

**GEORGIA RACE TO THE TOP  
INNOVATION FUND  
APPLICATION FACE SHEET**

**SECTION 1: APPLICANT AGENCY**

Applicant Agency (Legal Name): Hall County School System

Legal Mailing Address: 711 Green Street

City: Gainesville County: Hall State: GA Zip: 30501

Federal Employer I.D. #: 58-6000256 DUNS #: 069190502

Congressional District #: 9th

Executive Officer Name: Will Schofield Title: Superintendent

Street Address: 711 Green Street City: Gainesville State: GA Zip: 30501

Telephone: (770) 534-1080 FAX: (770) 536-3777 Email: will.schofield@hallco.org

**SECTION 2: PARTNERSHIP LEAD CONTACT**

Contact Name: Dr. Terry Sapp Title: Grants Coordinator

Street Address: 711 Green Street

City: Gainesville State: GA Zip: 30501

Telephone: (770) 534-1080 FAX: (770) 531-3043 Email: terry.sapp@hallco.org

**SECTION 3: FISCAL CONTACT**

Contact Name: Lee Lovett Title: Deputy Superintendent for Finance

Street Address: 711 Green Street

City: Gainesville State: GA Zip: 30501

Telephone: (770) 534-1080 FAX: (770) 535-7404 Email: lee.lovett@hallco.org

**SECTION 4: GRANT AMOUNT REQUESTED: \$50,000**

**SECTION 5: APPLICANT AGENCY FISCAL INFORMATION**

1. Month of Fiscal Year End: June
2. Attach to the application, the applicant agency's financial audit.
3. Is applicant agency delinquent on any federal debt? NO  YES  If yes, attach a detailed explanation.
4. Did applicant agency receive 80 percent or more of its annual gross revenue in federal awards in its preceding fiscal year; and \$25,000,000 or more in annual gross revenue from federal awards and in so doing is required to comply with "Federal Funding Accountability and Transparency Act"? NO

YES  If yes, attach names and total compensation of the five most highly compensated officers of the grantee.

**SECTION 6: PARTICIPANT DATA:**

Approximate number of students served: 400-600

Population of focus (i.e. age, gender, race): 15 -18 yr. old, male & female, all races; rural, economically disadvantaged

**SECTION 7: SERVICE DELIVERY AREA**

Primary county or counties to be served: Hall

List other counties to be served (if any): Lumpkin, White

Congressional District(s) to be served: 9th

**SECTION 8: PROGRAM ACTIVITIES**

The partnership is seeking a Venture Grant of \$50,000 for planning a Regional Charter STEM Academy.

- Leadership team will meet to establish a comprehensive vision
- Members of the team will visit other Georgia STEM locations
- Team committees will begin working on sections of charter petition under direction of consultant.
- Charter petition will be submitted by August, 2012.

**SECTION 9: AUTHORIZING SIGNATURES**

*I, the undersigned, an authorized representative of the applicant, have read, understand, and agree to all relative conditions specified in the Race to the Top Innovation Fund Request for Proposals and having read all attachments thereto do submit this application on behalf of the applicant agency. If awarded a grant to implement the provision herein, I do certify that all applicable federal and state laws, rules, and regulations thereto will be followed.*

