



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

ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2010

(Including Independent Auditor's Reports)



DEKALB COUNTY BOARD OF EDUCATION

- TABLE OF CONTENTS -

Page

SECTION I

FINANCIAL

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

REQUIRED SUPPLEMENTARY INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS i

EXHIBITS

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

A	STATEMENT OF NET ASSETS	1
B	STATEMENT OF ACTIVITIES	2

FUND FINANCIAL STATEMENTS

C	BALANCE SHEET GOVERNMENTAL FUNDS	4
D	RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS	5
E	STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS	6
F	RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES	7
G	STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUNDS	9
H	NOTES TO THE BASIC FINANCIAL STATEMENTS	10

SCHEDULES

REQUIRED SUPPLEMENTARY INFORMATION

1	SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL GENERAL FUND	31
---	--	----

DEKALB COUNTY BOARD OF EDUCATION

- TABLE OF CONTENTS -

	<u>Page</u>
SECTION I	
FINANCIAL	
SCHEDULES	
SUPPLEMENTARY INFORMATION	
COMPONENT UNIT FINANCIAL STATEMENTS	
2	COMBINING STATEMENT OF NET ASSETS CHARTER SCHOOL COMPONENT UNITS 32
3	COMBINING STATEMENT OF ACTIVITIES CHARTER SCHOOL COMPONENT UNITS 34
4	SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS 36
5	SCHEDULE OF STATE REVENUE 38
6	SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS 40
7	ALLOTMENTS AND EXPENDITURES GENERAL FUND - QUALITY BASIC EDUCATION PROGRAMS (QBE) BY PROGRAM 41
SECTION II	
COMPLIANCE AND INTERNAL CONTROL REPORTS	
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	
SECTION III	
AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS	
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS	

DEKALB COUNTY BOARD OF EDUCATION

- TABLE OF CONTENTS -

SECTION IV

FINDINGS AND QUESTIONED COSTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION I

FINANCIAL



## DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

July 27, 2011

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

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

Ladies and Gentlemen:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information (Exhibits A through H) of the DeKalb County Board of Education, as of and for the year ended June 30, 2010, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the DeKalb County Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of DeKalb Academy of Technology and the Environment, DeKalb PATH Academy, Destiny Academy of Excellence and the International Community School Charter Schools, which are discretely presented component units. Those financial statements were audited by other auditors whose report thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those financial statements are based on the report of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of DeKalb Academy of Technology and the Environment, DeKalb PATH Academy, Destiny Academy of Excellence and the International Community School Charter Schools were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the DeKalb County Board of Education, as of June 30, 2010, 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.

As described in Note 2 to the financial statements, the School District has reported the financial activity of Charter Schools within the financial statements as discretely presented component units.

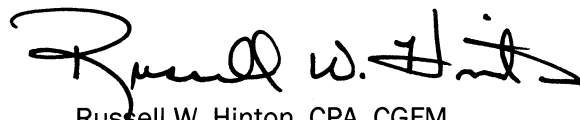
In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2011, on our consideration of the DeKalb County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and the Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual, as presented on pages i through ix and page 31 respectively, are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We and the other auditors 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 DeKalb County Board of Education's financial statements as a whole. The accompanying supplementary information consists of Schedules 2 through 7, which includes the Schedule of Federal Awards as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the financial statements, and in our opinion, based on our audit and the report of other auditors, 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". The signature is fluid and cursive, with a large initial "R" and "H".

Russell W. Hinton, CPA, CGFM  
State Auditor

RWH:as  
2010ARL-12X

**DEKALB COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

The discussion and analysis of the DeKalb County Board of Education's financial performance provides an overall review of the Board's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the Board's financial performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the Board's financial performance.

### **Financial Highlights**

Key financial highlights for 2010 are as follows:

- ❑ In total, net assets increased \$34.3 million to \$1.222 billion. This represents a 3.0 percent increase from 2009. This total increase was due to governmental activities since the Board has no business-type activities.
- ❑ General revenues accounted for \$565.7 million in revenue or 51.4 percent of all revenues. Program specific revenues in the form of charges for services, operating and capital grants and contributions accounted for \$534.5 million or 48.6 percent of total revenues of \$1.100 billion.
- ❑ The Board had \$1.066 billion in expenses related to governmental activities; \$534.5 million of these expenses were offset by program specific charges for services, grants or contributions.
- ❑ Among major funds, the general fund has \$1.021 billion in revenues and other sources and \$1.004 billion in expenditures. The general fund's "Net Change in Fund Balances" increased by \$17.2 million resulting in an increase in the "Total Fund Balances" from \$6.1 million to \$23.3 million for the fiscal year. The fund balance reflects the full accrual of all contracted salaries and benefits unpaid at June 30 in full compliance with GASB 34 regulations.

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

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

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

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

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

While this document includes a number of funds used by the Board to provide programs and activities, a view of the Board as a whole requires looking at all financial transactions to ask the question, "How did we do financially during 2010?" The Statement of Net Assets and the Statement of Activities answers this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.



**DEKALB COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

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

- **Governmental Activities** - All of the Board's programs and services are reported here including instruction, pupil services, improvement of instructional services, educational media services, general administration, school administration, business administration, maintenance and operation of plant, student transportation services, central support services, other support services, food services and interest on debt.

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

#### *Fund Financial Statements*

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

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

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

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

The perspective of the statement of net assets is of the Board as a whole. Table 1 provides a summary of the Board's net assets for fiscal year 2010 compared to fiscal year 2009.

**DEKALB COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

	Governmental Activities	
	Fiscal Year 2010	Fiscal Year 2009*
<b>Assets</b>		
Current and Other Assets	\$ 499,811	\$ 595,937
Capital Assets, Net	1,195,406	1,108,297
<b>Total Assets</b>	<b>\$ 1,695,217</b>	<b>\$ 1,704,234</b>
<b>Liabilities</b>		
Current and Other Liabilities	\$ 157,801	\$ 156,389
Long-Term Liabilities	315,689	358,587
<b>Total Liabilities</b>	<b>\$ 473,490</b>	<b>\$ 514,976</b>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	\$ 1,006,908	\$ 1,027,654
Restricted	204,824	168,390
Unrestricted	9,995	-6,786
<b>Total Net Assets</b>	<b>\$ 1,221,727</b>	<b>\$ 1,189,258</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 1,695,217</b>	<b>\$ 1,704,234</b>

Total net assets increased \$34.3 million.

\*Fiscal year 2009 amounts do not reflect the restatement for Charter Schools. See Note 2 in the basic financial statements for more information.

**DEKALB COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Table 2 shows the changes in net assets for fiscal year 2010 compared to fiscal year 2009.

Table 2  
Change in Net Assets  
(In Thousands)

	Governmental Activities	
	Fiscal Year	Fiscal Year
	2010	2009*
<b>Revenues</b>		
Program Revenues:		
Charges for Services and Sales	\$ 19,855	\$ 20,847
Operating Grants and Contributions	499,921	478,491
Capital Grants and Contributions	14,767	1,009
Total Program Revenues	\$ 534,543	\$ 500,347
General Revenues:		
Taxes		
Property Taxes		
For Maintenance and Operations	\$ 464,374	\$ 489,934
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Capital Projects	93,218	92,865
Other Sales Tax	10,273	12,649
Investment Earnings	2,767	9,969
Miscellaneous	4,153	4,349
Special Items		
Loss on Disposal of Capital Assets	-9,127	-3,852
Total General Revenues and Special Items	\$ 565,658	\$ 605,914
Total Revenues	\$ 1,100,201	\$ 1,106,261
Program Expenses:		
Instruction	\$ 651,032	\$ 655,628
Support Services		
Pupil Services	35,954	31,910
Improvement of Instructional Services	52,958	49,297
Educational Media Services	17,393	17,931
General Administration	19,549	24,554
School Administration	62,720	65,757
Business Administration	6,391	2,011
Maintenance and Operation of Plant	82,963	86,522
Student Transportation Services	49,958	55,650
Central Support Services	17,899	18,845
Other Support Services	140	234
Operations of Non-Instructional Services		
Enterprise Operations		12
Community Services		181
Food Services	54,572	52,334
Interest on Short-Term and Long-Term Debt	14,332	20,520
Total Expenses	\$ 1,065,861	\$ 1,081,386
Increase in Net Assets	\$ 34,340	\$ 24,875

\*Fiscal year 2009 amounts do not reflect the restatement for Charter Schools. See Note 2 in the basic financial statements for more information.

**DEKALB COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**Governmental Activities**

Instruction, Pupil Services and Improvement of Instructional Services comprises 69.4 percent of governmental program expenses. The Operations of Non-instructional Services amounted to 5.1 percent of the total governmental program expenses. These operations consist primarily of the School Nutrition.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the net cost of services for fiscal year 2010 compared to fiscal year 2009. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

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

	Net Cost of Services	Net Cost of Services
	Fiscal Year 2010	Fiscal Year 2009*
Instruction	\$ 331,821	\$ 324,899
Support Services:		
Pupil Services	25,198	25,956
Improvement of Instructional Services	13,658	24,830
Educational Media Services	4,963	6,151
General Administration	3,641	12,363
School Administration	28,292	39,420
Business Administration	5,298	1,650
Maintenance and Operation of Plant	40,997	54,198
Student Transportation Services	43,132	47,547
Central Support Services	15,031	15,938
Other Support Services	-225	3
Operations of Non-Instructional Services:		
Enterprise Operations		-234
Community Services		181
Food Services	5,180	7,616
Interest on Short-Term and Long-Term Debt	14,332	20,520
Total Expenses	\$ 531,318	\$ 581,038

\*Fiscal year 2009 amounts do not reflect the restatement for Charter Schools. See Note 2 in the basic financial statements for more information.

**DEKALB COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Although program revenues make up 48.6 percent of the revenues, the Board is still primarily dependent upon tax revenues for governmental activities. More than 51.0 percent of instruction activities are supported through taxes and other general revenues; for all governmental activities general revenue support is 49.8 percent.

