



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

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



DEKALB COUNTY BOARD OF EDUCATION

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## 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

June 7, 2012

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

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

Ladies and Gentlemen:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information (Exhibits A through H) of the DeKalb County Board of Education, as of and for the year ended June 30, 2011, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the DeKalb County Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Leadership Preparatory Academy, DeKalb Academy of Technology and the Environment, DeKalb PATH Academy, Destiny Academy of Excellence, International Community School and Museum School of Avondale Estates Charter Schools, which are discretely presented component units. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for those financial statements is based on the report of other auditors.

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

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

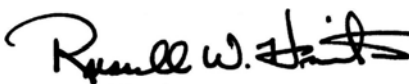
In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2012, on our consideration of the DeKalb County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and the Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual, as presented on pages i through viii and page 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. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures, 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. The information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements, and 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,



Russell W. Hinton, CPA, CGFM  
State Auditor

RWH:as  
2011ARL-12

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

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, 2011. 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 2011 are as follows:

- In total, net assets increased \$78.5 million to \$1.300 billion. This represents a 6 percent increase from 2010. This total increase was due to governmental activities since the Board has no business-type activities.
- General revenues accounted for \$560.4 million in revenue or 50.6 percent of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$547.7 million or 49.4 percent of total revenues of \$1.108 billion.
- The Board had \$1.029 billion in expenses related to governmental activities; \$547.7 million of these expenses were offset by program specific charges for services, grants or contributions.
- Among major funds, the general fund has \$1.009 billion in revenues and \$979 million in expenditures. The general fund's "Net Change in Fund Balances" increased by \$30 million resulting in a change in the "Total Fund Balances" increased from \$23 million to \$53 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* provide information about the activities of the whole Board, presenting both an aggregate view of the Board's finances and a longer-term view of those finances. *Fund financial statements* provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Board's most significant funds. In the case of the DeKalb County Board of Education, the general fund is by far the most significant fund.

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

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

While this document includes a number of funds used by the Board to provide programs and activities, a view of the Board as a whole requires looking at all financial transactions to ask the question, "How did we do financially during 2011?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.



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

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

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

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

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

#### *Fund Financial Statements*

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

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

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

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

The perspective of the statement of net assets is of the Board as a whole. Table 1 provides a summary of the Board's net assets for fiscal year 2011 compared to fiscal year 2010.

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

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

	Governmental Activities	
	Fiscal Year 2011	Fiscal Year 2010
<b>Assets</b>		
Current and Other Assets	\$ 409,372	\$ 499,811
Capital Assets, Net	1,258,617	1,195,406
<b>Total Assets</b>	\$ 1,667,989	\$ 1,695,217
<b>Liabilities</b>		
Current and Other Liabilities	\$ 142,773	\$ 157,801
Long-Term Liabilities	224,943	315,689
<b>Total Liabilities</b>	\$ 367,716	\$ 473,490
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	\$ 1,084,439	\$ 1,006,908
Restricted	195,620	204,824
Unrestricted	20,214	9,995
<b>Total Net Assets</b>	\$ 1,300,273	\$ 1,221,727
<b>Total Liabilities and Net Assets</b>	\$ 1,667,989	\$ 1,695,217

Total net assets increased \$78.5 million.

Table 2 shows the changes in net assets for fiscal year 2011 compared to fiscal year 2010.

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

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

	Governmental Activities	
	Fiscal Year 2011	Fiscal Year 2010
<b>Revenues</b>		
Program Revenues:		
Charges for Services and Sales	\$ 19,037	\$ 19,855
Operating Grants and Contributions	528,648	499,921
Capital Grants and Contributions		14,767
Total Program Revenues	<u>\$ 547,685</u>	<u>\$ 534,543</u>
General Revenues:		
Taxes		
Property Taxes		
For Maintenance and Operations	\$ 448,123	\$ 464,374
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Capital Projects	95,122	93,218
Other Sales Tax	10,604	10,273
Investment Earnings	2,334	2,767
Miscellaneous	4,220	4,153
Special Items		
Loss on Disposal of Capital Assets		-9,127
Total General Revenues	<u>\$ 560,403</u>	<u>\$ 565,658</u>
Total Revenues	<u>\$ 1,108,088</u>	<u>\$ 1,100,201</u>
<b>Program Expenses:</b>		
Instruction	\$ 643,454	\$ 651,032
Support Services		
Pupil Services	35,895	35,954
Improvement of Instructional Services	31,486	52,958
Educational Media Services	14,886	17,393
General Administration	26,606	19,549
School Administration	60,248	62,720
Business Administration	3,696	6,391
Maintenance and Operation of Plant	76,449	82,963
Student Transportation Services	52,620	49,958
Central Support Services	14,995	17,899
Other Support Services	1,977	140
Operations of Non-Instructional Services		
Enterprise Operations	20	
Food Services	55,371	54,572
Interest on Short-Term and Long-Term Debt	11,839	14,332
Total Expenses	<u>\$ 1,029,542</u>	<u>\$ 1,065,861</u>
Increase in Net Assets	<u>\$ 78,546</u>	<u>\$ 34,340</u>

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

**Governmental Activities**

Instruction, Pupil Services and Improvement of Instructional Services comprises 69.0 percent of governmental program expenses. The Operations of Non-instructional Services amounted to 5.4 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 2011 compared to fiscal year 2010. 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
	<u>Fiscal</u>	<u>Fiscal</u>
	<u>Year 2011</u>	<u>Year 2010</u>
Instruction	\$ 262,995	\$ 331,821
Support Services:		
Pupil Services	29,759	25,198
Improvement of Instructional Services	14,547	13,658
Educational Media Services	2,483	4,963
General Administration	4,989	3,641
School Administration	34,940	28,292
Business Administration	3,559	5,298
Maintenance and Operation of Plant	47,060	40,997
Student Transportation Services	46,863	43,132
Central Support Services	14,762	15,031
Other Support Services	401	-225
Operations of Non-Instructional Services:		
Enterprise Operations	20	
Food Services	7,640	5,180
Interest on Short-Term and Long-Term Debt	<u>11,839</u>	<u>14,332</u>
Total Expenses	<u>\$ 481,857</u>	<u>\$ 531,318</u>

Although program revenues make up 49.4 percent of the revenues, the Board is still primarily dependent upon tax revenues for governmental activities. More than 40.9 percent of instruction activities are supported through taxes and other general revenues; for all governmental activities general revenue support is 46.8 percent.

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

**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 \$1.203 billion and expenditures and other financing uses of \$1.281 billion. There was a decrease in fund balance of \$109 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 \$31 million. The change in the fund balance of the general fund for the year was due to increases in revenue over expenditures during the year. 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 \$258 million over the past nine 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 2011, 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 \$981.5 million were over performed by the actual by \$27.9 million. This difference was due mainly to receiving better than expected property tax receipts, sales taxes, State funds, charges for services, and investment earnings, which were offset by receiving less than expected in Federal funds and miscellaneous receipts.

Actual expenditures of \$978.83 million were 2.04 percent greater than the final budgeted total of \$959.22 billion. More than projected instructional activities, food service operations and debt service lease payments contributed to the budget variance.

General Fund expenditures were exceeded by revenues resulting in an increase in "Net Change in Fund Balances" of over \$30.5 million for the year. The additional property tax receipts, State funds and charges for services were the major factors in the increase.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2011 the Board had \$1.258 billion invested in capital assets, all in governmental activities. Table 4 shows fiscal year 2011 balances compared with fiscal year 2010 balances.