**APPLICANT AGENCY:**

  
Signature and Title

Superintendent, Hall County Schools

June 15, 2011

Date

VENTURE GRANT PROPOSAL NARRATIVE		POINTS
SECTION	PURPOSE	
Executive Summary	<p>This Venture Grant proposal requests an award of \$50,000 for planning and envisioning the Northeast Georgia Regional Charter STEM Academy as a partnership among Hall, Lumpkin, and White Counties, and North Georgia College and State University. Funds from the grant will be used to plan and design a high-impact regional charter school with specific focus on science, technology, engineering, and math in a high-need rural area in north Georgia.</p> <p>The three-county region which encompasses Hall, Lumpkin, and White Counties is a highly rural, highly economically disadvantaged area of Georgia which has a very large Hispanic population. Nevertheless, the area contains a dense concentration of high tech industries including one of Georgia's most state-of-the-art medical centers. Two phenomena are occurring in the region that disturbs the balance of stability in the area. First, students who are the brightest and best go to colleges and universities outside of the region, and when they graduate, they go to places outside the region for employment. Second, students who choose not to go to post-secondary education enter jobs within the region at the very lowest level of employment, and they do not advance.</p> <p>With the influx of high tech industries in the region, there is an urgent need to start students on the right track in their high school careers so that they can obtain the highly technical and technological education they need in the future to become competitive for the jobs becoming available in the region in the areas of engineering, energy, and medical science. A regional charter STEM academy in which every student is entrenched in the mindset of science, technology, engineering, and mathematics will force students to focus on the emerging employment opportunities that are becoming available in this region.</p> <p>Hall, Lumpkin, and White Counties form a geographic triangle in the northeast section of Georgia that represents a rural area contiguous to both large metropolitan and fast-growing school districts in Georgia. Situated in the foothills of the Appalachian Mountains, the three systems contain a large population of rural, economically disadvantaged, and Hispanic families. All three systems have free and reduced-price lunch percentages above 50% (Hall-58.91%; Lumpkin-53.49%; White-54.74%). Approximately 37% of the student population in Hall County is Hispanic. Lumpkin County has a seven percent population of Hispanics and White County has a three percent Hispanic population. None of the systems have schools in Needs Improvement at this time.</p>	N/A

	<p>The STEM Academy approach will create an engineering pipeline in the northeast Georgia area which will prepare students to meet the demands of the global marketplace. Students will be prepared for post-secondary engineering education, internships, and career opportunities in a school environment that will exemplify college-and-career-ready learning. The goal is to include all students in STEM education, but the school will target an underserved population of rural, economically disadvantaged students in northeast Georgia, many of whom will be first-generation college entrants.</p> <p>The system superintendents and high school principals will work with a qualified consultant and community stakeholders to develop a charter petition for a regional charter STEM academy. The base location for the charter school will be North Hall High School in Hall County; however, the vision for the school may include satellite services from all three locations. The team will first develop a comprehensive vision for the school and proceed with each requirement of the charter petition. The school will target 400-600 students per year in a rural, economically disadvantaged area of northeast Georgia. It will focus on a stratified curriculum of science, technology, engineering, and mathematics infused in every core content area and contain career pathway and diploma programs emphasizing energy and medical sciences.</p>	
<p>Section 1: Partnership Overview</p>	<p>This Venture Grant proposal requests an award of \$50,000 for planning and envisioning a Regional Charter STEM Academy as a partnership among Hall, Lumpkin, and White Counties, and North Georgia College and State University. Funds from the grant will be used to plan and design a regional charter school with specific focus on science, technology, engineering, and math in a high-need, economically-disadvantaged rural area in north Georgia.</p> <p>The partners in the venture are the Hall County School System, the Lumpkin County School System, the White County School System, and North Georgia College and State University.</p> <p>The Hall County School System will be the fiscal agent for the grant. The school system is a relatively large system, with 34 schools and a student population of about 26,000. During the tenure of Superintendent Will Schofield, the continuous mission of the system has been “character, competence, rigor...for all.” With this vision in mind, the school system has sought to provide innovative educational opportunities for all students. In the past five years, the system has opened three International Baccalaureate Programme schools, eight charter schools including a Charter Career Academy, and at least seven innovative program schools of choice. These schools seek to provide a niche for all kinds of students and a diversity of interests. Hall</p>	<p>Up to 10 points</p>

County has shown a strong initiative with the charter school movement, and the opening of eight charters gives the system a realm of experience unsurpassed by other systems in the state in developing and sustaining charter programs.

