



BARROW COUNTY BOARD OF EDUCATION WINDER, GEORGIA

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

(Including Independent Auditor's Reports)



BARROW COUNTY BOARD OF EDUCATION

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SECTION I

FINANCIAL



DEPARTMENT OF AUDITS AND ACCOUNTS

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

May 13, 2011

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
Barrow 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 Barrow County Board of Education, as of and for the year ended June 30, 2010, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Barrow County Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Barrow County Board of Education, as of June 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Barrow County Board of Education has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not to be part of, the basic financial statements.

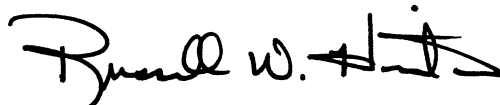
In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2011, on our consideration of the Barrow County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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.

Accounting principles generally accepted in the United States of America require that the Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual, as presented on page 27, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures, to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

BARROW COUNTY BOARD OF EDUCATION

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

EXHIBIT "A"

	<u>GOVERNMENTAL ACTIVITIES</u>
 <u>ASSETS</u>	
Cash and Cash Equivalents	\$ 13,147,935.34
Investments	23,387,337.73
Accounts Receivable, Net	
Interest	86.37
Taxes	4,243,523.31
State Government	5,932,325.16
Federal Government	2,853,178.57
Other	434,085.14
Inventories	127,073.79
Deferred Charges	664,892.17
Capital Assets	
Land	1,993,249.50
Construction in Progress	37,220,741.06
Land Improvements	3,012,502.91
Buildings	117,522,766.61
Equipment	12,526,226.49
Less: Accumulated Depreciation	<u>-34,929,620.80</u>
 Total Assets	 \$ <u><u>188,136,303.35</u></u>
 <u>LIABILITIES</u>	
Accounts Payable	\$ 1,065.79
Salaries and Benefits Payable	12,676,811.74
Payroll Withholdings Payable	1,987,742.01
Interest Payable	1,163,397.30
Retainages Payable	50,000.00
Long-Term Liabilities	
Due Within One Year	8,093,935.39
Due in More Than One Year	<u>56,133,956.71</u>
 Total Liabilities	 \$ <u>80,106,908.94</u>
 <u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	\$ 73,728,788.68
Restricted for	
Continuation of Federal Programs	1,232,397.25
Debt Service	247,479.74
Capital Projects	18,850,106.44
Unrestricted	<u>13,970,622.30</u>
 Total Net Assets	 \$ <u>108,029,394.41</u>
 Total Liabilities and Net Assets	 \$ <u><u>188,136,303.35</u></u>

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

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

EXHIBIT "B"

	EXPENSES	PROGRAM REVENUES		NET (EXPENSES) REVENUES AND CHANGES IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	
GOVERNMENTAL ACTIVITIES				
Instruction	\$ 72,416,019.12	\$ 777,680.20	\$ 46,202,735.04	\$ -25,435,603.88
Support Services				
Pupil Services	3,452,090.62		664,542.91	-2,787,547.71
Improvement of Instructional Services	3,384,315.57		1,911,280.59	-1,473,034.98
Educational Media Services	1,636,026.84		1,294,309.00	-341,717.84
General Administration	1,110,147.57		2,072,599.77	962,452.20
School Administration	6,241,440.29		2,326,430.09	-3,915,010.20
Business Administration	1,409,025.87		2,049.43	-1,406,976.44
Maintenance and Operation of Plant	6,949,513.71		3,143,126.00	-3,806,387.71
Student Transportation Services	4,880,134.90		1,810,506.52	-3,069,628.38
Central Support Services	677,930.73		31,127.97	-646,802.76
Other Support Services	133,802.16		133,966.88	164.72
Operations of Non-Instructional Services				
Enterprise Operations	1,528,710.39	989,774.81		-538,935.58
Community Services	85,686.68			-85,686.68
Food Services	5,651,197.63	1,558,390.32	4,690,852.27	598,044.96
Interest on Short-Term and Long-Term Debt	3,423,545.58			-3,423,545.58
Total Governmental Activities	\$ 112,979,587.66	\$ 3,325,845.33	\$ 64,283,526.47	\$ -45,370,215.86
General Revenues				
Taxes				
Property Taxes				
For Maintenance and Operations				\$ 33,393,019.26
Railroad Cars				12,527.88
Sales Taxes				
Special Purpose Local Option Sales Tax				7,585,782.76
For Capital Projects				558,342.46
Other Sales Tax				
Grants and Contributions not Restricted to Specific Programs				
Investment Earnings				4,307,170.00
Miscellaneous				385,660.79
				<u>1,858,055.27</u>
Total General Revenues				\$ 48,100,558.42
Change in Net Assets				\$ 2,730,342.56
Net Assets - Beginning of Year (Restated)				<u>105,299,051.85</u>
Net Assets - End of Year				\$ <u>108,029,394.41</u>

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

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

EXHIBIT "C"

