



DEKALB COUNTY BOARD OF EDUCATION DECATUR, GEORGIA

ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2009

(Including Independent Auditor's Reports)



DEKALB COUNTY BOARD OF EDUCATION

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FINANCIAL



DEPARTMENT OF AUDITS AND ACCOUNTS

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

September 2, 2010

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

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

Ladies and Gentlemen:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information (Exhibits A through H) of the DeKalb County Board of Education, as of and for the year ended June 30, 2009, 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 Academy of Lithonia, DeKalb Academy of Technology and the Environment, DeKalb PATH Academy, Destiny Academy of Excellence and the International Community School Charter Schools, which represent 18.09% and 100% of the assets and revenues, respectively, of the aggregate remaining fund information. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Academy of Lithonia, DeKalb Academy of Technology and the Environment, DeKalb PATH Academy, Destiny Academy of Excellence and the International Community School Charter Schools 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 Academy of Technology and the Environment, DeKalb PATH Academy and the International Community School Charter Schools were not audited in accordance with *Government Auditing Standards*. 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 DeKalb County Board of Education'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, each major fund, and the aggregate remaining fund information of the DeKalb County Board of Education, as of June 30, 2009, 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.

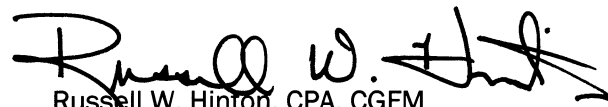
In accordance with *Government Auditing Standards*, we have also issued our report dated September 2, 2010, on our consideration of the DeKalb County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and the Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual, as presented on pages i through viii and page 33 respectively, are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. 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 basic financial statements. The accompanying supplementary information which consist of Schedules 2 through 7, 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 basic financial statements. Such 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 basic financial statements taken 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
2009ARL-12X

DEKALB COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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, 2009. 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 2009 are as follows:

- ❑ In total, net assets increased \$24.8 million to \$1.189 billion. This represents a 2 percent increase from 2008. This total increase was due to governmental activities since the Board has no business-type activities.
- ❑ General revenues accounted for \$605.9 million in revenues or 54.8 percent of all revenues. Program specific revenues in the form of charges for services, operating and capital grants and contributions accounted for \$500.3 million or 45.2 percent of total revenues of \$1.106 billion.
- ❑ The Board had \$1.081 billion in expenses related to governmental activities; \$500.3 million of these expenses were offset by program specific charges for services, grants or contributions.
- ❑ Among major funds, the general fund has \$1.005 billion in revenues and \$1.003 billion in expenditures. The general fund's "Net Change in Fund Balances" decreased by \$10.9 million resulting in a change in the "Total Fund Balances" decreased from \$17.0 million to \$6.1 million for the fiscal year. The fund balance reflects the full accrual of all contracted salaries and benefits unpaid at June 30 in full compliance with GASB 34 regulations.

Using the Basic Financial Statements

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

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

Reporting the Board as a Whole

Statement of Net Assets and the Statement of Activities

While this document includes a number of funds used by the Board to provide programs and activities, a view of the Board as a whole requires looking at all financial transactions to ask the question, "How did we do financially during 2009?" The *Statement of Net Assets* and the *Statement of Activities* answers this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

DEKALB COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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 2009 compared to fiscal year 2008.

DEKALB COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Table 1
Net Assets
(in Thousands)

	Governmental Activities	
	Fiscal Year 2009	Fiscal Year 2008
Assets		
Current and Other Assets	\$ 595,937	\$ 623,374
Capital Assets, Net	1,108,297	1,062,603
Total Assets	\$ 1,704,234	\$ 1,685,977
Liabilities		
Current and Other Liabilities	\$ 156,389	\$ 158,207
Long-Term Liabilities	358,587	363,387
Total Liabilities	\$ 514,976	\$ 521,594
Net Assets		
Invested in Capital Assets, Net of Related Debt	\$ 1,027,654	\$ 1,004,421
Restricted	168,390	160,870
Unrestricted (Deficit)	-6,786	-908
Total Net Assets	\$ 1,189,258	\$ 1,164,383
Total Liabilities and Net Assets	\$ 1,704,234	\$ 1,685,977

Total net assets increased \$24.8 million.

Table 2 shows the changes in net assets for fiscal year 2009 compared to fiscal year 2008.

DEKALB COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Table 2
Change in Net Assets
(in Thousands)

	Governmental Activities	
	Fiscal Year 2009	Fiscal Year 2008
Revenues		
Program Revenues		
Charges for Services and Sales	\$ 20,847	\$ 20,317
Operating Grants and Contributions	478,491	523,736
Capital Grants and Contributions	1,009	17,861
Total Program Revenues	\$ 500,347	\$ 561,914
General Revenues:		
Taxes		
Property Taxes		
For Maintenance and Operations	\$ 489,934	\$ 471,007
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Capital Projects	92,865	104,567
Other Sales Tax	12,649	16,429
Investment Earnings	9,969	25,821
Miscellaneous	4,349	9,341
Special Item		
Loss on Disposal of Capital Assets	-3,852	-7,393
Total General Revenues and Special Item	\$ 605,914	\$ 619,772
Total Revenues	\$ 1,106,261	\$ 1,181,686
Program Expenses		
Instruction	\$ 655,628	\$ 639,222
Support Services		
Pupil Services	31,910	38,157
Improvement of Instructional Services	49,297	56,902
Educational Media Services	17,931	19,757
General Administration	24,554	20,100
School Administration	65,757	68,337
Business Administration	2,011	13,598
Maintenance and Operation of Plant	86,522	85,427
Student Transportation Services	55,650	49,259
Central Support Services	18,845	19,190
Other Support Services	234	416
Operations of Non-Instructional Services		
Enterprise Operations	12	2,667
Community Services	181	
Food Services	52,334	47,410
Interest on Short-Term and Long-Term Debt	20,520	10,057
Total Expenses	\$ 1,081,386	\$ 1,070,499
Increase in Net Assets	\$ 24,875	\$ 111,187

**DEKALB COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Governmental Activities

Instruction, Pupil Services and Improvement of Instructional Services comprises 68.1 percent of governmental program expenses. The Operations of Non-instructional Services amounted to 4.9 percent of the total governmental program expenses. These operations consist primarily of the School Nutrition and Athletics programs.

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 2009 compared to fiscal year 2008. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

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

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>Fiscal Year 2009</u>	<u>Fiscal Year 2008</u>	<u>Fiscal Year 2009</u>	<u>Fiscal Year 2008</u>
Instruction	\$ 655,628	\$ 639,222	\$ 324,899	\$ 242,958
Support Services				
Pupil Services	31,910	38,157	25,956	30,368
Improvement of Instructional Services	49,297	56,902	24,830	39,626
Educational Media Services	17,931	19,757	6,151	7,059
General Administration	24,554	20,100	12,363	8,936
School Administration	65,757	68,337	39,420	42,346
Business Administration	2,011	13,598	1,650	13,252
Maintenance and Operation of Plant	86,522	85,427	54,198	53,373
Student Transportation Services	55,650	49,259	47,547	39,139
Central Support Services	18,845	19,190	15,938	17,196
Other Support Services	234	416	3	156
Operations of Non-Instructional Services				
Enterprise Operations	12	2,667	-234	2,393
Community Services	181		181	
Food Services	52,334	47,410	7,616	1,726
Interest on Short-Term and Long-Term Debt	20,520	10,057	20,520	10,057
Total Expenses	\$ <u>1,081,386</u>	\$ <u>1,070,499</u>	\$ <u>581,038</u>	\$ <u>508,585</u>

Although program revenues make up 45.2 percent of the revenues, the Board is still primarily dependent upon tax revenues for governmental activities. More than 49.5 percent of instruction activities are supported through taxes and other general revenues; for all governmental activities general revenue support is 53.7 percent.

**DEKALB COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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 \$1.134 billion and expenditures and other financing uses of \$1.161 billion. There was a decrease in fund balance of \$16.9 million in the capital project funds due to the increase in construction projects during the year. The general fund had a decrease in fund balance of \$10.9 million. The change in the fund balance of the general fund for the year was due to decreases in budgeted revenue during the year. These decreases in revenue were the result of less state funding and interest earned. 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 \$120 million over the past seven 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 2009, the Board amended its general fund budget as needed. The Board uses site-based budgeting based on FTE student allocations. The budgeting systems are designed to tightly control total sited budgets but provide flexibility for site management.

For the General Fund, final budgeted revenues and other sources of \$1.076 billion were under performed by the actual revenues by \$71 million. This difference was due mainly to less State Funds received due to State budget cuts and removal of budgeted alternative benefit funds from actual revenue amounts. Worse than expected investment earnings were also a factor in the reduced revenue.

Actual expenditures of \$1.003 billion were 3.0 percent less than the final budgeted total of \$1.034 billion. Less than projected instructional salaries contributed to the budget variance.

General Fund expenditures and other financing uses exceeded revenues and other financing sources resulting in a decrease in "Net Change in Fund Balances" of over \$10.9 million for the year. The additional operating cost was a major factor in the decrease in fund balance.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2009, the Board had \$1.108 billion invested in capital assets, all in governmental activities. Table 4 shows fiscal year 2009 balances compared with fiscal year 2008 balances.

DEKALB COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

	Governmental Activities	
	Fiscal	Fiscal
	Year 2009	Year 2008
Land	\$ 41,255	\$ 41,718
Construction In Progress	54,864	94,330
Buildings and Building Improvements	935,033	844,622
Improvements Other than Buildings	27,556	28,586
Equipment	49,589	53,347
Total	\$ 1,108,297	\$ 1,062,603

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

Debt

At June 30, 2009 the Board had \$37.1 million in capital leases. There were \$12.6 million in compensated absences. There is \$300.0 million in general obligation bonds and \$8.9 million in premiums from the fiscal year 2007 bond issue. \$91.9 million of the outstanding debt is due within one year. The Board defeased all of its outstanding General Obligation Bonds in prior years. This defeasance was the culmination of the 1997 Special Purpose Local Option Sales Tax Program with sales tax proceeds being used to enable the Board to become essentially debt free.