The Lumpkin County School System, located in the southern foothills of the Appalachian Mountains, is a rural system well-situated for future growth. The total student population is approximately 4,000 children, and there are five schools, including three elementary, one middle, and one high school. Under the guidance and leadership of Superintendent Mr. Dewey Moye, the schools are living up to the LCSS mission of “Leading all children to success.” For example, Lumpkin County High School offers a wide range of opportunities for students to demonstrate mastery in both academic and career areas. Over 85% of the students take one or more classes in the Career, Technical, and Agricultural Education (CTAE) department, with Healthcare Science and Engineering being two of the most popular pathways. Many students complete one or more state-recognized pathways, indicating a depth of knowledge in one of the nine programs and twelve pathways offered at LCHS. Additionally, the high school offers nine Advanced Placement classes in fine arts, science, social studies, math, and English. Approximately 20% of the almost 1100 students take one or more AP classes – a large percentage for a small high school. Beyond the walls of the school, the community itself offers a wealth of resources. North Georgia College & State University is five minutes away from the high school, two technical colleges are within a thirty-minute drive of Dahlonega, and a fiber-optic cable project, the North Georgia Network, is due to be available to the county’s schools in November 2011. With a supportive and progressive community, a dedicated staff of educators, and a vision for the students’ future, Lumpkin County schools are poised to offer the children of Lumpkin County a variety of opportunities that will prepare them for success throughout their lives.

The school system is committed to working closely with the community. It is the system’s aim to hire, cultivate, and retain the most qualified, effective, and dynamic educators available. The system also wishes to ensure that all students learn in effective standards-based classrooms. Providing good stewardship of the system’s human, financial, and material resources will help to forge strong and constructive ties between the schools, the school system, and the community.

White County School System, a charter system, and its stakeholders are committed to and actively involved in the process of continuous improvement in order to provide the best quality education achievable for students. In fact, that is the system slogan, “Dedicated to Continuous

Improvement. White County is a rural area in the Appalachian foothills which serves approximately 3,800 K-12 students in the school system. White County School System currently operates seven schools: Jack P. Nix (K-2), White County Intermediate School (3-6), Mount Yonah Elementary (K-6), Mossy Creek Elementary (K-6), White County Middle School (7-8), Ninth Grade Academy, and White County High (10-12). By Christmas of the 2011-2012 school year, the system hopes to move into a new middle school facility and in the 2012-2013 school year bring the 6<sup>th</sup> graders back to the middle school. Currently, all White County schools are meeting AYP. In addition, WCSS Title I schools, Jack P. Nix and White County Intermediate, have achieved the distinction as Georgia Schools of Excellence. White County High School has recently added several AP classes and is planning on increasing the advanced option offerings each year in order to make students more competitive in post secondary opportunities.

The three school systems have a collective vision to operate a STEM charter career academy. None of the systems independently has a STEM program at the high school level, yet the potential for high-tech industry looms large in all of the communities in Hall County as well as in the Hwy. 400 Corridor in Lumpkin County and in the Hwy. 129 and 441 Corridor in White County. The partnership seeks to develop a non-traditional partnership in which three school systems share in the development and vision of an innovative charter school. The STEM academy will make students in the northeast Georgia area economically competitive for in-demand, high-tech careers. It is the vision of this collaborative to prepare its respective students for the global marketplace of the 21<sup>st</sup> century by providing high-impact, best-practice strategies in science, technology, engineering, and mathematics. The STEM academy will have an initial focus on energy-related careers and careers in medical science.

Hall, Lumpkin, and White Counties form a geographic triangle in the northeast section of Georgia that represents a rural area contiguous to both large metropolitan and fast-growing school districts. Situated in the foothills of the Appalachian Mountains, the three systems contain a large population of rural, economically disadvantaged, and Hispanic families. All three systems have free and reduced-price lunch percentages above 50% (Hall-58.91%; Lumpkin-53.49%; White-54.74%). Approximately 37% of the student population in Hall County is Hispanic. The system also serves a six percent population of Asians and a five percent population of African Americans. Lumpkin County has a seven percent population of Hispanics and White County has a three percent Hispanic population. Neither Lumpkin nor White counties has any other significant minority population. None of the systems has schools in Needs Improvement at this time.

In 2009, the Hall County School System established a partnership with Lanier Technical College and several local businesses and industries to create a Charter Career Academy. This project, funded by a Career Academics Grant, entailed the design and construction of a building and the creation of career pathway programs for culinary arts and hospitality services. Today, the school serves students from all six other high schools in the system. The academy features a working bistro which is open to the public, a drive-through coffee and pastries shop, a gift shop, and a studio for creating imprinted T-shirts and other items. It is strictly an entrepreneurial venture for event planning, and the students in the programs progress directly to jobs in the community. This innovative project, though complex in nature, provides applied learning situations for its students with highly-qualified, industry-certified instructors. Students learn under an Executive Chef, and they are taught to produce events from planning to implementation.