### **The Board's Funds**

The Board's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues and other financing sources of \$1.249 billion and expenditures and other financing uses of \$1.344 billion. There was a decrease in fund balance of \$112.6 million in the capital project funds due to the increase in construction projects during the year and the funding of bond payments to the debt service fund. The general fund had an increase in fund balance of \$17.2 million. The effort by the Board to begin to rebuild the general fund balance, which has been severely depleted in prior years by state funding reductions which began in fiscal year 2003, was subordinated to provide additional resources for instruction and student achievement. This has resulted in a reduction in state earnings of nearly \$196.0 million over the past eight fiscal years.

### **General Fund Budgeting Highlights**

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

During the course of fiscal year 2010, the Board amended its General Fund budget as needed. The Board uses site-based budgeting based on FTE student allocations. The budgeting systems are designed to tightly control total sited budgets but provide flexibility for site management.

For the General Fund, final budgeted revenues and other sources of \$1.115 billion were under performed by the actual revenues by \$94.0 million. This difference was due mainly to less State Funds received due to State budget cuts and removal of budgeted alternative benefit funds from actual revenue amounts. Worse than expected investment earnings were also a factor in the reduced revenue.

Actual expenditures of \$1.004 billion were 7.65 percent less than the final budgeted total of \$1.087 billion. Less than projected instructional salaries contributed to the budget variance.

General Fund expenditures were exceeded by revenues and other financing sources resulting in an increase in "Net Change in Fund Balances" of \$17.2 million for the year. The Board recognizes the need to balance the community support for funding of education of our students while at the same time being conscious of maintaining a viable fund balance in anticipation of future needs. This increase is evidence of their work.

### **Capital Assets and Debt Administration**

#### ***Capital Assets***

At the end of fiscal year 2010 the Board had \$1.195 billion invested in capital assets, all in governmental activities. Table 4 shows fiscal year 2010 balances compared with fiscal year 2009 balances.

**DEKALB COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

	Governmental Activities			
	Fiscal			Fiscal
	Year 2010	Year 2010	Year 2009*	Year 2009*
Land	\$	41,255	\$	41,255
Construction In Progress		111,282		54,864
Building and Improvements		964,745		935,033
Improvements Other Than Buildings		28,608		27,556
Equipment		49,516		49,589
		<u>1,195,406</u>		<u>1,108,297</u>
Total	\$	<u>1,195,406</u>	\$	<u>1,108,297</u>

\*Fiscal year 2009 amounts do not reflect the restatement for Charter Schools. See Note 2 in the basic financial statements for more information.

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

***Debt***

At June 30, 2010, the Board had \$76.6 million in capital leases. There were \$12.5 million in compensated absences. There is \$220.0 million in general obligation bonds and \$6.6 million in premiums from the fiscal year 2007 bond issue. \$97.6 million of the outstanding debt is due within one year. The Board defeased all of its outstanding General Obligation Bonds in prior years. This defeasance was the culmination of the 1997 Special Purpose Local Option Sales Tax Program with sales tax proceeds being used to enable the Board to become essentially debt free.

Table 5 summarizes long-term debt outstanding and compares fiscal year 2010 balances to fiscal year 2009 balances.

**DEKALB COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Table 5  
Debt at June 30  
(in Thousands)

	Governmental Activities	
	Fiscal	Fiscal
	Year 2010	Year 2009*
Capital Leases	\$ 76,561	\$ 37,081
Compensated Absences	12,482	12,645
General Obligation Bonds	220,000	300,000
Unamortized Bond Premium	6,646	8,861
<b>Total</b>	<b>\$ 315,689</b>	<b>\$ 358,587</b>

\*Fiscal year 2009 amounts do not reflect the restatement for Charter Schools. See Note 2 in the basic financial statements for more information.

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

**Current Issues**

The DeKalb County School District continues to face serious reductions in the state's "Quality Basic Education" funding formula earnings. In addition to the over \$89.3 million in state funding lost in the current year, state austerity reductions have amounted to nearly \$267.0 million through fiscal year 2011. Sales tax collections from the 2007 approved Special Purpose Local Option Sales Tax continue to exceed projections although the collections are not as high as they have been.

Continued challenges with state funding are a concern for the DeKalb County School System. DeKalb County School System has been underfunded according to the state's funding formula by more than \$266 million since 2003. More than \$165.0 million of the reductions have occurred in fiscal years 2009 through 2011. Year-over-year state revenues have decreased from the 2008 fiscal year through the 2011 fiscal year. While state revenues did not significantly decline for the 2012 fiscal year the indication provided is that the current level of funding is to be expected for the next several years. The student population remains stable.

Local revenue in DeKalb County School District is decreasing also. Property tax revenues are impacted by the revaluation of property due to foreclosures and weak sales. Overall, total General Fund revenues are decreasing for the third consecutive year. Prior to the 2009 fiscal year, the tax digest in DeKalb has never seen a decrease in value. Now, for the fiscal year 2012, the tax digest is projected to decrease by an additional 14%.

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

**DEKALB COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**Contacting the Board's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Board's finances and to show the Board's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. Marcus T. Turk, Chief Financial Officer, at the DeKalb County Board of Education, 1701 Mountain Industrial Blvd., Stone Mountain, Georgia, 30083. You may also e-mail your questions to [marcus\\_turk@fc.dekalb.k12.ga.us](mailto:marcus_turk@fc.dekalb.k12.ga.us).



DEKALB COUNTY BOARD OF EDUCATION

DEKALB COUNTY BOARD OF EDUCATION  
STATEMENT OF NET ASSETS  
JUNE 30, 2010

EXHIBIT "A"

	PRIMARY GOVERNMENT	COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	CHARTER SCHOOLS
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 192,429,908.94	\$ 1,407,149.00
Investments	219,496,503.23	102,108.00
Accounts Receivable, Net		
Taxes	16,703,715.58	
State Government	45,071,443.16	
Federal Government	23,264,579.06	
Other	147,008.06	239,965.00
Inventories	2,697,539.23	
Prepaid Items		3,565.00
Other Current Assets		33,845.00
Capital Assets, Non-Depreciable	152,537,360.33	
Capital Assets, Depreciable (Net of Accumulated Depreciation)	1,042,868,482.07	774,478.00
Total Assets	\$ 1,695,216,539.66	\$ 2,561,110.00
 <u>LIABILITIES</u>		
Accounts Payable	\$ 28,984,073.33	\$ 402,006.00
Salaries and Benefits Payable	104,422,492.52	
Interest Payable	5,420,450.00	
Contracts Payable	10,006,312.70	
Retainages Payable	7,898,281.17	
Deposits and Deferred Revenues	1,068,905.24	
Long-Term Liabilities		
Due Within One Year	97,609,630.92	17,886.00
Due in More Than One Year	218,079,272.62	84,591.00
Total Liabilities	\$ 473,489,418.50	\$ 504,483.00
 <u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	\$ 1,006,908,284.65	\$ 672,001.00
Restricted for		
Continuation of Federal Programs	6,185,120.72	
Debt Service	63,180.35	
Capital Projects	198,576,080.34	
Unrestricted	9,994,455.10	1,384,626.00
Total Net Assets	\$ 1,221,727,121.16	\$ 2,056,627.00
Total Liabilities and Net Assets	\$ 1,695,216,539.66	\$ 2,561,110.00

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

DEKALB COUNTY BOARD OF EDUCATION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2010

	EXPENSES	CHARGES FOR SERVICES
<u>GOVERNMENTAL ACTIVITIES</u>		
Instruction	\$ 651,032,476.90	\$ 13,438,134.83
Support Services		
Pupil Services	35,954,408.76	
Improvement of Instructional Services	52,958,326.65	
Educational Media Services	17,393,081.48	
General Administration	19,549,172.02	
School Administration	62,720,028.83	
Business Administration	6,390,492.57	
Maintenance and Operation of Plant	82,963,018.82	
Student Transportation Services	49,957,786.61	860,438.62
Central Support Services	17,898,485.05	
Other Support Services	140,159.93	
Operations of Non-Instructional Services		
Food Services	54,571,457.72	5,556,407.70
Interest on Short-Term and Long-Term Debt	14,332,034.62	
Total Governmental Activities	\$ 1,065,860,929.96	\$ 19,854,981.15
<u>COMPONENT UNITS</u>		
Charter Schools	\$ 12,400,562.00	\$ 556,367.00
General Revenues		
Taxes		
Property Taxes		
For Maintenance and Operations		
For Debt Services		
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Capital Projects		
Other Sales Tax		
Investment Earnings		
Miscellaneous		
Special Items		
Loss on Disposal of Capital Assets (Note 11)		
Total General Revenues and Special Items		
Changes in Net Assets		
Net Assets - Beginning of Year (Restated)		
Net Assets - End of Year		

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

PROGRAM REVENUES		NET (EXPENSES) REVENUES AND CHANGES IN NET ASSETS	
OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENTAL ACTIVITIES	COMPONENT UNITS CHARTER SCHOOLS
\$ 293,225,958.99	\$ 12,547,956.81	\$ -331,820,426.27	
10,756,195.62		-25,198,213.14	
39,198,931.36	101,548.37	-13,657,846.92	
12,219,354.80	210,515.38	-4,963,211.30	
15,907,861.10		-3,641,310.92	
34,428,518.26		-28,291,510.57	
992,489.14	99,708.04	-5,298,295.39	
41,716,659.91	249,229.43	-40,997,129.48	
5,965,103.36		-43,132,244.63	
2,867,300.03		-15,031,185.02	
365,494.74		225,334.81	
42,277,124.36	1,557,847.97	-5,180,077.69	
		-14,332,034.62	
<u>\$ 499,920,991.67</u>	<u>\$ 14,766,806.00</u>	<u>\$ -531,318,151.14</u>	
<u>\$ 6,655,419.00</u>			<u>\$ -5,188,776.00</u>
		\$ 464,373,977.17	
		7.41	
		93,218,606.72	
		10,272,786.37	
		2,767,164.30	\$ 2,998.00
		4,152,737.11	5,371,354.00
		-9,127,032.83	
		<u>\$ 565,658,246.25</u>	<u>\$ 5,374,352.00</u>
		\$ 34,340,095.11	\$ 185,576.00
		<u>1,187,387,026.05</u>	<u>1,871,051.00</u>
		<u>\$ 1,221,727,121.16</u>	<u>\$ 2,056,627.00</u>

