway ES	1,512.70
Plumbing Fixtures at Clifton, Columbia and Kelley Lake	18,800.00
Plumbing Fixtures at Dunaire, Robert Shaw and Jolly ES	11,371.45
Plumbing Fixtures at Miller Grove MS	1,880.00
Plumbing Fixtures at Redan and Pine Ridge	11,965.00
Redan H/S Architectural Improvements	131,512.50
William Bradley Bryant Center Renovation and Modifications	93,407.40
	<u>\$ 60,607,849.73</u>

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

Note 14: SIGNIFICANT CONTINGENT LIABILITIES

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

The School District (DCSD) is a defendant and counterclaim plaintiff in a lawsuit filed by Heery International, Inc., E. R. Mitchell & Co., and Heery/Mitchell, A Joint Venture in DeKalb County Superior Court on February 20, 2007. Heery/Mitchell alleges that DCSD breached its contract with Heery/Mitchell for construction program management services when DCSD terminated the Agreement and failed to remit payment to Heery/Mitchell for three outstanding pay applications. Heery/Mitchell claims that it has incurred over \$1.0 million in lost profits and other consequential damages as a result of DCSD's alleged breach. Heery/Mitchell also seeks to recover litigation expense, including attorney's fees, from DCSD, pursuant to O.C.G.A. §13-6-11. DCSD is contesting the case vigorously.

On March 23, 2007, DCSD filed an Answer and Counterclaims in response to Heery/Mitchell's Complaint. In addition to answering Heery/Mitchell's allegations, DCSD filed counterclaims against Heery/Mitchell for (1) fraud, (2) breach of fiduciary duty, and (3) breach of contract. In addition, DCSD alleges that Heery/Mitchell failed to satisfy a number of their contractual obligations relating to, among other things, record maintenance and retention, project supervision and coordination, and reporting to DCSD.

Although both the results and cost of litigation are uncertain, DCSD strongly believes that Heery/Mitchell's claims are totally without merit and will ultimately be unsuccessful. On the other hand, DCSD believes, based on the available evidence, that its counterclaims against Heery/Mitchell are strong and that the DCSD will achieve a substantial recovery against Heery/Mitchell.

The School District believes the likelihood of a material adverse outcome is unknown at this time. Accordingly, adjustments, if any that might result from the resolution of this matter have not been reflected in the basic financial statements.

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 15: SUBSEQUENT EVENTS

In the 2013 fiscal year, the School District issued general obligation bonds in the amount of \$33,300,000.00 as authorized by voters in the 2012 fiscal year. The proceeds from these bonds will be used to pay for costs of certain capital projects and expenses incident to the issuance of the bonds. The primary security for the payment of these bonds is sales tax collections.

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

#### Note 16: 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.

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

EXHIBIT "H"

*Funding Policy.* The contribution requirements of plan members and participating employers are established by the Board in accordance with the current Appropriations Act and may be amended by the Board. Contributions of plan members or beneficiaries receiving benefits vary based on plan election, dependent coverage, and Medicare eligibility and election. For members with fewer than five years of service as of January 1, 2012, contributions also vary based on years of service. On average, members with five years or more of service as of January 1, 2012, pay approximately 25 percent of the cost of the health insurance coverage. In accordance with the Board resolution dated December 8, 2011, for members with fewer than five years of service as of January 1, 2012, the State provides a premium subsidy in retirement that ranges from 0% for fewer than 10 years of service to 75% (but no greater than the subsidy percentage offered to active employees) for 30 or more years of service. The subsidy for eligible dependents ranges from 0% to 55% (but no greater than the subsidy percentage offered to dependents of active employees minus 20%). No subsidy is available to Medicare eligible members not enrolled in a Medicare Advantage Option. The Board of Community Health sets all member premiums by resolution and in accordance with the law and applicable revenue and expense projections. Any subsidy policy adopted by the Board may be changed at any time by Board resolution and does not constitute a contract or promise of any amount of subsidy.

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

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

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

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

**For non-certificated school personnel:**

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

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

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

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

EXHIBIT "H"

Fiscal Year	Percentage Contributed	Required Contribution
2012	100%	\$ 90,925,607.37
2011	100%	\$ 87,542,127.58
2010	100%	\$ 77,443,370.21

Note 17: RETIREMENT PLANS

**TEACHERS' RETIREMENT SYSTEM OF GEORGIA (TRS)**

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

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

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

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

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

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

EXHIBIT "H"

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%	\$	57,343,233.76
2011	100%	\$	57,198,714.74
2010	100%	\$	57,802,484.08

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

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

**DEFINED CONTRIBUTION PLAN**

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

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

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

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

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

<u>Fiscal Year</u>	<u>Percentage Contributed</u>		<u>Required Contribution</u>
2012	100%	\$	4,357,473.75
2011	100%	\$	4,201,789.00
2010	100%	\$	6,582,819.00



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

SCHEDULE "1"