Likewise, White County has recently become a charter system and has excelled in many areas of student achievement. With a 2009-10 school year graduation rate of 94.1 percent, White County High School ranks among the top 25 schools in the state. The school has also launched its own fully functional internet based television station, [www.whiteco.tv](http://www.whiteco.tv). They were able to accomplish this through a grant received from US Education TV. This station is a student-led endeavor allowing students the opportunity to get hands-on experience and build a real life resume. The program follows the Broadcast Video curriculum and is close to rolling out its marketing component. The recent graduation ceremony was viewed live by over 2800 people in over 20 states and 3 different countries. Through a collaborative effort with WNGA radio station out of Helen, GA, the school system has been able to utilize professionals in the field to assist students in broadcasting numerous sporting and human interest events throughout the year.

Lumpkin County is situated contiguous to the Highway 400 Corridor which has become a fertile ground for industries. Lumpkin County High School currently features a pre-engineering program as well as a healthcare science program. The Koyo Company, a roller bearings company, has invested millions of dollars in the community and will be a solid partner in the STEM academy.

Over the past five years, Hall County has developed and opened eight charter schools. All of these are conversion charters except for the Charter Career Academy. Nevertheless, a quick visit to any of the charter schools will reveal that these schools are different. The World Language Academy at Chestnut Mountain is a dual language immersion school which teaches 70-90% of its academic subjects in Spanish and offers a program of Mandarin Chinese in

	<p>grades K-5. A math, science, and technology charter school is currently in partnership with the Dell Corporation, and its teachers are currently being trained on a state-of-the-art teaching and learning toolkit that is designed to increase the school-level effect on student achievement. The fine arts academy was so successful in its Bernstein artful model teaching strategies that its ELL population outscored its all population in English Language Arts on the most recent CRCT. Two elementary schools and one middle school use the Renzulli Triad model for total school enrichment in which they place students in interest clusters at times during each week. There is also a Gardner multiple intelligences model charter school. All of these schools have been successful with student achievement.</p>	
<p>Section 2: Need for Project</p>	<p>The three-county region which encompasses Hall, Lumpkin, and White Counties is a highly rural, highly economically disadvantaged area of Georgia which has a very large Hispanic population. Nevertheless, the area contains a dense concentration of high-tech industries including one of Georgia's most state-of-the-art medical centers. Two phenomena are occurring in the region that significantly disturb economic growth. First, students who are the brightest and best go to colleges and universities outside of the region, and when they graduate, they go to places outside the region for employment. Second, students who choose not to go to post-secondary education enter jobs within the region at the very lowest level of employment, and they do not advance.</p> <p>With the influx of high-tech industries in the region, there is an urgent need to start students on the right track in their high school careers so they can obtain the highly technical and technological education they need in the future to be competitive for the jobs becoming available in the region in the areas of engineering, energy, and medical science. A regional charter STEM academy in which every student is entrenched in the mindset of science, technology, engineering, and mathematics will force students to focus on the emerging employment opportunities that are becoming available in this region.</p> <p>The STEM Academy will be designed to capture and retain student interest in STEM education while increasing student performance outcomes. The academy's mission will be to prepare students to be competent, capable citizens in a technology-dependent society through comprehensive student assessments including traditional tests, project-based learning presentations, on-the-job training, and portfolios. The academy will foster high school completion and college entrance for many students who will be first-generation college entrants. The rural and economically disadvantaged nature of the area becomes a deterrent for many students who have high potential to enter college and post-secondary institutions. The</p>	<p>Up to 25 points</p>