DEKALB COUNTY BOARD OF EDUCATION  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2010

EXHIBIT "C"

	<u>GENERAL FUND</u>	<u>DISTRICT- WIDE CAPITAL PROJECTS FUND</u>	<u>DEBT SERVICE FUND</u>	<u>TOTAL</u>
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 60,248,404.84	\$ 132,118,323.75	\$ 63,180.35	\$ 192,429,908.94
Investments	20,001,840.66	199,494,662.57		219,496,503.23
Accounts Receivable, Net				
Taxes	7,385,452.75	9,318,262.83		16,703,715.58
State Government	44,585,335.36	486,107.80		45,071,443.16
Federal Government	23,264,579.06			23,264,579.06
Other	147,008.06			147,008.06
Inventories	<u>2,697,539.23</u>			<u>2,697,539.23</u>
Total Assets	<u>\$ 158,330,159.96</u>	<u>\$ 341,417,356.95</u>	<u>\$ 63,180.35</u>	<u>\$ 499,810,697.26</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 24,176,991.84	\$ 4,807,081.49		\$ 28,984,073.33
Salaries and Benefits Payable	104,422,492.52			104,422,492.52
Contracts Payable		10,006,312.70		10,006,312.70
Retainages Payable		7,898,281.17		7,898,281.17
Deposits and Deferred Revenue	<u>6,421,865.30</u>			<u>6,421,865.30</u>
Total Liabilities	<u>\$ 135,021,349.66</u>	<u>\$ 22,711,675.36</u>		<u>\$ 157,733,025.02</u>
<u>FUND BALANCES</u>				
Reserved for:				
Continuation of Federal Programs	\$ 6,185,120.72			\$ 6,185,120.72
Debt Service		\$ 5,420,450.00	\$ 63,180.35	5,483,630.35
Capital Projects		313,285,231.59		313,285,231.59
Unreserved				
Undesignated Reported in:				
General Fund	<u>17,123,689.58</u>			<u>17,123,689.58</u>
Total Fund Balances	<u>\$ 23,308,810.30</u>	<u>\$ 318,705,681.59</u>	<u>\$ 63,180.35</u>	<u>\$ 342,077,672.24</u>
Total Liabilities and Fund Balances	<u>\$ 158,330,159.96</u>	<u>\$ 341,417,356.95</u>	<u>\$ 63,180.35</u>	<u>\$ 499,810,697.26</u>

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

DEKALB COUNTY BOARD OF EDUCATION  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2010

EXHIBIT "D"

Total Fund Balances - Governmental Funds (Exhibit "C") \$ 342,077,672.24

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

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

Land	\$	41,254,995.61	
Construction in Progress		111,282,364.72	
Land Improvements		32,129,978.90	
Buildings		1,315,242,569.27	
Equipment		94,948,885.86	
Accumulated Depreciation		<u>-399,452,951.96</u>	
Total Capital Assets			1,195,405,842.40

Taxes that are not available to pay for current period expenditures are deferred in the funds. 5,352,960.06

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

Bonds Payable	\$	-220,000,000.00	
Accrued Interest		-5,420,450.00	
Capital Leases Payable		-76,560,538.04	
Compensated Absences Payable		-12,482,194.54	
Unamortized Bond Premiums		<u>-6,646,170.96</u>	
Total Long-Term Liabilities			<u>-321,109,353.54</u>

Net Assets of Governmental Activities (Exhibit "A") \$ 1,221,727,121.16

DEKALB COUNTY BOARD OF EDUCATION  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2010

EXHIBIT "E"

	GENERAL FUND	DISTRICT- WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
<u>REVENUES</u>				
Property Taxes	\$ 463,372,151.66		\$ 7.41	\$ 463,372,159.07
Sales Taxes	10,272,786.37	\$ 96,012,033.31		106,284,819.68
State Funds	330,054,051.78	14,766,806.00		344,820,857.78
Federal Funds	169,866,939.89			169,866,939.89
Charges for Services	19,854,981.15			19,854,981.15
Investment Earnings	206,744.53	2,560,326.36	93.41	2,767,164.30
Miscellaneous	4,152,737.11			4,152,737.11
	\$ 997,780,392.49	\$ 113,339,165.67	\$ 100.82	\$ 1,111,119,658.98
<u>EXPENDITURES</u>				
Current				
Instruction	\$ 615,009,061.38			\$ 615,009,061.38
Support Services				
Pupil Services	35,954,408.76			35,954,408.76
Improvement of Instructional Services	52,667,936.42			52,667,936.42
Educational Media Services	16,791,086.48			16,791,086.48
General Administration	19,549,172.02			19,549,172.02
School Administration	62,720,028.83			62,720,028.83
Business Administration	5,946,489.12	\$ 321,297.20		6,267,786.32
Maintenance and Operation of Plant	82,250,316.11			82,250,316.11
Student Transportation Services	43,528,516.95	467,100.00		43,995,616.95
Central Support Services	17,898,485.05			17,898,485.05
Other Support Services	140,159.93			140,159.93
Food Services Operation	50,116,596.77			50,116,596.77
Capital Outlay		145,389,172.96		145,389,172.96
Debt Services				
Principal	1,313,562.29	1,960,000.00	\$ 80,000,000.00	83,273,562.29
Dues and Fees		7,732.50		7,732.50
Interest	158,669.59	2,318,562.54	14,827,400.00	17,304,632.13
	\$ 1,004,044,489.70	\$ 150,463,865.20	\$ 94,827,400.00	\$ 1,249,335,754.90
Excess of Revenues over (under) Expenditures	\$ -6,264,097.21	\$ -37,124,699.53	\$ -94,827,299.18	\$ -138,216,095.92
<u>OTHER FINANCING SOURCES (USES)</u>				
Capital Leases	\$ 23,460,000.00	\$ 19,360,000.00		\$ 42,820,000.00
Transfers In			\$ 94,827,400.00	94,827,400.00
Transfers Out		-94,827,400.00		-94,827,400.00
	\$ 23,460,000.00	\$ -75,467,400.00	\$ 94,827,400.00	\$ 42,820,000.00
Net Change in Fund Balances	\$ 17,195,902.79	\$ -112,592,099.53	\$ 100.82	\$ -95,396,095.92
Fund Balances - Beginning (Restated)	6,112,907.51	431,297,781.12	63,079.53	437,473,768.16
Fund Balances - Ending	\$ 23,308,810.30	\$ 318,705,681.59	\$ 63,180.35	\$ 342,077,672.24

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

DEKALB COUNTY BOARD OF EDUCATION  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
JUNE 30, 2010

EXHIBIT "F"

Total Net Change in Fund Balances - Governmental Funds (Exhibit "E") \$ -95,396,095.92

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

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

Capital Outlay	\$	123,220,119.73	
Depreciation Expense		-26,154,301.37	
Excess of Capital Outlay over Depreciation Expense			97,065,818.36

Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. -1,791,601.49

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, and disposals) is to decrease net assets. -9,127,032.83

Some of the Capital Assets acquired this year were financed with capital leases. In Governmental Funds, a capital lease arrangement is considered a source of financing, but in the Statement of Net Assets, the lease obligation is reported as a Long-Term Liability. -42,820,000.00

Repayment of Long-Term Debt is reported as an expenditure in Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Assets. In the current year, these amounts consist of:

Bond Principal Retirements	\$	80,000,000.00	
Capital Lease Payments		3,273,562.29	
Amortization to Bond Premiums		2,215,390.02	
Total Long-Term Debt Repayments			85,488,952.31

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

Net Decrease in Accrued Interest	\$	757,633.33	
Net Decrease in Compensated Absences		162,421.35	
Total Additional Expenditures			920,054.68

Change in Net Assets of Governmental Activities (Exhibit "B") \$ 34,340,095.11

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



(This page left intentionally blank)

DEKALB COUNTY BOARD OF EDUCATION  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2010

EXHIBIT "G"

	<u>AGENCY FUNDS</u>
 <u>ASSETS</u>	
Accounts Receivable, Net Local	\$ <u>2,062,299.81</u>
 <u>LIABILITIES</u>	
Cash Overdraft	\$ 123,209.86
Accounts Payable	675.96
Funds Held for Others	<u>1,938,413.99</u>
 Total Liabilities	 \$ <u>2,062,299.81</u>

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

Note 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

**REPORTING ENTITY**

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

**Discretely Presented Component Unit**

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

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

A listing of Charter Schools follows:

Academy of Lithonia, Incorporated  
3235 Evans Mill Road  
Lithonia, Georgia 30058

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

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

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

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

The Gateway to College Academy (Charter School) is responsible for the public education of all students attending its school. The Charter School was created through a contract between the School District, Charter School, the Georgia Perimeter College whereby all State funding associated with the students attending the Charter School and certain specified local funds are turned over to the Charter School to cover the cost of its operations. Gateway to College Academy was included in the financial statements of Georgia Perimeter College.

The Academy of Lithonia's renewal was denied by the DeKalb County Board of Education; therefore the Charter School no longer exists. The balances reflected on the Combining Statement of Activities were not audited by us or other auditors.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**BASIS OF PRESENTATION**

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

***District-wide Statements:***

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

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

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

***Fund Financial Statements:***

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

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 type:

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

## **BASIS OF ACCOUNTING**

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

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

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

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

The State of Georgia reimburses the School District 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 District 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 District recognizes the same QBE as a receivable and revenue, consistent with symmetrical recognition.

## **NEW ACCOUNTING PRONOUNCEMENTS**

In fiscal year 2010, the School District adopted the Governmental Accounting and Standards Board (GASB) Statement No. 51, *Accounting and Reporting for Intangible Assets*. The provisions of this Statement generally require retroactive reporting for intangible assets acquired after June 30, 1980, with the exception of those intangible assets that have indefinite useful lives and those that are considered internally generated.

DEKALB COUNTY BOARD OF EDUCATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2010

EXHIBIT "H"

In addition, the School District adopted GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The provisions of this Statement impacts disclosure regarding derivative instruments entered into by the state and local governments. Derivative disclosures, if any, will be identified in Note 3.

