



OCONEE COUNTY BOARD OF EDUCATION
WATKINSVILLE, GEORGIA

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED
JUNE 30, 2011

(INCLUDING INDEPENDENT AUDITOR'S REPORTS)

OCONEE COUNTY BOARD OF EDUCATION

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I. FINANCIAL SECTION



DEPARTMENT OF AUDITS AND ACCOUNTS

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

March 12, 2012

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
Oconee 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 of the Oconee County Board of Education, as of and for the year ended June 30, 2011, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Oconee County Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

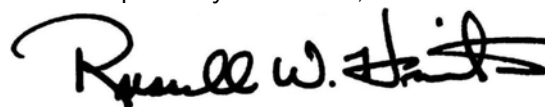
In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2012, on our consideration of the Oconee County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 24, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Russell W. Hinton", with a stylized flourish at the end.

Russell W. Hinton, CPA, CGFM
State Auditor

RWH:as
2011ARL-11

Oconee County Board of Education
Management's Discussion and Analysis for Fiscal Year Ended June 30, 2011

INTRODUCTION

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

FINANCIAL HIGHLIGHTS

Key financial highlights for FY 2011 are as follows:

- On the district-wide financial statements, the assets of the School District exceeded liabilities by \$93.68 million, or an increase of \$5.89 million when compared to 2010.
- The School District had \$60.5 million in expenses relating to governmental activities; only \$33.24 million of these expenses were offset by program specific charges for services, grants and contributions. However, general revenues (primarily property and sales taxes) of almost \$33.17 million were more than adequate to provide for these programs.
- As stated above, General Revenues accounted almost \$33.17 million or about 50% of all revenues totaling \$66.41 million. Program specific revenues in the form of charges for services, grants and contributions accounted for the rest.
- The School District's M&O millage rate was 16.50 mills for the 2008-09 school year and continues at that rate for the 2011-12 school year. The District lowered the General Obligation bond millage rate by 2/10th of a one mill for 2006/07 and again by 2/10th of a mill for the 2007/08 school year. The current Bond millage rate is 1 mill. The District was able to reduce the Bond millage rate due to the growth in the tax digest. However without digest growth, which is either limited by current economic conditions, and/or by legislative action that adversely affects local governments ability to properly assess real property, the Board of Education may need to consider a bond millage increase in future years in order to meet debt service requirements.
- The School District is in very stable financial condition despite current economic conditions. The General fund balance reflects the full accrual of contracted salaries and benefits unpaid at June 30 in full compliance of GASB 34 and 54 regulations.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts; management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two levels of statements that present different views of the School District. These include the district-wide and fund financial statements.

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

The fund financial statements focus on individual parts of the School District, reporting the School District's operation in more detail. The 'Governmental Funds' statements disclose how basic services are financed in the short-term as well as what remains for future spending. The 'Fiduciary Funds' statements

Oconee County Board of Education
Management's Discussion and Analysis for Fiscal Year Ended June 30, 2011

provide information about the financial relationships in which the School District acts solely as a trustee or agent for the benefit of others. In the case of the Oconee County Board of Education, the General Fund, Capital Projects Funds, and Debt Service Funds are all considered to be major funds. The District has no nonmajor funds as defined by GASB Statement 34 for the purposes of this report.

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

District-Wide Statements

Since the Oconee County Board of Education has no operations that have been classified as "Business Activities", the District-Wide financial statements are basically a consolidation of all of the District's operating funds into one column called governmental activities. In reviewing the District-Wide financial statements, a reader might ask the question, are we in a better financial position now than last year? The 'Statement of Net Assets' and the 'Statement of Activities' provides the basis for answering this question. These financial statements include all District's assets and liabilities and uses the **accrual basis of accounting** similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

The 'Statement of Net Assets' and the 'Statement of Activities' reflects 100% of the School District's governmental activities.

Fund Financial Statements

The School District uses many funds or sub-funds to account for a multitude of financial transactions during the fiscal year. The fund financial statements presented in this report provide detail information about the School District's significant or major funds. As discussed previously, the District has no nonmajor Funds as defined by GASB Statement 34.

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

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

Oconee County Board of Education
Management's Discussion and Analysis for Fiscal Year Ended June 30, 2011

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. The reader can think of the District's net assets as the difference between its assets (i.e., what the District owns) and its liabilities (i.e., what the District owes) at the end of a fiscal year. This balance represents one way to measure the District's financial health or its financial position. In the case of the Oconee County Board of Education, assets exceeded liabilities by \$93.68 million at June 30, 2011.

To better understand the District's actual financial position and ability to deliver services in future periods, the reader will need to review the various components of the net asset category. For example, of the \$93.68 million of net assets, \$3.74 million was restricted for continuation of federal programs, debt service, and completion of ongoing capital projects. Accordingly, these funds were not available to meet the District's ongoing obligations to citizens and creditors.

In addition, the District had \$78.25 million (net of related debt) invested in capital assets (e.g., land, buildings, and equipment). The District uses these capital assets to provide educational services to students within geographic boundaries served by the District. Because of the very nature and on-going use of the assets being reported in this component of net assets, it must be recognized that this portion of the net assets is *not* available for future spending.

The remaining balance of *unrestricted net assets* of \$11.69 million may be used to meet the District's ongoing obligations to citizens and creditors. The funds are used to meet payroll and operational costs through the month of September; after which, local tax revenues are received and permit the infusion of cash necessary to operate the school system. **Table 1** provides a summary of the School District's net assets for the current fiscal year and for prior year FY2010.

<p style="text-align: center;">Table 1 Net Assets</p>			
	Governmental Activities FY 2011	Governmental Activities FY 2010	Current Year to Prior Year Difference
Assets			
Current and Other Assets	\$ 22,520,513	\$ 22,525,826	\$ (5,313)
Capital Assets, Net	95,211,906	96,390,599	(1,178,693)
Total Assets	\$ 117,732,419	\$ 118,916,425	\$ (1,184,006)
Liabilities			
Current and Other Liabilities	\$ 7,085,313	\$ 7,360,527	\$ (275,214)
Long-Term Liabilities	16,961,073	23,763,850	(6,802,777)
Total Liabilities	\$ 24,046,386	\$ 31,124,377	\$ (7,077,991)
Net Assets			
Invested in Capital Assets, Net of Related Debt	\$ 78,250,833	\$ 73,949,777	\$ 4,301,056
Restricted	3,742,529	4,423,577	(681,048)
Unrestricted	\$ 11,692,671	\$ 9,418,694	\$ 2,273,977
Total Net Assets	\$ 93,686,033	\$ 87,792,048	\$ 5,893,985

Oconee County Board of Education
Management's Discussion and Analysis for Fiscal Year Ended June 30, 2011

Table 2 shows categorical **Changes in Net Assets** for the current fiscal year and for prior year FY2010.