	NONAPPROPRIATED BUDGETS		ACTUAL	VARIANCE
	ORIGINAL (1)	FINAL (1)	AMOUNTS	OVER/UNDER
<b>REVENUES</b>				
Property Taxes	\$ 389,662,223.00	\$ 389,662,223.00	\$ 391,622,547.45	\$ 1,960,324.45
Sales Taxes	5,000,000.00	5,000,000.00	10,593,638.05	5,593,638.05
State Funds	355,305,828.00	357,510,418.00	374,850,028.10	17,339,610.10
Federal Funds	110,787,386.00	134,522,643.00	132,706,602.71	-1,816,040.29
Charges for Services	6,135,364.00	6,135,364.00	22,815,780.05	16,680,416.05
Investment Earnings	163,200.00	163,200.00	141,515.86	-21,684.14
Miscellaneous	34,145,460.00	35,580,284.00	6,872,932.28	-28,707,351.72
Total Revenues	\$ 901,199,461.00	\$ 928,574,132.00	\$ 939,603,044.50	\$ 11,028,912.50
<b>EXPENDITURES</b>				
Current				
Instruction	\$ 565,223,409.00	\$ 604,553,032.00	\$ 624,845,307.16	\$ -20,292,275.16
Support Services				
Pupil Services	33,672,308.00	36,763,299.00	35,965,379.48	797,919.52
Improvement of Instructional Services	31,480,891.00	52,508,421.00	36,671,500.30	15,836,920.70
Educational Media Services	14,467,355.00	14,565,827.00	14,453,889.90	111,937.10
General Administration	26,218,780.00	14,333,566.00	18,924,194.81	-4,590,628.81
School Administration	60,957,699.00	60,946,171.00	59,917,072.00	1,029,099.00
Business Administration	4,784,966.00	4,698,983.00	4,349,583.32	349,399.68
Maintenance and Operation of Plant	72,628,121.00	73,020,957.00	74,143,575.80	-1,122,618.80
Student Transportation Services	41,226,683.00	35,149,145.00	48,559,121.03	-13,409,976.03
Central Support Services	15,462,902.00	15,516,793.00	15,760,871.17	-244,078.17
Other Support Services	2,434,817.00	3,514,486.00	3,217,999.42	296,486.58
Enterprise Operations	1,257,494.00	1,257,494.00	1,257,685.56	-191.56
Food Services Operation	46,876,268.00	48,331,268.00	55,005,351.00	-6,674,083.00
Capital Outlay			888.56	-888.56
Debt Service			2,884,385.68	-2,884,385.68
Total Expenditures	\$ 916,691,693.00	\$ 965,159,442.00	\$ 995,956,805.19	\$ -30,797,363.19
Excess of Revenues over (under) Expenditures	\$ -15,492,232.00	\$ -36,585,310.00	\$ -56,353,760.69	\$ -19,768,450.69
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of Equipment	\$ 1,500.00	\$ 1,500.00		\$ -1,500.00
Other Sources	3,317,250.00	3,317,250.00		-3,317,250.00
Other Uses	-24,311,561.00	-24,311,561.00		24,311,561.00
Total Other Financing Sources (Uses)	\$ -20,992,811.00	\$ -20,992,811.00		\$ 20,992,811.00
Net Change in Fund Balances	\$ -36,485,043.00	\$ -57,578,121.00	\$ -56,353,760.69	\$ 1,224,360.31
Fund Balances - Beginning	23,173,614.00	43,531,462.34	53,878,434.04	10,346,971.70
Fund Balances - Ending (Deficit)	\$ -13,311,429.00	\$ -14,046,658.66	\$ -2,475,326.65	\$ 11,571,332.01

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

- (1) Original and Final Budget amounts do not include budgeted revenues or expenditures of the various principal accounts.  
Principal accounts had actual revenues of \$9,937,383.09 and actual expenditures of \$10,056,893.54.

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

See notes to the basic financial statements.

DEKALB COUNTY BOARD OF EDUCATION  
COMBINING STATEMENT OF NET ASSETS  
CHARTER SCHOOL COMPONENT UNITS  
JUNE 30, 2012

	International Community School	Destiny Academy of Excellence
	<hr/>	<hr/>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 549,155.00	\$ 36,797.00
Accounts Receivable, Net		
State Government	141,922.00	
Other	25,000.00	
Prepaid Items		
Deferred In-kind Donation		
Other Assets	1,908.00	
Capital Assets, Non-Depreciable		
Capital Assets, Depreciable (Net of Accumulated Depreciation)	<hr/> 15,481.00	<hr/> 16,330.00
	<hr/>	<hr/>
Total Assets	\$ <u>733,466.00</u>	\$ <u>53,127.00</u>
	<hr/>	<hr/>
<u>LIABILITIES</u>		
Accounts Payable	\$ 81,206.00	\$ 27,440.00
Other Liabilities		
Long-Term Liabilities		
Due Within One Year		
Due in More Than One Year	<hr/> 82,856.00	<hr/>
	<hr/>	<hr/>
Total Liabilities	\$ <u>164,062.00</u>	\$ <u>27,440.00</u>
	<hr/>	<hr/>
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	\$ 15,481.00	\$ 16,330.00
Restricted	491,972.00	
Unrestricted	<hr/> 61,951.00	<hr/> 9,357.00
	<hr/>	<hr/>
Total Net Assets	\$ <u>569,404.00</u>	\$ <u>25,687.00</u>
	<hr/>	<hr/>
Total Liabilities and Net Assets	\$ <u>733,466.00</u>	\$ <u>53,127.00</u>
	<hr/>	<hr/>

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

SCHEDULE "2"