	<u>GENERAL FUND</u>	<u>DISTRICT- WIDE CAPITAL PROJECTS FUND</u>	<u>DEBT SERVICE FUND</u>	<u>TOTAL</u>
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 4,724,827.73	\$ 8,422,806.41	\$ 301.20	\$ 13,147,935.34
Investments	12,054,346.55	11,332,985.99	5.19	23,387,337.73
Accounts Receivable, Net				
Interest		86.37		86.37
Taxes	3,481,487.28	747,182.08	14,853.95	4,243,523.31
State Government	5,932,325.16			5,932,325.16
Federal Government	2,853,178.57			2,853,178.57
Other	434,085.14			434,085.14
Inventories	<u>127,073.79</u>			<u>127,073.79</u>
Total Assets	<u>\$ 29,607,324.22</u>	<u>\$ 20,503,060.85</u>	<u>\$ 15,160.34</u>	<u>\$ 50,125,545.41</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 1,065.79			\$ 1,065.79
Salaries and Benefits Payable	12,676,811.74			12,676,811.74
Payroll Withholdings Payable	1,987,742.01			1,987,742.01
Retainages Payable		\$ 50,000.00		50,000.00
Deposits and Deferred Revenue	<u>2,263,680.01</u>		<u>\$ 14,800.29</u>	<u>2,278,480.30</u>
Total Liabilities	<u>\$ 16,929,299.55</u>	<u>\$ 50,000.00</u>	<u>\$ 14,800.29</u>	<u>\$ 16,994,099.84</u>
<u>FUND BALANCES</u>				
Reserved for:				
Continuation of Federal Programs	\$ 1,232,397.25			\$ 1,232,397.25
Debt Service		\$ 1,395,716.70	\$ 360.05	1,396,076.75
Capital Projects		19,057,344.15		19,057,344.15
Unreserved				
Designated for Student Activities	996,470.29			996,470.29
Undesignated Reported in:				
General Fund	<u>10,449,157.13</u>			<u>10,449,157.13</u>
Total Fund Balances	<u>\$ 12,678,024.67</u>	<u>\$ 20,453,060.85</u>	<u>\$ 360.05</u>	<u>\$ 33,131,445.57</u>
Total Liabilities and Fund Balances	<u>\$ 29,607,324.22</u>	<u>\$ 20,503,060.85</u>	<u>\$ 15,160.34</u>	<u>\$ 50,125,545.41</u>

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

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

EXHIBIT "D"

Total Fund Balances - Governmental Funds (Exhibit "C") \$ 33,131,445.57

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	\$	1,993,249.50	
Construction in Progress		37,220,741.06	
Land Improvements		3,012,502.91	
Buildings		117,522,766.61	
Equipment		12,526,226.49	
Accumulated Depreciation		<u>-34,929,620.80</u>	
Total Capital Assets			137,345,865.77

Taxes that are not available to pay for current period expenditures are deferred in the funds. 2,278,480.30

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	\$	-60,680,000.00	
Accrued Interest		-1,163,397.30	
Capital Leases Payable		-762,895.08	
Compensated Absences		-403,577.30	
Installment Sales Agreement		-712,809.72	
Unamortized Bond Premiums		-1,668,610.00	
Capitalized Bond and Other Debt Issuance Costs		<u>664,892.17</u>	
Total Long-Term Liabilities			<u>-64,726,397.23</u>

Net Assets of Governmental Activities (Exhibit "A") \$ 108,029,394.41

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

EXHIBIT "E"

	GENERAL FUND	DISTRICT- WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
<u>REVENUES</u>				
Property Taxes	\$ 33,409,943.68		\$ 115.81	\$ 33,410,059.49
Sales Taxes	558,342.46	\$ 7,773,363.16		8,331,705.62
State Funds	50,679,503.86			50,679,503.86
Federal Funds	17,911,192.61			17,911,192.61
Charges for Services	3,325,845.33			3,325,845.33
Investment Earnings	243,918.92	141,416.67	325.20	385,660.79
Miscellaneous	1,779,784.17	77,000.00		1,856,784.17
Total Revenues	\$ 107,908,531.03	\$ 7,991,779.83	\$ 441.01	\$ 115,900,751.87
<u>EXPENDITURES</u>				
Current				
Instruction	\$ 70,392,388.69			\$ 70,392,388.69
Support Services				
Pupil Services	3,369,411.00			3,369,411.00
Improvement of Instructional Services	3,374,974.84			3,374,974.84
Educational Media Services	1,635,264.34			1,635,264.34
General Administration	1,292,457.76	\$ 132,413.99		1,424,871.75
School Administration	6,235,310.23			6,235,310.23
Business Administration	1,210,877.26			1,210,877.26
Maintenance and Operation of Plant	6,702,515.58	21,721.12		6,724,236.70
Student Transportation Services	4,399,571.85			4,399,571.85
Central Support Services	657,376.91			657,376.91
Other Support Services	133,802.16			133,802.16
Enterprise Operations	1,528,710.39			1,528,710.39
Community Services	85,686.68			85,686.68
Food Services Operation	5,555,159.62			5,555,159.62
Capital Outlay		1,329,663.49		1,329,663.49
Debt Services				
Principal	166,524.65	54,938.31	\$ 6,760,000.00	6,981,462.96
Interest	12,984.55	31,218.23	3,142,270.50	3,186,473.28
Total Expenditures	\$ 106,753,016.51	\$ 1,569,955.14	\$ 9,902,270.50	\$ 118,225,242.15
Excess of Revenues over (under) Expenditures	\$ 1,155,514.52	\$ 6,421,824.69	\$ -9,901,829.49	\$ -2,324,490.28
<u>OTHER FINANCING SOURCES (USES)</u>				
Sale of Equipment	\$ 1,271.10			\$ 1,271.10
Transfers In			\$ 8,349,868.04	8,349,868.04
Transfers Out	-312,627.46	\$ -8,037,240.58		-8,349,868.04
Total Other Financing Sources (Uses)	\$ -311,356.36	\$ -8,037,240.58	\$ 8,349,868.04	\$ 1,271.10
Net Change in Fund Balances	\$ 844,158.16	\$ -1,615,415.89	\$ -1,551,961.45	\$ -2,323,219.18
Fund Balances - Beginning	11,833,866.51	22,068,476.74	1,552,321.50	35,454,664.75
Fund Balances - Ending	\$ 12,678,024.67	\$ 20,453,060.85	\$ 360.05	\$ 33,131,445.57