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

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

	Governmental Activities	
	Fiscal Year 2011	Fiscal Year 2010
Land	\$ 44,485	\$ 41,255
Construction In Progress	76,538	111,282
Building and Improvements	1,057,253	964,745
Improvements Other Than Buildings	27,712	28,608
Equipment	52,629	49,516
<b>Total</b>	<b>\$ 1,258,617</b>	<b>\$ 1,195,406</b>

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

***Debt***

At June 30, 2011 the Board had \$73.2 million in capital leases. There were \$12.3 million in compensated absences. There is \$135.0 million in general obligation bonds and \$4.4 million in premiums from the fiscal year 2007 bond issue. \$98.4 million of the outstanding debt is due within one year.

Table 5 summarizes long-term debt outstanding and compares fiscal year 2011 balances to fiscal year 2010 balances.

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

	Governmental Activities	
	Fiscal Year 2011	Fiscal Year 2010
Capital Leases	\$ 73,168	\$ 76,561
Compensated Absences	12,344	12,482
General Obligation Bonds	135,000	220,000
Unamortized Bond Premium	4,431	6,646
<b>Total</b>	<b>\$ 224,943</b>	<b>\$ 315,689</b>

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

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

**Current Issues**

The DeKalb County School System continues to face serious reductions in the state's "Quality Basic Education" funding formula earnings. In addition to the over \$62 million in state funding lost in the current year, state austerity reductions have amounted to nearly \$258 million through fiscal year 2011. Sales tax collections from the 2007-approved Special Purpose Local Option Sales Tax continue to exceed projections.

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 \$258 million since 2003. More than \$165 million of the reductions have occurred in fiscal years 2009, 2010 and 2011. Year-over-year state revenues have decreased from the 2009 fiscal year to the 2010 fiscal year and from the 2010 fiscal year to the 2011 fiscal year, yet the student population is stable. The trend of declining state revenues will continue into the 2012 fiscal year.

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

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

**Contacting the Board's Financial Management**

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

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DEKALB COUNTY BOARD OF EDUCATION

DEKALB COUNTY BOARD OF EDUCATION  
STATEMENT OF NET ASSETS  
JUNE 30, 2011

EXHIBIT "A"

	PRIMARY GOVERNMENTAL ACTIVITIES	COMPONENT UNITS CHARTER SCHOOLS
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 126,769,606.22	\$ 1,961,307.00
Investments	182,359,778.14	102,365.00
Accounts Receivable, Net		
Taxes	16,137,125.99	
State Government	54,531,713.24	89,795.00
Federal Government	25,087,243.81	
Local	140,636.12	
Other		270,103.00
Inventories	2,787,977.16	
Prepaid Items	1,558,651.14	34,712.00
Capital Assets, Non-Depreciable	121,023,067.62	
Capital Assets, Depreciable (Net of Accumulated Depreciation)	1,137,594,030.70	1,578,105.00
Total Assets	\$ 1,667,989,830.14	\$ 4,036,387.00
 <u>LIABILITIES</u>		
Accounts Payable	\$ 26,543,917.68	\$ 554,182.00
Salaries and Benefits Payable	106,014,252.43	98,289.00
Interest Payable	3,316,825.00	
Contracts Payable	2,563,566.58	119,132.00
Retainages Payable	2,826,232.29	
Deposits and Deferred Revenues	1,508,198.51	
Long-Term Liabilities		
Due Within One Year	98,446,687.66	70,708.00
Due in More Than One Year	126,496,752.04	
Total Liabilities	\$ 367,716,432.19	\$ 842,311.00
 <u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	\$ 1,084,439,083.50	\$ 1,507,397.00
Restricted for		
Continuation of Federal Programs	4,498,781.35	
Debt Service	552,804.17	
Capital Projects	190,568,696.70	
Unrestricted	20,214,032.23	1,686,679.00
Total Net Assets	\$ 1,300,273,397.95	\$ 3,194,076.00
Total Liabilities and Net Assets	\$ 1,667,989,830.14	\$ 4,036,387.00

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, 2011

	EXPENSES	PROGRAM CHARGES FOR SERVICES
<u>GOVERNMENTAL ACTIVITIES</u>		
Instruction	\$ 643,453,839.77	\$ 13,848,408.21
Support Services		
Pupil Services	35,895,171.79	
Improvement of Instructional Services	31,486,518.52	
Educational Media Services	14,886,198.79	
General Administration	26,606,047.34	
School Administration	60,248,065.42	
Business Administration	3,695,992.07	
Maintenance and Operation of Plant	76,449,173.83	
Student Transportation Services	52,620,028.95	709,293.81
Central Support Services	14,994,686.87	
Other Support Services	1,976,774.81	
Operations of Non-Instructional Services		
Enterprise Operations	20,000.00	
Food Services	55,370,684.62	4,479,178.66
Interest on Short-Term and Long-Term Debt	11,838,631.97	
Total Governmental Activities	\$ 1,029,541,814.75	\$ 19,036,880.68
<u>COMPONENT UNITS</u>		
Charter Schools	\$ 15,645,687.00	\$ 630,817.00
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		
Total General Revenues		
Change in Net Assets		
Net Assets - Beginning of Year (Restated)		
Net Assets - End of Year		

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

EXHIBIT "B"

REVENUES	NET (EXPENSES) REVENUES AND CHANGES IN NET ASSETS	
	PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES	COMPONENT UNITS CHARTER SCHOOLS
\$ 366,610,318.79	\$ -262,995,112.77	
6,135,968.54	-29,759,203.25	
16,939,353.36	-14,547,165.16	
12,403,201.53	-2,482,997.26	
21,617,523.39	-4,988,523.95	
25,308,592.67	-34,939,472.75	
136,716.85	-3,559,275.22	
29,388,373.78	-47,060,800.05	
5,047,658.80	-46,863,076.34	
233,155.80	-14,761,531.07	
1,575,844.25	-400,930.56	
	-20,000.00	
43,251,135.49	-7,640,370.47	
	-11,838,631.97	
<u>\$ 528,647,843.25</u>	<u>\$ -481,857,090.82</u>	
<u>\$ 9,943,692.00</u>		<u>\$ -5,071,178.00</u>
	\$ 448,123,261.45	
	10.12	
	95,121,979.73	
	10,603,932.83	
	2,334,352.97	\$ 1,946.00
	<u>4,219,830.51</u>	<u>6,098,771.00</u>
	<u>\$ 560,403,367.61</u>	<u>\$ 6,100,717.00</u>
	\$ 78,546,276.79	\$ 1,029,539.00
	<u>1,221,727,121.16</u>	<u>2,164,537.00</u>
	<u>\$ 1,300,273,397.95</u>	<u>\$ 3,194,076.00</u>

DEKALB COUNTY BOARD OF EDUCATION  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011