Leadership Preparatory Academy	DeKalb Academy of Technology and the Environment	DeKalb PATH Academy	Museum School of Avondale Estates	Total
\$ 544,532.00	\$ 1,696,993.00	\$ 479,730.00	\$ 76,130.00	\$ 3,383,337.00
	154,286.00	84,894.00	118,742.00	499,844.00
		292.00	613,143.00	638,435.00
	3,855.00	23,443.00	45,645.00	72,943.00
			1,986,028.00	1,986,028.00
	12,683.00			14,591.00
	333,384.00		1,007,072.00	1,340,456.00
<u>78,982.00</u>	<u>6,457,405.00</u>	<u>589,317.00</u>	<u>11,326.00</u>	<u>7,168,841.00</u>
<u>\$ 623,514.00</u>	<u>\$ 8,658,606.00</u>	<u>\$ 1,177,676.00</u>	<u>\$ 3,858,086.00</u>	<u>\$ 15,104,475.00</u>
\$ 76,173.00	\$ 217,217.00	\$ 5,534.00	\$ 585,136.00	\$ 992,706.00
	19,131.00			19,131.00
	107,713.00		237,171.00	344,884.00
	<u>7,135,712.00</u>			<u>7,218,568.00</u>
<u>\$ 76,173.00</u>	<u>\$ 7,479,773.00</u>	<u>\$ 5,534.00</u>	<u>\$ 822,307.00</u>	<u>\$ 8,575,289.00</u>
\$ 78,982.00		\$ 589,317.00	\$ 1,018,398.00	\$ 1,718,508.00
	\$ 798,170.00			1,290,142.00
<u>468,359.00</u>	<u>380,663.00</u>	<u>582,825.00</u>	<u>2,017,381.00</u>	<u>3,520,536.00</u>
<u>\$ 547,341.00</u>	<u>\$ 1,178,833.00</u>	<u>\$ 1,172,142.00</u>	<u>\$ 3,035,779.00</u>	<u>\$ 6,529,186.00</u>
<u>\$ 623,514.00</u>	<u>\$ 8,658,606.00</u>	<u>\$ 1,177,676.00</u>	<u>\$ 3,858,086.00</u>	<u>\$ 15,104,475.00</u>

DEKALB COUNTY BOARD OF EDUCATION  
 COMBINING STATEMENT OF ACTIVITIES  
 CHARTER SCHOOL COMPONENT UNITS  
 FOR THE YEAR ENDED JUNE 30, 2012

	International Community School	Destiny Academy of Excellence
	<u>                    </u>	<u>                    </u>
<u>EXPENSES</u>		
Education	\$ <u>4,518,597.00</u>	\$ <u>1,251,485.00</u>
<u>REVENUES</u>		
Program Revenues:		
Charges for Services	\$ 216,971.00	
Operating Grants and Contributions	<u>3,792,162.00</u>	\$ <u>1,251,262.00</u>
Total Program Revenues	\$ <u>4,009,133.00</u>	\$ <u>1,251,262.00</u>
Net (Expenses) Revenue	\$ <u>-509,464.00</u>	\$ <u>-223.00</u>
<u>General Revenues</u>		
Investment Earnings		
Miscellaneous	\$ <u>716,623.00</u>	\$ <u>25,674.00</u>
Total General Revenues	\$ <u>716,623.00</u>	\$ <u>25,674.00</u>
Change in Net Assets	\$ 207,159.00	\$ 25,451.00
Net Assets - Beginning of Year (Restated)	<u>362,245.00</u>	<u>236.00</u>
Net Assets - End of Year	\$ <u><u>569,404.00</u></u>	\$ <u><u>25,687.00</u></u>

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

SCHEDULE "3"

Leadership Preparatory Academy	DeKalb Academy of Technology and the Environment	DeKalb PATH Academy	Museum School of Avondale Estates	Total
\$ 2,006,939.00	\$ 4,179,704.00	\$ 3,171,805.00	\$ 2,467,747.00	\$ 17,596,277.00
\$ 246,844.00			\$ 3,005.00	\$ 466,820.00
2,078,637.00	\$ 4,482,993.00	\$ 3,198,191.00	1,948,233.00	16,751,478.00
\$ 2,325,481.00	\$ 4,482,993.00	\$ 3,198,191.00	\$ 1,951,238.00	\$ 17,218,298.00
\$ 318,542.00	\$ 303,289.00	\$ 26,386.00	\$ -516,509.00	\$ -377,979.00
		\$ 469.00	\$ 40.00	\$ 509.00
	\$ 12,354.00	105,136.00	2,942,968.00	3,802,755.00
	\$ 12,354.00	105,605.00	2,943,008.00	3,803,264.00
\$ 318,542.00	\$ 315,643.00	\$ 131,991.00	\$ 2,426,499.00	\$ 3,425,285.00
228,799.00	863,190.00	1,040,151.00	609,280.00	3,103,901.00
\$ 547,341.00	\$ 1,178,833.00	\$ 1,172,142.00	\$ 3,035,779.00	\$ 6,529,186.00

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

SCHEDULE "4"