**RESTATEMENT OF PRIOR YEAR NET ASSETS/FUND BALANCE**

For fiscal year 2010, the School District changed the reporting method for Charter Schools from blended component units to discretely presented component units, which require the restatement of the June 30, 2010, net assets in Governmental Activities and fund balance in the governmental funds. The result is a decrease in Net Assets and Fund Balance at July 1, 2009, of \$1,871,051.00 and \$1,107,478.00, respectively. These changes are in accordance with generally accepted accounting principles.

Governmental Activities:	
Net assets, July 1, 2009, as previously reported	\$ 1,189,258,077.05
Component units (Charter Schools) no longer recognized as blended component units	<u>-1,871,051.00</u>
Net assets, July 1, 2009, as restated	<u><u>\$ 1,187,387,026.05</u></u>
Discretely Presented Component Units:	
Net assets, July 1, 2009, as previously reported	\$ 0.00
Component units (Charter Schools)	<u>1,871,051.00</u>
Net assets, July 1, 2009, as restated	<u><u>\$ 1,871,051.00</u></u>
Governmental Funds:	
Fund Balance, July 1, 2009, as previously reported	\$ 438,581,246.16
Component units (Charter Schools) no longer recognized as blended component units	<u>-1,107,478.00</u>
Fund Balance, July 1, 2009, as restated	<u><u>\$ 437,473,768.16</u></u>

**CASH AND CASH EQUIVALENTS**

**Composition of Deposits**

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

**INVESTMENTS**

**Composition of Investments**

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

DEKALB COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010

EXHIBIT "H"

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

The School District does not have a formal policy regarding 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 DeKalb County Board of Commissioners fixed the property tax levy for the 2009 tax digest year (calendar year) on June 23, 2009 (levy date). Taxes were due on November 15, 2009 (lien date) and could be paid in two installments on August 31, 2009, and November 15, 2009 (due dates). Taxes collected within the current fiscal year or within 60 days after year-end on the 2009 tax digest are reported as revenue in the governmental funds for fiscal year 2010. The DeKalb County Tax Commissioner bills and collects the property taxes for the School District, withholds 1.25% of taxes collected as a fee for tax collection and remits the balance of taxes collected to the School District. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2010, for maintenance and operations amounted to \$463,372,151.66.

The tax millage rate levied for the 2009 tax year (calendar year) for the DeKalb County Board of Education was as follows (a mill equals \$1 per thousand dollars of assessed value):

School Operations	<u>22.98</u> mills
-------------------	--------------------

#### SALES TAXES

Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to \$96,012,033.31 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.

DEKALB COUNTY BOARD OF EDUCATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2010

EXHIBIT "H"

**INVENTORIES**

**Consumable Supplies**

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

**Food Inventories**

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

**CAPITAL ASSETS**

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

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

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
Land	All	N/A
Land Improvements	\$ 100,000.00	20 to 40 years
Buildings and Improvements	\$ 100,000.00	50 years
Improvements Other than Buildings	\$ 100,000.00	50 years
Equipment		
Outdoor Equipment	\$ 5,000.00	15 to 20 years
Vehicles	\$ 5,000.00	8 years
Kitchen Equipment	\$ 5,000.00	15 years
Computers	\$ 5,000.00	5 years
Miscellaneous	\$ 5,000.00	7 to 20 years
Buses	\$ 5,000.00	5 years
Intangible Assets	\$ 1,000,000.00	15 to 20 years



DEKALB COUNTY BOARD OF EDUCATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2010

EXHIBIT "H"

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

Amortization of intangible assets such as water, timber, mineral rights, easements, patents, trademarks, copyrights and internally generated software is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 20 years.

**COMPENSATED ABSENCES**

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

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

	Beginning of Year <u>Liability</u>	Increases	Decreases	End of Year <u>Liability</u>
2008	\$ 11,703,866.00	\$ 7,703,361.75	\$ 7,135,276.28	\$ 12,271,951.47
2009	\$ 12,271,951.47	\$ 7,737,145.82	\$ 7,364,481.40	\$ 12,644,615.89
2010	\$ 12,644,615.89	\$ 7,601,727.92	\$ 7,764,149.27	\$ 12,482,194.54

**GENERAL OBLIGATION BONDS**

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

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

**NET ASSETS**

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

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

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

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

Note 3: DEPOSITS AND INVESTMENTS

COLLATERALIZATION OF DEPOSITS

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

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

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

DEKALB COUNTY BOARD OF EDUCATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2010

EXHIBIT "H"

CATEGORIZATION OF DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. At June 30, 2010, the bank balances were \$227,027,401.94. The amounts exposed to custodial credit risk are classified into three categories as follows:

- Category 1 - Uncollateralized,
- Category 2 - Cash collateralized with securities held by the pledging financial institution,  
or
- Category 3 - Cash collateralized with securities held by the pledging financial institution's trust department or agent but not in the School District's name.

The School District's deposits by custodial credit risk category at June 30, 2010, are as follows:

<u>Custodial Credit Risk Category</u>	<u>Bank Balance</u>
1	\$ 0.00
2	0.00
3	<u>205,843,749.50</u>
Total	<u>\$ 205,843,749.50</u>

CATEGORIZATION OF INVESTMENTS

The School District's investments as of June 30, 2010, are presented below. All investments are presented by investment type and debt securities are presented by maturity.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturity Less than 1 Year</u>
Debt Securities		
Goldman Sachs Financial Square Treasury Obligation Fund	\$ 138,564,782.95	\$ 138,564,782.95
FNMA Discount Notes	31,790,592.00	31,790,592.00
Federal Home Loan Banks Discount Notes	<u>6,128,793.00</u>	<u>6,128,793.00</u>
	\$ 176,484,167.95	<u>\$ 176,484,167.95</u>
Investment Pools		
Office of Treasury and Fiscal Services Georgia Fund 1	<u>23,010,494.62</u>	
Total Investments	<u>\$ 199,494,662.57</u>	

The Georgia Fund 1, formerly referred to as LGIP, administered by the State of Georgia, Office of Treasury and Fiscal Services is not required to be categorized since the School District did not own any specific identifiable securities in the pool. The investment policy of the State of Georgia, Office

DEKALB COUNTY BOARD OF EDUCATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2010

EXHIBIT "H"

of Treasury and Fiscal Services for the Georgia Fund 1 (Primary Liquidity Portfolio) does not provide for investment in derivatives or similar investments. information on the Georgia Fund 1 is disclosed in the *State of Georgia* Comprehensive Annual Financial Report. This audit can be obtained from the Georgia Department of Audits and Accounts at <http://www.audits.ga.gov/SGD/cafr.html>.

The Primary Liquidity Portfolio consists of Georgia Fund 1 which is not registered with the SEC as an investment company but does operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. The investment is valued at the pool's share price, \$1.00 per share. The pool is an AAAM rated investment pool by Standard and Poor's. The weighted average maturity of Georgia Fund 1 may not exceed 60 days. The weighted average maturity for Georgia Fund 1 on June 30, 2010, was 46 days.

**Interest Rate Risk**

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

**Custodial Credit Risk**

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

At June 30, 2010, \$176,484,167.95 of the School District's applicable investments were uninsured or unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the School District's name.

**Credit Quality Risk**

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

The investments subject to credit quality risk are reflected below:

Rated Debt Investments	Fair Value	Quality Ratings		
		AAAM	A1	Unrated
Debt Securities				
Goldman Sachs Financial Square				
Treasury Obligation Fund	\$ 138,564,782.95	\$ 138,564,782.95		
FNMA Discount Notes	31,790,592.00			\$ 31,790,592.00
Federal Home Loan Bank				
Discount Notes	<u>6,128,793.00</u>		<u>\$ 6,128,793.00</u>	
Totals by Quality Ratings	<u>\$ 176,484,167.95</u>	<u>\$ 138,564,782.95</u>	<u>\$ 6,128,793.00</u>	<u>\$ 31,790,592.00</u>

**Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The School District does not have a formal policy for managing concentration of credit risk. More than 5% of the School District's investments are in Goldman Sachs Financial Square Treasury Obligation Fund and FNMA Discount Notes. These investments are 69% and 16%, respectively, of the School Districts total investments.

DEKALB COUNTY BOARD OF EDUCATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2010

EXHIBIT "H"

Note 4: NON-MONETARY TRANSACTIONS

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

Note 5: CAPITAL ASSETS

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

	Balances July 1, 2009 (Restated)	Increases	Decreases	Balances June 30, 2010
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 41,254,995.61			\$ 41,254,995.61
Construction Work In Progress	54,864,622.59	\$ 95,666,415.63	\$ 39,248,673.50	111,282,364.72
Total Capital Assets, Not Being Depreciated	\$ 96,119,618.20	\$ 95,666,415.63	\$ 39,248,673.50	\$ 152,537,360.33
Capital Assets, Being Depreciated:				
Buildings and Improvements	\$ 1,272,496,817.99	\$ 56,687,052.87	\$ 13,941,301.59	\$ 1,315,242,569.27
Equipment	93,875,736.67	8,065,094.51	6,991,945.32	94,948,885.86
Land Improvements	30,255,401.25	2,050,230.22	175,652.57	32,129,978.90
Less: Accumulated Depreciation:				
Buildings and Improvements	338,023,287.49	18,508,244.50	6,033,878.60	350,497,653.39
Equipment	44,557,801.76	6,755,519.51	5,879,951.97	45,433,369.30
Land Improvements	2,699,427.99	890,537.36	68,036.08	3,521,929.27
Total Capital Assets, Being Depreciated, Net	\$ 1,011,347,438.67	\$ 40,648,076.23	\$ 9,127,032.83	\$ 1,042,868,482.07
Governmental Activity Capital Assets - Net	\$ 1,107,467,056.87	\$ 136,314,491.86	\$ 48,375,706.33	\$ 1,195,405,842.40

Capital assets being acquired under capital leases as of June 30, 2010, are as follows:

	Governmental Funds
Buildings and Improvements	\$ 58,055,433.00
Equipment	7,543,223.58
Less: Accumulated Depreciation	6,620,858.70
	\$ 58,977,797.88