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	\$ 80,158,764.10	\$ 46,563,220.05	\$ 47,622.07	\$ 126,769,606.22
Investments	10,009,182.12	172,334,688.92	15,907.10	182,359,778.14
Accounts Receivable, Net				
Taxes	7,813,444.92	8,323,681.07		16,137,125.99
State Government	54,531,713.24			54,531,713.24
Federal Government	25,087,243.81			25,087,243.81
Local	140,636.12			140,636.12
Inventories	2,787,977.16			2,787,977.16
Prepaid Items	1,558,651.14			1,558,651.14
	<u>182,087,612.61</u>	<u>227,221,590.04</u>	<u>63,529.17</u>	<u>409,372,731.82</u>
<b>Total Assets</b>	<b>\$ 182,087,612.61</b>	<b>\$ 227,221,590.04</b>	<b>\$ 63,529.17</b>	<b>\$ 409,372,731.82</b>
 <u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 13,993,265.30	\$ 12,550,652.38		\$ 26,543,917.68
Salaries and Benefits Payable	105,994,288.04	19,964.39		106,014,252.43
Contracts Payable		2,563,566.58		2,563,566.58
Retainages Payable		2,826,232.29		2,826,232.29
Deposits and Deferred Revenue	8,221,625.23			8,221,625.23
	<u>128,209,178.57</u>	<u>17,960,415.64</u>		<u>146,169,594.21</u>
<b>Total Liabilities</b>	<b>\$ 128,209,178.57</b>	<b>\$ 17,960,415.64</b>		<b>\$ 146,169,594.21</b>
 <u>FUND BALANCES</u>				
Nonspendable	\$ 4,346,628.30			\$ 4,346,628.30
Restricted	3,360,162.22	\$ 209,261,174.40	\$ 63,529.17	212,684,865.79
Assigned	1,349,273.12			1,349,273.12
Unassigned	44,822,370.40			44,822,370.40
	<u>53,878,434.04</u>	<u>209,261,174.40</u>	<u>63,529.17</u>	<u>263,203,137.61</u>
<b>Total Fund Balances</b>	<b>\$ 53,878,434.04</b>	<b>\$ 209,261,174.40</b>	<b>\$ 63,529.17</b>	<b>\$ 263,203,137.61</b>
	<u>182,087,612.61</u>	<u>227,221,590.04</u>	<u>63,529.17</u>	<u>409,372,731.82</u>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 182,087,612.61</b>	<b>\$ 227,221,590.04</b>	<b>\$ 63,529.17</b>	<b>\$ 409,372,731.82</b>

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, 2011

EXHIBIT "D"

Total Fund Balances - Governmental Funds (Exhibit "C") \$ 263,203,137.61

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

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

Land	\$	44,485,477.61	
Construction in Progress		76,537,590.01	
Land Improvements		32,171,502.90	
Buildings		1,428,596,867.52	
Equipment		103,030,454.61	
Accumulated Depreciation		<u>-426,204,794.33</u>	
Total Capital Assets			1,258,617,098.32

Taxes that are not available to pay for current period expenditures are deferred in the funds. 6,713,426.72

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	\$	-135,000,000.00	
Accrued Interest		-3,316,825.00	
Capital Leases Payable		-73,167,927.63	
Compensated Absences Payable		-12,344,731.13	
Unamortized Bond Premiums		<u>-4,430,780.94</u>	
Total Long-Term Liabilities			<u>-228,260,264.70</u>

Net Assets of Governmental Activities (Exhibit "A") \$ 1,300,273,397.95

DEKALB COUNTY BOARD OF EDUCATION  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2011

EXHIBIT "E"

	<u>GENERAL FUND</u>	<u>DISTRICT- WIDE CAPITAL PROJECTS FUND</u>	<u>DEBT SERVICE FUND</u>	<u>TOTAL</u>
<u>REVENUES</u>				
Property Taxes	\$ 446,762,794.79		\$ 10.12	\$ 446,762,804.91
Sales Taxes	10,603,932.83	\$ 95,121,979.73		105,725,912.56
State Funds	376,116,922.05			376,116,922.05
Federal Funds	152,530,921.20			152,530,921.20
Charges for Services	19,036,880.68			19,036,880.68
Investment Earnings	196,028.63	2,137,985.64	338.70	2,334,352.97
Miscellaneous	4,156,787.66	63,042.85		4,219,830.51
	<u>\$ 1,009,404,267.84</u>	<u>\$ 97,323,008.22</u>	<u>\$ 348.82</u>	<u>\$ 1,106,727,624.88</u>
<u>EXPENDITURES</u>				
Current				
Instruction	\$ 616,568,665.55			\$ 616,568,665.55
Support Services				
Pupil Services	35,895,171.79			35,895,171.79
Improvement of Instructional Services	27,406,158.29			27,406,158.29
Educational Media Services	14,553,588.76			14,553,588.76
General Administration	26,606,047.34			26,606,047.34
School Administration	60,248,065.42			60,248,065.42
Business Administration	5,361,956.34	\$ 497,253.77		5,859,210.11
Maintenance and Operation of Plant	75,914,278.92			75,914,278.92
Student Transportation Services	44,934,172.05	4,057,298.00		48,991,470.05
Central Support Services	14,994,686.87			14,994,686.87
Other Support Services	1,976,774.81			1,976,774.81
Enterprise Operations		20,000.00		20,000.00
Food Services Operation	52,174,511.83			52,174,511.83
Capital Outlay		102,050,929.89		102,050,929.89
Debt Services				
Principal	1,337,610.41	2,055,000.00	\$ 85,000,000.00	88,392,610.41
Dues and Fees		7,732.50		7,732.50
Interest	862,955.72	2,238,401.25	10,840,900.00	13,942,256.97
	<u>\$ 978,834,644.10</u>	<u>\$ 110,926,615.41</u>	<u>\$ 95,840,900.00</u>	<u>\$ 1,185,602,159.51</u>
Excess of Revenues over (under) Expenditures	<u>\$ 30,569,623.74</u>	<u>\$ -13,603,607.19</u>	<u>\$ -95,840,551.18</u>	<u>\$ -78,874,534.63</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In			\$ 95,840,900.00	\$ 95,840,900.00
Transfers Out		\$ -95,840,900.00		-95,840,900.00
		<u>\$ -95,840,900.00</u>	<u>\$ 95,840,900.00</u>	<u>\$ 0.00</u>
Net Change in Fund Balances	\$ 30,569,623.74	\$ -109,444,507.19	\$ 348.82	\$ -78,874,534.63
Fund Balances - Beginning	<u>23,308,810.30</u>	<u>318,705,681.59</u>	<u>63,180.35</u>	<u>342,077,672.24</u>
Fund Balances - Ending	<u>\$ 53,878,434.04</u>	<u>\$ 209,261,174.40</u>	<u>\$ 63,529.17</u>	<u>\$ 263,203,137.61</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 STATEMENT OF  
 REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 TO THE STATEMENT OF ACTIVITIES  
 JUNE 30, 2011

EXHIBIT "F"

Total Net Change in Fund Balances - Governmental Funds (Exhibit "E") \$ -78,874,534.63

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	\$ 96,251,381.81	
Depreciation Expense	<u>-31,544,370.88</u>	
Excess of Capital Outlay over Depreciation Expense		64,707,010.93

Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 1,360,466.66

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, and disposals) is to decrease net assets. -1,495,755.01

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

Bond Principal Retirements	\$ 85,000,000.00	
Capital Lease Payments	3,392,610.41	
Amortization to Bond Premium	<u>2,215,390.02</u>	
Total Long-Term Debt Repayments		90,608,000.43

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

Net Decrease in Accrued Interest on Issuance of Bonds	\$ 2,103,625.00	
Net Decrease in Compensated Absences	<u>137,463.41</u>	
Total Additional Expenditures		<u>2,241,088.41</u>

Change in Net Assets of Governmental Activities (Exhibit "B") \$ 78,546,276.79



DEKALB COUNTY BOARD OF EDUCATION  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2011

EXHIBIT "G"

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ <u>2,126,860.05</u>
<u>LIABILITIES</u>	
Funds Held for Others	\$ <u>2,126,860.05</u>

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

Note 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

**REPORTING ENTITY**

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

**Discretely Presented Component Unit**

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

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

A listing of Charter Schools follows:

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

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

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

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

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

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

The Gateway to College Academy (Charter School) is responsible for the public education of all students attending its school. The Charter School was created through a contract between the School District, Charter School, 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.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

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

***District-wide Statements:***

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

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

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

***Fund Financial Statements:***

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

The School District reports the following major governmental funds:

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

The School District reports the following fiduciary fund type:

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

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

## **NEW ACCOUNTING PRONOUNCEMENTS**

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

**RESTATEMENT OF PRIOR YEAR NET ASSETS**

For fiscal year 2011, the School District included two additional Charter Schools as discretely presented component units. The result is an increase in Net Assets at July 1, 2010, of \$107,910.00. This change is in accordance with generally accepted accounting principles.