Table 5 summarizes capital leases and compensated absences outstanding and compares fiscal year 2009 balances to fiscal year 2008 balances.

Table 5
Debt at June 30
(in Thousands)

	Governmental Activities	
	Fiscal	Fiscal
	Year 2009	Year 2008
Capital Leases	\$ 37,081	\$ 40,038
Compensated Absences	12,645	12,272
General Obligation Bonds	300,000	300,000
Unamortized Bond Premiums	8,861	11,077
Total	\$ 358,587	\$ 363,387

**DEKALB COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

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 \$75.0 million in state funding lost in the current year, state austerity reductions have amounted to nearly \$191.0 million through fiscal year 2010. 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 \$191.0 million since 2003. More than \$103.0 million of the reductions have occurred in fiscal years 2009 and 2010. Year-over-year state revenues have decreased from the 2008 fiscal year to the 2009 fiscal year and from the 2009 fiscal year to the 2010 fiscal year, yet the student population is stable. The trend of declining state revenues will continue into the 2011 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 second 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. Marcus T. Turk, Chief Financial Officer, at the DeKalb County Board of Education, 1701 Mountain Industrial Blvd., Stone Mountain, Georgia, 30083. You may also e-mail your questions to marcus_turk@fc.dekalb.k12.ga.us.

DEKALB COUNTY BOARD OF EDUCATION

DEKALB COUNTY BOARD OF EDUCATION
STATEMENT OF NET ASSETS
JUNE 30, 2009

EXHIBIT "A"

	GOVERNMENTAL ACTIVITIES
 <u>ASSETS</u>	
Cash and Cash Equivalents	\$ 106,462,838.05
Investments	396,853,515.46
Accounts Receivable, Net	
Taxes	18,793,654.98
State Government	53,724,595.96
Federal Government	13,060,215.04
Other	253,960.33
Inventories	5,316,983.73
Prepaid Items	1,437,285.62
Other Current Assets	33,845.00
Capital Assets, Non-Depreciable	96,119,618.21
Capital Assets, Depreciable (Net of Accumulated Depreciation)	1,012,178,187.07
 Total Assets	 \$ 1,704,234,699.45
 <u>LIABILITIES</u>	
Accounts Payable	\$ 21,170,124.66
Salaries and Benefits Payable	108,071,981.35
Interest Payable	6,178,083.33
Contracts Payable	15,554,618.21
Retainages Payable	4,920,524.99
Deferred Revenues	493,837.66
Long-Term Liabilities	
Due Within One Year	91,896,820.49
Due in More Than One Year	266,690,631.71
 Total Liabilities	 \$ 514,976,622.40
 <u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	\$ 1,027,653,697.80
Restricted for	
Continuation of Federal Programs	4,112,972.18
Debt Service	1,651,807.67
Capital Projects	162,625,667.41
Unrestricted (Deficit)	-6,786,068.01
 Total Net Assets	 \$ 1,189,258,077.05
 Total Liabilities and Net Assets	 \$ 1,704,234,699.45

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, 2009

	EXPENSES	CHARGES FOR SERVICES
<u>GOVERNMENTAL ACTIVITIES</u>		
Instruction	\$ 655,627,698.16	\$ 13,340,702.24
Support Services		
Pupil Services	31,909,820.69	
Improvement of Instructional Services	49,297,433.54	
Educational Media Services	17,931,495.80	
General Administration	24,553,803.84	
School Administration	65,756,581.91	
Business Administration	2,010,861.35	
Maintenance and Operation of Plant	86,522,409.24	
Student Transportation Services	55,649,715.14	1,006,530.30
Central Support Services	18,845,389.31	
Other Support Services	233,670.31	
Operations of Non-Instructional Services		
Enterprise Operations	11,983.67	
Community Services	181,307.00	
Food Services	52,334,538.18	6,500,190.94
Interest on Short-Term and Long-Term Debt	20,519,752.25	
	<u>\$ 1,081,386,460.39</u>	<u>\$ 20,847,423.48</u>
General Revenues		
Taxes		
Property Taxes		
For Maintenance and Operations		
For Debt Services		
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Capital Projects		
Other Sales Tax		
Investment Earnings		
Miscellaneous		
Special Items		
Loss on Disposal of Capital Assets (Note 12)		
Total General Revenues and Special Items		
Changes in Net Assets		
Net Assets - Beginning of Year		
Net Assets - End of Year		

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

EXHIBIT "B"

PROGRAM REVENUES		NET (EXPENSES)
OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	REVENUES AND CHANGES IN NET ASSETS
\$ 317,350,745.11	\$ 36,997.06	\$ -324,899,253.75
5,953,652.32		-25,956,168.37
24,466,989.64		-24,830,443.90
11,780,449.25		-6,151,046.55
12,190,859.83		-12,362,944.01
26,336,757.48		-39,419,824.43
360,983.81		-1,649,877.54
32,324,488.53		-54,197,920.71
6,123,660.06	971,993.00	-47,547,531.78
2,907,534.82		-15,937,854.49
230,259.10		-3,411.21
246,442.70		234,459.03
		-181,307.00
38,218,578.85		-7,615,768.39
		-20,519,752.25
<u>\$ 478,491,401.50</u>	<u>\$ 1,008,990.06</u>	<u>\$ -581,038,645.35</u>

\$ 489,933,975.78
21.99

92,864,668.88
12,649,097.22
9,968,910.42
4,349,137.39

-3,852,268.59

\$ 605,913,543.09

\$ 24,874,897.74

1,164,383,179.31

\$ 1,189,258,077.05

DEKALB COUNTY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	<u>GENERAL FUND</u>	<u>DISTRICT- WIDE CAPITAL PROJECTS FUND</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 56,342,561.49	\$ 47,841,682.03
Investments		396,751,810.46
Accounts Receivable, Net		
Taxes	6,300,859.17	12,492,795.81
State Government	53,724,595.96	
Federal Government	13,060,215.04	
Other	221,194.33	
Inventories	5,316,983.73	
Prepaid Items	1,392,179.62	
Other Current Assets		
	<hr/>	<hr/>
 Total Assets	 <u>\$ 136,358,589.34</u>	 <u>\$ 457,086,288.30</u>
 <u>LIABILITIES AND FUND BALANCES</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 17,332,084.27	\$ 2,519,937.39
Salaries and Benefits Payable	108,068,625.35	
Contracts Payable		15,554,618.21
Retainages Payable		4,920,524.99
Deferred Revenue	<u>4,844,972.21</u>	<u>2,793,426.59</u>
	<hr/>	<hr/>
Total Liabilities	<u>\$ 130,245,681.83</u>	<u>\$ 25,788,507.18</u>
 <u>FUND BALANCES</u>		
Reserved for:		
Continuation of Federal Programs	\$ 4,112,972.18	
Debt Service		\$ 7,766,811.47
Capital Projects		423,530,969.65
Unreserved		
Undesignated Reported in:		
General Fund	1,999,935.33	
Nonmajor Governmental Funds		
	<hr/>	<hr/>
Total Fund Balances	<u>\$ 6,112,907.51</u>	<u>\$ 431,297,781.12</u>
	<hr/>	<hr/>
Total Liabilities and Fund Balances	<u>\$ 136,358,589.34</u>	<u>\$ 457,086,288.30</u>

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

EXHIBIT "C"

DEBT SERVICE FUND	NONMAJOR GOVERNMENTAL FUND	TOTAL
\$ 63,079.53	\$ 2,215,515.00	\$ 106,462,838.05
	101,705.00	396,853,515.46
		18,793,654.98
		53,724,595.96
		13,060,215.04
	32,766.00	253,960.33
		5,316,983.73
	45,106.00	1,437,285.62
	33,845.00	33,845.00
<u>63,079.53</u>	<u>2,428,937.00</u>	<u>595,936,894.17</u>
	\$ 1,318,103.00	\$ 21,170,124.66
	3,356.00	108,071,981.35
		15,554,618.21
		4,920,524.99
		7,638,398.80
	<u>1,321,459.00</u>	<u>157,355,648.01</u>
\$ 63,079.53		\$ 4,112,972.18
		7,829,891.00
		423,530,969.65
		1,999,935.33
	\$ 1,107,478.00	1,107,478.00
<u>63,079.53</u>	<u>1,107,478.00</u>	<u>438,581,246.16</u>
<u>63,079.53</u>	<u>2,428,937.00</u>	<u>595,936,894.17</u>

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DEKALB COUNTY BOARD OF EDUCATION
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2009

EXHIBIT "D"

Total Fund Balances - Governmental Funds (Exhibit "C") \$ 438,581,246.16

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

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

Land	\$	41,254,995.61	
Construction in Progress		54,864,622.60	
Land Improvements		30,255,401.65	
Buildings		1,273,352,032.99	
Equipment		94,768,666.67	
Accumulated Depreciation		<u>-386,197,914.24</u>	
Total Capital Assets			1,108,297,805.28

Taxes that are not available to pay for current period expenditures are deferred in the funds. 7,144,561.14

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	\$	-300,000,000.00	
Accrued Interest		-6,178,083.33	
Capital Leases Payable		-37,081,275.33	
Compensated Absences		-12,644,615.89	
Unamortized Bond Premiums		<u>-8,861,560.98</u>	
Total Long-Term Liabilities			<u>-364,765,535.53</u>