	<p>STEM academy will make opportunities available for these students to enter college, and it will give the school systems the opportunity to track these students' progress.</p> <p>The STEM program will focus on standards-based curriculum foundations using the Common Core Georgia Performance Standards and general learner needs to engage as many learners as possible. The program will seek to develop engineering strategies and will feature a blended learning approach using video tutorials, textbooks, and challenging hands-on experiences to establish engineering habits of mind. Students who have traditionally struggled to get through high school will be given both academic and personal growth support to advance their motivation to move forward in their educational careers.</p>	
<p>Section 3: Quality of Project Design</p>	<p>North Hall High School, where the charter STEM academy will be based, is located in the northernmost tip of Hall County in an area which borders on both White and Lumpkin Counties. The two schools which feed into NHHS have already started STEM programs. Mount Vernon Elementary School began a STEM focus in the fifth grade during the current school year, and it will submit a petition to be a STEM-focused, project-based charter school beginning with the 2012-13 school year. North Hall Middle School, a feeder school for Mt. Vernon and into NHHS, will begin a special project high-technology academy as a school-within-a-school in the fall of this year. These two projects are already preparing a cadre of students who will be candidates for the charter STEM academy.</p> <p>The passing of the Bridge Bill in the 2011 legislative session will require school systems to begin delineating a course of study for students from the ninth grade through college. The greater vision for the regional STEM academy is for middle schools to begin a process of career exploration and assessment which will help guide students to career pathways and sequences of study which will best prepare them to be college and career ready by the time they graduate from high school. Already, the middle school counselors in Hall County begin career instruction with students beginning with the sixth grade, using Georgia College 411 as a tool for both exploration and assessment. Students' interest and achievement are assessed, and the career focus which students select is charted in the system's student information system, Infinite Campus. This process allows counselors and advisors at the high school level to help students make good choices regarding their sequence of study throughout high school. Infinite campus also stores individual student data, including statewide achievement data, economic and ethnic status, and required test data. Hall County is currently implementing a learning management system which will allow all instructional information – curriculum, instructional resources, student data, professional learning, and assessment – to be available to teachers on</p>	<p>Up to 15 points</p>

demand in their classrooms. This plethora of data will assist teachers, counselors, and advisors to determine potential students for the STEM academy. Once the academy is underway, Hall County intends to link the learning management system to the other partners of the consortium so that all parties in the collaborative will have the same kinds of data available to advise students toward STEM studies and careers.

The Hall County School System has at this juncture developed eight charter schools. All of these schools are evidence-based, and all are showing positive academic and personal growth for students. One elementary charter school, Martin Technology Academy of Math and Science, is in an active partnership with the Dell Corporation, and that partnership is engaged in an experimental design to create school-level effect student achievement. The project involves the entire faculty in a professional learning project on a tool that assists teachers in designing and developing differentiated learning plans which use a common academic language and a common multi-layered format to produce learning plans, imbed learning resources and blended learning, and create assessments on learning standards. This project is an innovative, cutting-edge development designed by Dell and evaluated by Mid-continent Research for Education and Learning (McREL). This project uses the research of Lev Vygotsky and Robert Marzano in an attempt to create a statistical effect for a level of student achievement that has previously been untapped. The research of this charter school is not just evidence-based. It is active and viable, creating cutting-edge information that will enhance learning throughout the United States.

The STEM Academy will be a comprehensive program featuring implementation strategies that will ensure student success. The development team will consist of educational professionals from the fields of science, technology, engineering and mathematics who will design and develop transformational strategies to create a cohesive STEM learning experience for all students. The goal is to include all students in STEM education. The program will have clearly defined learning outcomes, student competency assessments, and well-delineated student performance outcomes.

Instruction at the STEM academy will be based on the Common Core Georgia Performance Standards. The curriculum will be standards based and culminate with students applying real-world application of their STEM education with hands-on activities. Beginning with the ninth grade, students will encounter technical and informational writing in English classes, mathematical reasoning and problem solving in mathematics classes, experiential and lab-based classes in science with products of learning focused on real world application. Products

of learning will be authentic and project-based as suggested in the work of Fred Newmann. Students' sequences of study will be individually designed and based on interest and achievement inventories taken at the beginning of their high school careers. The curriculum for the STEM academy will be both research and evidence-based, and it will create a viable platform for student learning in a STEM environment.

The academy will also be industry focused. One particular feature of charter schools is that teachers do not have to be certified by the Georgia Professional Standards Commission. They do have to be highly qualified as specified in NCLB, yet the school could bring in highly qualified instructors from business, industry, and technology fields to give students work-related, real-life experiences imbedded in the sequences of study. The school will strive to bring in the kinds of technology used in the businesses and industries of the region so that students can begin using those tools of technology to learn the skills they need for careers and to produce the products of learning in their classrooms. One added bonus is that students may be able to have industry mentors. The availability of industry professionals through the partnerships forged in the creation of the STEM academy will give students real live expertise and experiential advice. Having a face-to-face advisor from an industry setting will be invaluable to students in the academy.