Component Units:	
Net Assets, July 1, 2010, as previously reported	\$ 2,056,627.00
Inclusion of Additional Charter Schools:	
Museum School of Avondale Estates	108,864.00
Leadership Preparatory Academy	<u>-954.00</u>
Net assets, July 1, 2010, as restated	\$ <u><u>2,164,537.00</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:

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

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

**RECEIVABLES**

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

**PROPERTY TAXES**

The DeKalb County Board of Commissioners fixed the property tax levy for the 2010 tax digest year (calendar year) on June 22, 2010 (levy date). Taxes were due on November 15, 2010 (lien date) and could be paid in two installments on August 30, 2010 and November 15, 2010 (due dates). Taxes collected within the current fiscal year or within 60 days after year-end on the 2010 tax digest are reported as revenue in the governmental funds for fiscal year 2011. The 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, 2011, for maintenance and operations amounted to \$446,762,794.79 and for school bonds amounted to \$10.12.

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

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

**SALES TAXES**

Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to \$95,121,979.73 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

**INVENTORIES**

**Consumable Supplies**

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

**Food Inventories**

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

**PREPAID ITEMS**

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

**CAPITAL ASSETS**

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

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

Amortization of intangible assets such as water, timber, and mineral rights, easements, patents, trademarks, copyrights and internally generated software is computed using the straight-line method over the estimated useful lives of the assets, generally 15 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 Liability	Increases	Decreases	End of Year Liability
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
2011	\$ 12,482,194.54	\$ 7,091,294.97	\$ 7,228,758.38	\$ 12,344,731.13

**GENERAL OBLIGATION BONDS**

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

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

**NET ASSETS**

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

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

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



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

**FUND BALANCES**

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

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

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

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

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

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

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

Nonspendable			
Inventories	\$	2,787,977.16	
Prepaid Assets		<u>1,558,651.14</u>	\$ 4,346,628.30
Restricted			
Continuation of Federal Programs	\$	3,360,162.22	
Capital Projects		206,007,878.57	
Debt Service		<u>3,316,825.00</u>	212,684,865.79
Assigned			
School Activity Accounts			1,349,273.12
Unassigned			<u>44,822,370.40</u>
Fund Balance, June 30, 2011			<u>\$ 263,203,137.61</u>

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.

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, 2011, the bank balances were \$146,246,263.94. All bank balances were either insured or collateralized with securities held by the pledging financial institution's trust department in the School District's name.

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CATEGORIZATION OF INVESTMENTS

The School District's investments as of June 30, 2011, are presented below. All investments are presented by investment type and debt securities are presented by maturity.

Investment Type	Fair Value	Investment Maturity	
		Less Than 1 Year	1 - 5 Years
<b>Debt Securities</b>			
U.S. Treasury	\$ 37,956,392.25		\$ 37,956,392.25
U.S. Treasury Money Market Mutual Fund	119,360,885.31	\$ 119,360,885.31	
Goldman Sachs Financial Square Trust			
Treasury Obligation Fund	<u>15,030,907.56</u>	<u>15,030,907.56</u>	
	\$ 172,348,185.12	<u>\$ 134,391,792.87</u>	<u>\$ 37,956,392.25</u>
<b>Other Investments</b>			
SunTrust FPA	1.00		
<b>Investment Pools</b>			
Office of Treasury and Fiscal Services			
Georgia Fund 1	<u>2,393.94</u>		
<b>Total Investments</b>	<u>\$ 172,350,580.06</u>		

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

The Primary Liquidity Portfolio consists of Georgia Fund 1 which is not registered with the SEC as an investment company but does operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. The investment is valued at the pool's share price, \$1.00 per share. The pool is an AAAM rated investment pool by Standard and Poor's. The weighted average maturity of Georgia Fund 1 may not exceed 60 days. The weighted average maturity for Georgia Fund 1 on June 30, 2011, was 59 days.

**Interest Rate Risk**

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

**Custodial Credit Risk**

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

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At June 30, 2011, \$172,348,185.12 of the School District's applicable investments were uninsured and unregistered, with securities held by the counterparty's trust department or agent in the name of the School District.

**Credit Quality Risk**

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

The investments subject to credit quality risk are reflected below:

Rated Debt Investments	Fair Value	Quality Rating AAAm
Debt Securities		
U.S. Treasury Money Market Mutual Fund	\$ 119,360,885.31	\$ 119,360,885.31
Goldman Sachs Financial Square Treasury Obligation Fund	15,030,907.56	15,030,907.56
Totals by Quality Ratings	\$ 134,391,792.87	\$ 134,391,792.87

**Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The School District does not have a formal policy for managing concentration of credit risk. More than 5% of the School District's investments are in U.S. Treasury Money Market Mutual Funds, U.S. Treasury Debt Securities and Goldman Sachs Financial Square Treasury Obligation Fund. These investments are 69%, 22% and 9%, respectively, of the School District's total investments.

**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**

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Note 5: CAPITAL ASSETS

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

	Balances July 1, 2010	Increases	Decreases	Balances June 30, 2011
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 41,254,995.61	\$ 3,230,482.00		\$ 44,485,477.61
Construction Work In Progress	111,282,364.72	81,566,202.35	\$ 116,310,977.06	76,537,590.01
Total Capital Assets, Not Being Depreciated	\$ 152,537,360.33	\$ 84,796,684.35	\$ 116,310,977.06	\$ 121,023,067.62
Capital Assets, Being Depreciated:				
Buildings and Improvements	\$ 1,315,242,569.27	\$ 113,403,471.61	\$ 49,173.36	\$ 1,428,596,867.52
Equipment	94,948,885.86	14,320,678.91	6,239,110.16	103,030,454.61
Land Improvements	32,129,978.90	41,524.00		32,171,502.90
Less: Accumulated Depreciation:				
Buildings and Improvements	350,497,653.39	20,850,709.90	4,441.93	371,343,921.36
Equipment	45,433,369.30	9,756,566.21	4,788,086.58	50,401,848.93
Land Improvements	3,521,929.27	937,094.77		4,459,024.04
Total Capital Assets, Being Depreciated, Net	\$ 1,042,868,482.07	\$ 96,221,303.64	\$ 1,495,755.01	\$ 1,137,594,030.70
Governmental Activity Capital Assets - Net	\$ 1,195,405,842.40	\$ 181,017,987.99	\$ 117,806,732.07	\$ 1,258,617,098.32

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

	Governmental Funds
Buildings and Improvements	\$ 55,360,000.00
Equipment	146,860.66
Less: Accumulated Depreciation	3,163,740.27
	\$ 52,343,120.39

Current year depreciation expense by function is as follows:

Instruction		\$ 21,439,885.30	
Support Services			
Improvements of Instructional Services	\$ 3,446,676.19		
Educational Media Services	280,955.36		
Business Administration	160,184.82		
Maintenance and Operation of Plant	451,825.19		
Student Transportation Services	3,065,040.06	7,404,681.62	
Food Services		2,699,803.96	
		\$ 31,544,370.88	

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Note 6: INTERFUND TRANSFERS

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

<u>Transfers to</u>	<u>Transfers From</u> <u>District-wide Capital Projects</u>
Debt Service Fund	\$ <u><u>95,840,900.00</u></u>

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

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.