Net Assets of Governmental Activities (Exhibit "A") \$ 1,189,258,077.05

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

DEKALB COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2009

	<u>GENERAL FUND</u>	<u>DISTRICT- WIDE CAPITAL PROJECTS FUND</u>
REVENUES		
Property Taxes	\$ 488,376,377.17	
Sales Taxes	12,649,097.22	\$ 90,071,242.29
State Funds	371,074,934.54	
Federal Funds	108,208,071.02	
Charges for Services	20,404,347.48	
Investment Earnings	1,524,816.44	8,431,903.78
Miscellaneous	3,386,540.39	
	<u>1,005,624,184.26</u>	<u>98,503,146.07</u>
Total Revenues	\$ 1,005,624,184.26	\$ 98,503,146.07
EXPENDITURES		
Current		
Instruction	\$ 614,281,593.29	
Support Services		
Pupil Services	31,825,710.69	
Improvement of Instructional Services	48,954,170.30	
Educational Media Services	17,311,951.64	
General Administration	22,668,892.84	
School Administration	64,706,613.91	
Business Administration	6,330,322.99	\$ 400,406.42
Maintenance and Operation of Plant	82,855,374.86	1,664,641.76
Student Transportation Services	46,606,579.89	3,479,453.00
Central Support Services	17,192,039.68	1,600,000.00
Other Support Services	229,787.31	
Enterprise Operations	11,983.67	
Community Services		
Food Services Operation	48,252,282.45	
Capital Outlay	4,706.97	90,608,502.25
Debt Services		
Principal	1,801,813.33	1,275,000.00
Dues and Fees		2,000.00
Interest	176,156.02	1,551,256.25
	<u>1,003,209,979.84</u>	<u>100,581,259.68</u>
Total Expenditures	\$ 1,003,209,979.84	\$ 100,581,259.68
Excess of Revenues over (under) Expenditures	\$ 2,414,204.42	\$ -2,078,113.61
OTHER FINANCING SOURCES (USES)		
Capital Leases	\$ 146,860.66	
Sale of Equipment	11,947.75	
Transfers In		
Transfers Out	\$ -13,473,744.00	\$ -14,827,400.00
	<u>-13,314,935.59</u>	<u>-14,827,400.00</u>
Total Other Financing Sources (Uses)	\$ -13,314,935.59	\$ -14,827,400.00
Net Change in Fund Balances	\$ -10,900,731.17	\$ -16,905,513.61
Fund Balances - Beginning	<u>17,013,638.68</u>	<u>448,203,294.73</u>
Fund Balances - Ending	<u>\$ 6,112,907.51</u>	<u>\$ 431,297,781.12</u>

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

EXHIBIT "E"

DEBT SERVICE FUND	NONMAJOR GOVERNMENTAL FUND	TOTAL
\$ 21.99		\$ 488,376,399.16
	\$ 217,386.00	102,720,339.51
		371,292,320.54
	443,076.00	108,208,071.02
418.20	11,772.00	20,847,423.48
	962,597.00	9,968,910.42
<u>440.19</u>	<u>1,634,831.00</u>	<u>4,349,137.39</u>
\$ 440.19	\$ 1,634,831.00	\$ 1,105,762,601.52
	\$ 9,173,304.00	\$ 623,454,897.29
	84,110.00	31,909,820.69
	86,320.00	49,040,490.30
	31,072.00	17,343,023.64
	1,884,911.00	24,553,803.84
	1,049,968.00	65,756,581.91
	407,613.00	7,138,342.41
	1,435,868.00	85,955,884.62
		50,086,032.89
		18,792,039.68
	3,883.00	233,670.31
		11,983.67
	181,307.00	181,307.00
	192,508.00	48,444,790.45
	93,060.00	90,706,269.22
	45,497.00	3,122,310.33
\$ 2,000.00		4,000.00
<u>14,827,400.00</u>	<u>2,330.00</u>	<u>16,557,142.27</u>
\$ 14,829,400.00	\$ 14,671,751.00	\$ 1,133,292,390.52
\$ -14,828,959.81	\$ -13,036,920.00	\$ -27,529,789.00
	\$ 18,235.00	\$ 165,095.66
		11,947.75
\$ 14,827,400.00	13,473,744.00	28,301,144.00
		-28,301,144.00
<u>14,827,400.00</u>	<u>13,491,979.00</u>	<u>177,043.41</u>
\$ -1,559.81	\$ 455,059.00	\$ -27,352,745.59
<u>64,639.34</u>	<u>652,419.00</u>	<u>465,933,991.75</u>
\$ 63,079.53	\$ 1,107,478.00	\$ 438,581,246.16

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, 2009

EXHIBIT "F"

Total Net Change in Fund Balances - Governmental Funds (Exhibit "E") \$ -27,352,745.59

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	\$	74,101,949.27	
Depreciation Expense		<u>-24,272,441.79</u>	
Excess of Capital Outlay over Depreciation Expense			49,829,507.48

Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 4,350,941.87

In the Statement of Activities, only the gain on the sale of the capital assets is reported, whereas in the Governmental Funds, the entire proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balances by the carrying value of the capital assets sold. -4,134,610.34

Some of the Capital Assets acquired this year were financed with capital leases. In Governmental Funds, a capital lease arrangement is considered a source of financing, but in the Statement of Net Assets, the lease obligation is reported as a Long-Term Liability. -165,095.66

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:

Capital Lease Payments	\$	3,122,310.33	
Amortizations to Bond Premiums		<u>2,215,390.02</u>	
Total Long-Term Debt Repayments			5,337,700.35

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 Increase in Accrued Interest	\$	-6,178,000.00	
Net Increase in Compensated Absences		-372,664.42	
Decrease in Arbitrage Liability		<u>3,559,864.05</u>	
Total Additional Expenditures			<u>-2,990,800.37</u>

Change in Net Assets of Governmental Activities (Exhibit "B") \$ 24,874,897.74

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

DEKALB COUNTY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2009

EXHIBIT "G"

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Accounts Receivable, Net Local	\$ <u>11,000,970.37</u>
<u>LIABILITIES</u>	
Cash Overdraft	\$ 6,960,641.45
Accounts Payable	108,536.89
Contracts Payable	2,011,391.79
Retainage Payable	722,641.83
Funds Held for Others	<u>1,197,758.41</u>
Total Liabilities	\$ <u>11,000,970.37</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 was established under the laws of the State of Georgia and operates under the guidance of a school board elected by the voters and a Superintendent appointed by the Board. The Board is organized as a separate legal entity and has the power to levy taxes and issue bonds. Its budget is not subject to approval by any other entity. Accordingly, the School District is a primary government and consists of all the organizations that compose its legal entity.

BLENDED COMPONENT UNITS

Included within the School District are five 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. The financial statements of the Charter Schools have been blended with the School District's nonmajor governmental funds.

A listing of Charter Schools follows:

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

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

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

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

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

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

District-wide Statements:

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

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

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

Fund Financial Statements:

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

The School District reports the following major governmental funds:

- General Fund is the School District's primary operating fund. It accounts for all financial resources of the School District, except those resources required to be accounted for in another fund.
- District-wide Capital Projects Fund accounts for financial resources including Special Purpose Local Option Sales Tax (SPLOST) and Bond Proceeds to be used for the acquisition, construction or renovation of major capital facilities.
- Debt Service Fund accounts for taxes (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, and grants. 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 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.

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 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 quality risks, custodial credit risks, or interest rate risks.

RECEIVABLES

Receivables consist of amounts due from property 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 2008 tax digest year (calendar year) on June 10, 2008 (levy date). Taxes were due on November 15, 2008 (lien date) and could be paid in two installments on August 15, 2008, and November 15, 2008 (due dates). Taxes collected within the current fiscal year or within 60 days after year-end on the 2008 tax digest are reported as revenue in the governmental funds for fiscal year 2009. 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, 2009, for maintenance and operations amounted to \$488,376,377.17.

The tax millage rate levied for the 2008 tax year (calendar year) for the DeKalb County Board of Education was as follows (a mill equals \$1 per thousand dollars of assessed value):

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

Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to \$90,071,242.29 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, 2009, 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:

	Capitalization Policy	Estimated Useful Life
Land	All	N/A
Land Improvements	\$ 100,000.00	20 to 40 Years
Buildings and Improvements	\$ 100,000.00	50 Years
Improvements Other than Buildings	\$ 100,000.00	50 Years
Equipment		
Outdoor Equipment	\$ 5,000.00	15 to 20 Years
Vehicles	\$ 5,000.00	8 Years
Kitchen Equipment	\$ 5,000.00	15 Years
Computers	\$ 5,000.00	5 Years
Miscellaneous	\$ 5,000.00	7 to 20 Years
Buses	\$ 5,000.00	15 Years

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

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.

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, are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are recognized during the fiscal year bonds are issued. In order to conform to generally accepted accounting principles, bond issuance costs should be reported as deferred charges and amortized over the term of the debt. The effect of this deviation is deemed to be immaterial to the fair presentation of the basic financial statements.

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

NET ASSETS

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

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

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

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

NOTE 3: DEPOSITS AND INVESTMENTS

COLLATERALIZATION OF DEPOSITS

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

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

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

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, 2009, the bank balances were \$104,108,954.38. The amounts exposed to custodial credit risk are classified into three categories as follows:

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

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The School District's deposits by custodial risk category at June 30, 2009, are as follows:

Custodial Credit Risk Category	Bank Balance
1	\$ 0.00
2	0.00
3	84,266,711.75
	\$ 84,266,711.75

CATEGORIZATION OF INVESTMENTS

The School District's investments as of June 30, 2009, 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
Debt Securities		
U. S. Agencies		
Implicitly Guaranteed	\$ 32,047,992.90	\$ 32,047,992.90
Federal Home Loan Banks		
Discount Notes	5,853,856.50	5,853,856.50
	\$ 37,901,849.40	\$ 37,901,849.40
Other Investments		
U.S. Treasury Mutual Funds	135,068,456.48	
Other - Component Units	101,705.00	
Investment Pools		
Office of Treasury and Fiscal Services		
Georgia Fund 1	223,781,504.58	
Total Investments	\$ 396,853,515.46	

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.state.ga.us/internet/searchRpts.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, 2009, was 41 days.