The STEM Academy approach will create an engineering pipeline in the northeast Georgia area which will prepare students to meet the demands of the global marketplace. Students will be prepared for post-secondary engineering education, internships and career opportunities in a school environment that will exemplify college-and-career-ready learning. The partnerships created by the development of the STEM career academy will assist students in focusing on in-demand careers available within the region.

Throughout the development of the STEM academy, the post-secondary partner, North Georgia College and State University in Dahlonega will assist in the design of courses and sequences of study. NGCSU currently has a pre-engineering program that prepares students for subsequent highly technical and technological universities. NGCSU will assist in the assessment of student needs and provide on-site courses and other services to help students progress toward their career goals.

Hall County has much experience in developing charter schools. White County is a charter system and has engaged in the chartering process at that level. Although Lumpkin County does not have charter schools at this time, the superintendent began the pursuit of becoming a

charter system one year ago. The petition for the regional charter STEM academy will be directed by a competent consultant in the development of charter schools. The petition will proceed after one year of planning, and the opening of the school will be scheduled for August, 2014. Meetings have already taken place with all of the partners at the table. All of the details have not been forged, but a viable concept has been discussed so that there will be no delay in developing and submitting a charter petition. All parties have agreed on the need and the focus of the school, and all currently have individual programs and school leaders in their schools that can contribute to creating the best possible plan for the regional STEM academy.

A regional charter STEM academy will contribute to all of the priorities of Georgia's Race to the Top grant. Using the Common Core Georgia Performance Standards as a base, the school will have a solid, research-based foundation for developing courses enhanced with a STEM focus. Additionally, when the Common Core Standards are released for science, the regional charter academy will be ready to adopt and use them. The learning management system, combined with current state efforts to provide a universal data system, also meets a priority for Georgia's Race to the Top grant. Both Hall and White Counties use the Infinite Campus system for student data; therefore, the exchange of longitudinal data between these two systems will be facile. Although Lumpkin County uses a different system, the technology directors of all of the systems are in dialogue about building a bridge to communication. Once Hall County's learning management system is in place, the exchange of data and the ability to store and mine digital information will be seamless.

One way of retaining good teachers is to put them in teaching situations that pique their interests and give them the support they need to be successful. With the STEM academy, all three systems will have teachers engaged in a new learning pursuit, and the business and industry partnerships developed with the school will afford teachers the support they need to be successful. In Hall County's current charter career academy, the Executive Chef is in partnership with the chef at Lake Lanier Islands, and the two collaborate regularly to provide real world experiences for students. This type support from business and industry gives teachers confirmation that what they are doing is right and good. This collaboration also leads to gains in student achievement. In all of the charter schools in Hall County, the chartering process has brought teachers together in a collaborative, nurturing environment bringing about a synergy for teacher support. Additionally, the collaborative environment of charter schools leads to a higher level of effectiveness in teachers because all teachers in the school become learners also. The regional STEM academy will provide many ways of recruiting, retaining, and rewarding effective teachers.