Table 2
Change in Net Assets

	Governmental	
	Activities	
	FY 2011	FY 2010
Revenues		
Program Revenues:		
Charges for Services and Sales	\$ 1,755,648	\$ 1,897,845
Operating Grants and Contributions	31,255,390	29,886,620
Capital Grants and Contributions	228,876	0
Total Program Revenues	\$ 33,239,914	\$ 31,784,465
General Revenues:		
Property Taxes for		
Maintenance and Operations	\$ 24,651,480	\$ 26,283,768
Debt Service	1,535,531	1,560,390
Sales Taxes		
Special Purpose Local Option		
For Debt Service	5,181,911	4,762,110
Intangible Recording & Real Estate Transfer	390,402	474,891
Investment Earnings	82,244	94,602
Miscellaneous	1,323,090	1,394,037
Special Item: Gain on sale of assets	11,767	
Total General Revenues	\$ 33,176,425	\$ 34,569,798
Total Revenues	\$ 66,416,339	\$ 66,354,263
Program Expenses		
Instruction	\$ 39,290,831	\$ 41,190,626
Support Services		
Pupil Services	1,576,579	1,634,757
Improvement of Instructional Services	1,067,828	1,237,432
Educational Media Services	978,732	968,022
General Administration	1,116,230	1,155,337
School Administration	5,026,829	4,704,330
Business Administration	345,619	348,165
Maintenance and Operation of Plant	4,180,965	3,979,337
Student Transportation Services	2,918,842	2,588,299
Central Support Services	165,092	129,743
Other Support Services	298,175	288,756
Operations of Non-Instructional Services		
Enterprise Operations	602,372	694,670
Food Services	2,218,709	2,393,121
Interest on Short-Term/Long-Term Debt	735,551	940,701
Total Expenses	\$ 60,522,354	\$ 62,253,296
Increase in Net Assets	\$ 5,893,985	\$ 4,100,967

Oconee County Board of Education
Management's Discussion and Analysis for Fiscal Year Ended June 30, 2011

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting these services. **Table 3** shows, for governmental activities, the total cost of services and the net cost of services. Data are presented for the current fiscal year and for prior year FY2010. Net cost of services can be defined as the total cost less fees generated by the activities and intergovernmental revenue provided for specific programs. **The net costs reflect the financial burden on the School District's taxpayers by each activity.**

Table 3
Governmental Activities

	Total Cost of Services	Total Cost of Services	Net Cost of Services	Net Cost of Services
	FY 2011	FY 2010	FY 2011	FY 2010
Instruction	\$ 39,290,831	\$ 41,190,626	\$ 17,136,470	\$ 21,566,959
Support Services				
Pupil Services	1,576,579	1,634,757	1,191,339	1,134,505
Improvement of Instructional Services	1,067,828	1,237,432	542,904	603,939
Educational Media Services	978,732	968,022	107,206	95,711
General Administration	1,116,230	1,155,337	(198,308)	(205,788)
School Administration	5,026,829	4,704,330	2,762,680	1,976,519
Business Administration	345,619	348,165	320,513	300,501
Maintenance and Operation of Plant	4,180,965	3,979,337	1,838,066	1,211,931
Student Transportation Services	2,918,842	2,588,299	1,854,230	1,747,000
Central Support Services	165,092	129,743	148,440	103,113
Other Support Services	298,175	288,756	210,937	121,696
Operations of Non-Instructional Services				
Enterprise Operations	602,372	694,670	602,372	694,670
Food Services	2,218,709	2,393,121	30,061	177,374
Interest on Shortterm & Longterm Debt	735,551	940,701	735,530	940,701
Total Expenses	\$ 60,522,354	\$ 62,253,296	\$ 27,282,440	\$ 30,468,831

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The governmental funds had total revenues of almost \$66.48 million and total expenditures of \$66.15 million. Included in the expenditures of \$66.15 million were capital outlay expenditures of \$774 thousand which do not constitute recurring expenditures.

General Fund Budget Highlights

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

During the course of FY 2011, the School District amended its general fund budget as needed. The School District uses site-based budgeting as a part of the budget process. The budgeting systems are designed to control total site budgets but provide flexibility for site management.

Oconee County Board of Education
Management's Discussion and Analysis for Fiscal Year Ended June 30, 2011

For the General Fund, the final actual revenues of \$59.7 million was less than the final budgeted amounts of \$60.2 million, a difference of \$476 thousand or less than 1%. This major portion of the difference demonstrates that the District overestimated its final revenues which are primarily the result of mid-year state budget reductions.

The final actual expenditures of \$57.8 million **is less than** the final budgeted amount of \$60.5 million by \$2.7 million. This difference (final actual vs. final budget) was due to a combination of expenditure controls and revenue conservation efforts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the School District had \$95.2 million invested in capital assets, including land, buildings and furniture and equipment for its governmental activities. **Table 4** reflects a summary of these balances net of accumulated depreciation for the current year and for the prior year of FY2010. Oconee County School District began a capital project building campaign that includes additions at one elementary and two middle schools, as-well-as the construction of one new elementary school.

Table 4
Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities	Governmental Activities
	FY 2011	FY 2010
Land	\$ 4,753,482	\$ 4,753,482
Construction in Progress		690,564
Land Improvements	4,806,645	4,754,957
Buildings	82,434,876	82,842,454
Equipment	3,216,903	3,349,142
Total	\$ 95,211,906	\$ 96,390,599

Additional information on the District's Capital Assets can be found in the Notes to the Financial Statements.

Debt

At June 30, 2011, the School District had \$16.96 million in debt outstanding. This debt is the result of General Obligation Bonds (repaid through a property tax levy) originally sold by the District in 1993 and 1995 (refinanced in 2004 and 2005) for the purpose of the acquisition, construction, equipping, renovating, and repairing of school facilities. In the fall of 2006, the School District sold \$24 million in Revenue Bonds (repaid through local option sales tax) for the purpose of the acquisition of land for future schools, construction of new classrooms, renovations of current facilities, a new elementary school ,and other facilities as approved by the board of Education. .

All current debt will be serviced by March 2014.

Oconee County School District's most recent rating (January 2012) by *Moody's Investors Service, Inc.* and *Standard and Poor's Ratings Services* have assigned underlying bond ratings to the District of "Aa2" and "AA+", respectively. Part of the basis for the ratings is the inclusion of the bond indebtedness in the State Aid Intercept Program. **Table 5** summarizes the School District's debt.