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
2010	\$ 0.00	\$ 3,180,925.43	\$ 3,180,925.43	\$ 0.00
2011	\$ 0.00	\$ 3,904,192.76	\$ 3,904,192.76	\$ 0.00

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

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

	Beginning of Year Liability	Claims and Changes in Estimates	Claims Paid	End of Year Liability
2010	\$ 0.00	\$ 559,682.00	\$ 559,682.00	\$ 0.00
2011	\$ 0.00	\$ 1,379,848.09	\$ 1,379,848.09	\$ 0.00

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

Position Covered	Amount
All Employees	\$ 1,000,000.00

**Note 8: LONG-TERM DEBT**

**CAPITAL LEASES**

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

The DeKalb County Board of Education entered into an agreement dated March 1, 2007, with the Georgia School 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 entered into an agreement dated April 30, 2009, with Motorola, Inc. for the purchase of public safety radios. Under the terms of the agreement, the School District will make annual payments through May 1, 2012.

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

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

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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>\$ 135,000,000.00</u>

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

	Governmental Funds				
	Balance			Balance	Due Within One
	July 1, 2010	Additions	Deductions	June 30, 2011	Year
G.O. Bonds	\$ 220,000,000.00		\$ 85,000,000.00	\$ 135,000,000.00	\$ 85,000,000.00
Capital Leases	76,560,538.04		3,392,610.41	73,167,927.63	4,231,297.19
Compensated Absences	12,482,194.54	\$ 7,091,294.97	7,228,758.38	12,344,731.13	7,000,000.00
Bond Premiums Amortized	6,646,170.96		2,215,390.02	4,430,780.94	2,215,390.47
	<u>\$ 315,688,903.54</u>	<u>\$ 7,091,294.97</u>	<u>\$ 97,836,758.81</u>	<u>\$ 224,943,439.70</u>	<u>\$ 98,446,687.66</u>

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

<u>Fiscal Year Ended June 30:</u>	Capital Leases	
	Principal	Interest
2012	\$ 4,231,297.19	\$ 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	6,650,000.00	2,049,030.01
2017 - 2021	20,065,000.00	7,330,675.13
2022 - 2026	18,120,000.00	3,563,437.00
2027 - 2028	5,656,630.44	206,138.00
Total Principal and Interest	<u>\$ 73,167,927.63</u>	<u>\$ 23,644,251.08</u>

<u>Fiscal Year Ended June 30:</u>	General Obligation Debt		Unamortized
	Principal	Interest	Bond Premium
2012	\$ 85,000,000.00	\$ 6,633,650.00	\$ 2,215,390.47
2013	50,000,000.00	2,439,750.00	2,215,390.47
Total Principal and Interest	<u>\$ 135,000,000.00</u>	<u>\$ 9,073,400.00</u>	<u>\$ 4,430,780.94</u>



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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, 2011, \$2,855,000.00 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 \$2,613,210.53 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-Certificated Personnel  
In the amount of \$1,546,264.76

Paid to the Teachers' Retirement System of Georgia  
For Teachers' Retirement System (TRS) Employer's Cost  
In the amount of \$632,924.77

Office of the State Treasurer

Paid to the Public School Employees' Retirement System  
For Public School Employees' Retirement (PSERS) Employer's Cost  
In the amount of \$434,021.00

Note 11: SIGNIFICANT COMMITMENTS

The following is an analysis of significant outstanding construction or renovation contracts executed by the School District as of June 30, 2011, together with funding available:

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Project	Unearned Executed Contracts	Funding Available From State
ADA Group A2b Modifications - Multiple Locations	\$ 242,172.00	
Allgood Elementary School	3,238.80	
Cedar Grove High School HVAC and Renovations	28,421.00	
Chamblee Charter High School New Replacement	845,000.00	
Chamblee High School ADA Modifications	393,698.53	
Chamblee High School New Replacement	2,470,000.00	
Chestnut Charter Elementary School ADA Modifications	6,874.00	
Clarkston High School Renovation	898,608.46	
Cross Keys High School Renovation	673,799.66	
DeKalb School of the Arts Relocation to Avondale High School - Renovations	105,692.29	
Dunwoody High School Renovations and Additions	310,043.55	
Emergency Generator Installation at Dresden Elementary School - Labor Only	41,299.00	
Emergency Generator Installation at Idlewood Elementary School - Labor Only	14,379.00	
Engineering Services for Emergency Generators - Task Release 1	8,750.00	
Engineering Services for Emergency Generators - Task Release 2 - at 12 schools	7,820.00	
Evansdale Elementary School Roofing	107,410.27	
Flat Shoals Elementary School	394,567.92	
Glen Haven Elementary School Widen Drive	114,132.00	
Group B1 ADA Modifications Multiple Locations	90,800.00	
Hambrick Elementary School	65,250.00	
Hambrick Elementary School Roofing	418,022.70	
Hawthorne Elementary School	555,127.00	\$ 202,564.00
Henderson Middle School	777,891.00	
Henderson Middle School Architectural Improvements	30,051.50	
Indian Creek Elementary School Architectural and Mechanical Design Services	40,622.00	
Knollwood Elementary School	92,000.00	
Lakeside High School	12,998,384.22	
Lithonia Middle School Locker Room HVAC Replacement	93,243.65	
Miller Grove High School Addition	121,797.00	
MLK High School Addition	371,250.00	
Montgomery Elementary School	69,000.00	
Mountain Industrial Center	33,005.00	
Oak Grove Elementary School Lighting	81,895.00	
Plumbing Fixtures at Huntley Hills and Montgomery Elementary	18,175.79	
Plumbing Fixtures at Cary Reynolds Elementary School and Smoke Rise Elementary School	1,227.37	
Plumbing Fixtures at Medlock Elementary School and Laurel Ridge Elementary School	707.23	
Redan High School Architectural Improvements	164,500.00	
Rockbridge Elementary School Architectural and Mechanical Design Services	75,229.00	
Sam Moss Center - HVAC and Roof	58,890.41	
Sequoyah Middle School	985,346.00	
Sequoyah Middle School Architectural Improvements	3,690.00	
Sequoyah Middle School HVAC - See 633419	12,499.96	
Sequoyah Middle School HVAC, Lighting, etc.	7,846.35	
Sequoyah Middle School Renovation HVAC	54,286.96	
Shamrock Middle School	643,042.00	
Shamrock Middle School Architectural Improvements	6,340.00	
Sky Haven Elementary School Window Replacement	366,989.00	
Snapfinger Elementary School	159,268.80	
Stone Mill Elementary School	48,562.50	
Stone Mountain Elementary School	61,281.25	
Stone Mt High School Engineering Technology Lab Renovation	39,452.00	
Southwest DeKalb High School Addition & Renovation	568,800.00	
Warren Tech - HVAC	37,490.40	
William Bradley Center	5,126.80	
William Bradley Center Renovation and Modifications	23,105.00	
William Bradley Center Roof Replacement	12,817.00	
Woodridge Elementary School Roof Replacement	57,964.00	256,230.00
	<u>\$ 25,916,883.37</u>	<u>\$ 458,794.00</u>

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

Note 12: SIGNIFICANT CONTINGENT LIABILITIES

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

The School District (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 13: SUBSEQUENT EVENTS

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

Note 14: POST-EMPLOYMENT BENEFITS

***Georgia School Personnel Post-employment Health Benefit Fund***

*Plan Description.* The Georgia School Personnel Post-employment Health Benefit Fund (School OPEB Fund) is a cost-sharing multiple-employer defined benefit post-employment healthcare plan that covers eligible former employees of public school systems, libraries and regional educational service

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EXHIBIT "H"

agencies. The School OPEB Fund provides health insurance benefits to eligible former employees and their qualified beneficiaries through the State Employees Health Benefit Plan administered by the Department of Community Health. The Official Code of Georgia Annotated (O.C.G.A.) assigns the authority to establish and amend the benefit provisions of the group health plans, including

benefits for retirees, to the Board of Community Health (Board). The Department of Community Health, which includes the School OPEB Fund, issues a separate stand alone financial audit report and a copy can be obtained from the Georgia Department of Audits and Accounts.