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

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

EXHIBIT "F"

Total Net Change in Fund Balances - Governmental Funds (Exhibit "E") \$ -2,323,219.18

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	\$ 1,668,152.83	
Depreciation Expense	<u>-3,237,898.96</u>	
Excess of Capital Outlay over Depreciation Expense		-1,569,746.13

Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. -192,092.75

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, and disposals) is to decrease net assets. -120,435.99

Bond issuance costs, deferred gains on refundings and similar items when debt is first issued are reported as an expenditure in Governmental Funds, but are reported as deferred charges on the Statement of Net Assets and amortized over the term of the debt, using the straight-line method. The details of this difference in the current period are as follows:

Amortization of Bond Issuance Costs and Gain on Refundings		-183,805.89
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Repayment of Long-Term Debt is reported as an expenditure in Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Assets. In the current year, these amounts consist of:

Bond Principal Retirements	\$ 6,485,000.00	
Capital Lease Payments	441,524.65	
Installment Sales Agreement Payments	<u>54,938.31</u>	
Total Long-Term Debt Repayments		6,981,462.96

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:

Amortization of Bond Premiums	\$ 333,722.00	
Decrease in Compensated Absences	41,529.84	
Increase in Accrued Interest	<u>-237,072.30</u>	
Total Additional Expenditures		<u>138,179.54</u>

Change in Net Assets of Governmental Activities (Exhibit "B") \$ 2,730,342.56

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

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

EXHIBIT "G"

	<u>AGENCY FUNDS</u>
 <u>ASSETS</u>	
Cash and Cash Equivalents	\$ <u>96,850.02</u>
 <u>LIABILITIES</u>	
Funds Held for Others	\$ <u>96,850.02</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 Barrow 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.

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 Barrow 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 all financial resources of the School District, except those resources required to be accounted for in another fund.

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

EXHIBIT "H"

- District-wide Capital Projects Fund accounts for financial resources including Special Purpose Local Option Sales Tax (SPLOST) and Bond Proceeds to be used for the acquisition, construction or renovation of major capital facilities.
- Debt Service Fund accounts for taxes (property and sales) legally restricted for the payment of general long-term principal, interest and paying agent's fees.

The School District reports the following fiduciary fund type:

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

BASIS OF ACCOUNTING

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

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

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

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

The State of Georgia reimburses the School District for teachers' salaries and operating costs through the Quality Basic Education Formula Earnings program (QBE). Generally teachers are contracted for the school year (July 1 - June 30) and paid over a twelve month contract period,

generally September 1 through August 31. In accordance with the respective rules and regulations of the QBE program, the State of Georgia reimburses the School District over the same twelve month period in which teachers are paid. At June 30, the amount of teachers' salaries incurred but not paid until July and August of the subsequent year are accrued. Since the State of Georgia recognizes its QBE liability for the July and August salaries at June 30, the School District recognizes the same QBE as a receivable and revenue, consistent with symmetrical recognition.

NEW ACCOUNTING PRONOUNCEMENTS

In fiscal year 2010, the School District adopted the Governmental Accounting and Standards Board (GASB) Statement No. 51, *Accounting and Reporting for Intangible Assets*. The provisions of this Statement generally require retroactive reporting for intangible assets acquired after June 30, 1980, with the exception of those intangible assets that have indefinite useful lives and those that are considered internally generated. The School District does not have any Intangible Assets as of June 30, 2010.

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

RESTATEMENT OF PRIOR YEAR NET ASSETS

For fiscal year 2010, the School District restated Capital Assets due to an omission. The School District increased buildings and improvements, net of accumulated depreciation by \$592,226.69 for unrecorded items placed in service in prior fiscal years.

The School District also increased beginning net assets by \$848,698.06 for bond issuance costs and gains on refundings that were fully recognized in the year of issuance in prior fiscal years, rather than deferred and amortized over the life of the bonds.

The result is an increase in Net Assets at July 1, 2009, of \$1,440,924.75. This change is in accordance with generally accepted accounting principles.

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

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investments with a maturity at purchase greater than one year are reported at fair value. The Official Code of Georgia Annotated Section 36-83-4 authorizes the School District to invest its funds. In selecting among options for investment or among institutional bids for deposits, the highest rate of return shall be the objective, given equivalent conditions of safety and liquidity. Funds may be invested in the following:

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

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

RECEIVABLES

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

PROPERTY TAXES

The Barrow County Board of Commissioners fixed the property tax levy for the 2009 tax digest year (calendar year) on October 20, 2009 (levy date). Taxes were due on December 20, 2009 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2009 tax digest are reported as revenue in the governmental funds for fiscal year 2010. The Barrow County Tax Commissioner bills and collects the property taxes for the School District, withholds 2.5% of taxes collected as a fee for tax collection and remits the balance of taxes collected to the School District. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2010, for maintenance and operations amounted to \$33,397,415.80 and for school bonds amounted to \$115.81.