FUNDING AGENCY PROGRAM/GRANT	CFDA NUMBER	PASS- THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD
Agriculture, U. S. Department of			
Child Nutrition Cluster			
Pass-Through From Georgia Department of Education			
Food Services			
School Breakfast Program	* 10.553	N/A	(2)
National School Lunch Program	* 10.555	N/A	\$ 53,306,039.75 (1)
Total U. S. Department of Agriculture			\$ 53,306,039.75
Corporation for National and Community Service			
Pass-Through From Georgia Department of Education			
Learn and Serve America			
School and Community Based Programs	94.004	N/A	\$ 8,330.00
Education, U. S. Department of			
Education of Homeless Children and Youth Cluster			
Pass-Through From Georgia Department of Education			
ARRA - Education for Homeless Children and Youth	84.387	N/A	\$ 350.40
Education for Homeless Children and Youth	84.196	N/A	24,656.11
Total Education of Homeless Children and Youth Cluster			\$ 25,006.51
Educational Technology State Grants Cluster			
Pass-Through From Georgia Department of Education			
ARRA - Education Technology State Grants	* 84.386	N/A	\$ 644,455.53
Education Technology State Grants	* 84.318	N/A	99,827.77
Total Education Technology State Grants Cluster			\$ 744,283.30
School Improvement Grants Cluster			
Pass-Through From Georgia Department of Education			
ARRA - School Improvement Grants	84.388	N/A	\$ 1,375,442.18
School Improvement Grants	84.377	N/A	550,387.26
Total School Improvement Grants Cluster			\$ 1,925,829.44
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
ARRA - Grants to States	* 84.391	N/A	\$ 562,643.06
ARRA - Preschool Grants	* 84.392	N/A	-34,599.89
Grants to States	* 84.027	N/A	16,574,103.51
Preschool Grants	* 84.173	N/A	456,718.87
Total Special Education Cluster			\$ 17,558,865.55
Title I, Part A Cluster			
Pass-Through From Georgia Department of Education			
ARRA - Title I Grants to Local Educational Agencies	84.389	N/A	\$ 4,460,991.88
Title I Grants to Local Educational Agencies	84.010	N/A	47,844,744.97
Total Title I, Part A Cluster			\$ 52,305,736.85
Other Programs			
Direct			
Fund for Improvement of Education	84.215		\$ 1,528,002.38
Transition to Teaching	84.350		593,557.19
Safe and Drug-Free Schools and Communities - National Programs	84.184		13,510.71
Pass-Through From Georgia Department of Education			
ARRA - Race-to-the-Top Incentive Grants	* 84.395	N/A	3,215,528.55
Career and Technical Education - Basic Grants to States	84.048	N/A	828,762.55
Charter Schools	84.282	N/A	304,856.36
Education Jobs Fund	84.410	N/A	231,045.00
English Language Acquisition Grants	84.365	N/A	1,594,880.85
Improving Teacher Quality State Grants	* 84.367	N/A	3,226,944.40
Mathematics and Science Partnerships	84.366	N/A	301,931.24
Safe and Drug-Free Schools and Communities - State Grants	84.186	N/A	19,366.91
Special Education			
State Personnel Development	84.323	N/A	46,985.90
Twenty-First Century Community Learning Centers	84.287	N/A	435,358.89

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

SCHEDULE "4"

FUNDING AGENCY PROGRAM/GRANT	CFDA NUMBER	PASS- THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD
Education, U. S. Department of			
Other Programs			
Pass-Through From Georgia Institute of Technology			
College Access Challenge Grant Program	84.378	N/A	\$ 32,794.58
Pass-Through From Georgia State University			
Teacher Quality Partnership Grants	84.336	N/A	<u>101,068.29</u>
Total Other Programs			\$ <u>12,474,593.80</u>
Total U. S. Department of Education			\$ <u>85,034,315.45</u>
Environmental Protection Agency, U. S.			
Pass-Through From Georgia Department of Natural Resources			
ARRA - State Clean Diesel Grant Program	66.040	N/A	\$ <u>56,774.20</u>
Health and Human Services, U. S. Department of			
Pass-Through From Georgia Department of Human Services			
Refugee and Entrant Assistance - State Administered Programs	93.566	N/A	\$ 153,460.27
Pass-Through From Georgia Department of Behavioral Health and Developmental Disabilities			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	<u>72,000.00</u>
Total U. S. Department of Health and Human Services			\$ <u>225,460.27</u>
Justice, U. S. Department of			
Direct			
Edward Byrne Memorial Justice Assistance Grant Program	16.738		\$ <u>65,131.88</u>
Energy, U. S. Department of			
Direct			
National Aeronautics and Space Administration			
Science	43.001		\$ <u>98,250.00</u>
Transportation, U. S. Department of			
Highway Safety Cluster			
Pass-Through From Georgia Department of Public Safety			
State and Community Highway Safety	20.600	N/A	\$ <u>46,189.39</u>
Defense, U. S. Department of			
Direct			
Department of the Air Force			
R.O.T.C. Program			\$ 388,408.75
Department of the Army			
R.O.T.C. Program			277,713.26
Department of the Navy			
R.O.T.C. Program			<u>819,074.71</u>
Total U. S. Department of Defense			\$ <u>1,485,196.72</u>
Total Expenditures of Federal Awards			\$ <u><u>140,325,687.66</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 \$7,218,632.30.
- (2) Expenditures for the funds earned on the School Breakfast Program (\$8,532,570.99) 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 DeKalb County Board of Education and is presented on the modified accrual basis of accounting which is the basis of accounting used in the presentation of the fund financial statements.

See notes to the basic financial statements.