Interest Rate Risk

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

Custodial Credit Risk

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

At June 30, 2009, \$172,970,305.88 of the School District's applicable investments were uninsured and held by the investment's counterparty's trust department or agent, but not in the School District's name.

Credit Quality Risk

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

The investments subject to credit quality risk are reflected below:

<u>Rated Debt Investments</u>	<u>Fair Value</u>	<u>Quality Ratings</u>	
		A1	Unrated
Debt Securities			
U. S. Agencies			
Implicitly Guaranteed	\$ 32,047,992.90		\$ 32,047,992.90
Federal Home Loan Banks			
Discount Notes	5,853,856.50	\$ 5,853,856.50	
Totals by Quality Ratings	\$ 37,901,849.40	\$ 5,853,856.50	\$ 32,047,992.90

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 Mutual Funds and Federal National Mortgage Association, 34% and 8%, 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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EXHIBIT "H"

NOTE 5: CAPITAL ASSETS

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

	Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land and Land Improvements	\$ 41,717,850.61		\$ 462,855.00	\$ 41,254,995.61
Construction Work In Progress	94,330,509.20	\$ 70,752,737.87	110,218,624.48	54,864,622.59
Total Capital Assets, Not Being Depreciated	\$ 136,048,359.81	\$ 70,752,737.87	\$ 110,681,479.48	\$ 96,119,618.20
Capital Assets, Being Depreciated:				
Building and Improvements	\$ 1,168,335,929.70	\$ 110,423,408.58	\$ 5,407,305.29	\$ 1,273,352,032.99
Equipment	94,326,764.47	3,122,026.89	2,680,124.69	94,768,666.67
Land Improvements	30,468,038.00	22,400.40	235,036.75	30,255,401.65
Less: Accumulated Depreciation:				
Building and Improvements	323,713,881.93	16,913,931.93	2,308,804.37	338,319,009.49
Equipment	40,980,191.04	6,506,990.73	2,307,705.01	45,179,476.76
Land Improvements	1,882,110.87	851,519.13	34,202.01	2,699,427.99
Total Capital Assets, Being Depreciated, Net	\$ 926,554,548.33	\$ 89,295,394.08	\$ 3,671,755.34	\$ 1,012,178,187.07
Governmental Activity Capital Assets, Net	\$ 1,062,602,908.14	\$ 160,048,131.95	\$ 114,353,234.82	\$ 1,108,297,805.27

Capital assets being acquired under capital leases as of June 30, 2009, are as follows:

	Governmental Funds
Buildings and Improvements	\$ 38,895,433.10
Equipment	7,543,223.58
Land	
Less: Accumulated Depreciation	5,041,400.99
	\$ 41,397,255.69

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Current year depreciation expense by function is as follows:

Instruction		\$ 18,032,335.48
Support Services		
Improvements of Instructional Services	\$ 107,958.59	
Educational Media Services	332,370.63	
Business Administration	156,651.51	
Maintenance and Operation of Plant	303,803.34	
Student Transportation Services	3,142,382.44	4,043,166.51
Food Services		2,196,939.80
		\$ 24,272,441.79

NOTE 6: RESTRICTED ASSETS

Special Purpose Local Option Sales Tax (SPLOST) proceeds and General Obligation Bond proceeds are restricted assets in the Statement of Net Assets because their use is limited by applicable bond covenants or statutory provisions. Restricted assets at June 30, 2009, were as follows:

	District-wide Capital Projects		Debt
	SPLOST	Bond Proceeds	Service Funds
Restricted Cash and Cash Equivalents:			
Debt Services			\$ 63,079.53
Capital Acquisitions	\$ 34,127,257.12	\$ 13,714,424.91	
Restricted Investments:			
Debt Services	\$ 7,768,811.47		
Capital Acquisitions	\$ 116,287,828.71	\$ 272,695,170.28	

NOTE 7: INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2009, consisted of the following:

Transfer to	Transfers From	
	General Fund	District-Wide Capital Projects
Debt Service Fund		\$ 14,827,400.00
All Others	\$ 13,473,744.00	
Total	\$ 13,473,744.00	\$ 14,827,400.00

Transfers are used (1) to move Federal, State, and miscellaneous revenues collected by the General Fund to the individual charter schools to fund their operations and (2) to move SPLOST revenue collected in Capital Projects to Debt Service to fund the bond interest payment.

NOTE 8: RISK MANAGEMENT

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

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

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

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

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

	Beginning of Year Liability	Claims and Changes in Estimates	Claims Paid	End of Year Liability
2008	\$ 0.00	\$ 3,013,403.10	\$ 3,013,403.10	\$ 0.00
2009	\$ 0.00	\$ 3,203,992.84	\$ 3,203,992.84	\$ 0.00

The School District is self-insured with regard to unemployment compensation claims. The School District accounts for claims within the same fund that the employee's salaries and benefits are paid. Expenses/expenditures and liability are reported 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
2008	\$ 0.00	\$ 242,740.89	\$ 242,740.89	\$ 0.00
2009	\$ 0.00	\$ 116,660.73	\$ 116,660.73	\$ 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 9: 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 also entered into various lease agreements for vehicles, solid waste system, copiers, and laptops. These lease agreements qualify as capital leases for accounting purposes, and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

COMPENSATED ABSENCES

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

Changes in the compensated absences liability for the last three fiscal years are as follows:

	Beginning Liability	Current Year Increase	Current Year Decrease	Ending Liability
2007	\$ 13,333,441.00	\$ 7,353,353.00	\$ 8,982,928.00	\$ 11,703,866.00
2008	\$ 11,703,866.00	\$ 7,703,361.75	\$ 7,135,276.28	\$ 12,271,951.47
2009	\$ 12,271,951.47	\$ 7,737,145.82	\$ 7,364,481.40	\$ 12,644,615.89

GENERAL OBLIGATION DEBT OUTSTANDING

General Obligation Bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
General Government - Series 2007	4.0% - 5.0%	\$ 300,000,000.00

DEKALB COUNTY BOARD OF EDUCATION
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The changes in Long-Term Debt during the fiscal year ended June 30, 2009, were as follows:

	Governmental Funds				
	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009	Due Within One Year
G.O. Bonds	\$ 300,000,000.00			\$ 300,000,000.00	\$ 80,000,000.00
Capital Leases	40,038,490.00	\$ 165,095.66	\$ 3,122,310.33	37,081,275.33	2,681,430.29
Compensated Absences	12,271,951.47	7,737,145.82	7,364,481.40	12,644,615.89	7,000,000.00
Bond Premiums Amortized	11,076,951.00		2,215,390.02	8,861,560.98	2,215,390.20
	<u>\$ 363,387,392.47</u>	<u>\$ 7,902,241.48</u>	<u>\$ 12,702,181.75</u>	<u>\$ 358,587,452.20</u>	<u>\$ 91,896,820.49</u>

At June 30, 2009, payments due by fiscal year which includes principal and interest for these items are as follows:

	Capital Leases	
	Principal	Interest
Fiscal Year Ending June 30:		
2010	\$ 2,681,430.29	\$ 1,581,664.60
2011	2,324,624.72	1,467,285.97
2012	1,490,220.32	1,381,572.61
2013	1,505,000.00	1,306,531.00
2014	1,580,000.00	1,241,256.26
2015 - 2019	8,850,000.00	5,210,378.13
2020 - 2024	10,840,000.00	3,162,025.00
2025 - 2029	7,810,000.00	547,062.50
Total Principal and Interest	<u>\$ 37,081,275.33</u>	<u>\$ 15,897,776.07</u>

	General Obligation Debt		Unamortized Bond Premium
	Principal	Interest	
Fiscal Year Ending June 30:			
2010	\$ 80,000,000.00	\$ 14,827,400.00	\$ 2,215,390.20
2011	85,000,000.00	10,840,900.00	2,215,390.20
2012	85,000,000.00	6,633,650.00	2,215,390.20
2013	50,000,000.00	2,439,750.00	2,215,390.38
Total Principal and Interest	<u>\$ 300,000,000.00</u>	<u>\$ 34,741,700.00</u>	<u>\$ 8,861,560.98</u>

NOTE 10: 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, 2009, \$12,705,000.00 of bonds are outstanding and are considered defeased.

NOTE 11: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of \$8,699,498.02 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 \$7,471,456.76

Paid to the Teachers Retirement System of Georgia
For Teachers Retirement System (TRS) Employer's Cost
In the amount of \$794,020.26

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 \$434,021.00

NOTE 12: SPECIAL ITEMS

During the fiscal year 2009, the School System disposed of certain land, building and equipment related to DeKalb High School of Technology - North. A net loss of \$3,852,268.59 was realized from this disposal as a special item on the Statement of Activities.