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

School Operations

18.5 mills

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SALES TAXES

Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to \$7,773,363.16 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

INVENTORIES

Food Inventories

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

CAPITAL ASSETS

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

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

	Capitalization Policy	Estimated Useful Life
Land	All	N/A
Land Improvements	\$ 5,000.00	20 to 80 years
Buildings and Improvements	\$ 5,000.00	10 to 80 years
Equipment	\$ 5,000.00	3 to 20 years

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

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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 12 days is awarded on a fiscal year basis to all full time personnel employed on a twelve month basis until they have reached 5 fiscal years of service. Between 5 to 10 fiscal years of service, employees earn 15 days and after 10 fiscal years of service they earn 18 days per fiscal year. 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
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
2008	\$ 394,215.62	\$ 389,976.72	\$ 369,532.37	\$ 414,659.97
2009	\$ 414,659.97	\$ 425,397.89	\$ 394,950.72	\$ 445,107.14
2010	\$ 445,107.14	\$ 361,367.69	\$ 402,897.53	\$ 403,577.30

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. In addition, general obligation bonds have been issued to refund existing general obligation bonds. General obligation bonds are direct obligations and pledge the full faith and credit of the government. The outstanding amount of these bonds is recorded in the Statement of Net Assets.

NET ASSETS

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

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

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

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

USE OF ESTIMATES

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

Note 3: DEPOSITS AND INVESTMENTS

COLLATERALIZATION OF DEPOSITS

Official Code of Georgia Annotated (OCGA) Section 45-8-12 provides that there shall not be on deposit at any time in any depository for a 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 (OCGA 45-8-13.1) the aggregate of the market value of the securities pledged to secure a pool of public funds shall be not less than 110 percent of the daily pool balance.

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.

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CATEGORIZATION OF DEPOSITS

At June 30, 2010, the bank balances were \$15,487,886.82. The amounts exposed to custodial credit risk are classified into three categories of custodial credit risk:

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

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

<u>Custodial Credit Risk Category</u>	<u>Bank Balance</u>
1	\$ 0.00
2	7,915,584.67
3	<u>0.00</u>
Total	<u>\$ 7,915,584.67</u>

CATEGORIZATION OF INVESTMENTS

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

<u>Investment Type</u>	<u>Fair Value</u>
Other Investments	
U. S. Treasury Money Market Funds	\$ 11,326,258.64
Investment Pools	
Office of Treasury and Fiscal Services	
Georgia Fund 1	<u>12,017,855.94</u>
Total Investments	<u>\$ 23,344,114.58</u>

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

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

U. S. Treasury Money Market funds of \$207,237.71 are in an Institutional Portfolio Fund managed by Fidelity Investments. The Treasury Portfolio Fund is rated AAAM by Standard and Poor's. The weighted average maturity of the fund is approximately 60 days.

U. S. Treasury Money Market funds of \$11,119,020.93 are in a Fidelity Institutional Treasury Only Fund managed by Regions Bank. This fund is rated AAAM by Standard and Poor's and Aaa by Moody's. The weighted average maturity of the fund is approximately 54 days.

Note 4: NON-MONETARY TRANSACTIONS

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

Note 5: CAPITAL ASSETS

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

	Balances			
	July 1, 2009			Balances
	(Restated)	Increases	Decreases	June 30, 2010
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,993,249.50			\$ 1,993,249.50
Construction Work In Progress	36,255,279.95	\$ 1,248,022.39	\$ 282,561.28	37,220,741.06
Total Capital Assets, Not Being Depreciated	<u>\$ 38,248,529.45</u>	<u>\$ 1,248,022.39</u>	<u>\$ 282,561.28</u>	<u>\$ 39,213,990.56</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	\$ 117,225,683.89	\$ 297,082.72		\$ 117,522,766.61
Equipment	12,575,001.49	405,609.00	\$ 454,384.00	12,526,226.49
Land Improvements	3,012,502.91			3,012,502.91
Less: Accumulated Depreciation:				
Buildings and Improvements	22,424,374.61	2,164,588.02		24,588,962.63
Equipment	7,810,149.50	933,664.59	333,948.01	8,409,866.08
Land Improvements	1,791,145.74	139,646.35		1,930,792.09
Total Capital Assets, Being Depreciated, Net	<u>\$ 100,787,518.44</u>	<u>\$ -2,535,207.24</u>	<u>\$ 120,435.99</u>	<u>\$ 98,131,875.21</u>
Governmental Activity Capital Assets - Net	<u>\$ 139,036,047.89</u>	<u>\$ -1,287,184.85</u>	<u>\$ 402,997.27</u>	<u>\$ 137,345,865.77</u>

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

		Governmental Funds	
		<u> </u>	
Buildings and Improvements	\$	2,805,898.87	
Equipment		954,288.00	
Less: Accumulated Depreciation		<u>694,601.17</u>	
	\$	<u><u>3,065,585.70</u></u>	

Capital assets being acquired under installment sales agreement as of June 30, 2010, are as follows:

		Governmental Funds	
		<u> </u>	
Buildings and Improvements	\$	753,009.54	
Land		90,723.00	
Less: Accumulated Depreciation		<u>14,769.76</u>	
	\$	<u><u>828,962.78</u></u>	

Current year depreciation expense by function is as follows:

Instruction		\$ 2,241,683.78	
Support Services			
Pupil Services	\$	82,679.62	
Improvement of Instructional Services		9,340.73	
Educational Media Services		762.50	
General Administration		60,527.66	
School Administration		6,130.06	
Business Administration		14,342.72	
Maintenance and Operation of Plant		225,277.01	
Student Transportation Services		480,563.05	
Central Support Services		<u>20,553.82</u>	900,177.17
Food Services			<u>96,038.01</u>
	\$		<u><u>3,237,898.96</u></u>

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Note 6: INTERFUND TRANSFERS

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

<u>Transfer to</u>	Transfers From	
	General	District-wide
	Fund	Capital Projects
Debt Service Fund	\$ <u>312,627.46</u>	\$ <u>8,037,240.58</u>

Transfers are used to move property and sales tax revenues collected by the General Fund and the District-wide Capital Projects Fund, respectively, to the Debt Service Fund to pay principal and interest on bonds and to pay agent fees.