	<p>Fortunately, none of the systems involved in this consortium have low-achieving schools at this juncture. Nevertheless, developing a high school structure that meets the interests and needs of learners will help all of the systems improve their graduation rates. When students are challenged in areas in which they are interested, their motivation increases, and high school completion rates increase also. The regional STEM academy will do as much as any innovative project can to prevent low performing schools in the region.</p> <p>The completed Scope of Work is attached in the appendices.</p>	
<p>Section 4: Quality of Project Evaluation</p>	<p>The STEM academy's curriculum will first of all be based on the Common Core Georgia Performance Standards. By the year 2014, the national assessments for the common core standards will be in place, and the students at the STEM academy will be evaluated on the results of those assessments. Although it is difficult to predict performance on assessments that have not yet been created, it is predicted that the students at the STEM academy will score above the state average and at or above national averages on the math assessments. As the science standards come into being and national assessments are created for science standards, it is predicted that the STEM students will also score above the state average and at or above national averages for those assessments.</p> <p>In addition to the state and national assessments, students at the STEM academy will be in sequences of study leading to career pathway endorsements and earning academic diplomas that will lead to entry into high tech colleges and universities. Another measure of success for the STEM academy will be the number of graduates who are accepted to and attend high tech universities. It will also be interesting to chart the number of first-generation college entrants.</p> <p>A part of the academy design is to implement an integrated learning management system which will provide teachers with extensive longitudinal data on students. This system is already being piloted in some Hall County schools, and the implementation will be enhanced by Race to the Top funds. Along with the state's new longitudinal data system, the learning management system and the Infinite Campus student information system, teachers will have at their fingertips diagnostic data, assessment data, and achievement data that will span at least five years on every student. The system also tracks where students apply for post-secondary study, where they attend, or where they enter the marketplace. The measure for accumulation of data will be an increased number of students whose progress may be tracked subsequent to graduation from the STEM academy.</p>	<p>Up to 10 points</p>

	<p>The STEM academy will provide a venue in which strong teachers can exercise their strengths. This venue will provide the motivation teachers need to accept positions at the academy and to stay there throughout their careers. The academy will provide a rewarding professional environment as well as opportunities for enhanced financial awards. Both Hall and White counties are a part of Georgia's Race to the Top grant; therefore, by the year 2014, teachers in both systems will be eligible for strategic pay incentives through that grant. The measure of success will be the number of teachers recruited, retained, and rewarded in the academy.</p> <p>None of the systems who are partners with this grant have low achieving schools at this time.</p> <p>At this juncture, Hall County has chartered eight individual schools, and White County has chartered its system. In order to accomplish these goals, the Boards of Education in both systems had to make an extraordinary commitment to continue the schools beyond implementation grant funding. The Hall County system has applied for and received implementation grants totaling \$1.35 million for its charter schools. Additionally, the system received a \$3.1 million Charter Academy Grant for the construction of a facility for the charter career academy. The system has shown success in applying for and receiving funds to leverage the establishment and sustenance of charter schools. Again, the local Boards of Education are behind the proposal. The Boards of Education as well as businesses and industries in the communities have committed both real and in-kind resources for the project. The partners in this grant proposal are ready to move ahead with a charter STEM academy.</p> <p>A completed Project Evaluation table is included in the appendices.</p>	Up to 15 points
Section 5: Quality of Project Management Plan	<p>The charter petition planning process for this project will be directed by a competent charter school consultant. The planning of a high school charter school is a complex process, and this project is complicated by utilizing a STEM focus and by being a collaborative partnership. Nevertheless, the partners are all committed to the success of the project. Already each partner system is inventorying its current programs to determine what already exists for the development of a STEM academy. North Georgia College and State University stands ready to provide any leadership role that the partner systems need for them to take. Already, science instructors from the university are leading an elementary science teacher leader workshop for Hall County, and they are willing to continue their role in professional learning for teachers at the STEM academy. The expertise of creating eight charter schools and a charter system cannot be overlooked in evaluating the potential of the consortium to complete the petition and</p>	

<p>Section 6: Quality of Sustainability Plan</p>	<p>develop the academy on time and within budget.</p> <p>The project director for the planning grant and for the development of the charter petition is the same person who has assisted in the creation of eight charter schools in Hall County. This person is familiar with both the Georgia Code and the State Board Rule for the creation of charter schools and the requirements for autonomy, governance, and measurable goals. Although all of the details have not been determined for the STEM academy, the planning grant will provide the funds for the time needed to consult and collaborate for the school.</p> <p>The leadership structure for the planning of the STEM academy will initially include the three system superintendents – Mr. Will Schofield, Mr. Dewey Moye, and Dr. Paul Shaw. Additionally, three high school principals will also be involved. The base school for the charter will be North Hall High School in Hall County. Mr. Joe Gheesling is the principal of that school. Mr. John Osborne is the principal of White County High School, and Dr. Michael D. Tinney is the principal of Lumpkin County High School. Dr. Robert Michael is the Dean of the College of Education at North Georgia College and State University. He will also be on the planning team. The planning team for the project will also include stakeholders from each local community. This leadership team will ensure that the timelines and milestones delineated in the project's scope of work will be completed. The ultimate goal of the planning grant is to have a completed charter school application ready to submit to the Georgia Department of Education's Charter School Division by the end of the grant term. The partnership will assure the completion of that goal.</p>	
<p>Section 6: Quality of Sustainability Plan</p>	<p>Two systems in this partnership have experience with charter schools. The Hall County School System currently has eight charter schools, and four additional charter schools are in the planning stage. All of White County's schools are chartered under a system charter. With the opening of each charter school except the career academy, Hall County has received an implementation grant. These grants extend for a period of two years. At this juncture, all of the implementation grants have expired with the exception of the school which will begin its charter in the fall. Likewise, the Career Academy Grant received for the construction of the career academy has expired. All of the schools are running well at this time without the benefit of additional grant funds. This project represents a phenomenal commitment among three school systems, a state university, and three local communities. Even with the huge austerity cuts the systems have endured over the last several years, the systems are committed to open and sustain the STEM academy.</p>	<p>Up to 25 points</p>