*Funding Policy.* The contribution requirements of plan members and participating employers are established by the Board in accordance with the current Appropriations Act and may be amended by the Board. Contributions of plan members or beneficiaries receiving benefits vary based on plan election, dependent coverage, and Medicare eligibility and election. 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, 2011:

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

July 2010 - April 2011	21.955% of covered payroll for August - May Coverage
May 2011 - June 2011	1.429% of covered payroll for June - July Coverage

**For non-certificated school personnel:**

July 2010 - December 2010	\$162.72 per member per month
January 2011 - May 2011	\$218.20 per member per month
June 2011	\$246.20 per member per month

The Department of Education was appropriated an additional \$25,081,633 for non-certificated personnel health insurance payments. The amount attributable to the School District is reflected in the On-behalf note disclosure.

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

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

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

EXHIBIT "H"

Fiscal Year	Percentage Contributed	Required Contribution
2011	100%	\$ 87,542,127.58
2010	100%	\$ 77,443,370.21
2009	100%	\$ 59,734,995.39

Note 15: 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, 2011, were 5.53% of annual salary. The member contribution rate will increase to 6.00% effective July 1, 2012. Employer contributions required for fiscal year 2011 were 10.28% of annual salary as required by the June 30, 2008, actuarial valuation. The employer contribution rate will increase to 11.41% effective July 1, 2012.

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

EXHIBIT "H"

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

Fiscal Year	Percentage Contributed		Required Contribution
2011	100%	\$	57,198,714.74
2010	100%	\$	57,802,484.08
2009	100%	\$	58,116,685.22

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

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

**DEFINED CONTRIBUTION PLAN**

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

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

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

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

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

Fiscal Year	Percentage Contributed		Required Contribution
2011	100%	\$	4,201,789.00
2010	100%	\$	6,582,819.00
2009	100%	\$	29,520,396.00

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DEKALB COUNTY BOARD OF EDUCATION  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED JUNE 30, 2011

SCHEDULE "1"

	NONAPPROPRIATED BUDGETS		ACTUAL AMOUNTS
	ORIGINAL (1)	FINAL(1)	
<u>REVENUES</u>			
Property Taxes	\$ 421,526,974.00	\$ 430,820,860.00	\$ 446,762,794.79
Sales Taxes	9,500,000.00	9,500,000.00	10,603,932.83
State Funds	311,085,205.00	312,244,396.00	376,116,922.05
Federal Funds	111,589,372.00	183,250,943.00	152,530,921.20
Charges for Services	6,900,000.00	6,940,300.00	19,036,880.68
Investment Earnings	22,350.00	22,350.00	196,028.63
Miscellaneous	33,705,197.00	35,391,128.00	4,156,787.66
	\$ 894,329,098.00	\$ 978,169,977.00	\$ 1,009,404,267.84
<u>EXPENDITURES</u>			
Current			
Instruction	\$ 547,693,442.00	\$ 600,929,437.91	\$ 616,568,665.55
Support Services			
Pupil Services	34,857,856.00	35,764,901.96	35,895,171.79
Improvement of Instructional Services	46,312,099.00	31,477,332.38	27,406,158.29
Educational Media Services	14,858,093.00	15,418,516.00	14,553,588.76
General Administration	12,332,737.00	24,460,012.32	26,606,047.34
School Administration	59,577,518.00	61,004,372.36	60,248,065.42
Business Administration	4,761,345.00	5,072,328.00	5,361,956.34
Maintenance and Operation of Plant	71,818,815.00	73,332,321.00	75,914,278.92
Student Transportation Services	34,376,665.00	44,568,673.32	44,934,172.05
Central Support Services	15,472,556.00	15,207,067.44	14,994,686.87
Other Support Services	97,000.00	3,015,810.00	1,976,774.81
Enterprise Operations	2,875,500.00	2,875,500.00	
Food Services Operation	44,902,987.00	46,094,616.00	52,174,511.83
Debt Service			2,200,566.13
	\$ 889,936,613.00	\$ 959,220,888.69	\$ 978,834,644.10
Excess of Revenues over (under) Expenditures	\$ 4,392,485.00	\$ 18,949,088.31	\$ 30,569,623.74
<u>OTHER FINANCING SOURCES (USES)</u>			
Sale of Equipment	\$ 2,005.00	\$ 2,005.00	
Other Sources	3,322,250.00	3,322,250.00	
Other Uses	-22,667,562.00	-22,667,562.00	
	\$ -19,343,307.00	\$ -19,343,307.00	
Net Change in Fund Balances	\$ -14,950,822.00	\$ -394,218.69	\$ 30,569,623.74
Fund Balances - Beginning	32,031,856.00	23,849,090.88	23,308,810.30
Fund Balances - Ending	\$ 17,081,034.00	\$ 23,454,872.19	\$ 53,878,434.04

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

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

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, 2011

	International Community School	Destiny Academy of Excellence
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 261,365.00	\$ 114,171.00
Investments		
Accounts Receivable, Net		
State Government		
Other	12,850.00	
Prepaid Items	1,908.00	3,947.00
Capital Assets, Depreciable (Net of Accumulated Depreciation)	223,949.00	29,995.00
Total Assets	\$ 500,072.00	\$ 148,113.00
 <u>LIABILITIES</u>		
Accounts Payable	\$ 68,296.00	\$ 17,916.00
Salaries and Benefits Payable		39,786.00
Contracts Payable		
Long-Term Liabilities		
Due Within One Year	69,531.00	
Total Liabilities	\$ 137,827.00	\$ 57,702.00
 <u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	\$ 154,418.00	\$ 29,995.00
Unrestricted	207,827.00	60,416.00
Total Net Assets	\$ 362,245.00	\$ 90,411.00
Total Liabilities and Net Assets	\$ 500,072.00	\$ 148,113.00

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

Leadership Preparatory Academy	DeKalb Academy of Technology and the Environment	DeKalb PATH Academy	Museum School of Avondale Estates	Total
\$ 114,121.00	\$ 549,285.00	\$ 668,347.00	\$ 254,018.00	\$ 1,961,307.00
		102,365.00		102,365.00
		61,324.00	28,471.00	89,795.00
	146,502.00	72,182.00	38,569.00	270,103.00
720.00	2,324.00	9,583.00	16,230.00	34,712.00
<u>123,963.00</u>	<u>490,021.00</u>	<u>218,342.00</u>	<u>491,835.00</u>	<u>1,578,105.00</u>
<u>\$ 238,804.00</u>	<u>\$ 1,188,132.00</u>	<u>\$ 1,132,143.00</u>	<u>\$ 829,123.00</u>	<u>\$ 4,036,387.00</u>
\$ 10,005.00	\$ 323,765.00	\$ 91,992.00	\$ 42,208.00	\$ 554,182.00
			58,503.00	98,289.00
			119,132.00	119,132.00
	1,177.00			70,708.00
<u>10,005.00</u>	<u>324,942.00</u>	<u>91,992.00</u>	<u>219,843.00</u>	<u>842,311.00</u>
\$ 123,963.00	\$ 488,844.00	\$ 218,342.00	\$ 491,835.00	\$ 1,507,397.00
<u>104,836.00</u>	<u>374,346.00</u>	<u>821,809.00</u>	<u>117,445.00</u>	<u>1,686,679.00</u>
<u>\$ 228,799.00</u>	<u>\$ 863,190.00</u>	<u>\$ 1,040,151.00</u>	<u>\$ 609,280.00</u>	<u>\$ 3,194,076.00</u>
<u>\$ 238,804.00</u>	<u>\$ 1,188,132.00</u>	<u>\$ 1,132,143.00</u>	<u>\$ 829,123.00</u>	<u>\$ 4,036,387.00</u>