Oconee County Board of Education
Management's Discussion and Analysis for Fiscal Year Ended June 30, 2011

Table 5
Debt at June 30

	Governmental Activities FY2011	Governmental Activities FY2010
Installment Sales Agreement	\$ 220,852	\$ 240,806
General Obligation Bonds	16,575,000	23,210,000
Bond Premium	165,221	313,044
Total Debt Outstanding	\$ 16,961,073	\$ 23,763,850
Debt Due within One Year		
General Obligation Bonds	\$ 7,085,000	\$ 6,635,000
Revenue Bonds		
Due within One Year	\$ 7,085,000	\$ 6,635,000

Additional Information can be found on the District's Debt obligations in the Notes to the Financial Statements.

FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE

Currently known facts, decisions or conditions that are expected to have a significant effect on financial positions or results of operations in future years are as follows:

- Local Revenue – Oconee County School District's priority on academic instruction continues to attract new residents and businesses into the county because of the public school system's focus on quality instructional programs. In February 2012, *Caterpillar Inc.* announced that it would begin immediately to build a \$200 million manufacturing plant on land shared by Oconee and Clarke counties. The plant has the potential to bring over 2,000 jobs to the area.

Oconee County generally collects above 98% of the assessed taxes. This consistent collection of property taxes has assisted the local school district to meet financial obligations. Current economic conditions, a local digest that has decreased by over 4%, and recent state legislation may adversely affect the district's ability to maintain the current millage levy of 16.5 mills for M&O and 1 mill for debt service. The district will need to consider reducing permanent expenses, raising the millage rate or a combination of both approaches in order to maintain quality instructional services. Less than 18% of the local property digest consists of commercial, utility and retail properties.

Education-Special-Purpose-Local-Option-Sales-Tax (ELOST) receipts may be used to pay for specified capital improvements. Receipts continue to be dependent on the local businesses and the citizens' ability to spend. There has been, and continues to be, increased commercial development.

The current ELOST was extended by the voters in November 2011 and therefore will continue to collect the extra one-cent on most retail goods sold in the county through December 2018. The District sold \$13.5 million in bonds in January 2012. Bond proceeds will be used to fund the renovation of two current facilities, the completion of an All-Sports athletic facility and to fund system-wide technology improvements.

Oconee County Board of Education
Management's Discussion and Analysis for Fiscal Year Ended June 30, 2011

- Capital Improvements – The School District continues to implement the capital improvement plan approved by the Board in 2006. District enrollment is expected to remain relatively consistent and therefore no new permanent classroom space is considered necessary at this time.
- State Revenue – Legislation over the past years has reduced revenue sources available for education, and when coupled with poor economic conditions, the state has had to drastically reduce funding available to public schools and other state services. State funds are providing no more than 51% of the local budget where a number of years ago the state funded closer to 60%.

The upcoming General Assembly (January 2012) must carefully examine the impact, on both the citizens and the quality of services, of not adequately funding education and other state services that support education (health care, social and judicial services). Additionally, the General Assembly must follow through on analyzing the impact of tax exemptions and credits on the state's revenue streams in order to fund services and then be bold enough to take action based on the analysis in order to preserve and protect the economic stability of the State of Georgia.

Despite these challenges, the Oconee County Board of Education is strong financially and we remain optimistic about the ability of the School District to maximize all of the financial resources to provide an exceptional educational experience for our students. However, the District may find it challenging to maintain services for school year FY13 (2012/13) if state funding for K-12 education are not restored. The challenge will be to balance revenue streams (the state not fully funding education, the expiration of federal stimulus funds, and a decline in the local tax digest) with naturally occurring increases in expenses (personnel and operations).

The District has used *ARRA and Federal Ed Jobs* funds to stabilize services and has implemented a critical review of required personnel and services to prioritize expenses. This strategy, coupled with long-term planning has allowed the system to forgo the need to implement personnel RIF policies or exhaust the operating reserve. However, the long-term solution can only be found when the state implements consist funding for public education. The School District continues to maintain a very active process of monitoring departments and programs for efficiency and to evaluate areas to sustain services without additional personnel or operational costs.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Randy Morrison, Assistant Superintendent for Financial Operations, Oconee County Board of Education, Post Office Box 146, 34-B School Street, Watkinsville, Georgia 30677. You may also email your questions to Mr. Morrison at rmorrison@oconeeschools.org.

**OCONEE COUNTY
BOARD OF EDUCATION**

BASIC FINANCIAL STATEMENTS

OCONEE COUNTY BOARD OF EDUCATION

STATEMENT OF NET ASSETS

JUNE 30, 2011

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 16,680,167
Receivables:	
Taxes	1,480,374
Intergovernmental:	
State	3,635,316
Federal	580,138
Inventory	68,356
Deferred charges	76,162
Capital assets (nondepreciable)	4,753,482
Capital assets (net of accumulated depreciation)	90,458,424
Total assets	<u>117,732,419</u>
LIABILITIES	
Accounts payable	23,642
Salaries and benefits payable	6,836,135
Accrued interest payable	225,536
Bonds payable due within one year	7,085,000
Bonds payable due in more than one year	9,655,221
Installment sales agreement due in more than one year	220,852
Total liabilities	<u>24,046,386</u>
NET ASSETS	
Invested in capital assets, net of related debt	78,250,833
Restricted for:	
Continuation of federal programs	614,614
Capital projects	620,703
Debt service	2,507,212
Unrestricted	11,692,671
Total net assets	<u>\$ 93,686,033</u>

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

OCONEE COUNTY BOARD OF EDUCATION

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

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
Instruction	\$ 39,290,831	\$ 571,616	\$ 21,582,745	\$ -	\$ (17,136,470)
Support services:					
Pupil services	1,576,579	-	385,240	-	(1,191,339)
Improvement of instructional services	1,067,828	-	524,924	-	(542,904)
Educational media services	978,732	-	871,526	-	(107,206)
General administration	1,116,230	-	1,314,538	-	198,308
School administration	5,026,829	-	2,264,149	-	(2,762,680)
Business administration	345,619	-	25,106	-	(320,513)
Maintenance and operation of facilities	4,180,965	2,950	2,339,949	-	(1,838,066)
Student transportation services	2,918,842	-	835,736	228,876	(1,854,230)
Central support services	165,092	-	16,652	-	(148,440)
Other support services	298,175	-	87,238	-	(210,937)
Enterprise operation	602,372	-	-	-	(602,372)
Food services operation	2,218,709	1,181,082	1,007,566	-	(30,061)
Interest on long-term debt	735,551	-	21	-	(735,530)
Total governmental activities	<u>\$ 60,522,354</u>	<u>\$ 1,755,648</u>	<u>\$ 31,255,390</u>	<u>\$ 228,876</u>	<u>(27,282,440)</u>
General revenues:					
Taxes:					
Property taxes, levied for general purposes					24,651,480
Property taxes, levied for debt service					1,535,531
Sales taxes:					
For debt service					5,181,911
Other					390,402
Miscellaneous revenues					1,323,090
Unrestricted investment earnings					82,244
Gain on sale of capital assets					11,767
Total general revenues					<u>33,176,425</u>
Change in net assets					5,893,985
Net assets, beginning of year					87,792,048
Net assets, end of year					<u>\$ 93,686,033</u>