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

SCHEDULE "5"

AGENCY/FUNDING	GOVERNMENTAL FUND TYPES		TOTAL
	GENERAL FUND	CAPITAL PROJECTS FUND	
GRANTS			
Bright From the Start:			
Georgia Department of Early Care and Learning			
Pre-Kindergarten Program	\$ 7,930,487.51		\$ 7,930,487.51
Education, Georgia Department of			
Quality Basic Education			
Direct Instructional Cost			
Kindergarten Program	27,295,125.00		27,295,125.00
Kindergarten Program - Early Intervention Program	975,468.00		975,468.00
Primary Grades (1-3) Program	58,986,487.00		58,986,487.00
Primary Grades - Early Intervention (1-3) Program	4,431,615.00		4,431,615.00
Upper Elementary Grades (4-5) Program	27,623,426.00		27,623,426.00
Upper Elementary Grades - Early Intervention (4-5) Program	3,626,275.00		3,626,275.00
Middle Grades (6-8) Program	755,916.00		755,916.00
Middle School (6-8) Program	43,989,467.00		43,989,467.00
High School General Education (9-12) Program	45,714,210.00		45,714,210.00
Vocational Laboratory (9-12) Program	6,531,346.00		6,531,346.00
Students with Disabilities	39,709,596.00		39,709,596.00
Gifted Student - Category VI	16,532,868.00		16,532,868.00
Remedial Education Program	856,635.00		856,635.00
Alternative Education Program	3,631,225.00		3,631,225.00
English Speakers of Other Languages (ESOL)	12,327,180.00		12,327,180.00
Media Center Program	8,397,130.00		8,397,130.00
20 Days Additional Instruction	2,495,111.00		2,495,111.00
Staff and Professional Development	1,756,439.00		1,756,439.00
Indirect Cost			
Central Administration	7,015,863.00		7,015,863.00
School Administration	16,478,030.00		16,478,030.00
Facility Maintenance and Operations	22,130,264.00		22,130,264.00
Categorical Grants			
Pupil Transportation			
Regular	4,525,947.00		4,525,947.00
Nursing Services	1,329,161.00		1,329,161.00
Food Services	1,292,314.00		1,292,314.00
Vocational Education	835,553.06		835,553.06
Amended Formula Adjustment	-64,855,963.00		-64,855,963.00
Other State Programs			
Charter Schools - Facilities	275,000.00		275,000.00
Dual Enrollment Funding	345,354.00		345,354.00
GNETS State Grant	3,297,949.00		3,297,949.00
Health Insurance	62,227,393.00		62,227,393.00
Industry Certification Related Equipment - State Bonds	15,746.29		15,746.29
Math and Science Supplements	244,732.22		244,732.22
Preschool Handicapped Program	1,702,103.22		1,702,103.22
Pupil Transportation - State Bonds	1,410,408.00		1,410,408.00
Residential Treatment Centers Grant	151,678.00		151,678.00
Rule 10 Special Education State Grant	161,223.42		161,223.42
Teachers' Retirement	390,410.66		390,410.66
Virtual Schools Grant	2,750.00		2,750.00
Vocational Construction Related Equipment - State Bonds	1,416,853.72		1,416,853.72
Georgia State Financing and Investment Commission			
Reimbursement for Construction Projects		\$ 1,636,578.00	1,636,578.00
Office of the State Treasurer			
Public School Employees' Retirement	891,251.00		891,251.00
	<u>\$ 374,850,028.10</u>	<u>\$ 1,636,578.00</u>	<u>\$ 376,486,606.10</u>

See notes to the basic financial statements.

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

SCHEDULE "6"

PROJECT	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3) (4)	AMOUNT EXPENDED IN PRIOR YEARS (3)	PROJECT STATUS (4)
Property acquisition, construction and equipping a minimum of eight (8) new schools and two (2) new centers; renovations, modifications, additions and equipment for existing schools; acquisition and installation of information systems hardware and infrastructure at all schools and selected other facilities; purchase of both new school buses and school buses currently under lease.	\$ 524,404,330.00	\$ 506,958,262.05	\$ 59,216.75	\$ 506,779,059.30	Ongoing
Property acquisition, renovations and expansion, construction and equipping, roofing, site improvements of new and existing schools; acquisition of buses, technology - media center upgrades, HVAC systems, roofing, school improvement projects throughout the District, technology additions, renovations and upgrades, transportation improvements and site acquisitions; paying capitalized interest on General Obligation Bonds.	609,460,500.00	584,755,641.36	46,869,860.50	382,917,536.92	Ongoing
	<u>\$ 1,133,864,830.00</u>	<u>\$ 1,091,713,903.41</u>	<u>\$ 46,929,077.25</u>	<u>\$ 889,696,596.22</u>	

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

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

(3) The voters of DeKalb County approved the imposition of a 1% sales tax to fund the above projects and retire associated debt. Amounts expended for these projects may include sales tax proceeds, state, local property taxes and/or other funds over the life of the projects.

(4) Details of specific project information is maintained on our website at <http://www.dekalb.k12.ga.us/splost-iv>. Specific project details are maintained on a separate project management software system and may not correlate to financial records due to timing differences.

See notes to the basic financial statements.

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

SCHEDULE "7"