DEKALB COUNTY BOARD OF EDUCATION  
 COMBINING STATEMENT OF ACTIVITIES  
 CHARTER SCHOOL COMPONENT UNITS  
 FOR THE YEAR ENDED JUNE 30, 2011

	International Community School	Destiny Academy of Excellence
<u>EXPENSES</u>		
Education	\$ 4,567,741.00	\$ 1,419,650.00
<u>REVENUES</u>		
Program Revenues:		
Charges for Services	\$ 198,056.00	
Operating Grants and Contributions	2,367,866.00	\$ 681,278.00
Total Program Revenues	\$ 2,565,922.00	\$ 681,278.00
Net (Expenses) Revenue	\$ -2,001,819.00	\$ -738,372.00
<u>General Revenues</u>		
Investment Earnings		
Miscellaneous	\$ 1,753,538.00	683,785.00
Total General Revenues	\$ 1,753,538.00	\$ 683,785.00
Change in Net Assets	\$ -248,281.00	\$ -54,587.00
Net Assets - Beginning of Year (Restated)	610,526.00	144,998.00
Net Assets - End of Year	\$ 362,245.00	\$ 90,411.00

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

SCHEDULE "3"

Leadership Preparatory Academy	DeKalb Academy of Technology and the Environment	DeKalb PATH Academy	Museum School of Avondale Estates	Total
\$ 1,492,972.00	\$ 3,766,400.00	\$ 3,010,874.00	\$ 1,388,050.00	\$ 15,645,687.00
\$ 65,770.00	\$ 102,668.00	\$ 233,043.00	\$ 31,280.00	\$ 630,817.00
<u>1,068,892.00</u>	<u>2,378,584.00</u>	<u>1,805,935.00</u>	<u>1,641,137.00</u>	<u>9,943,692.00</u>
\$ 1,134,662.00	\$ 2,481,252.00	\$ 2,038,978.00	\$ 1,672,417.00	\$ 10,574,509.00
<u>-358,310.00</u>	<u>-1,285,148.00</u>	<u>-971,896.00</u>	<u>284,367.00</u>	<u>-5,071,178.00</u>
	\$ 713.00	\$ 1,207.00	\$ 26.00	\$ 1,946.00
<u>588,063.00</u>	<u>1,724,573.00</u>	<u>1,132,789.00</u>	<u>216,023.00</u>	<u>6,098,771.00</u>
<u>588,063.00</u>	<u>1,725,286.00</u>	<u>1,133,996.00</u>	<u>216,049.00</u>	<u>6,100,717.00</u>
\$ 229,753.00	\$ 440,138.00	\$ 162,100.00	\$ 500,416.00	\$ 1,029,539.00
<u>-954.00</u>	<u>423,052.00</u>	<u>878,051.00</u>	<u>108,864.00</u>	<u>2,164,537.00</u>
<u>228,799.00</u>	<u>863,190.00</u>	<u>1,040,151.00</u>	<u>609,280.00</u>	<u>3,194,076.00</u>

DEKALB COUNTY BOARD OF EDUCATION  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED JUNE 30, 2011

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	\$ 50,482,996.59 (1)
Total Child Nutrition Cluster			\$ 50,482,996.59
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	260,462.46
Total U. S. Department of Agriculture			\$ 50,743,459.05
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	\$ 31,909.10
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	\$ 40,558.56
Education for Homeless Children and Youth	84.196	N/A	32,947.62
Total Education of Homeless Children and Youth Cluster			\$ 73,506.18
Educational Technology State Grants Cluster			
Pass-Through From Georgia Department of Education			
ARRA - Education Technology State Grants	84.386	N/A	\$ 1,666,724.23
Education Technology State Grants	84.318	N/A	919,025.60
Total Education Technology State Grants Cluster			\$ 2,585,749.83
School Improvement Grants Cluster			
Pass-Through From Georgia Department of Education			
ARRA - School Improvement Grants	84.388	N/A	\$ 1,312,511.83
School Improvement Grants	84.377	N/A	2,649.41
Total School Improvement Grants Cluster			\$ 1,315,161.24
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
ARRA - Grants to States	* 84.391	N/A	\$ 12,293,295.07
ARRA - Preschool Grants	* 84.392	N/A	422,802.44
Grants to States	* 84.027	N/A	12,943,553.73
Preschool Grants	* 84.173	N/A	345,767.59
Total Special Education Cluster			\$ 26,005,418.83
Title I, Part A Cluster			
Pass-Through From Georgia Department of Education			
ARRA - Title I Grants to Local Educational Agencies	* 84.389	N/A	\$ 13,785,248.18
Title I Grants to Local Educational Agencies	* 84.010	N/A	35,566,446.59
Total Title I, Part A Cluster			\$ 49,351,694.77
Other Programs			
Direct			
Fund for Improvement of Education	84.215		\$ 1,694,074.19
Transition to Teaching	84.350		550,748.30
Pass-Through From Georgia Department of Education			
ARRA - Race-to-the-Top Incentive Grants	84.395	N/A	235,242.00
Career and Technical Education - Basic Grants to States	84.048	N/A	1,356,068.12
Charter Schools	84.282	N/A	404,863.88
Education Jobs Fund	* 84.410	N/A	18,759,992.00
English Language Acquisition Grants	84.365	N/A	2,554,604.85
Improving Teacher Quality State Grants	84.367	N/A	3,174,279.62
Mathematics and Science Partnerships	84.366	N/A	31,472.74

DEKALB COUNTY BOARD OF EDUCATION  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED JUNE 30, 2011

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 Department of Education			
Reading First State Grants	84.357	N/A	\$ 113,259.78
Safe and Drug-Free Schools and Communities - State Grants	84.186	N/A	62,786.95
Special Education			
State Personnel Development	84.323	N/A	42,869.96
Twenty-First Century Community Learning Centers	84.287	N/A	417,155.37
Pass-Through From Georgia Institute of Technology			
College Access Challenge Grant Program	84.378	N/A	30,121.00
Pass-Through From Georgia State University			
Teacher Quality Partnership Grants	84.336	N/A	10,799.00
Transition to Teaching	84.350	N/A	2,907.06
Total Other Programs			\$ 29,441,244.82
Total U. S. Department of Education			\$ 108,772,775.67
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	\$ 3,600.00
Other Programs			
Pass-Through From Georgia Department of Human Resources			
Refugee and Entrant Assistance - Discretionary Grant	93.576	N/A	231,173.08
Total U. S. Department of Health and Human Services			\$ 234,773.08
Justice, U. S. Department of			
Direct			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	\$ 121,154.85
Energy, U. S. Department of			
Direct			
National Aeronautics and Space Administration			
Aerospace Education Services Program	43.001		\$ 89,125.87
Defense, U. S. Department of			
Direct			
Department of the Air Force			
R.O.T.C. Program			\$ 514,221.32
Department of the Army			
R.O.T.C. Program			143,517.34
Department of the Navy			
R.O.T.C. Program			786,871.37
Total U. S. Department of Defense			\$ 1,444,610.03
Total Expenditures of Federal Awards			\$ 161,437,807.65

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 \$6,135,464.38.
- (2) Expenditures for the funds earned on the School Breakfast Program (\$7,830,074.42) were not maintained separately and are included in the 2011 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, 2011

SCHEDULE "5"