DEKALB COUNTY BOARD OF EDUCATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2010

EXHIBIT "H"

Current year depreciation expense by function is as follows:

Instruction		\$	19,474,711.13
Support Services			
Improvement of Instructional Services	\$		157,605.34
Educational Media Services			326,724.59
Business Administration			154,749.12
Maintenance and Operation of Plant			386,809.69
Student Transportation Services			3,235,886.39
			4,261,775.13
Food Services			2,417,815.11
			\$ 26,154,301.37

Note 6: INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2010, consisted of the following:

			Transfers
<u>Transfer to</u>			From
			District-wide
			Capital
			Projects
Debt Service Fund		\$	94,827,400.00

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

Note 7: RISK MANAGEMENT

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

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

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

DEKALB COUNTY BOARD OF EDUCATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2010

EXHIBIT "H"

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

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

	Beginning of Year Liability	Claims and Changes in Estimates	Claims Paid	End of Year Liability
2009	\$ 0.00	\$ 3,203,992.84	\$ 3,203,992.84	\$ 0.00
2010	\$ 0.00	\$ 3,180,925.43	\$ 3,180,925.43	\$ 0.00

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

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

	Beginning of Year Liability	Claims and Changes in Estimates	Claims Paid	End of Year Liability
2009	\$ 0.00	\$ 116,660.73	\$ 116,660.73	\$ 0.00
2010	\$ 0.00	\$ 559,682.00	\$ 559,682.00	\$ 0.00

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

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

**Note 8: LONG-TERM DEBT**

**CAPITAL LEASES**

The DeKalb County Board of Education entered into agreements dated September 1, 2005, and March 1, 2007, with the Georgia School Board Association for the construction and subsequent lease of purchase of land, buildings, and all furnishings and subsequent lease of one new elementary school facility. Under the terms of the agreement, the School District will make annual payments through December 1, 2027.

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

DEKALB COUNTY BOARD OF EDUCATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2010

EXHIBIT "H"

The DeKalb County Board of Education also entered into various lease agreements for vehicles, solid waste system, copiers, and laptops. These lease agreements qualify as capital leases for accounting purposes, and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

**COMPENSATED ABSENCES**

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

**GENERAL OBLIGATION DEBT OUTSTANDING**

General Obligation Bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
General Government - Series 2007	4.0% - 5.0%	\$ <u><u>220,000,000.00</u></u>

The changes in Long-Term Debt during the fiscal year ended June 30, 2010, were as follows:

	Governmental Funds					
	Balance				Balance	Due Within
	July 1, 2009 (Restated)	Additions	Deductions	June 30, 2010	One Year	
G. O. Bonds	\$ 300,000,000.00		\$ 80,000,000.00	\$ 220,000,000.00	\$ 85,000,000.00	
Capital Leases	37,014,100.33	\$ 42,820,000.00	3,273,562.29	76,560,538.04	3,394,240.72	
Compensated Absences	12,644,615.89	7,601,727.92	7,764,149.27	12,482,194.54	7,000,000.00	
Bond Premiums Amortized	8,861,560.98		2,215,390.02	6,646,170.96	2,215,390.20	
	\$ 358,520,277.20	\$ 50,421,727.92	\$ 93,253,101.58	\$ 315,688,903.54	\$ 97,609,630.92	

At June 30, 2010, payments due by fiscal year which includes principal and interest for these items are as follows:

Fiscal Year Ended June 30:	Capital Leases	
	Principal	Interest
2011	\$ 3,394,240.72	\$ 3,099,726.41
2012	4,231,297.32	2,947,314.49
2013	5,900,000.00	2,743,431.82
2014	6,150,000.00	2,516,072.44
2015	6,395,000.00	2,288,152.19
2016 - 2020	23,550,000.00	8,196,029.14
2021 - 2025	17,325,000.00	4,385,837.00
2026 - 2028	9,615,000.00	567,414.00
Total Principal and Interest	\$ 76,560,538.04	\$ 26,743,977.49



DEKALB COUNTY BOARD OF EDUCATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2010

EXHIBIT "H"

<u>Fiscal Year Ended June 30:</u>	General Obligation Debt		Unamortized Bond Premium
	Principal	Interest	
2011	\$ 85,000,000.00	\$ 10,840,900.00	\$ 2,215,390.20
2012	85,000,000.00	6,633,650.00	2,215,390.20
2013	50,000,000.00	2,439,750.00	2,215,390.56
Total Principal and Interest	\$ 220,000,000.00	\$ 19,914,300.00	\$ 6,646,170.96

**Note 9: PRIOR YEAR DEFEASEMENT OF DEBT**

In fiscal year 2003, the School District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the School District's basic financial statements. At June 30, 2010, \$7,345,000.00 of bonds are outstanding and are considered defeased.

**Note 10: ON-BEHALF PAYMENTS**

The School District has recognized revenues and costs in the amount of \$2,386,961.24 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 \$1,424,670.15
- Paid to the Teachers Retirement System of Georgia
  - For Teachers Retirement System (TRS) Employer's Cost
  - In the amount of \$642,714.30
- Office of Treasury and Fiscal Services
  - Paid to the Public School Employees Retirement System
  - For Public School Employees Retirement (PSERS) Employer's Cost
  - In the amount of \$319,576.79

**Note 11: SPECIAL ITEMS**

During the fiscal year 2010, the School System disposed of certain land improvements, building and equipment related to Tucker High School. A net loss of \$9,127,032.83 was realized from this disposal as a special item on the Statement of Activities.

**Note 12: SIGNIFICANT COMMITMENTS**

The following is an analysis of significant outstanding construction or renovation contracts executed by the School District as of June 30, 2010, together with funding available:

DEKALB COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010

EXHIBIT "H"

Project	Unearned Executed Contracts	Funding Available From State
ADA Group A2a	\$ 329,912.74	
ADA Group A2b	275,902.20	
Allgood Elementary School Roof Replacement	474,000.00	
Cedar Grove High School HVAC	1,133,656.38	
Champion Middle School Roof Replacement	170,970.00	
Clarkston High School Renovation	8,168,446.32	
Cross Keys High School Renovation	6,725,709.80	
DeKalb High School of Tech South Roof Replacement	11,860.00	
Druid Hills High School - Addition and Renovation	1,467,079.82	
Dunwoody High School - Additions and Renovations	8,641,182.90	
Eldridge Miller Elementary School Roof Replacement	161,188.00	
Energy Management System Replacement	19,860.00	
Emergency Generators	26,750.00	
Fairington Elementary School HVAC Ceiling and Lighting	654,950.00	
ADA Group B1	444,410.00	
ADA Group B2	357,493.30	
Henderson Middle School Bathroom Renovation	33,154.00	
Henderson Middle School Chalk Boards	13,000.00	
Lakeside High School Natatorium	278,458.00	
McLendon Elementary School HVAC and ADA	696,208.70	
Midvale Elementary School HVAC, ADA, and Roof	750,950.15	
Mountain Industrial Center	33,005.00	
Plumbing Fixtures at Oak Grove and McLendon Elementary Schools	9,650.00	
Redan High School Roof, HVAC, Career Tech and ADA	157,347.48	\$ 102,828.80
Redan High School Track Replacement	14,397.00	
Sam Moss Center - HVAC and Roof	262,814.35	
Sam Moss Center Flooring	6,418.00	
Security System Upgrades	248,550.00	
Sequoyah Middle School Roof	1,227,971.27	
Sequoyah Middle School HVAC, Lighting and Roof	327,149.86	
Snapfinger Elementary School HVAC, Ceiling, and Lighting	724,573.00	
Stone Mountain High School Roof and HVAC	1,681,331.06	137,405.20
Stoneview Elementary School Kitchen Renovation	7,800.00	
Towers High School Career Tech Add and Bus Loop	1,751,918.00	
Tucker HS Replacement and HVAC	15,738,776.84	1,358,640.00
Vanderlyn Elementary School Roof, HVAC and ADA	552,214.24	
	<u>\$ 53,579,058.41</u>	<u>\$ 1,598,874.00</u>

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

Note 13: SIGNIFICANT CONTINGENT LIABILITIES

The School District (DCSD) is a defendant and counterclaim plaintiff in a lawsuit filed by Heery International, Inc., E. R. Mitchell & Co., and Heery/Mitchell, A Joint Venture in DeKalb County Superior Court on February 20, 2007. Heery/Mitchell alleges that DCSD breached its contract with Heery/Mitchell for construction program management services when DCSD terminated the Agreement and failed to remit payment to Heery/Mitchell for three outstanding pay applications. Heery/Mitchell claims that it has incurred over \$1 million in lost profits and other consequential damages as a result of DCSD's alleged breach. Heery/Mitchell also seeks to recover litigation expense, including attorney's fees, from DCSD, pursuant to O.C.G.A. §13-6-11. DCSD is contesting the case vigorously.

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

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

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

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

Note 14: RELATED PARTY TRANSACTIONS

The School District employed the services of Vincent Pope and Associates, Inc. for various construction projects. This company is owned and operated by Vincent Pope, the husband of Patricia Pope, who was the Chief Operations Officer (COO) for the DeKalb County Board of Education as of June 30, 2010. As of July 1, 2010, Mrs. Pope was no longer employed by DeKalb County Board of Education. While some of these services were secured by a bid procedure, all were not. Additionally, the contracts were signed prior to Mrs. Pope becoming the Schools District's COO. Current year expenditures to Vincent Pope and Associates, Inc. totaled \$15,221.32.

In addition, Vincent Pope and Associates, Inc. was a subcontractor with the Nix-Fowler Construction Company for one construction contract.

Note 15: SUBSEQUENT EVENTS

In subsequent fiscal year, voters authorized the School District to issue two certificates of participation in the amount of \$57,770,000.00 and \$5,690,000.00. The proceeds from these certificates of participation will be used to finance the acquisition, construction and equipping of a replacement high school in the School District.