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

OCONEE COUNTY BOARD OF EDUCATION

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2011

ASSETS	General	District- Wide Capital Projects	Debt Service	Total Governmental Funds
Cash and cash equivalents	\$ 14,031,410	\$ 620,703	\$ 2,028,054	\$ 16,680,167
Receivables:				
Taxes	966,155	-	514,219	1,480,374
Intergovernmental:				
State	3,635,316	-	-	3,635,316
Federal	580,138	-	-	580,138
Inventory	68,356	-	-	68,356
Total assets	<u>\$ 19,281,375</u>	<u>\$ 620,703</u>	<u>\$ 2,542,273</u>	<u>\$ 22,444,351</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 23,642	\$ -	\$ -	\$ 23,642
Salaries and benefits payable	6,836,135	-	-	6,836,135
Deferred revenue	556,788	-	35,061	591,849
Total liabilities	<u>7,416,565</u>	<u>-</u>	<u>35,061</u>	<u>7,451,626</u>
FUND BALANCES				
Nonspendable for inventory	68,356	-	-	68,356
Restricted for capital projects	-	620,703	-	620,703
Restricted for debt service	-	-	2,507,212	2,507,212
Restricted for continuance of federal programs	580,138	-	-	580,138
Assigned for future debt service	1,500,000	-	-	1,500,000
Assigned for appropriation of fund balance for next year's budget	3,000,000	-	-	3,000,000
Unassigned	6,716,316	-	-	6,716,316
Total fund balances	<u>11,864,810</u>	<u>620,703</u>	<u>2,507,212</u>	<u>14,992,725</u>
Total liabilities and fund balances	<u>\$ 19,281,375</u>	<u>\$ 620,703</u>	<u>\$ 2,542,273</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
Cost		114,642,871	
Less accumulated depreciation		<u>(19,430,965)</u>	95,211,906
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.			
Property taxes			591,849
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.			
Bonds		(16,575,000)	
Bond premium, net of amortization		(165,221)	
Bond issuance costs, net of amortization		76,162	
Accrued interest		(225,536)	
Installment sales agreement		<u>(220,852)</u>	<u>(17,110,447)</u>
Net assets of governmental activities			<u>\$ 93,686,033</u>

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

OCONEE COUNTY BOARD OF EDUCATION

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

	General	District - Wide Capital Projects	Debt Service	Total Governmental Funds
REVENUES				
Property taxes	\$ 24,725,619	\$ -	\$ 1,539,504	\$ 26,265,123
Sales taxes	-	-	5,181,911	5,181,911
Other taxes	368,093	-	22,309	390,402
State funds	26,841,362	-	-	26,841,362
Federal funds	4,642,904	-	-	4,642,904
Charges for services	1,755,648	-	-	1,755,648
Investment earnings	75,663	1,374	5,207	82,244
Miscellaneous	1,323,090	-	-	1,323,090
Total revenues	59,732,379	1,374	6,748,931	66,482,684
EXPENDITURES				
Current:				
Instruction	37,749,545	-	-	37,749,545
Support services:				
Pupil services	1,576,579	-	-	1,576,579
Improvement of instructional services	1,065,758	-	-	1,065,758
Educational media services	969,651	-	-	969,651
General administration	1,114,157	-	-	1,114,157
School administration	5,013,631	-	-	5,013,631
Business administration	243,078	-	-	243,078
Maintenance and operation of facilities	4,115,865	19,383	-	4,135,248
Student transportation services	2,667,790	-	-	2,667,790
Central support services	164,092	-	-	164,092
Other support services	264,295	-	-	264,295
Enterprise operations	602,372	-	-	602,372
Food services operation	2,218,709	-	-	2,218,709
Capital outlay	-	755,064	-	755,064
Debt service:				
Principal retirement	19,954	-	6,635,000	6,654,954
Interest and fees	10,375	-	949,238	959,613
Total expenditures	57,795,851	774,447	7,584,238	66,154,536
Excess (deficiency) of revenues over (under) expenditures	1,936,528	(773,073)	(835,307)	328,148
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	11,767	-	-	11,767
Total other financing sources (uses)	11,767	-	-	11,767
Net changes in fund balance	1,948,295	(773,073)	(835,307)	339,915
FUND BALANCE, beginning of year	9,916,515	- 1,393,776	3,342,519	14,652,810
FUND BALANCE, end of year	\$ 11,864,810	\$ 620,703	\$ 2,507,212	\$ 14,992,725

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

OCONEE COUNTY BOARD OF EDUCATION

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

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

Net change in fund balances - total governmental funds	\$	339,915
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.

Capital outlay	\$	770,246	
Depreciation expense		<u>(1,948,939)</u>	(1,178,693)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in

Property taxes			(78,112)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments - bonds	\$	6,635,000	
Principal payments - installment sales agreement		19,954	
Bond premium amortization expense		147,823	
Bond issuance costs amortization expense		<u>(68,141)</u>	6,734,636

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

Change in accrued interest			<u>76,239</u>
	\$		<u><u>5,893,985</u></u>

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

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

	ASSETS	<u>Agency Fund</u>
Cash		<u>\$ 142,218</u>
	LIABILITIES	
Funds held for others		<u>\$ 142,218</u>

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

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

Note 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

Reporting Entity

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

Blended Component Unit – Oconee County Public Facilities Authority

The Oconee County Public Facilities Authority (the "Authority") was created by House Bill No. 938 during the 2003 session of the Georgia General Assembly. The purpose of the Authority is to provide buildings, facilities, and services for the benefit of the Oconee County School District. The Authority consists of five members who are appointed by the Oconee County School District. The Oconee County Public Facilities Unit, per HB 938, ended on 12/31/2010 and as such they are no longer an entity. The Authority had zero income and zero expenses for the year then ended June 30, 2011.