<u>AGENCY/FUNDING</u>	<u>GOVERNMENTAL FUND TYPE GENERAL FUND</u>
GRANTS	
Bright From the Start:	
Georgia Department of Early Care and Learning Pre-Kindergarten Program	\$ 8,934,160.01
Education, Georgia Department of Quality Basic Education	
Direct Instructional Cost	
Kindergarten Program	30,943,806.79
Kindergarten Program - Early Intervention Program	1,883,213.78
Primary Grades (1-3) Program	70,497,893.66
Primary Grades - Early Intervention (1-3) Program	4,716,816.79
Upper Elementary Grades (4-5) Program	34,256,715.43
Upper Elementary Grades - Early Intervention (4-5) Program	3,919,654.36
Middle Grades (6-8) Program	1,938,385.76
Middle School (6-8) Program	51,577,600.24
High School General Education (9-12) Program	55,042,040.10
Vocational Laboratory (9-12) Program	7,812,008.52
Students with Disabilities	
Category I	6,749,344.30
Category II	5,758,330.40
Category III	23,785,203.58
Category IV	6,316,171.92
Category V	5,053,130.88
Gifted Student - Category VI	18,350,237.83
Remedial Education Program	1,143,628.70
Alternative Education Program	4,365,895.21
English Speakers of Other Languages (ESOL)	12,799,033.75
Media Center Program	9,673,018.00
20 Days Additional Instruction	2,938,425.00
Staff and Professional Development	1,782,864.00
Indirect Cost	
Central Administration	7,969,229.00
School Administration	19,300,440.00
Facility Maintenance and Operations	22,592,480.00
Categorical Grants	
Pupil Transportation	
Regular	4,688,894.00
Nursing Services	1,355,929.00
Vocational Supervisor	58,539.00
Food Services	1,407,904.58
Vocational Education	999,251.84
Amended Formula Adjustment	-61,457,248.00
Other State Programs	
Charter Schools - Facilities	211,000.00
Dual Enrollment Funding	85,983.00
GNETS State Grant	475,930.71
Health Insurance	1,546,264.76
Math and Science Supplements	768,298.39
Move On When Ready	1,934.00
Preschool Handicapped Program	1,721,624.32
Residential Treatment Centers Grant	124,077.66
Rule 10 Special Education State Grant	145,814.30
Severely Emotionally Disturbed	2,751,781.38
Teachers' Retirement	632,924.77
Virtual Schools Grant	1,225.00
Vocational Construction Related Equipment - State Bonds	35,334.50
Governor's Office of Highway Safety Students Against Drunk Driving	27,709.83
Office of the State Treasurer Public School Employees Retirement	<u>434,021.00</u>
	<u>\$ 376,116,922.05</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, 2011

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	\$ 524,080,408.01	\$ 2,412,908.39	\$ 504,366,150.91	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>584,461,307.67</u>	<u>117,948,252.59</u>	<u>264,969,284.33</u>	Ongoing
	<u>\$ 1,133,864,830.00</u>	<u>\$ 1,108,541,715.68</u>	<u>\$ 120,361,160.98</u>	<u>\$ 769,335,435.24</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.



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DEKALB COUNTY BOARD OF EDUCATION  
 GENERAL FUND - QUALITY BASIC EDUCATION PROGRAM (QBE)  
 ALLOTMENTS AND EXPENDITURES - BY PROGRAM  
 YEAR ENDED JUNE 30, 2011

SCHEDULE "7"

DESCRIPTION	ALLOTMENTS FROM GEORGIA DEPARTMENT OF EDUCATION (1) (2)	ELIGIBLE QBE PROGRAM COSTS		
		SALARIES	OPERATIONS	TOTAL
Direct Instructional Programs				
Kindergarten Program	\$ 38,733,821.00	\$ 32,510,074.16	\$ 136,447.17	\$ 32,646,521.33
Kindergarten Program-Early Intervention Program	2,261,153.00	1,595,270.74		1,595,270.74
Primary Grades (1-3) Program	88,402,707.00	70,709,704.24	1,726,423.49	72,436,127.73
Primary Grades-Early Intervention (1-3) Program	5,904,177.00	3,368,138.24		3,368,138.24
Upper Elementary Grades (4-5) Program	42,826,788.00	43,000,862.63		43,000,862.63
Upper Elementary Grades-Early Intervention (4-5) Program	4,905,068.00	1,701,945.67		1,701,945.67
Middle Grades (6-8) Program	2,414,592.00	11,089,992.45	107,973.01	11,197,965.46
Middle School (6-8) Program	64,369,782.00	57,035,580.64	626,151.11	57,661,731.75
High School General Education (9-12) Program	68,927,667.00	72,442,875.00	2,410,566.53	74,853,441.53
Vocational Laboratory (9-12) Program	9,953,116.00	10,135,589.20	1,050,259.99	11,185,849.19
Students with Disabilities	59,630,643.00			
Category I		45,204,900.97	1,826,883.07	47,031,784.04
Category II		6,394,932.63	11,140.16	6,406,072.79
Category III		20,243,484.87	60,486.33	20,303,971.20
Category IV		2,139,120.03	13,433.63	2,152,553.66
Category V		238,837.50	4,587.36	243,424.86
Gifted Student - Category VI	22,507,580.00	4,660,266.47	9,883.43	4,670,149.90
Remedial Education Program	1,437,607.00	117,408.12		117,408.12
Alternative Education Program	5,458,144.00	1,074,327.44	26,399.04	1,100,726.48
English Speakers of Other Languages (ESOL)	15,641,762.00	11,261,522.28		11,261,522.28
TOTAL DIRECT INSTRUCTIONAL PROGRAMS	\$ 433,374,607.00	\$ 394,924,833.28	\$ 8,010,634.32	\$ 402,935,467.60
Media Center Program	12,351,638.00	12,524,742.04	1,855,264.61	14,380,006.65
Staff and Professional Development	2,288,451.00	1,487,642.02		1,487,642.02
TOTAL QBE FORMULA FUNDS	\$ 448,014,696.00	\$ 408,937,217.34	\$ 9,865,898.93	\$ 418,803,116.27

(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

June 7, 2012

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

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

Ladies and Gentlemen:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of DeKalb County Board of Education as of and for the year ended June 30, 2011, which collectively comprise DeKalb County Board of Education's basic financial statements and have issued our report thereon dated June 7, 2012. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the School District's discretely presented component units (Charter Schools), which include: Leadership Preparatory Academy, DeKalb Academy of Technology and the Environment, DeKalb PATH Academy, Destiny Academy of Excellence, International Community School and the Museum School of Avondale Estates, as described in our report on DeKalb County Board of Education's financial statements. This report does not include the results of other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the DeKalb PATH Academy, International Community School and the Museum School of Avondale Estates (Charter Schools) were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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.

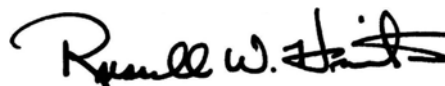
#### Compliance and Other Matters

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 June 7, 2012.

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 cursive.

Russell W. Hinton, CPA, CGFM  
State Auditor

RWH:as  
2011YB-11



## 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

June 7, 2012

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

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

Ladies and Gentlemen:

Compliance

We have audited DeKalb County Board of Education's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2011. 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, 2011.

## Internal Control Over Compliance

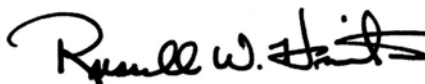
Management of DeKalb County Board of Education is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered DeKalb County 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 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 with a large initial "R" and a long horizontal stroke at the end.

Russell W. Hinton, CPA, CGFM  
State Auditor

RWH:as  
2011SA-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, 2011

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, 2011

**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 Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010, 84.389	Title I, Part A Cluster
84.027, 84.173, 84.391, 84.392	Special Education Cluster
84.410	Education Jobs Fund
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.