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

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

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

	Beginning of Year Liability	Claims and Changes in Estimates	Claims Paid	End of Year Liability
2009	\$ <u>0.00</u>	\$ <u>3,020.46</u>	\$ <u>3,020.46</u>	\$ <u>0.00</u>
2010	\$ <u>0.00</u>	\$ <u>72,301.00</u>	\$ <u>72,301.00</u>	\$ <u>0.00</u>

The School District participates in the Georgia Education Workers' Compensation Trust, a public entity risk pool organized on December 1, 1991, to develop, implement and administer a program of workers' compensation self-insurance for its member organizations. The School District pays an annual premium to the Trust for its general insurance coverage. Additional insurance coverage is provided through an agreement by the Trust with the Midwest Employers Casualty Company to provide coverage for potential losses sustained by the Trust in excess of \$500,000 loss per occurrence, up to \$2,000,000.00.

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

Position Covered	Amount
Superintendent	\$ 100,000.00
All Employees	\$ 100,000.00

Note 8: OPERATING LEASES

Barrow County Board of Education has entered into various leases as lessee for copiers. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the year ended June 30, 2010, amounted to \$201,178.80. There are no remaining future minimum lease payments for these leases.

Note 9: LONG-TERM DEBT

CAPITAL LEASES

On February 1, 2002, the Barrow County Board of Education entered into an agreement with the Winder-Barrow Industrial Building Authority, whereby revenue bonds were issued to finance the cost of acquiring, constructing and equipping a certain consolidated central office and related real and personal property. The Barrow County Board of Education also entered into various lease agreements for school buses. 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.

INSTALLMENT SALES AGREEMENT

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

COMPENSATED ABSENCES

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

GENERAL OBLIGATION DEBT OUTSTANDING

General Obligation Bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
General Government - Refunding - Series 2004	2.87%	\$ 8,805,000.00
General Government - Series 2006	4.00% - 5.00%	<u>51,875,000.00</u>
		<u>\$ 60,680,000.00</u>

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

	Capital Leases				
	Winder-Barrow Industrial Building Authority	Other	Total		
	Balance July 1, 2009	\$ 865,000.00	\$ 339,419.73	\$ 1,204,419.73	
Deductions					
Debt Retired	275,000.00	166,524.65	441,524.65		
Balance June 30, 2010	\$ 590,000.00	\$ 172,895.08	\$ 762,895.08		
Portion of Long-Term Debt Due Within One Year	\$ 290,000.00	\$ 172,895.08	\$ 462,895.08		
	Governmental Funds				
	Installment Sales Agreement	Compensated Absences (1)	General Obligation Bonds	Unamortized Bond Premium	Total
Balance July 1, 2009	\$ 767,748.03	\$ 445,107.14	\$ 67,165,000.00	\$ 2,002,332.00	\$ 71,584,606.90
Additions					
Annual Leave Earned		361,367.69			361,367.69
Deductions					
Annual Leave Utilized		402,897.53			402,897.53
Debt Retired	54,938.31		6,485,000.00		6,981,462.96
Bond Premiums Amortized				333,722.00	333,722.00
Balance June 30, 2010	\$ 712,809.72	\$ 403,577.30	\$ 60,680,000.00	\$ 1,668,610.00	\$ 64,227,892.10
Portion of Long-Term Debt Due Within One Year	\$ 57,318.31	\$ 0.00	\$ 7,240,000.00	\$ 333,722.00	\$ 8,093,935.39

(1) The portion of Compensated Absences due within one year has been determined to be immaterial to the basic financial statements.

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At June 30, 2010, 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			
	Winder-Barrow Industrial Building Authority		Other	
	Principal	Interest	Principal	Interest
	Principal	Interest	Principal	Interest
2011	\$ 290,000.00	\$ 25,665.00	\$ 172,895.08	\$ 6,614.12
2012	300,000.00	13,050.00		
Total Principal and Interest	\$ 590,000.00	\$ 38,715.00	\$ 172,895.08	\$ 6,614.12

<u>Fiscal Year Ended June 30:</u>	Installment Sales Agreement	
	Principal	Interest
2011	\$ 57,318.31	\$ 29,652.89
2012	59,698.31	27,268.43
2013	62,078.31	24,784.99
2014	64,458.31	22,202.54
2015	67,433.31	19,521.06
2016 - 2020	380,998.18	53,183.78
2021 - 2025	20,824.99	866.32
Total Principal and Interest	\$ 712,809.72	\$ 177,480.01

<u>Fiscal Year Ended June 30:</u>	General Obligation Debt		Unamortized Bond Premium
	Principal	Interest	Bond Premium
2011	\$ 7,240,000.00	\$ 2,792,153.50	\$ 333,722.00
2012	7,825,000.00	2,484,861.50	333,722.00
2013	8,390,000.00	2,138,328.00	333,722.00
2014	8,730,000.00	1,767,566.00	333,722.00
2015	9,095,000.00	1,369,725.50	333,722.00
2016 - 2020	19,400,000.00	1,449,550.00	
Total Principal and Interest	\$ 60,680,000.00	\$ 12,002,184.50	\$ 1,668,610.00

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Note 10: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of \$262,192.30 for health insurance and retirement contributions paid on the School District's behalf by the following State Agencies.