The Oconee County Public Facilities Authority is a component unit of the Oconee County Board of Education and, as such, the Authority's financial activity has been blended with the Oconee County Board of Education's basic financial statements.

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 Oconee 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.

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The School District reports the following fiduciary fund types:

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

Basis of Accounting

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

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Cash and Cash Equivalents

COMPOSITION OF DEPOSITS

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

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

COMPOSITION OF INVESTMENTS

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

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

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

Receivables

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

Property Taxes

The Oconee County Board of Commissioners fixed the property tax levy for the 2010 tax digest year (calendar year) on July 27, 2010 (levy date). Taxes were due on November 15, 2010 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2010 tax digest are reported as revenue in the governmental funds for fiscal year 2011. The Oconee County Tax Commissioner bills and collects the property taxes for the School District, withholds 2.5% of taxes collected as a fee for tax collection and remits the balance of taxes collected to the

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

School District. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2011, for maintenance and operations amounted to \$24,725,619 and for school bonds amounted to \$1,539,504.

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

School Operations	16.50 mills
School Bonds	<u>1.00</u> mills
Total	<u>17.50</u> mills

Sales Taxes

Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to \$5,181,911 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

Inventories

FOOD INVENTORIES

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

Capital Assets

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

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
Land	All	N/A
Land Improvements	\$25,000	70 years
Buildings and Improvements	\$25,000	15 to 70 years
All Equipment	\$5,000	5 to 25 years
Intangible Assets	\$25,000	15 to 20 years

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

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 effective interest 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 outstanding amount of these bonds is recorded in the Statement of Net Assets.

New Accounting Pronouncements

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

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.

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance

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

- (1) **Nonspendable** – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.
- (2) **Restricted** – Fund balances are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- (3) **Committed** – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the School District Board through the adoption of a resolution. Only the School District Board may modify or rescind the commitment.
- (4) **Assigned** – Fund balances are reported as assigned when amounts are constrained by the School District's intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the School District Board has authorized the School District's finance committee or the School District's finance director to assign funds.
- (5) **Unassigned** – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The School District reports positive unassigned fund balance only in the general fund. Negative fund balances may be reported in all funds.

Net Assets

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

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

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

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

Note 3: DEPOSITS AND INVESTMENTS

COLLATERALIZATION OF DEPOSITS

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

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

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

Note 4: NON-MONETARY TRANSACTIONS

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

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

Note 5: CAPITAL ASSETS

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

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
Capital assets not being depreciated				
Land	\$ 4,753,482	\$ -	\$ -	\$ 4,753,482
Construction in progress	690,564	-	(690,564)	-
Total capital assets not being depreciated	5,444,046	-	(690,564)	4,753,482
Capital assets being depreciated				
Buildings and improvements	95,873,384	1,027,506	-	96,900,890
Equipment	7,109,276	301,204	(116,850)	7,293,630
Land improvements	5,562,769	132,100	-	5,694,869
Total capital assets being depreciated	108,545,429	1,460,810	(116,850)	109,889,389
Less accumulated depreciation for				
Buildings and improvements	(13,030,930)	(1,435,084)	-	(14,466,014)
Equipment	(3,760,134)	(433,443)	116,850	(4,076,727)
Land improvements	(807,812)	(80,412)	-	(888,224)
Total accumulated depreciation	(17,598,876)	(1,948,939)	116,850	(19,430,965)
Total capital assets being depreciated, net	90,946,553	(488,129)	-	90,458,424
Total governmental activities capital assets, net	<u>\$ 96,390,599</u>	<u>\$ (488,129)</u>	<u>\$ (690,564)</u>	<u>\$ 95,211,906</u>

Current year depreciation expense by function is as follows.

Instruction	\$ 1,556,468
Support Services	
Improvement of Instructional Services	2,070
Educational Media Services	9,081
General Administration	2,073
School Administration	13,198
Business Administration	34,400
Maintenance and Operations of Facilities	45,717
Student Transportation Services	251,052
Central Support Services	1,000
Food Services Operation	33,880
	<u>\$ 1,948,939</u>

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

Note 6: 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, job related illness or injuries to employees, assets and errors or omissions. The School District has neither significantly reduced coverage for these risks nor incurred losses (settlements) which exceeded the School District's insurance coverage in any of the past three years.

The School District has obtained commercial insurance for all losses related to acts of God. The School District has not experienced any losses related to this risk in the past three years.

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

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

	<u>Beginning of Year</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Paid</u>	<u>End of Year</u>
2010	<u>\$ 11,854</u>	<u>\$ 11,443</u>	<u>\$ 21,647</u>	<u>\$ 1,650</u>
2011	<u>\$ 1,650</u>	<u>\$ 8,203</u>	<u>\$ 9,853</u>	<u>\$ -</u>

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

Note 6: RISK MANAGEMENT (Continued)

The School District pays an annual premium to the Fund for its general insurance coverage. Additional insurance coverage is provided through an agreement by the Fund with the Safety National Casualty Corporation to provide coverage for potential losses sustained by the Fund in excess of \$400,000 loss per occurrence, up to \$1,000,000.

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

<u>Position Covered</u>	<u>Amount</u>
Superintendent	\$100,000

Note 7: LONG – TERM DEBT

INSTALLMENT SALES AGREEMENT

The Oconee County Board of Education entered into an agreement dated June 1, 2006, with the Northeast Georgia Regional Educational Service Agency for the construction and subsequent lease of the Rutland Center. Under the terms of the agreement, the School District will make annual payments through July 15, 2020.

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. This balance was immaterial to the financial statements for the current year.

GENERAL OBLIGATION DEBT OUTSTANDING

General Obligation Bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amounts</u>
General Government - Refunding -Series 2004	3.16%	\$ 5,560,000
General Government - Series 2006	4.00% - 5.00%	11,015,000
		<u>\$ 16,575,000</u>

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

Note 7: LONG – TERM DEBT (Continued)

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

	Governmental Activities			
	Installment Sales Agreement	General Obligation Bonds	Bond Premium	Total
Balance July 1, 2010	\$ 240,806	\$ 23,210,000	\$ 313,044	\$ 23,763,850
Additions:				
Deductions:				
Debt Retired	19,954	6,635,000	-	6,654,954
Bond Premium Amortized	-	-	147,823	147,823
Balance June 30, 2011	<u>\$ 220,852</u>	<u>\$ 16,575,000</u>	<u>\$ 165,221</u>	<u>\$ 16,961,073</u>
Due within One Year	<u>\$ -</u>	<u>\$ 7,085,000</u>	<u>\$ -</u>	<u>\$ 7,085,000</u>
	(1)			

(1) Paid during current year.