Note 16: POST-EMPLOYMENT BENEFITS

**GEORGIA SCHOOL PERSONNEL EMPLOYEES POST-EMPLOYMENT HEALTH BENEFIT FUND**

**Plan Description.** The Georgia School Personnel Post-Employment Health Benefit Fund (School OPEB Fund) is a cost-sharing multiple-employer defined benefit post-employment healthcare plan that covers eligible former employees of public school systems, libraries and regional educational service agencies. The School OPEB Fund provides health insurance benefits to eligible former employees and their qualified beneficiaries through the State Employees Health Insurance Plan administered by the Department of Community Health. The Official Code of Georgia Annotated (OCGA) assigns the authority to establish and amend the benefit provisions of the group health plans, including benefits for retirees, to the Board of Community Health (Board).

**Funding Policy.** The contribution requirements of plan members and participating employers are established by the Board in accordance with the current Appropriations Act and may be amended by the Board. Contributions of plan members or beneficiaries receiving benefits vary based on plan election, dependent coverage, and Medicare eligibility and election. On average, plan members pay approximately 25 percent of the cost of the health insurance coverage.

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

The combined active and retiree contribution rates established by the Board for employers participating in the School OPEB Fund were as follows for the fiscal year ended June 30, 2010:

**For certificated teachers, librarians and regional educational service agencies:**

July 2009	18.534% of covered payroll for August Coverage
August 2009 - October 2009	14.492% of covered payroll for September - November Coverage
November 2009 - June 2010	18.534% of covered payroll for December - July Coverage

**For non-certificated school personnel:**

July 2009 - June 2010	\$162.72 per member per month plus Department of Education contribution of \$22,838,311.00
-----------------------	--

No additional contribution was required by the Board for fiscal year 2010 nor contributed to the State OPEB Fund to prefund retiree benefits. Such additional contribution amounts are determined annually by the Board in accordance with the State plan for other post-employment benefits and are subject to appropriation.

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

DEKALB COUNTY BOARD OF EDUCATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2010

EXHIBIT "H"

Fiscal Year	Percentage Contributed	Required Contribution
2010	100%	\$ 77,443,370.21
2009	100%	\$ 59,734,995.39
2008	100%	\$ 84,954,375.41

Note 17: RETIREMENT PLANS

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

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

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

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

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

**Funding Policy.** TRS is funded by member and employer contributions as adopted and amended by the Board of Trustees. Members become fully vested after 10 years of service. If a member terminates with less than 10 years of service, no vesting of employer contributions occurs, but the member's contributions may be refunded with interest. Member contributions are limited by State law to not less than 5% or more than 6% of a member's earnable compensation. Member contributions as adopted by the Board of Trustees for the fiscal year ended June 30, 2010, were 5.25% of annual salary. The member contribution rate will increase to 5.53% effective July 1, 2010. Employer contributions required for fiscal year 2010 were 9.74% of annual salary as required by the June 30, 2007, actuarial valuation. The employer contribution rate will increase to 10.28% effective July 1, 2010.

DEKALB COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010

EXHIBIT "H"

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

<u>Fiscal Year</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>
2010	100%	\$ 57,802,484.08
2009	100%	\$ 58,116,685.22
2008	100%	\$ 57,653,823.38

(This page left intentionally blank)

DEKALB COUNTY BOARD OF EDUCATION  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET TO ACTUAL  
YEAR ENDED JUNE 30, 2010

SCHEDULE "1"

	NONAPPROPRIATED BUDGETS		ACTUAL AMOUNTS
	ORIGINAL (1)	FINAL (1)	
<u>REVENUES</u>			
Property Taxes	\$ 471,231,277.00	\$ 471,231,277.00	\$ 463,372,151.66
Sales Taxes	14,500,000.00	14,500,000.00	10,272,786.37
State Funds	368,773,940.00	359,697,526.00	330,054,051.78
Federal Funds	104,354,460.00	191,146,590.00	169,866,939.89
Charges for Services	9,666,727.00	9,666,727.00	19,854,981.15
Investment Earnings	2,184,500.00	2,184,500.00	206,744.53
Miscellaneous	61,525,044.00	63,639,606.00	4,152,737.11
Total Revenues	\$ 1,032,235,948.00	\$ 1,112,066,226.00	\$ 997,780,392.49
<u>EXPENDITURES</u>			
Current			
Instruction	\$ 614,924,501.00	\$ 661,817,516.00	\$ 615,009,061.38
Support Services			
Pupil Services	35,977,634.00	39,914,726.00	35,954,408.76
Improvement of Instructional Services	37,533,986.00	82,027,651.00	52,667,936.42
Educational Media Services	17,175,355.00	17,097,187.00	16,791,086.48
General Administration	12,251,984.00	15,099,625.00	19,549,172.02
School Administration	67,786,567.00	68,256,765.00	62,720,028.83
Business Administration	6,360,484.00	5,955,892.00	5,946,489.12
Maintenance and Operation of Plant	80,322,577.00	80,668,956.00	82,250,316.11
Student Transportation Services	46,066,004.00	47,464,947.00	43,528,516.95
Central Support Services	19,118,367.00	18,256,620.00	17,898,485.05
Other Support Services		535,430.00	140,159.93
Enterprise Operations	2,531,128.00	2,792,128.00	
Food Services Operation	45,890,343.00	47,347,343.00	50,116,596.77
Debt Service			1,472,231.88
Total Expenditures	\$ 985,938,930.00	\$ 1,087,234,786.00	\$ 1,004,044,489.70
Excess of Revenues over (under) Expenditures	\$ 46,297,018.00	\$ 24,831,440.00	\$ -6,264,097.21
<u>OTHER FINANCING SOURCES (USES)</u>			
Other Sources	\$ 3,329,252.00	\$ 3,329,252.00	\$ 23,460,000.00
Other Uses	-48,671,559.00	-48,671,559.00	
Total Other Financing Sources (Uses)	\$ -45,342,307.00	\$ -45,342,307.00	\$ 23,460,000.00
Net Change in Fund Balances	\$ 954,711.00	\$ -20,510,867.00	\$ 17,195,902.79
Fund Balances - Beginning	34,157,705.00	4,467,577.40	6,112,907.51
Fund Balances - Ending	\$ 35,112,416.00	\$ -16,043,289.60	\$ 23,308,810.30

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

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

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

See notes to the basic financial statements.



DEKALB COUNTY BOARD OF EDUCATION  
 COMBINING STATEMENT OF NET ASSETS  
 CHARTER SCHOOL COMPONENT UNITS  
 JUNE 30, 2010

	Academy of Lithonia	DeKalb Academy of Technology and the Environment
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 0.00	\$ 326,306.00
Investments		
Accounts Receivable, Net		
Other		3,625.00
Prepaid Items		1,657.00
Other Current Assets		33,845.00
Capital Assets, Depreciable (Net of Accumulated Depreciation)		217,927.00
Total Assets	\$ 0.00	\$ 583,360.00
 <u>LIABILITIES</u>		
Accounts Payable	\$ 0.00	\$ 141,831.00
Long-Term Liabilities		
Due Within One Year		17,886.00
Due in More Than One Year		591.00
Total Liabilities	\$ 0.00	\$ 160,308.00
 <u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	\$ 0.00	\$ 199,450.00
Unrestricted		223,602.00
Total Net Assets	\$ 0.00	\$ 423,052.00
Total Liabilities and Net Assets	\$ 0.00	\$ 583,360.00

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

SCHEDULE "2"

DeKalb PATH Academy	Destiny Academy of Excellence	International Community School	Total
\$ 616,665.00	\$ 167,269.00	\$ 296,909.00	\$ 1,407,149.00
102,108.00			102,108.00
45,940.00		190,400.00	239,965.00
		1,908.00	3,565.00
			33,845.00
<u>236,928.00</u>	<u>43,186.00</u>	<u>276,437.00</u>	<u>774,478.00</u>
<u>\$ 1,001,641.00</u>	<u>\$ 210,455.00</u>	<u>\$ 765,654.00</u>	<u>\$ 2,561,110.00</u>
\$ 123,590.00	\$ 65,457.00	\$ 71,128.00	\$ 402,006.00
			17,886.00
		<u>84,000.00</u>	<u>84,591.00</u>
<u>\$ 123,590.00</u>	<u>\$ 65,457.00</u>	<u>\$ 155,128.00</u>	<u>\$ 504,483.00</u>
\$ 236,928.00	\$ 43,186.00	\$ 192,437.00	\$ 672,001.00
<u>641,123.00</u>	<u>101,812.00</u>	<u>418,089.00</u>	<u>1,384,626.00</u>
<u>\$ 878,051.00</u>	<u>\$ 144,998.00</u>	<u>\$ 610,526.00</u>	<u>\$ 2,056,627.00</u>
<u>\$ 1,001,641.00</u>	<u>\$ 210,455.00</u>	<u>\$ 765,654.00</u>	<u>\$ 2,561,110.00</u>

DEKALB COUNTY BOARD OF EDUCATION  
 COMBINING STATEMENT OF ACTIVITIES  
 CHARTER SCHOOL COMPONENT UNITS  
 FOR THE YEAR ENDED JUNE 30, 2010

	Academy of Lithonia	DeKalb Academy of Technology and the Environment
<u>EXPENSES</u>		
Education	\$ 0.00	\$ 3,351,753.00
<u>REVENUES</u>		
Program Revenues:		
Charges for Services	\$ 0.00	\$ 95,723.00
Operating Grants and Contributions		1,940,393.00
Total Program Revenues	\$ 0.00	\$ 2,036,116.00
Net (Expenses) Revenues	\$ 0.00	\$ -1,315,637.00
<u>General Revenues</u>		
Investment Earnings		
Miscellaneous	\$ 181,937.00	\$ 1,500,371.00
Total General Revenues	\$ 181,937.00	\$ 1,500,371.00
Change in Net Assets	\$ 181,937.00	\$ 184,734.00
Net Assets - Beginning of Year	-181,937.00	238,318.00
Net Assets - End of Year	\$ 0.00	\$ 423,052.00

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

SCHEDULE "3"