NOTE 13: SIGNIFICANT COMMITMENTS

The following is an analysis of significant outstanding construction or renovation contracts executed by the School District as of June 30, 2009, together with funding available:

<u>Project</u>	<u>Unearned Executed Contracts</u>	<u>Funding Available From State</u>
ADA Group A - Gresham Park ES	\$ 75,886.00	
Allgood Elementary School ADA Renovations	2,185.00	
Arabia Mountain HS	6,184.63	\$ 1,231,989.80
Avondale Elementary - Various Renovations	651,328.81	
Bob Mathis Elementary School ADA Renovations	22,299.00	
Cedar Grove HS HVAC	32,043.10	
Champion MS Roof and Chiller Replacement	38,000.00	
Chapel Hill ES Chiller Replacement	69,500.00	
Chesnut Charter ES ADA Mod	363,638.00	
Clarkston HS Renovation	155,258.66	
Concession Stand	688.00	
Coralwood Diagnostic Center Architectural Improvements Project	360,000.00	
Cross Keys High School	11,511,623.29	
DeKalb School of the Arts Relocation and Renovation	2,565,445.18	
Druid Hills High School - Additions and Renovations	10,439,911.72	
Eaglewood Academy Window Replacement	4,800.00	
Energy Audit	98,032.26	
Energy Management System Replacement	948,000.00	
Glen Haven Elementary Renovations	113,581.00	
Henderson Middle School - Renovations and Chalk Boards	46,154.00	
Henderson Mill ES Chiller Replacement	68,764.00	
Huntley Hills ES Renovations	48,150.00	
Idlewood Elementary School Renovation and Parking Lot Addition	245,612.50	
Kingsley Elementary	10,527.00	
Laurel Ridge Elementary School ADA Renovations	67,396.00	
Marbut Elementary School and Bouie Elementary School Multipurpose Building Restroom Additions	225,262.00	
Margaret Harris HS HVAC	1,105,603.00	
McNair High School - Deferred Work	1,541,532.00	
Montgomery Elementary School Parking Lot Addition	212,783.00	
Mountain Industrial Center	5,628,391.33	
Nancy Creek ES Parking, Additions, and Roof	259,019.00	
Panola Way Elementary School Renovations	2,185.00	
Rainbow ES Chiller Replacement	69,500.00	
Redan High School Renovations	5,681,522.20	1,028,288.00
Relocation of DeKalb Elementary School of the Arts	278,713.00	

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Project	Unearned Executed Contracts	Funding Available From State
Sagamore Hills Elementary School		
Roof - See 659419 for rest of contract	\$ 7,731.00	
Sam Moss Center - HVAC and Roof	493,466.14	
Sequoyah Middle School HVAC, Lighting, and Roof	2,520,255.97	
Snapfinger Elementary School		
HVAC, Ceiling, and Lighting Replacement	2,565,112.00	
Stephenson High School Track Replacement	25,953.80	
Stone Mountain HS HVAC and Renovations	4,887,080.90	\$ 1,750,992.00
SW DeKalb HS Painting	163,970.00	
System-wide Mobile Chiller	42,900.00	
Tucker HS Replacement and HVAC	31,806,179.18	13,586,400.00
Vanderlyn ES Renovations	19,060.00	
Wadsworth ES Roof	523,461.00	
Woodward ES Renovations and HVAC	466,553.40	
	<u>\$ 86,471,242.07</u>	<u>\$ 17,597,669.80</u>

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

NOTE 14: SIGNIFICANT CONTINGENT LIABILITIES

ARBITRAGE REBATE TAX

The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt to make payments to the United States Treasury of Investment Income received at yields that exceed the issuer's tax-exempt borrowing rates. The U. S. Treasury requires payment every five years. The School District estimates future liability based on tax exempt debt subject to the Tax Reform Act. The estimated liability is updated annually for any tax-exempt issuances or changes in yields through 2012, at which time payment of the final calculated liability for the five-year period is required to be remitted.

Changes in the estimated arbitrage rebate tax liability during the current fiscal year are as follows:

	Beginning of Year Estimated Liability	Increase in Estimate	Decrease in Estimate	End of Year Estimated Liability
2009	\$ 3,559,864.05	\$ 0.00	\$ 3,559,864.05	\$ 0.00

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 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 15: RELATED PARTY TRANSACTIONS

The School District employed the services of Vincent Pope and Associates, Inc. for various construction projects. This company is owned and operated by Vincent Pope, the husband of Patricia Pope, who is currently the Chief Operations Officer (COO) for the DeKalb County Board of Education. While some of these services were secured by a bid procedure, all were not. Current year expenditures to Vincent Pope and Associates, Inc., totaled \$123,098.51.

In addition, certain contractors employed the services of Vincent Pope and Associates, Inc., as a subcontractor on the School District's McNair Cluster Elementary Project and the Mountain Industrial Center Project.

NOTE 16: POSTEMPLOYMENT BENEFITS

GEORGIA RETIREE HEALTH BENEFIT FUND

Plan Description. The School District contributes to the Georgia Retiree Health Benefit Fund (GRHBF), a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the Department of Community Health. The GRHBF is a cost-sharing multiple-employer defined benefit postemployment healthcare plan that covers retired employees of the State including all departments, agencies and local school systems. GRHBF provides health insurance benefits to eligible retirees and their qualified beneficiaries through the health insurance plan for State employees. Pursuant to Title 45, Chapter 18 of the Official Code of Georgia Annotated, the authority to establish and amend the benefit provisions of the employees' health insurance plan (including benefits to retirees) is assigned to the Board of Community Health (Board). The Department of Community Health issues a publicly available financial report that includes financial statements and required supplementary information for GRHBF. That report may be obtained from the Department of Community Health at 2 Peachtree Street, Atlanta, Georgia 30303.

Funding Policy. The contribution requirements of plan members and participating employers are established 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 twenty-five percent (25%) of the cost of health insurance coverage.

Participating employers are statutorily required to contribute in accordance with the employer contribution rates established by the Board. The contribution rate is established to fund both the active and retired employee health insurance plans based on projected "pay-as-you-go" financing requirements. The combined rates for the active and retiree plans for the fiscal year ended June 30, 2009, were as follows:

Certified Employees

July 2008 - January 2009	18.534% of state-based salaries for August - February coverage
February 2009	8.579% of state-based salaries for March coverage
March 2009 - May 2009	3.688% of state-based salaries for April - June coverage
June 2009	0.000% of state-based salaries for July coverage

Non-Certificated Employees \$162.72 per month

No additional contribution was required by the Board for fiscal year 2009 nor contributed to GRHBF to prefund retiree benefits. Such additional contribution amounts are determined annually by the Board in accordance with the State plan for other postemployment benefits and are subject to appropriation.

The School District's contributions to the health insurance plans for the years ended June 30, 2008, and June 30, 2009, were \$84,954,375.41, and \$59,734,995.39, respectively, which equaled the required contribution.

NOTE 17: RETIREMENT PLANS

TEACHERS RETIREMENT SYSTEM OF GEORGIA (TRS)

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

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

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

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

Funding Policy. TRS is funded by member and employer contributions as adopted and amended by the Board of Trustees. 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, 2009, were 5% of annual salary. The member contribution rate will increase to 5.25% effective July 1, 2009, and to 5.53% effective July 1, 2010. Employer contributions required for fiscal year 2009 were 9.28% of annual salary as required by the June 30, 2006, actuarial valuation. The employer contribution rate will increase to 9.74% effective July 1, 2009, and to 10.28% effective July 1, 2010.

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

<u>Fiscal Year</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>
2009	100%	\$ 58,116,685.22
2008	100%	\$ 57,653,823.38
2007	100%	\$ 55,503,701.12

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DEKALB COUNTY BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2009

SCHEDULE "1"

	NONAPPROPRIATED BUDGETS		ACTUAL AMOUNTS
	ORIGINAL (1)	FINAL (1)	
REVENUES			
Property Taxes	\$ 475,731,277.00	\$ 475,731,277.00	\$ 488,376,377.17
Sales Taxes	17,500,000.00	17,500,000.00	12,649,097.22
State Funds	412,516,486.00	405,749,313.00	371,074,934.54
Federal Funds	90,980,755.00	101,291,191.00	108,208,071.02
Charges for Services	8,225,006.00	8,225,006.00	20,404,347.48
Investment Earnings	4,664,000.00	4,664,000.00	1,524,816.44
Miscellaneous	60,041,449.00	61,575,267.00	3,386,540.39
	\$ 1,069,658,973.00	\$ 1,074,736,054.00	\$ 1,005,624,184.26
EXPENDITURES			
Current			
Instruction	\$ 627,737,667.00	\$ 628,365,803.00	\$ 614,281,593.29
Support Services			
Pupil Services	38,647,086.00	35,902,219.00	31,825,710.69
Improvement of Instructional Services	46,496,413.00	59,405,428.00	48,954,170.30
Educational Media Services	19,428,922.00	19,028,136.00	17,311,951.64
General Administration	11,868,324.00	12,953,445.00	22,668,892.84
School Administration	70,733,259.00	69,855,187.00	64,706,613.91
Business Administration	8,163,223.00	7,112,134.00	6,330,322.99
Maintenance and Operation of Plant	79,336,566.00	78,874,833.00	82,855,374.86
Student Transportation Services	54,076,227.00	51,612,340.00	46,606,579.89
Central Support Services	20,738,598.00	21,572,095.00	17,192,039.68
Other Support Services	3,100.00	234,312.00	229,787.31
Enterprise Operations	2,811,268.00	3,023,268.00	11,983.67
Food Services Operation	45,482,662.00	46,959,720.00	48,252,282.45
Capital Outlay			4,706.97
Debt Services			1,977,969.35
	\$ 1,025,523,315.00	\$ 1,034,898,920.00	\$ 1,003,209,979.84
Excess of Revenues over (under) Expenditures	\$ 44,135,658.00	\$ 39,837,134.00	\$ 2,414,204.42
OTHER FINANCING SOURCES (USES)			
Other Sources	\$ 2,052,279.00	\$ 2,052,279.00	\$ 158,808.41
Other Uses	-47,396,594.00	-47,396,594.00	-13,473,744.00
	\$ -45,344,315.00	\$ -45,344,315.00	\$ -13,314,935.59
Net Change in Fund Balances	\$ -1,208,657.00	\$ -5,507,181.00	\$ -10,900,731.17
Fund Balances - Beginning	58,357,990.00	9,278,092.96	17,013,638.68
Fund Balances - Ending	\$ 57,149,333.00	\$ 3,770,911.96	\$ 6,112,907.51

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

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

The accompanying schedule of revenue, expenditures and changes in the fund balance 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 BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - CHARTER SCHOOLS
 YEAR ENDED JUNE 30, 2009