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

Fiscal Year Ended June 30	Installment Sales Agreement	
	Principal	Interest
2012	\$ -	\$ -
2013	20,774	8,755
2014	21,593	7,874
2015	22,413	6,959
2016	23,506	6,004
2017-2021	<u>132,566</u>	<u>14,242</u>
Total	<u>\$ 220,852</u>	<u>\$ 43,834</u>

Fiscal Year Ended June 30	Unamortized Bond Premium	General Obligation Bonds	
		Principal	Interest
2012	\$ 108,849	\$ 7,085,000	\$ 726,446
2013	56,372	7,560,000	404,856
2014	<u>-</u>	<u>1,930,000</u>	<u>60,988</u>
Total	<u>\$ 165,221</u>	<u>\$ 16,575,000</u>	<u>\$ 1,192,290</u>

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

Note 8: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of \$172,093 for health insurance and retirement contributions paid on the School District's behalf by the following State Agencies.

Georgia Department of Education

Paid to the Georgia Department of Community Health

For Health Insurance of Non-Certified Personnel

In the amount of \$105,395

Georgia Department of Education

Paid the Teachers Retirement System

For Teachers Retirement (TRS)

In the amount of \$30,389

Office of State Treasurer

Paid to the Public School Employees Retirement System

For Public School Employees Retirement (PSERS) Employer's Cost

In the amount of \$36,309

Note 9: SIGNIFICANT CONTINGENT LIABILITIES

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

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

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

Note 10: RETIREMENT PLANS

TEACHERS RETIREMENT SYSTEM OF GEORGIA (TRS)

TRS PLAN DESCRIPTION

Substantially all teachers, administrative and clerical personnel employed by local school systems are covered by the Teachers Retirement System of Georgia (TRS), which is a cost-sharing multiple employer defined benefit pension plan. TRS provides service retirement, disability retirement and survivors benefits for its members in accordance with State statute. 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.

TRS CONTRIBUTIONS REQUIRED AND MADE

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. Member contributions are limited by State law to not less than 5% or more than 6% of a member's earnable compensation. Member contributions as adopted by the Board of Trustees for the fiscal year ended June 30, 2011, were 5.53% of annual salary. The member contribution rate will increase to 6.00% effective July 1, 2012. Employer contributions required for fiscal year 2011 were 10.28% of annual salary as required by the June 30, 2008, actuarial valuation. The employer contribution rate increased to 11.41% effective July 1, 2012.

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

Note 10: RETIREMENT PLANS (Continued)

<u>Fiscal Year</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>
2011	100%	\$ 3,656,160
2010	100%	\$ 3,555,074
2009	100%	\$ 3,392,275

DEFINED CONTRIBUTION PLAN

In 1993, Oconee County Board of Education began an employer paid 403(b) annuity plan for all employees. The plan includes the group of employees covered under the Public School Employees' Retirement System (PSERS) and for other employees who are covered under Georgia Teacher Retirement System whose 403(b) contributions are in lieu of Social Security. 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 Cannon Financial Strategist/Lincoln National Life Insurance (Lincoln Alliance) as the provider of this plan. For each employee, the Board contributes to the plan an amount equal to 4.5 percent of the employee's pay.

The employee becomes vested in the plan at inception. Employees hired at the time the plan was implemented are vested upon enrollment.

Funds accumulated in the employer paid accounts are only available to the employee upon severance from employment with Oconee County Board of Education.

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

<u>Fiscal Year</u>	<u>Amount Contributed</u>
2011	\$ 1,637,152
2010	\$ 1,700,968
2009	\$ 1,701,393

Note 11: POST-EMPLOYMENT BENEFITS

Georgia Retiree Health Benefit Fund

Plan Description. The School District contributes to the Georgia Retiree Health Benefit Fund ("GRHBF"), a cost-sharing multiple-employer defined benefit post-employment healthcare plan administered by the Department of Community Health. GRHBF provides health insurance benefits to eligible retirees and their qualified beneficiaries. Pursuant to Title 45, Chapter 18 of the Official Code of Georgia Annotated, the authority to establish and amend the benefit provisions of the plan is assigned to the Board of Community Health. The Department of Community Health issues a publicly available financial report that includes financial statements

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

Note 11: POST-EMPLOYMENT BENEFITS (Continued)

and required supplementary information for GRHBF. That report may be obtained from the Department of Community Health at 2 Peachtree Street, Atlanta, Georgia 30303.

Funding Policy. The contribution requirements of plan members and participating employers are established and may be amended by the Board of Community Health. Contributions of plan members or beneficiaries receiving benefits vary based on plan election, dependent coverage, and Medicare eligibility and election. On average, plan members pay approximately twenty-five percent (25%) of the cost of health insurance coverage.

Participating employers are statutorily required to contribute in accordance with the employer contribution rate established by the Board of Community Health. This contribution rate is established to fund both the active and retired employee health insurance plans based on projected pay-as-you-go financing requirements. The employer contribution rates for the combined active and retiree plans for the fiscal year ended June 30, 2011, was as follows:

<i>Certified Teachers</i>	
July 2010 – April 2011	121.955% of covered payroll for August – May Coverage
May 2011 – June 2011	1.429% of covered payroll for June – July Coverage
<i>Non-Certificated Employees</i>	
	\$162.72 per month for July – December
	\$218.20 per month for January - May
	\$246.20 per month for June

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

The School District's contribution to the health insurance plans for the fiscal year ended June 30, 2011, was \$5,629,317, which equaled the required contribution.

The School District's contribution to the health insurance plans, which equaled the required contribution, for the fiscal year ended June 30, 2011, 2010, and 2009 were \$5,629,317, \$5,389,118, and \$4,075,229, respectively.

Note 12: SUBSEQUENT EVENTS

In November 2011, the citizens of Oconee County voted to pass a referendum to extend the current Educational Local Option Sales Tax beginning January 1, 2013, and ending on December 31, 2017. The estimated Educational Local Option Sales Tax revenue over this five year period is \$33,000,000. The referendum allows for several projects including but not limited to paying debt service, renovations and/or additions to current facilities and system-wide technology advancements. The referendum also allows the Oconee County Board of Education to sell up to \$13,500,000 in bonds to forward fund certain projects. The sale of General Obligation Bond Series 2012 was authorized by the Oconee County Board of Education on January 23, 2012, in the amount of \$13,500,000 and occurred on February 1, 2012.