Georgia Department of Education
 Paid to the Georgia Department of Community Health
 For Health Insurance of Non-Certified Personnel
 In the amount of \$197,626.31

Paid to the Teachers Retirement System of Georgia
 For Teachers Retirement System (TRS) Employer's Cost
 In the amount of \$19,778.07

Office of Treasury and Fiscal Services
 Paid to the Public School Employees Retirement System
 For Public School Employees Retirement (PSERS) Employer's Cost
 In the amount of \$44,787.92

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, 2010:

Project	Executed Contracts
Apalachee High School	\$ 81,460.00
New Russell Middle School	270,000.00
	\$ 351,460.00

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

Note 12: SIGNIFICANT CONTINGENT LIABILITIES

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

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

On May 21, 2004, a previous workers' compensation insurer of the School District, Cornerstone Mutual Insurance Company, was placed under an order of administrative supervision of the Georgia Department of Insurance and is insolvent. As a result, the School District may be liable for one outstanding workers' compensation claim that was being administered by the company. Due to the nature of the claim, the amount of future liability of the School District is not determinable, however, it is not believed to be material to the basic financial statements.

Note 13: SUBSEQUENT EVENTS

In the subsequent fiscal year, the School District issued general obligation bonds, Series 2010, in the amount of \$38,700,000.00. The proceeds from these bonds will be used for the refunding of a portion of the School District's outstanding General Obligation Series 2006 bonds and to finance the payment of a portion of the costs of the acquisition and purchase of any property necessary and desirable, both real and personal property, including by not limited to, technology and transportation facilities and equipment.

Note 14: POST-EMPLOYMENT BENEFITS

GEORGIA SCHOOL PERSONNEL EMPLOYEES POST-EMPLOYMENT HEALTH BENEFIT FUND

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

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

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

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

For certificated teachers, librarians and regional educational service agencies:

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

For non-certificated school personnel:

July 2009 - June 2010	\$162.72 per member per month plus Department of Education contribution of \$22,838,311.00
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BARROW COUNTY BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2010

EXHIBIT "H"

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

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

Fiscal Year	Percentage Contributed	Required Contribution
2010	100%	\$ 8,496,538.73
2009	100%	\$ 7,386,692.31
2008	100%	\$ 9,061,698.22

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.

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

EXHIBIT "H"

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

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

Fiscal Year	Percentage Contributed	Required Contribution
2010	100%	\$ 6,029,823.33
2009	100%	\$ 5,593,649.98
2008	100%	\$ 5,249,915.48

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

SCHEDULE "1"

	NONAPPROPRIATED BUDGETS		ACTUAL AMOUNTS
	ORIGINAL (1)	FINAL (1)	
REVENUES			
Property Taxes	\$ 34,958,740.52	\$ 34,958,740.52	\$ 33,409,943.68
Sales Taxes	1,058,617.00	1,058,617.00	558,342.46
State Funds	57,457,397.33	58,649,630.33	50,937,798.16
Federal Funds	14,414,812.79	16,932,958.29	17,652,898.31
Charges for Services	2,214,954.31	2,214,954.31	3,325,845.33
Investment Earnings	213,192.75	213,192.75	243,918.92
Miscellaneous	2,350.00	2,350.00	1,779,784.17
Total Revenues	\$ 110,320,064.70	\$ 114,030,443.20	\$ 107,908,531.03
EXPENDITURES			
Current			
Instruction	\$ 74,022,017.22	\$ 75,233,516.66	\$ 70,392,388.69
Support Services			
Pupil Services	3,702,850.66	3,745,838.01	3,369,411.00
Improvement of Instructional Services	3,861,940.63	4,317,512.36	3,374,974.84
Educational Media Services	1,808,801.78	1,808,801.78	1,635,264.34
General Administration	1,110,621.65	1,886,111.07	1,292,457.76
School Administration	6,482,511.54	6,482,597.54	6,235,310.23
Business Administration	1,159,471.91	1,159,471.91	1,210,877.26
Maintenance and Operation of Plant	8,995,130.00	8,993,493.00	6,702,515.58
Student Transportation Services	4,875,723.51	6,073,768.51	4,399,571.85
Central Support Services	628,902.44	623,948.68	657,376.91
Other Support Services	207,252.00	157,936.22	133,802.16
Enterprise Operations	369,875.14	369,875.14	1,528,710.39
Community Services Operations	84,477.00	84,477.00	85,686.68
Food Services Operation	5,480,749.00	5,523,749.00	5,555,159.62
Capital Outlay	129.93	129.93	
Debt Service	2,620.00	2,620.00	179,509.20
Total Expenditures	\$ 112,793,074.41	\$ 116,463,846.81	\$ 106,753,016.51
Excess of Revenues over (under) Expenditures	\$ -2,473,009.71	\$ -2,433,403.61	\$ 1,155,514.52
OTHER FINANCING SOURCES (USES)			
Other Sources	\$ 274,104.00	\$ 274,104.00	\$ 1,271.10
Other Uses	-586,731.50	-586,731.50	-312,627.46
Total Other Financing Sources (Uses)	\$ -312,627.50	\$ -312,627.50	\$ -311,356.36
Net Change in Fund Balances	\$ -2,785,637.21	\$ -2,746,031.11	\$ 844,158.16
Fund Balances - Beginning	10,318,156.80	10,318,156.80	11,833,866.51
Adjustments		586,831.14	
Fund Balances - Ending	\$ 7,532,519.59	\$ 8,158,956.83	\$ 12,678,024.67