	Academy of Lithonia	DeKalb Academy of Technology and the Environment
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 323,270.00	\$ 218,103.00
Investments		
Accounts Receivable		
Other	7,185.00	3,189.00
Prepaid Items	11,770.00	
Other Current Assets		33,845.00
Total Assets	\$ 342,225.00	\$ 255,137.00
 <u>LIABILITIES AND FUND BALANCES</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 576,695.00	\$ 163,955.00
Salaries and Benefits Payable	3,356.00	
Total Liabilities	\$ 580,051.00	\$ 163,955.00
 <u>FUND BALANCES</u>		
Unreserved		
Undesignated Reported in:		
Nonmajor Governmental Funds	-237,826.00	91,182.00
Total Liabilities and Fund Balances	\$ 342,225.00	\$ 255,137.00

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

SCHEDULE "2"

DeKalb PATH Academy	Destiny Academy of Excellence	International Community School	Total
\$ 767,171.00	\$ 91,365.00	\$ 815,606.00	\$ 2,215,515.00
101,705.00			101,705.00
380.00		22,012.00	32,766.00
		33,336.00	45,106.00
			<u>33,845.00</u>
<u>\$ 869,256.00</u>	<u>\$ 91,365.00</u>	<u>\$ 870,954.00</u>	<u>\$ 2,428,937.00</u>
\$ 370,239.00	\$ 20,429.00	\$ 186,785.00	\$ 1,318,103.00
			<u>3,356.00</u>
\$ 370,239.00	\$ 20,429.00	\$ 186,785.00	\$ 1,321,459.00
<u>499,017.00</u>	<u>70,936.00</u>	<u>684,169.00</u>	<u>1,107,478.00</u>
<u>\$ 869,256.00</u>	<u>\$ 91,365.00</u>	<u>\$ 870,954.00</u>	<u>\$ 2,428,937.00</u>

DEKALB COUNTY BOARD OF EDUCATION
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS - CHARTER SCHOOLS
 YEAR ENDED JUNE 30, 2009

	Academy of Lithonia	DeKalb Academy of Technology and the Environment
REVENUES		
State Funds		
Charges for Services		\$ 65,048.00
Investment Earnings		
Miscellaneous	\$ 1,115.00	57,509.00
	\$ 1,115.00	122,557.00
Total Revenues	\$ 1,115.00	\$ 122,557.00
EXPENDITURES		
Current		
Instruction	\$ 1,576,441.00	\$ 1,608,029.00
Support Services		
Pupil Services	71,192.00	
Improvement of Instructional Services		
Educational Media Services		
General Administration	413,968.00	551,439.00
School Administration	380,090.00	
Business Administration	226,000.00	
Maintenance and Operation of Plant	703,191.00	393,080.00
Other Support Services		
Community Services		
Food Service Operation		
Capital Outlay	38,592.00	
Debt Services		
Principal		12,713.00
Interest		
	\$ 3,409,474.00	\$ 2,565,261.00
Total Expenditures	\$ 3,409,474.00	\$ 2,565,261.00
Excess of Revenues over (under) Expenditures	\$ -3,408,359.00	\$ -2,442,704.00
OTHER FINANCING SOURCES		
Capital Leases		\$ 18,235.00
Transfers In	\$ 3,619,805.00	2,615,944.00
	\$ 3,619,805.00	2,634,179.00
Total Other Financing Sources	\$ 3,619,805.00	\$ 2,634,179.00
Net Change in Fund Balances	\$ 211,446.00	\$ 191,475.00
Fund Balances - Beginning	-449,272.00	-100,293.00
Fund Balances - Ending	\$ -237,826.00	\$ 91,182.00

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

SCHEDULE "3"

DeKalb PATH Academy	Destiny Academy of Excellence	International Community School	Total
\$ 89,998.00	\$ 44,783.00	\$ 82,605.00	\$ 217,386.00
173,556.00		204,472.00	443,076.00
10,662.00		1,110.00	11,772.00
<u>78,360.00</u>	<u>235,367.00</u>	<u>590,246.00</u>	<u>962,597.00</u>
<u>\$ 352,576.00</u>	<u>\$ 280,150.00</u>	<u>\$ 878,433.00</u>	<u>\$ 1,634,831.00</u>
\$ 2,090,840.00	\$ 1,132,307.00	\$ 2,765,687.00	\$ 9,173,304.00
		12,918.00	84,110.00
		86,320.00	86,320.00
		31,072.00	31,072.00
589,500.00	312,054.00	17,950.00	1,884,911.00
		669,878.00	1,049,968.00
		181,613.00	407,613.00
		339,597.00	1,435,868.00
3,883.00			3,883.00
		181,307.00	181,307.00
		192,508.00	192,508.00
		54,468.00	93,060.00
		32,784.00	45,497.00
		<u>2,330.00</u>	<u>2,330.00</u>
<u>\$ 2,684,223.00</u>	<u>\$ 1,444,361.00</u>	<u>\$ 4,568,432.00</u>	<u>\$ 14,671,751.00</u>
<u>\$ -2,331,647.00</u>	<u>\$ -1,164,211.00</u>	<u>\$ -3,689,999.00</u>	<u>\$ -13,036,920.00</u>
			\$ 18,235.00
<u>\$ 2,386,744.00</u>	<u>\$ 1,091,698.00</u>	<u>\$ 3,759,553.00</u>	<u>\$ 13,473,744.00</u>
<u>\$ 2,386,744.00</u>	<u>\$ 1,091,698.00</u>	<u>\$ 3,759,553.00</u>	<u>\$ 13,491,979.00</u>
\$ 55,097.00	\$ -72,513.00	\$ 69,554.00	\$ 455,059.00
<u>443,920.00</u>	<u>143,449.00</u>	<u>614,615.00</u>	<u>652,419.00</u>
<u>\$ 499,017.00</u>	<u>\$ 70,936.00</u>	<u>\$ 684,169.00</u>	<u>\$ 1,107,478.00</u>

DEKALB COUNTY BOARD OF EDUCATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2009

SCHEDULE "4"

FUNDING AGENCY PROGRAM/GRANT	CFDA NUMBER	PASS- THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD
Agriculture, U. S. Department of			
Child Nutrition Cluster			
Pass-Through From Georgia Department of Education			
Food Services			
School Breakfast Program	* 10.553	N/A	(2)
National School Lunch Program	* 10.555	N/A	\$ <u>46,563,175.23</u> (1)
Total Child Nutrition Cluster			\$ 46,563,175.23
Other Programs			
Pass-Through From Bright From the Start:			
Georgia Department of Early Care and Learning			
Child and Adult Care Food Program	10.558	N/A	<u>274,525.86</u>
Total U. S. Department of Agriculture			\$ <u>46,837,701.09</u>
Corporation for National and Community Service			
Pass-Through From Georgia Department of Education			
Learn and Serve America			
School and Community Based Programs	94.004	N/A	\$ <u>20,173.36</u>
Education, U. S. Department of			
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Grants to States	84.027	N/A	\$ 14,911,598.02
Preschool Grants	84.173	N/A	<u>426,960.94</u>
Total Special Education Cluster			\$ 15,338,558.96
State Fiscal Stabilization Fund Cluster			
Pass-Through from Georgia Department of Education			
ARRA - Education State Grant	* 84.394	N/A	8,975,848.00
Title I, Part A Cluster			
Pass-Through from Georgia Department of Education			
Title I - Grants to Local Educational Agencies	84.010	N/A	34,596,531.95
Other Programs			
Direct			
Fund for the Improvement of Education	84.215		1,885,891.98
Transition to Teaching	84.350		472,846.74
Pass-Through From Georgia Department of Education			
Career and Technical Education - Basic Grants to States	84.048	N/A	1,068,927.21
Charter Schools	84.282	N/A	34,895.09
Education for Homeless Children and Youth	84.196	N/A	29,396.52
Education Technology State Grants	84.318	N/A	407,648.65
English Language Acquisition Grants	84.365	N/A	1,420,786.04
Improving Teacher Quality State Grants	* 84.367	N/A	3,344,951.49
Mathematics and Science Partnerships	84.366	N/A	330,598.47
Reading First State Grants	84.357	N/A	738,338.04
Safe and Drug-Free Schools and Communities - State Grants	84.186	N/A	493,333.72
State Grants for Innovative Programs	84.298	N/A	29,598.84
Twenty-First Century Community Learning Centers	84.287	N/A	185,746.32
Pass-Through From Georgia Department of Human Resources			
Safe and Drug-Free Schools and Communities - State Grant	84.186	N/A	66,198.52
Pass-Through From Georgia State University			
Teacher Quality Partnership Grants	84.336	N/A	<u>83,960.34</u>
Total U. S. Department of Education			\$ <u>69,504,056.88</u>

DEKALB COUNTY BOARD OF EDUCATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2009

SCHEDULE "4"

<u>FUNDING AGENCY PROGRAM/GRANT</u>	<u>CFDA NUMBER</u>	<u>PASS- THROUGH ENTITY ID NUMBER</u>	<u>EXPENDITURES IN PERIOD</u>
Health and Human Services, U. S. Department of Pass-Through From Georgia Department of Human Resources Refugee and Entrant Assistance - Discretionary Grants	93.576	N/A	\$ <u>208,176.10</u>
Justice, U. S. Department of Direct Edward Byrne Memorial Formula Grant Program	16.738		\$ <u>39,420.04</u>
Energy, U.S. Department of Direct National Aeronautics and Space Administration Aerospace Education Services Program	43.001		\$ <u>75,908.93</u>
Defense, U. S. Department of Direct Department of the Air Force R.O.T.C. Program			\$ 647,752.06
Department of the Army R.O.T.C. Program			161,039.32
Department of the Navy R.O.T.C. Program			937,603.13
Department of the Marine R.O.T.C. Program			<u>1,422.89</u>
Total U. S. Department of Defense			\$ <u>1,747,817.40</u>
Total Federal Financial Assistance			\$ <u><u>118,433,253.80</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 \$2,204,731.57.
- (2) Expenditures for the funds earned on the School Breakfast Program (\$7,460,892.06) were not maintained separately and are included in the 2009 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, 2009