OCONEE COUNTY BOARD OF EDUCATION

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

	Nonappropriated Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 25,682,524	\$ 25,682,524	\$ 25,093,712	\$ (588,812)
State funds	26,291,364	26,520,240	26,841,362	321,122
Federal funds	3,999,017	4,085,917	4,642,904	556,987
Charges for services	1,903,290	1,903,290	1,755,648	(147,642)
Investment earnings	75,773	75,773	75,663	(110)
Miscellaneous	1,941,163	1,941,163	1,323,090	(618,073)
Total revenues	59,893,131	60,208,907	59,732,379	(476,528)
EXPENDITURES				
Current:				
Instruction	38,710,720	39,348,819	37,749,545	1,599,274
Support services:				
Pupil services	1,445,710	1,449,710	1,576,579	(126,869)
Improvement of instructional services	1,736,423	1,367,312	1,065,758	301,554
Educational media services	878,022	878,022	969,651	(91,629)
General administration	1,200,012	1,252,205	1,114,157	138,048
School administration	4,694,685	4,694,685	5,013,631	(318,946)
Business administration	287,912	287,912	243,078	44,834
Maintenance and operation of facilities	4,525,923	4,525,923	4,115,865	410,058
Student transportation services	2,240,113	2,549,290	2,667,790	(118,500)
Central support services	139,103	139,103	164,092	(24,989)
Other support services	533,803	533,803	264,295	269,508
Enterprise operations	1,048,344	1,048,344	602,372	445,972
Food services operation	2,368,484	2,368,484	2,218,709	149,775
Debt service:				
Principal retirement	20,722	20,722	19,954	768
Interest and fiscal charges	52,813	52,813	10,375	42,438
Total expenditures	59,882,789	60,517,147	57,795,851	2,721,296
Excess (deficiency) of revenues over (under) expenditures	10,342	(308,240)	1,936,528	2,244,768
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	-	11,767	11,767
Transfers in	38,293	38,293	-	(38,293)
Transfers out	(400,000)	(400,000)	-	400,000
Total other financing uses	(361,707)	(361,707)	11,767	373,474
Net change in fund balances	(351,365)	(669,947)	1,948,295	2,618,242
FUND BALANCE, beginning of year	9,916,515	9,916,515	9,916,515	-
FUND BALANCE, end of year	\$ 9,565,150	\$ 9,246,568	\$ 11,864,810	\$ 2,618,242

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

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.

OCONEE COUNTY BOARD OF EDUCATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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 - Cash	10.555	N/A	2,027,470
National School Lunch Program - Commodities (1)	10.555	N/A	157,771
Total Child Nutrition Cluster			2,185,241
Pass-Through From Office of the State Treasurer			
School and Roads - Grants to States	10.665	N/A	109
Total U. S. Department of Agriculture			2,185,350
Education, U. S. Department of			
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Grants to States	84.027	N/A	1,064,152
Preschool Grants	84.173	N/A	40,860
Grants to States - American Recovery and Reinvestment Act	84.391	N/A	504,376
Total Special Education Cluster			1,609,388
Title I, Part A Cluster			
Pass-Through From Georgia Department of Education			
Title I, Part A			
Title I Grants to Local Education Agencies	84.010	N/A	445,072
ARRA - Title I Grants to Local Education Agencies	84.389	N/A	82,811
Total Title I, Part A Cluster			527,883
Other Programs			
Pass-Through From Georgia Department of Education			
Title II			
Improving Teacher Quality State Grants	84.367	N/A	142,340
Education Technology State Grants	84.318	N/A	3,917
Total Title II			146,257
Title III			
English Language Acquisition Grant	84.365	N/A	19,948

OCONEE COUNTY BOARD OF EDUCATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Funding Agency <u>Program/Grant</u>	CFDA Number	Pass- Through Entity ID Number	Expenditures In Period
Title IV			
Safe and Drug Free Schools And Communities	84.186	N/A	\$ 3,299
Vocational Education-Basic Grants to States			
Career and Technical Education	84.048	N/A	53,977
Education Jobs Fund	84.410	N/A	1,322,642
Total U. S. Department of Education			3,683,394
Total Expenditures of Federal Awards			\$ 5,868,744

N/A = Not Available

Notes to the Schedule of Expenditures of Federal Awards

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

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 Oconee 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.

OCONEE COUNTY BOARD OF EDUCATION

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

		Governmental
		Fund Types
<u>Agency/Funding</u>		General
Grants		Fund
Education, Georgia Department of		
Quality Basic Education		
Direct Instructional Cost		
Kindergarten Program	\$	1,934,991
Kindergarten Program - Early Intervention Program		5,007
Primary Grades (1-3) Program		4,834,874
Primary Grades - Early Intervention (1-3) Program		73,629
Upper Elementary Grades (4-5) Program		2,618,373
Primary Grades - Early Intervention (4-5) Program		48,697
Middle Grades (6-8) Program		4,395,138
Students with Disabilities		3,449,644
High School General Education (9-12) Program		3,616,681
Vocational Laboratory (9-12) Program		1,077,320
Program for Intellectually Gifted Students - Category VI		1,874,679
Remedial Education Program		438,589
Alternative Education Program		324,656
English Speakers of Other Languages (ESOL)		196,735
Media Center Program		694,998
20 Days Additional Instruction		215,326
Staff and Professional Development		119,967
Indirect Cost		
Central Administration		933,923
School Administration		1,452,625
Facility Maintenance and Operations		1,545,337
Categorical Grants		
Pupil Transportation		
Regular		701,057
Nursing Services		108,931
Vocational Supervisors		29,270
Food Services		80,172
Vocational Education		78,736
Amended Formula Adjustment		-4,577,069
Other State Programs		
Preschool Handicapped Program		140,462
Pupil Transportation - State Bonds		228,876
		<u>26,641,624</u>

OCONEE COUNTY BOARD OF EDUCATION

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

		Governmental Fund Types
<u>Agency/Funding</u>		<u>General Fund</u>
Grants		
On Behalf Payments		
On Behalf Payments - Health Insurance	\$	105,395
On Behalf Payments - Teachers Retirement		30,389
On Behalf Payments - Public School Employees Retirement		36,309
		<u>172,093</u>
Dual Enrollment		
Other Grants from Georgia Department of Education		<u>3,169</u>
		<u>3,169</u>
Virtual Schools Grant		
Other Grants from Georgia Department of Education		<u>900</u>
		<u>900</u>
Math & Science Supplement		
Other Grants from Georgia Department of Education		<u>23,476</u>
		<u>23,476</u>
Move on When Ready Grant		
Other Grants from Georgia Department of Education		<u>100</u>
		<u>100</u>
Total State Funds	\$	<u><u>26,841,362</u></u>

See notes to the basic financial statements.