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

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

SCHEDULE "2"

FUNDING AGENCY PROGRAM/GRANT	CFDA NUMBER	PASS- THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD
Agriculture, U. S. Department of			
Child Nutrition Cluster			
Pass-Through From Georgia Department of Education			
Food Services			
School Breakfast Program	10.553	N/A	(2)
National School Lunch Program	10.555	N/A	\$ 5,297,191.62 (1)
Total Child Nutrition Cluster			\$ 5,297,191.62
Other Programs			
Pass-Through From Georgia Department of Education			
Food Services			
ARRA - Child Nutrition Discretionary Grants Limited Availability	10.579	N/A	40,010.00
Total U. S. Department of Agriculture			\$ 5,337,201.62
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	\$ 20,658.04
Education for Homeless Children and Youth	84.196	N/A	17,733.83
Total Education of Homeless Children and Youth Cluster			\$ 38,391.87
Education Technology State Grants Cluster			
Pass-Through From Georgia Department of Education			
Education Technology State Grants	84.318	N/A	\$ 10,122.84
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
ARRA - Grants to States	* 84.391	N/A	\$ 891,213.56
ARRA - Preschool Grants	* 84.392	N/A	63,085.57
Grants to States	* 84.027	N/A	2,013,970.41
Preschool Grants	* 84.173	N/A	80,477.44
Total Special Education Cluster			\$ 3,048,746.98
State Fiscal Stabilization Fund Cluster			
Pass-Through From Georgia Department of Education			
ARRA - Education State Grants	* 84.394	N/A	\$ 5,967,449.00
Title I, Part A Cluster			
Pass-Through From Georgia Department of Education			
ARRA - Title I Grants to Local Educational Agencies	* 84.389	N/A	\$ 762,361.68
Title I Grants to Local Educational Agencies	* 84.010	N/A	2,565,429.54
Total Title I, Part A Cluster			\$ 3,327,791.22
Other Programs			
Pass-Through From Georgia Department of Education			
Career and Technical Education - Basic Grants to States	84.048	N/A	\$ 113,917.98
English Language Acquisition Grants	84.365	N/A	168,396.98
Improving Teacher Quality State Grants	84.367	N/A	443,450.04
Migrant Education - State Grant Program	84.011	N/A	20,169.88
Safe and Drug-Free Schools and Communities - State Grants	84.186	N/A	35,537.25
Total Other Programs			\$ 781,472.13
Total U. S. Department of Education			\$ 13,173,974.04

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

SCHEDULE "2"

FUNDING AGENCY PROGRAM/GRANT	CFDA NUMBER	PASS- THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD
Health and Human Services, U. S. Department of Child Care and Development Fund Cluster Pass-Through From Bright From the Start: Georgia Department of Early Care and Learning ARRA - Child Care and Development Block Grant	93.713	N/A	\$ <u>6,000.00</u>
Transportation, U. S. Department of Pass-Through From Georgia Department of Natural Resources Highway Planning and Construction	20.205	N/A	\$ <u>258,294.30</u>
Total Federal Financial Assistance			\$ <u><u>18,775,469.96</u></u>

N/A = Not Available

Notes to the Schedule of Expenditures of Federal Awards

- (1) Includes the Federally assigned value of donated commodities for the Food Donation Program in the amount of \$364,090.60.
- (2) Expenditures for the funds earned on the School Breakfast Program (\$1,185,942.96) were not maintained separately and are included in the 2010 National School Lunch Program.

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

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

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the Barrow 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.

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

SCHEDULE "3"

<u>AGENCY/FUNDING</u>	GOVERNMENTAL FUND TYPE
	GENERAL FUND
GRANTS	
Bright From the Start:	
Georgia Department of Early Care and Learning Pre-Kindergarten Program	\$ 1,222,680.75
Education, Georgia Department of	
Quality Basic Education	
Direct Instructional Cost	
Kindergarten Program	3,887,771.00
Kindergarten Program - Early Intervention Program	806,198.00
Primary Grades (1-3) Program	8,580,805.02
Primary Grades - Early Intervention (1-3) Program	1,206,766.00
Upper Elementary Grades (4-5) Program	4,150,069.61
Upper Elementary Grades - Early Intervention (4-5) Program	748,634.00
Middle School (6-8) Program	7,094,941.00
High School General Education (9-12) Program	5,005,088.37
Vocational Laboratory (9-12) Program	2,626,064.00
Students with Disabilities	
Category I	812,101.00
Category II	573,781.00
Category III	4,081,813.00
Category IV	1,418,191.00
Category V	246,300.00
Gifted Student - Category VI	1,766,949.00
Remedial Education Program	441,507.00
Alternative Education Program	555,360.00
English Speakers of Other Languages (ESOL)	1,486,193.00
Media Center Program	1,294,309.00
20 Days Additional Instruction	392,168.00
Staff and Professional Development	255,622.00
Indirect Cost	
Central Administration	1,446,079.00
School Administration	2,309,879.00
Facility Maintenance and Operations	3,143,126.00
Categorical Grants	
Pupil Transportation	
Regular	1,183,712.00
Nursing Services	204,620.00
Vocational Supervisors	30,409.00
Education Equalization Funding Grant	4,307,170.00
Food Services	217,928.00
Vocational Education	106,299.00
Amended Formula Adjustment	-11,488,809.00
Other State Programs	
Dual Enrollment	8,370.00
Health Insurance	197,626.31
National Teacher Certification	34,730.69
Preschool Handicapped Program	221,765.42
Teachers' Retirement	19,778.07
Virtual Schools Grant	125.00
Natural Resources, Georgia Department of	
2005-06 EPD CMAQ School Bus Retrofit Project	38,595.70
Office of Treasury and Fiscal Services	
Public School Employees Retirement	44,787.92
	\$ 50,679,503.86