DeKalb PATH Academy	Destiny Academy of Excellence	International Community School	Total
\$ <u>2,739,833.00</u>	\$ <u>1,392,937.00</u>	\$ <u>4,916,039.00</u>	\$ <u>12,400,562.00</u>
\$ 201,082.00		\$ 259,562.00	\$ 556,367.00
<u>1,572,951.00</u>	<u>691,325.00</u>	<u>2,450,750.00</u>	<u>6,655,419.00</u>
\$ <u>1,774,033.00</u>	\$ <u>691,325.00</u>	\$ <u>2,710,312.00</u>	\$ <u>7,211,786.00</u>
\$ <u>-965,800.00</u>	\$ <u>-701,612.00</u>	\$ <u>-2,205,727.00</u>	\$ <u>-5,188,776.00</u>
\$ 2,644.00		\$ 354.00	\$ 2,998.00
<u>1,106,032.00</u>	<u>733,102.00</u>	<u>1,849,912.00</u>	<u>5,371,354.00</u>
\$ <u>1,108,676.00</u>	\$ <u>733,102.00</u>	\$ <u>1,850,266.00</u>	\$ <u>5,374,352.00</u>
\$ 142,876.00	\$ 31,490.00	\$ -355,461.00	\$ 185,576.00
<u>735,175.00</u>	<u>113,508.00</u>	<u>965,987.00</u>	<u>1,871,051.00</u>
\$ <u><u>878,051.00</u></u>	\$ <u><u>144,998.00</u></u>	\$ <u><u>610,526.00</u></u>	\$ <u><u>2,056,627.00</u></u>

DEKALB COUNTY BOARD OF EDUCATION  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED JUNE 30, 2010

SCHEDULE "4"

FUNDING AGENCY PROGRAM/GRANT	CFDA NUMBER	PASS- THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD
Agriculture, U. S. Department of			
Child Nutrition Cluster			
Pass-Through From Georgia Department of Education			
Food Services			
School Breakfast Program	10.553	N/A	(2)
National School Lunch Program	10.555	N/A	\$ <u>48,205,857.00</u> (1)
Total Child Nutrition Cluster			\$ 48,205,857.00
Other Programs			
Pass-Through From Bright From the Start:			
Georgia Department of Early Care and Learning			
Child and Adult Care Food Program	10.558	N/A	<u>276,009.00</u>
Total U. S. Department of Agriculture			\$ <u>48,481,866.00</u>
Corporation for National and Community Service			
Pass-Through From Georgia Department of Education			
Learn and Serve America			
School and Community Based Programs	94.004	N/A	\$ <u>28.00</u>
Education, U. S. Department of			
Education of Homeless Children and Youth Cluster			
Pass-Through From Georgia Department of Education			
ARRA - Education for Homeless Children and Youth	84.387	N/A	\$ 35,322.00
Education for Homeless Children and Youth	84.196	N/A	<u>64,525.00</u>
Total Education of Homeless Children and Youth Cluster			\$ <u>99,847.00</u>
Education Technology State Grants Cluster			
Pass-Through From Georgia Department of Education			
Education Technology State Grants	84.318	N/A	\$ <u>297,646.00</u>
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
ARRA - Grants to States	* 84.391	N/A	\$ 6,813,386.00
Grants to States	* 84.027	N/A	15,239,112.00
Preschool Grants	* 84.173	N/A	<u>320,355.00</u>
Total Special Education Cluster			\$ <u>22,372,853.00</u>
State Fiscal Stabilization Fund Cluster			
Pass-Through From Georgia Department of Education			
ARRA - Education State Grants	* 84.394	N/A	\$ <u>42,460,080.00</u>
Title I, Part A Cluster			
Pass-Through From Georgia Department of Education			
ARRA - Title I Grants to Local Educational Agencies	* 84.389	N/A	\$ 13,307,208.00
Title I Grants to Local Educational Agencies	* 84.010	N/A	<u>39,332,413.00</u>
Total Title I, Part A Cluster			\$ <u>52,639,621.00</u>
Other Programs			
Direct			
Fund for the Improvement of Education	84.215		\$ 2,344,982.00
Transition to Teaching	84.350		310,346.00
Pass-Through From Georgia Department of Education			
Career and Technical Education - Basic Grants to States	84.048	N/A	1,087,847.00
Charter Schools	84.282	N/A	33.00
English Language Acquisition Grants	84.365	N/A	1,663,810.00
Improving Teacher Quality State Grants	84.367	N/A	2,577,868.00
Mathematics and Science Partnerships	84.366	N/A	5,886.00
Reading First State Grants	84.357	N/A	974,803.00
Safe and Drug-Free Schools and Communities - State Grants	84.186	N/A	378,044.00
Special Education			
State Personnel Development	84.323	N/A	45,930.00

DEKALB COUNTY BOARD OF EDUCATION  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED JUNE 30, 2010

SCHEDULE "4"

FUNDING AGENCY PROGRAM/GRANT	CFDA NUMBER	PASS- THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD
Education, U. S. Department of			
Other Programs			
Pass-Through From Georgia Institute of Technology College Access Challenge Grant Program	84.378	N/A	\$ 6,570.00
Pass-Through From Georgia State University Teacher Quality Partnership Grants	84.336	N/A	44,712.00
Transition to Teaching	84.350	N/A	<u>908.00</u>
Total Other Programs			\$ 9,441,739.00
Total U. S. Department of Education			<u>\$ 127,311,786.00</u>
Health and Human Services, U. S. Department of			
Child Care and Development Fund Cluster			
Pass-Through From Bright From the Start: Georgia Department of Early Care and Learning ARRA - Child Care and Development Block Grant	93.713	N/A	\$ <u>72,023.00</u>
Other Programs			
Pass-Through From Georgia Department of Human Resources Refugee and Entrant Assistance - Discretionary Grants	93.576	N/A	\$ 282,406.00
Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	<u>68,174.00</u>
Total Other Programs			\$ 350,580.00
Total U. S. Department of Health and Human Services			<u>\$ 422,603.00</u>
Justice, U. S. Department of			
Direct			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	\$ <u>134,758.00</u>
Energy, U. S. Department of			
Direct			
National Aeronautics and Space Administration Aerospace Education Services Program	43.001		\$ <u>45,928.00</u>
Defense, U. S. Department of			
Direct			
Department of the Air Force R.O.T.C. Program			\$ 634,912.00
Department of the Army R.O.T.C. Program			206,500.00
Department of the Navy R.O.T.C. Program			<u>940,967.00</u>
Total U. S. Department of Defense			\$ 1,782,379.00
Total Federal Financial Assistance			<u>\$ 178,179,348.00</u>

N/A = Not Available

Notes to the Schedule of Expenditures of Federal Awards

- (1) Includes the Federally assigned value of donated commodities for the Food Donation Program in the amount of \$4,900,929.25.
- (2) Expenditures for the funds earned on the School Breakfast Program (\$7,816,371.88) were not maintained separately and are included in the 2010 National School Lunch Program.

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

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

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

See notes to the basic financial statements.

DEKALB COUNTY BOARD OF EDUCATION  
SCHEDULE OF STATE REVENUE  
YEAR ENDED JUNE 30, 2010

SCHEDULE "5"

AGENCY/FUNDING	GOVERNMENTAL FUND TYPES		TOTAL
	GENERAL FUND	CAPITAL PROJECTS FUND	
<b>GRANTS</b>			
Bright From the Start:			
Georgia Department of Early Care and Learning Pre-Kindergarten Program	\$ 9,408,963.64		\$ 9,408,963.64
Education, Georgia Department of Quality Basic Education			
Direct Instructional Cost			
Kindergarten Program	29,908,486.00		29,908,486.00
Kindergarten Program - Early Intervention Program	1,101,185.00		1,101,185.00
Primary Grades (1-3) Program	68,744,774.00		68,744,774.00
Primary Grades - Early Intervention (1-3) Program	4,449,411.00		4,449,411.00
Upper Elementary Grades (4-5) Program	32,672,398.00		32,672,398.00
Upper Elementary Grades - Early Intervention (4-5) Program	3,654,109.00		3,654,109.00
Middle Grades (6-8) Program	1,761,692.00		1,761,692.00
Middle School (6-8) Program	48,224,628.00		48,224,628.00
High School General Education (9-12) Program	52,995,189.00		52,995,189.00
Vocational Laboratory (9-12) Program	8,519,188.00		8,519,188.00
Students with Disabilities			
Category I	6,349,888.00		6,349,888.00
Category II	5,934,404.00		5,934,404.00
Category III	23,904,426.00		23,904,426.00
Category IV	5,957,631.00		5,957,631.00
Category V	2,898,407.00		2,898,407.00
Gifted Student - Category VI	14,676,054.00		14,676,054.00
Remedial Education Program	1,178,491.00		1,178,491.00
Alternative Education Program	4,188,329.00		4,188,329.00
English Speakers of Other Languages (ESOL)	10,062,448.00		10,062,448.00
Media Center Program	9,389,977.00		9,389,977.00
20 Days Additional Instruction	2,880,690.00		2,880,690.00
Staff and Professional Development	1,753,803.00		1,753,803.00
Indirect Cost			
Central Administration	7,548,198.00		7,548,198.00
School Administration	18,581,786.00		18,581,786.00
Facility Maintenance and Operations	22,350,689.00		22,350,689.00
Categorical Grants			
Pupil Transportation			
Regular	4,876,549.00		4,876,549.00
Nursing Services	1,466,558.00		1,466,558.00
Vocational Supervisors	60,817.00		60,817.00
Mid-term Adjustment Hold-Harmless	1,224,185.00		1,224,185.00
Food Services	1,635,648.00		1,635,648.00
Vocational Education	890,273.76		890,273.76
Amended Formula Adjustment	-82,204,567.00		-82,204,567.00
Amended Formula Adjustment ARRA Accrual	-7,076,129.00		-7,076,129.00
Other State Programs			
Charter Schools - State Planning Grant	303,343.80		303,343.80
Dual Enrollment Funding	63,860.00		63,860.00
Georgia Special Needs	66,182.00		66,182.00
Health Insurance	1,424,670.15		1,424,670.15
High Schools That Work	94,499.50		94,499.50
National Teacher Certification	250,039.53		250,039.53
Preschool Handicapped Program	2,005,688.00		2,005,688.00
Residential Treatment Centers Grant	98,235.00		98,235.00
Rule 10 Special Education State Grant	57,509.33		57,509.33
Severely Emotionally Disturbed	3,359,669.85		3,359,669.85
Teachers' Retirement	642,714.30		642,714.30
Virtual Schools Grant	725.00		725.00
Vocational Construction Related Equipment - State Bonds	1,307,998.55		1,307,998.55

DEKALB COUNTY BOARD OF EDUCATION  
 SCHEDULE OF STATE REVENUE  
 YEAR ENDED JUNE 30, 2010

SCHEDULE "5"

AGENCY/FUNDING	GOVERNMENTAL FUND TYPES		TOTAL
	GENERAL FUND	CAPITAL PROJECTS FUND	
<b>GRANTS</b>			
Georgia State Financing and Investment Commission Reimbursement on Construction Projects		\$ 14,766,806.00	\$ 14,766,806.00
Governor's Office for Children and Families Children and Youth Coordination Council Empowered Youth Excel	\$ 30,396.81		30,396.81
Governor's Office of Highway Safety Students Against Drunk Driving	41,898.41		41,898.41
Office of Treasury and Fiscal Services Public School Employees Retirement	319,576.79		319,576.79
<b>OTHER</b>			
Community Affairs, Georgia Department of Local Assistance Grant	18,465.36		18,465.36
	<u>\$ 330,054,051.78</u>	<u>\$ 14,766,806.00</u>	<u>\$ 344,820,857.78</u>

See notes to the basic financial statements.