OCONEE COUNTY BOARD OF EDUCATION

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

	Original Estimated Cost(1)	Current Estimated Costs(2)	Expended In Current Year (3) (4)	Expended In Prior Years (3) (4)	Percent of Project Completion
2002 Referendum - ELOST II Projects					
Providing funds to pay a portion of the costs of constructing and equipping a second high school in the School District and to the extent there are sufficient funds available, to provide funds for the costs of constructing new educational facilities and adding to, modifying, renovating, repairing, improving and equipping existing educational buildings, properties and facilities of the School District, including the acquisition of any necessary real property, making system-wide technology improvements, and paying expenses incident to any of the foregoing.					
TOTAL - ELOST II	\$ 24,000,000	\$ 35,879,801		\$ 35,879,801	100%
2006 Referendum - ELOST III Projects					
Providing funds to pay the costs of:					
1. Acquiring real property (improved or unimproved) for future school sites;	\$ 1,000,000	\$ 815,747		\$ 815,747	100%
2. Acquiring, constructing and equipping a new elementary school;	\$ 10,914,803	\$ 11,222,896		\$ 11,222,896	100%
3. Adding to, renovating, repairing, improving and equipping existing educational buildings, properties and facilities of the School District, including, without limitation, athletic facilities, road improvement and technology infrastructure and equipment, and to the extent there are additional funds available, constructing additional new schools and administrative facilities	\$ 21,972,577	\$ 11,448,737	\$ 761,076	\$ 10,266,108	96%
4. And pay expenses incident thereto, including the payment of any capitalized interest at a cost of approximately \$38,000,000 and the issuance of general obligation debt of Oconee County School principal amount of \$24,000,000 for the above purpose.	\$ 4,112,620	\$ 4,112,620	\$ 949,238	\$ 2,536,352	85%
TOTAL - ELOST III	\$ 38,000,000	\$ 27,600,000	\$ 1,710,314	\$ 24,841,103	96%
TOTAL - ELOST II and ELOST III	\$ 62,000,000	\$ 63,479,801	\$ 1,710,314	\$ 60,720,904	98%
(1) The School District's original cost estimate as specified in the resolution calling for the imposition of the Local Option Sales Tax.					
(2) The School District's current estimate of total cost for the project(s). Includes all cost from project inception to completion.					
(3) The voters of Oconee 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) In addition to the expenditures shown above, the School District has incurred interest to provide advance funding for the above project(s) as follows:					
Prior Years	899,474				
Current Year	-				
Total	899,474				

See notes to the basic financial statements.

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OCONEE COUNTY BOARD OF EDUCATION

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

Description	Allotments From Georgia Department of Education (1)(2)	Eligible QBE Program Costs		
		Salaries	Operations	Total
Direct Instructional Funds:				
Kindergarten Program	\$ 2,380,304	\$ 2,250,287	\$ 47,584	\$ 2,297,871
Kindergarten Program - Early Intervention Program	7,483	-	-	-
Primary Grades (1-3) Program	5,947,336	6,243,955	140,000	6,383,955
Primary Grades - Early Intervention (1-3) Program	96,398	189,096	232	189,328
Upper Elementary Grades (4-5) Program	3,186,965	4,143,338	87,152	4,230,490
Upper Elementary Grades-Early Intervention (4-5) Program	68,700	-	44	44
Middle School (6-8) Program	5,328,149	6,018,647	151,159	6,169,806
High School General Education (9-12) Program	4,411,405	5,844,008	154,607	5,998,615
Vocational Laboratory (9-12) Program	1,355,116	1,312,046	84,696	1,396,742
Students with Disabilities	4,188,537	-	-	-
Category I	-	55,808	1,565	57,373
Category II	-	148,186	11,337	159,523
Category III	-	2,359,908	24,677	2,384,585
Category IV	-	55,172	-	55,172
Gifted Student - Category VI	2,230,419	2,259,359	12,131	2,271,490
Remedial Education Program	503,571	-	181	181
Alternative Education Program	407,739	382,992	2,016	385,008
English Speakers of Other Languages (ESOL)	243,745	179,874	273	180,147
TOTAL DIRECT INSTRUCTIONAL PROGRAMS	30,355,867	31,442,676	717,654	32,160,330
Media Center Program	866,805	809,396	78,278	887,673
Staff and Professional Development	149,863	-	-	58,020
TOTAL QBE FORMULA FUNDS	\$ 31,372,535	\$ 32,252,072	\$ 795,932	\$ 33,106,023

(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.

II.COMPLIANCE AND INTERNAL CONTROL REPORTS SECTION



DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

March 12, 2012

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
Oconee 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 Oconee County Board of Education as of and for the year ended June 30, 2011, which collectively comprise Oconee County Board of Education's basic financial statements and have issued our report thereon dated March 12, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

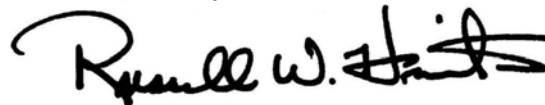
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Oconee 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 a certain matter that we have reported to management of Oconee County Board of Education in a separate letter dated March 12, 2012.

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Russell W. Hinton", with a stylized flourish at the end.

Russell W. Hinton, CPA, CGFM
State Auditor

RWH:as
2011YB-10



DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

March 12, 2012

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
Oconee 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 Oconee County Board of Education's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2011. Oconee 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 Oconee County Board of Education's management. Our responsibility is to express an opinion on Oconee 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 Oconee 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 Oconee County Board of Education's compliance with those requirements.

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

Internal Control Over Compliance

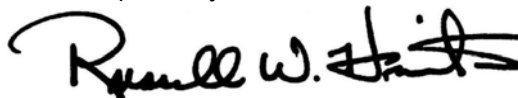
Management of Oconee County Board of Education is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Oconee County 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 Oconee County Board of Education's internal control over compliance.

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

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

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Russell W. Hinton", with a stylized flourish at the end.

Russell W. Hinton, CPA, CGFM
State Auditor

RWH:as
2011SA-10

III. AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS SECTION

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

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

IV. FINDINGS AND QUESTIONED COSTS SECTION

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

I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted: No

Federal Awards

Internal Control over major programs:

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

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

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

Identification of major programs:

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

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000.00

Auditee qualified as low-risk auditee? Yes

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.