DESCRIPTION	ALLOTMENTS FROM GEORGIA DEPARTMENT OF EDUCATION (1) (2)	ELIGIBLE QBE PROGRAM COSTS		
		SALARIES	OPERATIONS	TOTAL
Direct Instructional Programs				
Kindergarten Program	\$ 35,333,679.00	\$ 34,867,113.00	\$ 466,566.00	\$ 35,333,679.00
Kindergarten Program-Early Intervention Program	1,387,424.00	1,373,241.00	14,183.00	1,387,424.00
Primary Grades (1-3) Program	77,034,527.00	75,595,473.00	1,439,054.00	77,034,527.00
Primary Grades-Early Intervention (1-3) Program	5,681,964.00	5,610,536.00	71,428.00	5,681,964.00
Upper Elementary Grades (4-5) Program	36,277,457.00	35,584,686.00	692,771.00	36,277,457.00
Upper Elementary Grades-Early Intervention (4-5) Program	4,659,439.00	4,613,600.00	45,839.00	4,659,439.00
Middle Grades (6-8) Program	1,168,369.00	1,145,807.00	22,562.00	1,168,369.00
Middle School (6-8) Program	57,226,336.00	56,249,122.00	977,214.00	57,226,336.00
High School General Education (9-12) Program	59,782,372.00	57,669,066.00	2,113,306.00	59,782,372.00
Vocational Laboratory (9-12) Program	8,565,792.00	7,769,693.00	796,099.00	8,565,792.00
Students with Disabilities	51,882,059.00			
Category I		6,917,960.00	224,459.00	7,142,419.00
Category II		6,344,018.00	83,142.00	6,427,160.00
Category III		25,845,438.00	424,816.00	26,270,254.00
Category IV		6,229,941.00	132,691.00	6,362,632.00
Category V		5,190,270.00	293,467.00	5,483,737.00
Gifted Student - Category VI	21,269,359.00	20,898,330.00	371,029.00	21,269,359.00
Remedial Education Program	1,140,413.00	1,128,135.00	12,278.00	1,140,413.00
Alternative Education Program	4,743,820.00	4,685,651.00	58,169.00	4,743,820.00
English Speakers of Other Languages (ESOL)	15,689,044.00	15,609,186.00	79,858.00	15,689,044.00
TOTAL DIRECT INSTRUCTIONAL PROGRAMS	\$ 381,842,054.00	\$ 373,327,266.00	\$ 8,318,931.00	\$ 381,646,197.00
Media Center Program	10,960,982.00	9,596,305.00	1,364,677.00	10,960,982.00
Staff and Professional Development	2,301,241.00		2,301,241.00	2,301,241.00
TOTAL QBE FORMULA FUNDS	\$ 395,104,277.00	\$ 382,923,571.00	\$ 11,984,849.00	\$ 394,908,420.00

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

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

See notes to the basic financial statements.



## SECTION II

### COMPLIANCE AND INTERNAL CONTROL REPORTS





## DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

October 21, 2013

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

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

Ladies and Gentlemen:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of DeKalb County Board of Education as of and for the year ended June 30, 2012, which collectively comprise DeKalb County Board of Education's basic financial statements and have issued our report thereon dated October 21, 2013. Our report includes a reference to other auditors. 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. Other auditors audited the financial statements of the School District's discretely presented component units (Charter Schools), which include: Leadership Preparatory Academy, DeKalb Academy of Technology and the Environment, DeKalb PATH Academy, Destiny Academy of Excellence, International Community School and the Museum School of Avondale Estates, as described in our report on DeKalb County Board of Education's financial statements. This report does not include the results of other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the DeKalb PATH Academy, International Community School and the Museum School of Avondale Estates (Charter Schools) were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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





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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider items FS-6441-12-01 and FS-6441-12-02 to be material weaknesses.

#### Compliance and Other Matters

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

We noted certain matters that we have reported to management of DeKalb County Board of Education in a separate letter dated October 21, 2013.

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

This report is intended solely for the information and use of the audit committee, management, members of the DeKalb 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-42X





## 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

October 21, 2013

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE 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 DeKalb County Board of Education's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2012. DeKalb County Board of Education's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of DeKalb County Board of Education's management. Our responsibility is to express an opinion on DeKalb 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 DeKalb County Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on DeKalb County Board of Education's compliance with those requirements.

As described in item FA-6441-12-01 in the accompanying Schedule of Findings and Questioned Costs, DeKalb County Board of Education did not comply with requirements regarding Activities Allowed/Unallowed, Allowable Costs/Cost Principles and Reporting that are applicable to its Education Technology State Grants Cluster. Compliance with such requirements is necessary, in our opinion, for DeKalb County Board of Education to comply with requirements applicable to these programs.



In our opinion, except for the noncompliance described in the preceding paragraph, DeKalb 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 DeKalb 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 DeKalb 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 DeKalb County Board of Education's internal control over compliance.

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is 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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item FA-6441-12-01 to be a material weakness.

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

This report is intended solely for the information and use of the audit committee, management, members of the DeKalb 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



### SECTION III

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





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

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

**FINDING CONTROL NUMBER AND STATUS**

FS-6441-09-01

Previously Reported Corrective Action Implemented

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.



## SECTION IV

### FINDINGS AND QUESTIONED COSTS



DEKALB 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; Aggregate Discretely Presented Component  
Units; General Fund; Capital Projects Fund; Debt Service Fund;  
Aggregate Remaining Fund Information

Unqualified

Internal control over financial reporting:

- Material weaknesses identified?
- Significant deficiency identified?

Yes  
None Reported

Noncompliance material to financial statements noted:

No

**Federal Awards**

Internal Control over major programs:

- Material weakness identified?
- Significant deficiency identified?

Yes  
None Reported

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

Unqualified for all major programs except for Education Technology State Grants Cluster,  
which was qualified.

Any audit findings disclosed that are required to be reported in  
accordance with OMB Circular A-133, Section 510(a)?

Yes

Identification of major programs:

CFDA Numbers

Name of Federal Program or Cluster

10.553, 10.555

Child Nutrition Cluster

84.318, 84.386

Education Technology State Grants Cluster

84.027, 84.173, 84.391, 84.392

Special Education Cluster

84.395

Race-to-the-Top Incentive Grants

84.367

Improving Teacher Quality State Grants

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

\$3,000,000.00

Auditee qualified as low-risk auditee?