DEKALB COUNTY BOARD OF EDUCATION  
 SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS  
 YEAR ENDED JUNE 30, 2010

SCHEDULE "6"

<u>PROJECT</u>	<u>ORIGINAL ESTIMATED COST (1)</u>	<u>CURRENT ESTIMATED COSTS (2)</u>	<u>AMOUNT EXPENDED IN CURRENT YEAR (3)</u>	<u>AMOUNT EXPENDED IN PRIOR YEARS (3)</u>	<u>PROJECT STATUS</u>
Property acquisition, construction and equipping a minimum of eight (8) new schools and two (2) new centers; renovations, modifications, additions and equipment for existing schools; acquisition and installation of information systems hardware and infrastructure at all schools and selected other facilities; purchase of both new school buses and school buses currently under lease.	\$ 524,404,330.00	\$ 538,649,066.80	\$ 8,297,484.59	\$ 496,068,666.32	Ongoing
Property acquisition, renovations and expansion, construction and equipping, roofing, site improvements of new and existing schools; acquisition of buses, technology-media center upgrades, HVAC systems, roofing, school improvement projects throughout the district, technology additions, renovations and upgrades, transportation improvements and site acquisitions; paying capitalized interest on General Obligation Bonds.	<u>609,460,500.00</u>	<u>609,460,500.00</u>	<u>137,633,780.61</u>	<u>127,335,503.72</u>	Ongoing
	<u>\$ 1,133,864,830.00</u>	<u>\$ 1,148,109,566.80</u>	<u>\$ 145,931,265.20</u>	<u>\$ 623,404,170.04</u>	

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

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

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

See notes to the basic financial statements.

DEKALB COUNTY BOARD OF EDUCATION  
GENERAL FUND - QUALITY BASIC EDUCATION PROGRAM (QBE)  
ALLOTMENTS AND EXPENDITURES - BY PROGRAM  
YEAR ENDED JUNE 30, 2010

SCHEDULE "7"

DESCRIPTION	ALLOTMENTS FROM GEORGIA DEPARTMENT OF EDUCATION (1) (2)	ELIGIBLE QBE PROGRAM COSTS		
		SALARIES	OPERATIONS	TOTAL
Direct Instructional Programs				
Kindergarten Program	\$ 38,404,343.00	\$ 31,965,240.55	\$ 314,223.63	\$ 32,279,464.18
Kindergarten Program-Early Intervention Program	1,558,362.00	1,675,729.95		1,675,729.95
Primary Grades (1-3) Program	88,648,598.00	66,288,114.70	2,079,609.69	68,367,724.39
Primary Grades-Early Intervention (1-3) Program	5,858,846.00	3,863,098.49		3,863,098.49
Upper Elementary Grades (4-5) Program	41,999,404.00	40,820,529.47		40,820,529.47
Upper Elementary Grades-Early Intervention (4-5) Program	4,826,592.00	1,413,312.60		1,413,312.60
Middle Grades (6-8) Program	2,297,609.00	12,552,275.00	108,325.62	12,660,600.62
Middle School (6-8) Program	62,387,164.00	53,478,479.26	624,480.64	54,102,959.90
High School General Education (9-12) Program	68,572,223.00	70,029,956.25	3,475,863.58	73,505,819.83
Vocational Laboratory (9-12) Program	11,098,388.00	10,016,850.25	1,202,349.17	11,219,199.42
Students with Disabilities	58,385,648.00			
Category I		44,055,375.76	1,748,069.17	45,803,444.93
Category II		5,225,656.96	15,060.27	5,240,717.23
Category III		20,493,892.38	66,284.39	20,560,176.77
Category IV		1,886,581.59	13,217.88	1,899,799.47
Category V		173,870.16	3,728.91	177,599.07
Gifted Student - Category VI	18,988,503.00	3,840,963.82	5,643.93	3,846,607.75
Remedial Education Program	1,368,785.00	111,645.59		111,645.59
Alternative Education Program	5,419,566.00	1,015,205.61	45,258.51	1,060,464.12
English Speakers of Other Languages (ESOL)	12,862,311.00	10,296,307.57		10,296,307.57
TOTAL DIRECT INSTRUCTIONAL PROGRAMS	\$ 422,676,342.00	\$ 379,203,085.96	\$ 9,702,115.39	\$ 388,905,201.35
Media Center Program	12,131,485.00	14,263,329.91	2,400,805.50	16,664,135.41
Staff and Professional Development	2,284,317.00	1,230,724.82		1,230,724.82
TOTAL QBE FORMULA FUNDS	\$ 437,092,144.00	\$ 394,697,140.69	\$ 12,102,920.89	\$ 406,800,061.58

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

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

See notes to the basic financial statements.

SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS



## DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

July 27, 2011

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

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

Ladies and Gentlemen:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of DeKalb County Board of Education as of and for the year ended June 30, 2010, which collectively comprise DeKalb County Board of Education's basic financial statements and have issued our report thereon dated July 27, 2011. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the School System's discretely presented component units (Charter Schools), which include: DeKalb Academy of Technology and the Environment; DeKalb PATH Academy; Destiny Academy of Excellence and the International Community School, as described in our report on DeKalb County Board of Education's financial statements. This report does not include the results of other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the DeKalb Academy of Technology and the Environment, DeKalb PATH Academy and the International Community School (Charter Schools) were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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.

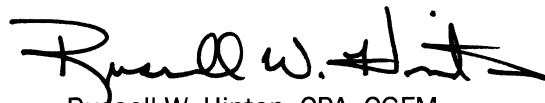
#### Compliance and Other Matters

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

We noted certain matters that we have reported to management of DeKalb County Board of Education in a separate letter dated July 27, 2011.

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Russell W. Hinton". The signature is stylized and written in a cursive-like font.

Russell W. Hinton, CPA, CGFM  
State Auditor

RWH:as  
2010YB-11X



## 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

July 27, 2011

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

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

Ladies and Gentlemen:

**Compliance**

We have audited DeKalb County Board of Education's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2010. DeKalb County Board of Education's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of DeKalb County Board of Education's management. Our responsibility is to express an opinion on DeKalb County Board of Education's compliance based on our audit.

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

In our opinion, the DeKalb County Board of Education complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2010.

## Internal Control Over Compliance

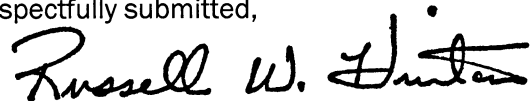
Management of DeKalb County Board of Education is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered DeKalb County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

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 the audit committee, management, members of the DeKalb County Board of Education, others within the entity, Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink that reads "Russell W. Hinton". The signature is written in a cursive style with a prominent dot above the letter 'i' in "Hinton".

Russell W. Hinton, CPA, CGFM  
State Auditor

RWH:as  
2010SA-10

**SECTION III**

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



DEKALB COUNTY BOARD OF EDUCATION  
AUDITEE'S RESPONSE  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

**FINDING CONTROL NUMBER AND STATUS**

FS-6441-09-01                      Partially Resolved - See Corrective Action/Responses

**CORRECTIVE ACTION/RESPONSES**

ACCOUNTING CONTROLS (OVERALL)

Inadequate Internal Controls over Construction Projects

Finding Control Number: FS-6441-09-01

The DeKalb County School District has taken significant measures to provide an organizational structure that supports effective internal controls over financial reporting. The Director of Internal Audits has been hired and has a reporting structure to the Board of Education and the Superintendent. The purchasing policy has been revised and augmented to include specific guidelines for capital projects procurement and specific guidelines for purchasing ethics. Further, the DeKalb County School District has revised Board policies concerning Employee Code of Ethics, Board member Code of Ethics, and Staff Conflict of Interest. The DeKalb County School District has also adopted a Whistleblower policy and is in the process of reviewing every Board of Education policy.

The DeKalb County School District will continue to monitor and implement new internal controls as the need arises. The measures already implemented will service to mitigate or completely eliminate the factors that caused this finding.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

**SECTION IV**

**FINDINGS AND QUESTIONED COSTS**

DEKALB COUNTY BOARD OF EDUCATION  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED JUNE 30, 2010

**I SUMMARY OF AUDITOR'S RESULTS**

Financial Statements

Type of auditor's report issue:

Governmental Activities; Aggregate Discretely Presented Component Units; General Fund; Capital Projects Fund; Debt Service Fund; Aggregate Remaining Fund Information Unqualified

Internal control over financial reporting:

- Material 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</u> <u>Number(s)</u>	<u>Name of Federal Program or Cluster</u>
	Title I, Part A Cluster
	Special Education Cluster
	State Fiscal Stabilization Fund Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$3,000,000.00

Auditee qualified as low-risk auditee? No

**II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS**

No matters were reported.

**III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.