SCHEDULE "5"

AGENCY/FUNDING	GOVERNMENTAL FUND TYPES		TOTAL
	GENERAL FUND	NONMAJOR FUND	
GRANTS			
Bright From the Start:			
Georgia Department of Early Care and Learning Pre-Kindergarten Program	\$ 8,940,641.88		\$ 8,940,641.88
Community Affairs, Georgia Department of Local Assistance Grant	36,997.06		36,997.06
Education, Georgia Department of Quality Basic Education			
Direct Instructional Cost			
Kindergarten Program	26,673,189.00		26,673,189.00
Kindergarten Program - Early Intervention Program	1,675,609.00		1,675,609.00
Primary Grades (1-3) Program	63,317,075.00		63,317,075.00
Primary Grades - Early Intervention (1-3) Program	4,431,029.00		4,431,029.00
Upper Elementary Grades (4-5) Program	29,464,319.00		29,464,319.00
Upper Elementary Grades - Early Intervention (4-5) Program	3,949,447.00		3,949,447.00
Middle Grades (6-8) Program	1,795,498.00		1,795,498.00
Middle School (6-8) Program	45,243,512.00		45,243,512.00
High School General Education (9-12) Program	50,148,844.00		50,148,844.00
Vocational Laboratory (9-12) Program	8,116,991.00		8,116,991.00
Students with Disabilities			
Category I	7,152,092.00		7,152,092.00
Category II	5,796,010.00		5,796,010.00
Category III	23,288,337.00		23,288,337.00
Category IV	5,367,082.00		5,367,082.00
Category V	961,284.00		961,284.00
Gifted Student - Category VI	13,611,801.00		13,611,801.00
Remedial Education Program	227,318.00		227,318.00
Alternative Education Program	3,937,834.00		3,937,834.00
English Speakers of Other Languages (ESOL)	8,867,810.00		8,867,810.00
Media Center Program	8,740,766.00		8,740,766.00
20 Days Additional Instruction	2,669,512.00		2,669,512.00
Staff and Professional Development	1,729,323.00		1,729,323.00
Indirect Cost			
Central Administration	7,089,969.00		7,089,969.00
School Administration	17,663,033.00		17,663,033.00
Facility Maintenance and Operations	22,077,997.00		22,077,997.00
Categorical Grants			
Pupil Transportation			
Regular	4,913,792.00		4,913,792.00
Bus Replacement	971,993.00		971,993.00
Nursing Services	1,560,647.00		1,560,647.00
Vocational Supervisors	67,797.00		67,797.00
Mid-term Adjustment Hold-Harmless	2,763,141.00		2,763,141.00
Food Services	2,136,644.00		2,136,644.00
Vocational Education	661,791.65		661,791.65
Amended Formula Adjustment	-32,276,470.00		-32,276,470.00
Other State Programs			
Alternative Program	43,800.00		43,800.00
Charter Schools	229,998.00		229,998.00
Charter Schools - Facilities Grant		\$ 99,998.00	99,998.00
Charter Schools - Implementation		34,783.00	34,783.00
Graduation Coaches	2,641,227.00		2,641,227.00
Health Insurance	7,471,456.76		7,471,456.76
National Teacher Certification	425,843.66		425,843.66
Preschool Handicapped Program	1,834,626.35		1,834,626.35
Residential Treatment Centers Grant	13,492.00		13,492.00
Rule 10 Special Education State Grant	19,959.51		19,959.51
Second Step	29,386.00		29,386.00
Severely Emotionally Disturbed	3,323,022.00		3,323,022.00
Teachers' Retirement	794,020.26		794,020.26
Virtual Schools Grant	800.00		800.00

DEKALB COUNTY BOARD OF EDUCATION
 SCHEDULE OF STATE REVENUE
 YEAR ENDED JUNE 30, 2009

SCHEDULE "5"

AGENCY/FUNDING	GOVERNMENTAL FUND TYPES		TOTAL
	GENERAL FUND	NONMAJOR FUND	
GRANTS			
Governor's Office for Children and Families Children and Youth Coordination Council Empowered Youth Excel	\$ 13,411.96		\$ 13,411.96
Governor's Office of Highway Safety Georgia Department of Highway Safety Students Against Drunk Driving	27,214.45		27,214.45
Human Resources, Georgia Department of After School Grant		\$ 82,605.00	82,605.00
Office of Treasury and Fiscal Services Public School Employees Retirement	434,021.00		434,021.00
	<u>\$ 371,074,934.54</u>	<u>\$ 217,386.00</u>	<u>\$ 371,292,320.54</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, 2009

SCHEDULE "6"

<u>PROJECT</u>	<u>ORIGINAL ESTIMATED COST (1)</u>	<u>CURRENT ESTIMATED COSTS (2)</u>	<u>AMOUNT EXPENDED IN CURRENT YEAR (3)</u>	<u>AMOUNT EXPENDED IN PRIOR YEARS (3)</u>	<u>PROJECT STATUS</u>
Property acquisition, construction and equipping a minimum of eight (8) new schools and two (2) new centers; renovations, modifications, additions and equipment for existing schools; acquisition and installation of information systems hardware and infrastructure at all schools and selected other facilities; purchase of both new school buses and school buses currently under lease.	\$ 524,404,330.00	\$ 538,649,066.80	\$ 16,434,940.83	\$ 479,633,725.49	Ongoing
Property acquisition, renovations and expansion, construction and equipping, roofing, site improvements of new and existing schools; acquisition of buses, technology-media center upgrades, HVAC systems, roofing, school improvement projects throughout the district, technology additions, renovations and upgrades, transportation improvements and site acquisitions; paying capitalized interest on General Obligation Bonds.	<u>609,460,500.00</u>	<u>609,460,500.00</u>	<u>97,375,718.85</u>	<u>29,959,784.87</u>	Ongoing
	<u>\$ 1,133,864,830.00</u>	<u>1,148,109,566.80</u>	<u>113,810,659.68</u>	<u>509,593,510.36</u>	

- (1) The School District's original cost estimate as specified in the resolution calling for the imposition of the Local Option Sales Tax.
- (2) The School District's current estimate of total cost for the projects. Includes all cost from project inception to completion.
- (3) The voters of DeKalb County approved the imposition of a 1% sales tax to fund the above projects and retire associated debt. Amounts expended for these projects may include sales tax proceeds, state, local property taxes and/or other funds over the life of the projects.

See notes to the basic financial statements.

DEKALB COUNTY BOARD OF EDUCATION
GENERAL FUND - QUALITY BASIC EDUCATION PROGRAM (QBE)
ALLOTMENTS AND EXPENDITURES BY PROGRAM
YEAR ENDED JUNE 30, 2009

SCHEDULE "7"

DESCRIPTION	ALLOTMENTS FROM GEORGIA DEPARTMENT OF EDUCATION (1) (2)	ELIGIBLE QBE PROGRAM COSTS		
		SALARIES	OPERATIONS	TOTAL
Direct Instruction Programs				
Kindergarten Program	\$ 35,508,625.00	\$ 34,930,251.74	\$ 236,640.54	\$ 35,166,892.28
Kindergarten Program-Early Intervention Program	2,327,147.00	407,550.88		407,550.88
Primary Grades (1-3) Program	84,270,635.00	74,248,738.30	1,685,474.11	75,934,212.41
Primary Grades-Early Intervention (1-3) Program	6,312,481.00	5,581,788.38		5,581,788.38
Upper Elementary Grades (4-5) Program	39,107,086.00	43,034,779.06		43,034,779.06
Upper Elementary Grades-Early Intervention (4-5) Program	5,288,514.00	264,145.15		264,145.15
Middle Grades (6-8) Program	2,343,586.00	17,047,046.40	135,620.25	17,182,666.65
Middle School (6-8) Program	60,538,303.00	58,211,381.99	653,659.55	58,865,041.54
High School General Education (9-12) Program	66,628,823.00	69,800,484.22	1,854,209.83	71,654,694.05
Vocational Laboratory (9-12) Program	11,281,561.00	10,182,238.09	1,744,588.94	11,926,827.03
Students with Disabilities	57,245,100.00			
Category I		41,015,287.67	2,032,203.71	43,047,491.38
Category II		5,101,118.77	14,701.96	5,115,820.73
Category III		22,938,701.70	79,579.98	23,018,281.68
Category IV		3,620,798.34	19,714.93	3,640,513.27
Category V		279,107.63	44,214.13	323,321.76
Gifted Student - Category VI	18,440,594.00	9,113,613.16	6,127.35	9,119,740.51
Remedial Education Program	378,803.00	2,385,980.44		2,385,980.44
Alternative Education Program	5,266,354.00	1,498,486.17	32,738.81	1,531,224.98
English Speakers of Other Languages (ESOL)	11,539,576.00	9,637,660.14		9,637,660.14
TOTAL DIRECT INSTRUCTIONAL PROGRAMS	\$ 406,477,188.00	\$ 409,299,158.23	\$ 8,539,474.09	\$ 417,838,632.32
Media Center Program	11,658,586.00	15,065,175.03	1,944,255.87	17,009,430.90
Staff and Professional Development	2,920,807.00	1,724,537.44		1,724,537.44
TOTAL QBE FORMULA FUNDS	\$ 421,056,581.00	\$ 426,088,870.70	\$ 10,483,729.96	\$ 436,572,600.66

(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

September 2, 2010

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

**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, 2009, which collectively comprise DeKalb County Board of Education's basic financial statements and have issued our report thereon dated September 2, 2010. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Academy of Lithonia, DeKalb Academy of Technology and the Environment, DeKalb PATH Academy, Destiny Academy of Excellence and International Community School (Charter Schools), 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 separately by those auditors. The financial statements of the DeKalb Academy of Technology and the Environment, DeKalb PATH Academy, and International Community School were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A *control deficiency* 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the DeKalb County Board of Education's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the DeKalb County Board of Education's financial statements that is more than inconsequential will not be prevented or detected by the DeKalb County Board of Education's internal control. We consider item FS-6441-09-01 in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the DeKalb County Board of Education's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily disclose all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider item FS-6441-09-01 to be a material weakness.