See notes to the basic financial statements.

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

SCHEDULE *5*

DESCRIPTION	ALLOTMENTS FROM GEORGIA DEPARTMENT OF EDUCATION (1) (2)	ELIGIBLE QBE PROGRAM COSTS		
		SALARIES	OPERATIONS	TOTAL
Direct Instructional Programs				
Kindergarten Program	\$ 4,561,556.00	\$ 3,859,967.78	\$ 104,046.15	\$ 3,964,013.93
Kindergarten Program-Early Intervention Program	936,081.00	549,679.43	999.76	550,679.19
Primary Grades (1-3) Program	10,796,032.00	8,367,998.17	216,714.63	8,584,712.80
Primary Grades-Early Intervention (1-3) Program	1,409,446.00	1,518,487.30	1,272.38	1,519,759.68
Upper Elementary Grades (4-5) Program	4,916,535.00	5,476,759.32	470,961.61	5,947,720.93
Upper Elementary Grades-Early Intervention (4-5) Program	890,778.00	798,095.84	784.84	798,880.68
Middle School (6-8) Program	8,335,656.00	7,945,355.47	386,497.00	8,331,852.47
High School General Education (9-12) Program	6,377,192.00	6,944,452.18	335,501.93	7,279,954.11
Vocational Laboratory (9-12) Program	3,017,731.00	2,221,096.98	147,292.32	2,368,389.30
Students with Disabilities	8,363,264.00			
Category I			170,411.73	170,411.73
Category II		1,271,853.09	784.00	1,272,637.09
Category III		7,263,382.90	66,160.85	7,329,543.75
Category IV		100,624.70	792.06	101,416.76
Category V		94,319.07	173.91	94,492.98
Gifted Student - Category VI	2,022,057.00	1,884,494.70	1,667.73	1,886,162.43
Remedial Education Program	507,679.00	440,581.20		440,581.20
Alternative Education Program	651,422.00	751,188.88	77,399.28	828,588.16
English Speakers of Other Languages (ESOL)	1,728,018.00	1,709,616.31	1,429.89	1,711,046.20
TOTAL DIRECT INSTRUCTIONAL PROGRAMS	\$ 54,513,447.00	\$ 51,197,953.32	\$ 1,982,890.07	\$ 53,180,843.39
Media Center Program	1,520,139.00	1,480,777.54	149,770.58	1,630,548.12
Staff and Professional Development	302,169.00			149,325.49
TOTAL QBE FORMULA FUNDS	\$ 56,335,755.00	\$ 52,678,730.86	\$ 2,132,660.65	\$ 54,960,717.00

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

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

SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS



DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

May 13, 2011

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
Barrow 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 Barrow County Board of Education as of and for the year ended June 30, 2010, which collectively comprise Barrow County Board of Education's basic financial statements and have issued our report thereon dated May 13, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Barrow 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 Barrow County Board of Education's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Barrow 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.

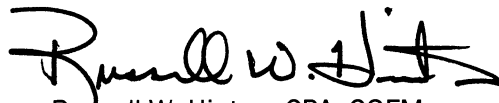
Compliance and Other Matters

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

We noted a certain matter that we have reported to management of Barrow County Board of Education in a separate letter dated May 13, 2011.

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

Respectfully submitted,

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

Russell W. Hinton, CPA, CGFM
State Auditor

RWH:as
2010YB-10



DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

May 13, 2011

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
Barrow 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 Barrow County Board of Education's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2010. Barrow 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 Barrow County Board of Education's management. Our responsibility is to express an opinion on Barrow 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 Barrow 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 Barrow County Board of Education's compliance with those requirements.

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

Internal Control Over Compliance

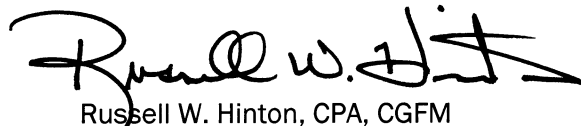
Management of Barrow County Board of Education is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Barrow County 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 Barrow 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 Barrow 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
2010SA-10

SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

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

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV
FINDINGS AND QUESTIONED COSTS

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

I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:
 ■ Material weakness identified? No
 ■ Significant deficiency identified? None Reported

Noncompliance material to financial statements noted: No

Federal Awards

Internal Control over major programs:
 ■ Material weakness identified? No
 ■ Significant deficiency identified? None Reported

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

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

Identification of major programs:

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

Dollar threshold used to distinguish between Type A and Type B programs: \$563,264.10

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.