No

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

## II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

### BUDGET PREPARATION/EXECUTION

Deficit Fund Balance

Failure to Adopt a Balanced Budget

Material Weakness

Finding Control Number: FS-6441-12-01

#### Condition:

The General Fund of the School District reported a deficit fund balance. In addition, the School District failed to adopt a balanced budget for the General Fund.

#### Criteria:

Chapter 25 *Reporting for LUAs with Governmental Fund Deficit Balances* of the Financial Management for Georgia Local Units of Administration states in part: "The seriousness of fund balance deficits cannot be overstated. The Georgia Department of Education requires those LUAs with deficit governmental fund balances to meet certain reporting requirements".

Chapter 32 *Preparing Operating Budgets* of the Financial Management for Georgia Local Units of Administration (FMGLUA) states in part: "The budget must be balanced for all budgeted funds. Total anticipated revenues should equal total estimated expenditures. In the event anticipated revenues are insufficient to fund anticipated expenditures, a portion of unreserved fund balance from previous years must be used to fund the shortfall. In the event there is insufficient unreserved fund balance from previous years' to fund anticipated expenditures, then such expenditures must be reduced to equal anticipated revenues plus available fund balance."

#### Questioned Cost:

N/A

#### Information:

The School District's General Fund reported a deficit unassigned fund balance in the amount of \$13,987,920.91. Overall, the General Fund reported a deficit fund balance in the amount of \$2,475,326.65.

The School District adopted a deficit fund balance in their original and final budgets of \$13,311,429.00 and \$14,046,658.66, respectively.

As reported on Schedule 1, actual expenditures exceeded final budgeted expenditures in many of the functional categories. During the year, budget to actual reports were submitted to the Board which indicated overexpenditures in many of these categories; however, corrective action was never taken.

#### Cause:

Management failed to use effective budgeting techniques and continued charging expenditures to programs after overexpenditures and deficits were identified.

#### Effect:

A financial statement irregularity in accordance with Official Code of Georgia Annotated §20-2-67.

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

## II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

### Recommendation:

The School District should establish policies and procedures designed to ensure that in future periods the School District does not report a deficit fund balance.

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

### Condition:

Accounting procedures of the School District were insufficient to provide for adequate internal controls.

### Criteria:

The School District's management is responsible for designing and maintaining internal controls that provide reasonable assurance transactions are properly approved, documented, processed, and reported in accordance with State law, procedures established by the Georgia Department of Education and the School District's policies and procedures.

### Questioned Cost:

None

### Information:

Revenues/Receivables/Receipts

Weaknesses in internal controls were noted as follows:

- Procedures were not in place to ensure funding from grants through the Georgia Department of Education (GDOE) were requested in a timely manner. For example, \$13,254,404.09 of fiscal year 2012 Title I Grants to Local Educational Agencies (CFDA 84.010) funding was requested five months after the grant period ended; and \$561,709.57 of fiscal year 2011 English Language Acquisition Grants (CFDA 84.365) funding was requested eight months after the grant period ended.
- Procedures were not in place to ensure major revenue accounts were reconciled in a timely manner. These reconciliations were not available for audit until seven months after year-end.
- Adequate procedures were not in place to review and approve major revenue account reconciliations for accuracy. Adjustments of \$4,700,000.00, \$739,449.16 and \$1,514,075.46 were necessary to appropriately report Special Purpose Local Option Sales Tax, Federal and state revenue, respectively.
- Procedures were not in place to ensure accounts receivable general ledger balances were periodically reconciled to detailed listings. These reconciliations were not available for audit until seven months after year-end.
- Adequate procedures were not in place to review and approve accounts receivable reconciliations for accuracy. Adjustments of \$5,358,044.32, \$723,396.27 and \$553,536.50 were necessary to appropriately report property tax, Federal and state accounts receivable, respectively.



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

## II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

### Expenditure/Liabilities/Disbursements

Weaknesses in internal controls were noted as follows:

- Procedures were not in place to ensure accounts payable general ledger balances were periodically reconciled to detailed listings. These reconciliations were not available for audit until eight months after year-end.
- Procedures were not in place to periodically review accounts payable for old stale dated balances since subsidiary ledgers with detailed information was not maintained. An adjustment of \$142,738.37 was made to the general fund financial statement template in order to remove balances believed to be old stale dated accounts payable; however, information was not available to perform a proper analysis.
- An unidentified general fund accounts payable balance of \$97,479.21 was noted between the accounts payable general ledger balance and the detailed accounts payable listing provided for audit.

### Capital Assets

Weaknesses in internal controls were noted as follows:

- Procedures were not in place to ensure capital outlay expenditures were periodically reconciled to construction in progress. This reconciliation was not available for audit until 11 months after year-end.
- Procedures were not in place to ensure capital outlay expenditures were periodically reconciled to capital assets other than construction in progress. This reconciliation was not available for audit.
- Procedures were not in place to ensure capital assets listings are periodically kept up-to-date. Detailed capital assets listings were not available for audit until 11 months after year-end.

### Financial Reporting

Weaknesses in internal controls were noted as follows:

- A process was not in place to ensure year-end financial statement preparation procedures were identified, assigned to responsible staff and performed timely. A complete set of financial statements was not available for audit until 13 months after fiscal year-end.
- Adequate procedures were not in place to ensure journal entries made to the financial statement template were accurate. Several adjustments were necessary to correct errors in journal entries made to the financial statement template for the District-wide Statements, General Fund, Capital Projects Fund, Fiduciary Fund and Discretely Presented Component Units.