Compliance and Other Matters

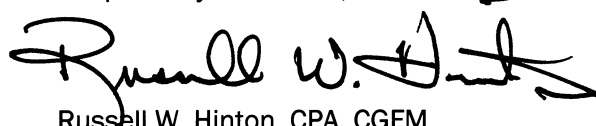
As part of obtaining reasonable assurance about whether DeKalb County Board of Education's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct 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 September 2, 2010.

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

This report is intended solely for the information and use of the finance 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 fluid and cursive, with a prominent initial "R" and a long, sweeping tail.

Russell W. Hinton, CPA, CGFM
State Auditor

RWH:as
2009YB-41X



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

September 2, 2010

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

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

Ladies and Gentlemen:

Compliance

We have audited the compliance of DeKalb County Board of Education with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2009. 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 requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of DeKalb County Board of Education is responsible for establishing and maintaining effective internal control over compliance with 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 requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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.

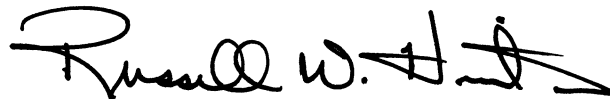
A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the entity's internal control.

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

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

Respectfully submitted,

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

Russell W. Hinton, CPA, CGFM
State Auditor

RWH:as
2009SA-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, 2009

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

<u>FINDING CONTROL NUMBER</u>	<u>AUDITEE'S RESPONSE/STATUS</u>	<u>SEE AUDITOR'S COMMENTS</u>
FA-6441-06-01	Further Action Not Warranted See Corrective Action/Responses	(1)

CORRECTIVE ACTION/RESPONSES

ACTIVITIES ALLOWED OR UNALLOWED
Inadequate Internal Control Procedures
U. S. Department of Education
Through Georgia Department of Education
Hurricane Education Recovery Act (CFDA 84.938)
Finding Control Number: FA-6441-06-01

The Board is awaiting a review from Georgia Department of Education.

AUDITOR'S COMMENTS

(1) Finding has been previously reported as awaiting resolution from the pass-through entity. Georgia Department of Education is reviewing this matter to determine if these funds were used properly or a refund is appropriate. Further audit action is not deemed warranted.

SECTION IV
FINDINGS AND QUESTIONED COSTS

DEKALB COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

I SUMMARY OF AUDITOR'S RESULTS

1. Type of Report Issued on the Financial Statements

The auditor's opinion on the DeKalb County Board of Education's financial statements was unqualified.

2. Significant Deficiencies in Internal Control Disclosed by the Audit of the Financial Statements

The audit report for the DeKalb County Board of Education disclosed a financial statement significant deficiency related to the following control category.

Accounting Controls (Overall)

The significant deficiency described above is considered to be a material weakness.

3. Noncompliance Material to the Financial Statements

The audit of the DeKalb County Board of Education disclosed no instances of noncompliance that were deemed to be material to the financial statements.

4. Significant Deficiencies in Internal Control Over Major Programs

The audit report for the DeKalb County Board of Education did not disclose any significant deficiencies in internal control over major programs.

5. Type of Report Issued on Compliance for Major Programs

The auditor's opinion on the DeKalb County Board of Education's report on compliance with requirements applicable to major programs was unqualified.

6. Audit Findings Required to be Reported by Section .510(a) of OMB Circular A-133

The DeKalb County Board of Education's audit did not disclose audit findings required to be reported by section .510(a) of OMB Circular A-133.

7. Major Programs

Federal awards audited as major programs are as follows:

10.553	Food Services - School Breakfast Program
10.555	Food Services - National School Lunch Program
84.367	Improving Teacher Quality State Grants
84.394	ARRA - Education State Grants

8. Type "A" Program Dollar Threshold

The dollar threshold for type "A" programs was \$3,000,000.00.

9. Low Risk Auditee

The DeKalb County Board of Education qualified as a low risk auditee as defined by Section .530 of OMB Circular A-133.

DEKALB COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

ACCOUNTING CONTROLS (OVERALL)

Inadequate Internal Controls over Construction Projects

Material Weakness

Finding Control Number: FS-6441-09-01

Condition: The School District's control environment does not provide for an adequate framework for effective internal control over financial reporting related to major construction projects.

Criteria: The Committee of Sponsoring Organizations of the Treadway Commission (COSO) *Internal Control – Integrated Framework* states that "the control environment is the foundation upon which all other components of internal control are based, and sets the tone of an organization." COSO lists seven principles to establishing a strong control environment. Among the seven principles are as follows:

1. Sound integrity and ethical values, particularly of top management, should be developed and understood, which sets the standard of conduct for financial reporting.
2. An audit committee should be established that understands and exercises oversight responsibility related to financial reporting and related internal control.
3. An organizational structure that supports effective internal control over financial reporting should be established.
4. Management and employees should be assigned appropriate levels of authority and responsibility to facilitate effective internal control over financial reporting.

Questioned Cost: N/A

Information: The following weaknesses in the School District's control environment were noted:

1. It appears sound integrity and ethical values were not being expressed in day to day actions, decision making, and interactions with external parties by the School District's Superintendent, Chief Operations Officer (COO) and the Administrative Assistant to the COO. These individuals have been indicted on charges related to conspiring to award construction contracts to certain vendors by applying questionable bid practices related to construction projects and approving inappropriate change orders to construction contracts.

DEKALB COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

ACCOUNTING CONTROLS (OVERALL)

Inadequate Internal Controls over Construction Projects

Material Weakness

Finding Control Number: FS-6441-09-01

Also, included in the indictment is the improper use of a School District purchasing card by the Superintendent, the approval of improper overtime pay by the COO, the solicitation and receipt of gifts from construction contractors by the Superintendent and COO, and the improper purchase of School District property by the Superintendent and COO.

2. The School District has not established an audit committee that understands and exercises oversight responsibility related to financial reporting and related internal control.
3. The School District has not established an adequate organizational structure that supports effective internal control over financial reporting. An internal audit function that reports directly to the Superintendent, with direct access to the audit committee, has not been established.
4. The School District has not adequately assigned appropriate levels of authority and responsibility to facilitate effective internal control over financial reporting. The authorities and responsibilities of the COO have not been appropriately assigned in a manner that establishes an appropriate balance between the authority needs to "get the job done" and the need to maintain adequate internal control over key processes.

Inadequate segregation of duties exist due to the fact that the COO has input in the development of RFP requirements, determines the RFP scoring criteria, sits on the bid committee that awards construction contracts, and maintains custody of RFP and bid documentation received from vendors.

The established level of authority allowed the COO to override normal bid and change order procedures. A review of current year change orders noted nine (9) change orders related to the Peachtree Charter Middle School project that did not receive the required approval from the Superintendent. Work was performed on seven (7) additional change orders related to the Peachtree Charter Middle School project before being approved by the Superintendent. In addition, three (3) change orders in excess of \$100,000.00 for the Mountain Industrial Center project changed the scope of the signed contract. Therefore, these change orders should have been bid out as separate projects in accordance with Official Code of Georgia Annotated (O.C.G.A.) §20-2-520.

DEKALB COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

ACCOUNTING CONTROLS (OVERALL)

Inadequate Internal Controls over Construction Projects

Material Weakness

Finding Control Number: FS-6441-09-01

The established level of authority also allowed the COO to impose limitations on the Accounting Department personnel's ability to access construction project documentation. Therefore, personnel with responsibilities over the general ledger, reporting significant construction commitments, and maintaining capital asset records did not have an appropriate level of authority to facilitate effective internal control.

Cause: The School District's former personnel, who are under indictment, interfered with the establishment of appropriate levels of authority to prevent management override of controls related to construction projects.

Effect: Significant misstatements could occur in the financial statements due to errors or fraud.

Recommendation: The School District should design and implement policies and procedures that provide for an adequate framework for effective internal control over financial reporting. These policies and procedures should include, but not be limited to, the following:

1. The School District should establish an audit committee that understands and exercises oversight responsibility related to financial reporting and related internal control. One or more audit committee members should have financial reporting expertise. Among the audit committee's roles should be actively evaluating and monitoring risks of management override of internal control, providing oversight to the effectiveness of internal control over financial reporting and financial statement preparation, considering information obtained from whistle-blower/anti-fraud programs, and overseeing the work of both internal and external auditors.
2. The School District should establish an internal audit function that reports directly to the Superintendent, with direct access to the audit committee.
3. The School District should assign an appropriate level of authority and responsibility to employees in a manner that facilitate effective internal control over financial reporting.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION V
MANAGEMENT'S RESPONSES

DEKALB COUNTY BOARD OF EDUCATION
SCHEDULE OF MANAGEMENT'S RESPONSES
YEAR ENDED JUNE 30, 2009

Finding Control Number: FS-6441-09-01

We concur with this finding. The DeKalb County School District has taken significant measures to strengthen internal controls over construction projects. In addition to a new Interim Superintendent and a new Interim Capital Improvement Projects Operations Officer, DeKalb County School District has hired a Director of Internal Audits. The Director of Internal Audits will have a reporting structure to the Board of Education and the Superintendent. The DeKalb County School District has further strengthened internal controls by revising or adding five Board of Education policies. 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 is the first school system in the state of Georgia to adopt a Whistleblower policy. The DeKalb County School District has also begun an initiative to review 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 serve to mitigate or completely eliminate the factors that caused this finding.

Contact Person: Marcus Turk, Chief Financial Officer
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Fax: (678) 875-5025
E-mail: marcus_turk@fc.dekalb.k12.ga.us