#### Cause:

In discussion with management, the School District did not have an adequate succession plan in place related to terminations and/or departures of several key financial and accounting professionals. Some positions remained unfilled for a large portion of the fiscal year under review. Other positions were never filled. Instead, these duties were consolidated with the duties of other employees. During this time, some financial and accounting procedures were either not performed or not performed timely.

#### Effect:

The lack of adequate controls resulted in significant delays in financial reporting and in material misstatements which were not be detected in a timely manner.

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

## II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

### Recommendation:

The School District should perform a risk assessment to ensure an appropriate succession plan is in place. At a minimum, this risk assessment should include the identification of critical financial and accounting roles, individuals responsible for performing these critical roles and procedures to be placed in operation in the event these individuals leave the School District or otherwise can no longer perform their assigned duties. This succession plan should be formally documented. In addition, the School District should ensure the Finance department is adequately staffed and all critical financial and accounting roles are assigned to appropriately trained and qualified staff.

## III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

### ACTIVITIES ALLOWED/UNALLOWED

### ALLOWABLE COSTS/COST PRINCIPLES

### REPORTING

### Inadequate Internal Controls over Grant Management

### Material Weakness

### Material Noncompliance

### U. S. Department of Education

### Through Georgia Department of Education

### ARRA - Education Technology State Grants (CFDA 84.386)

### Finding Control Number: FA-6441-12-01

### Condition:

A review of Federal drawdowns revealed weaknesses in internal controls related to the administration of ARRA - Education Technology State Grants program (Ed Tech) (CFDA 84.386).

### Criteria:

Provisions of OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, states that "Governmental units are responsible for the efficient and effective administration of Federal awards through the application of sound management practices." In addition, A-87 requires that "to be allowable under Federal awards, costs must be...necessary and reasonable for proper and efficient performance and administration of Federal awards" and "conform to any limitations or exclusions set forth in the...terms and conditions of the Federal award".

### Questioned Cost:

N/A

### Information:

The School District submitted a *Request for Reimbursement of Monthly Cash Disbursements* (DE147) to the Georgia Department of Education (GDOE) related to Ed Tech for approximately \$538,000.00. GDOE considered all but \$166,189.14 unallowable since these expenditures were not part of the fiscal year 2012 approved budget. However, the School District did not submit an amended DE147 requesting the \$166,189.14 until the availability of monies had lapsed. These expenditures are not included on the Schedule of Expenditures of Federal Awards. The School District is in the process of working with GDOE to get the Ed Tech funds from the U. S. Department of Education.

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

**III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**Cause:**

The administration of the Ed Tech grant was not adequately planned. Management did not have adequate procedures in place to ensure program costs were identified and tracked. Therefore, significant delays occurred in requesting reimbursement for allowable program costs.

**Effect:**

The inability to request reimbursement of Federal funds in a timely manner may cause the School District to have to cover these costs with local funds. In addition, failure to effectively administer the Federal award through the application of sound management practices resulted in noncompliance with the Federal grant.

**Recommendation:**

The School District should implement procedures to ensure that Federal awards are effectively administered, program costs are properly identified, and requests for reimbursements are made in a timely manner.

## SECTION V

### MANAGEMENT'S RESPONSES



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

Finding Control Number: FS-6441-12-01

Management concurs with this finding. The following actions have been taken or are planned:

- District hired Superintendent Michael L. Thurmond to address fiscal management issues.
- Superintendent instituted a mid-year fiscal year 2013 spending freeze.
- Hired an experienced Chief Financial Officer to lead fiscal reforms.
- District developed, adopted and is implementing a fiscal year 2014 balanced budget.
- Eliminated the fiscal year 2012 all funds budget deficit (\$13.9 Million).
- Structured the fiscal year 2013 Monthly Financial Reports to the Board on a GAAP basis.
- Hired a Budget Manager.
- Correctly allocated prior year ad valorem taxes at the end of fiscal year 2013.
- Hiring a new Budget Analyst.
- Ended fiscal year 2013 with a DE046 General Fund Balance of \$10.8 Million.
- Total projected budget cuts for fiscal year 2014 were \$18.5 Million including \$6 Million in legal fees.

Finding Control Number: FS-6441-12-02

Management concurs with this finding. The following actions have been taken or are planned:

- Instituted State Chart-of-Accounts conversion project (Estimated completion 7/1/2014).
- Hired Accounting Manager.
- Hired Capital Projects Accountant.
- Completed fiscal year 2011 SPLOST Performance Audit (External).
- Purchased new School Based accounting software (Estimated rollout completion 7/1/2014).
- Instituted rewrite of Accounting Standard Operating Procedures (Ongoing process).
- Current procedures will be expanded to include monthly reconciliations – as additional personnel become available.

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

Finding Control Number: FA-6441-12-01

Management concurs with this finding. The following actions have been taken or are planned:

- Established a monitoring process for the administration of Federal grants.
- Program managers and staff assigned to administer Federal grants are required to attend appropriate Federal grant compliance training, including allowable cost principals (OMB Circular A-87 and grant allowable costs).
- Staffed the Office of Federal Programs with a Federal grant auditor and compliance specialist to provide technical assistance, monitoring, training.
- Hired a Grants Analyst within the Finance department to address proper cash management procedures and processes, fiscal compliance areas including grant payments and monthly drawdowns of Federal funds.
- The Office of Legal Affairs has been assigned the responsibility for ensuring appropriate School District procedures are in place and adhered to related to compliance with applicable laws.
- The School District has adopted procedures, policies and processes to address monitoring of internal controls.

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