Hall County has extensive commitments already for the career academy currently in operation. Lake Lanier Islands, Inc. is a strong partner, and Lanier Technical College is also a strong partner. The Dell Corporation is a strong contributing partner to one of Hall County's elementary charter schools. Hall County already has a commitment from the General Electric Corporation for support for the STEM academy. Likewise, high tech industries such as Kubota, Fieldale, and North Georgia Regional Medical Center have expressed interest in the STEM academy. Industries such as Koyo have made large investments in the Lumpkin County community and will support the STEM academy, also.

The communities of Hall, Lumpkin, and White Counties are fully supportive of the regional charter STEM academy. The counties represent a large, underserved area for STEM studies, yet they also represent an area of great influx for business and industry. The communities will welcome a regional academy that will prepare their students for high tech engineering opportunities in a global economy.

**GOVERNOR'S OFFICE OF PLANNING AND BUDGET**

**RACE TO THE TOP INNOVATION FUND BUDGET FORM**

Name of Partnership: Northeast Georgia Partnership for a Regional Charter STEM Academy (Hall, Lumpkin, White Counties & North Georgia College and State University)

Applicants requesting Venture grants should complete the column under "Project Year 1." Applicants requesting funding for Enterprise grants should complete all applicable columns. Please read all instructions before completing form.

**SECTION A - BUDGET SUMMARY**

**INNOVATION FUND COSTS**

Budget Categories	Project Year 1 (a)	Project Year 2 (b)	Project Year 3 (c)	Total (d)
1. Personnel				
2. Fringe Benefits				
3. Travel	\$15,000.00			
4. Equipment				
5. Supplies	\$7,500.00			
6. Contractual	\$20,000.00			
7. Construction				
8. Other	\$2,500.00			
9. Total Direct Costs (lines 1-8)	\$47,500.00			
10. Indirect Costs*	\$5,000.00			
11. Training Stipends				
12. Total Costs (lines 9-11)	\$50,000.00			

**SECTION B - BUDGET SUMMARY**

**NON-INNOVATION FUND COSTS**

Budget Categories	Project Year 1 (a)	Project Year 2 (b)	Project Year 3 (c)	Total (d)
1. Personnel				
2. Fringe Benefits				
3. Travel				
4. Equipment				
5. Supplies				
6. Contractual				
7. Construction				
8. Other				
9. Total Direct Costs (lines 1-8)				
10. Indirect Costs*				
11. Training Stipends				
12. Total Costs (lines 9-11)				

**SECTION C - BUDGET NARRATIVE (see instructions)**

## Budget Narrative

The Northeast Georgia Partnership for a Regional Charter STEM Academy including Hall, Lumpkin, and White Counties and North Georgia College and State University desires to create a state-of-the-art school for the infusion of STEM strategies in all curriculum areas and the establishment of career pathways and diploma programs in the areas of energy engineering and medical services. In order to determine the best possible plan, it will be necessary for team members to travel to other locations. The partnership will ultimately develop an amalgam of ideas from various locations into the final charter petition for a regional charter STEM academy. Additionally, because of the large geographic area of the partnership, it will be necessary for some or all of the partners to travel to meeting locations and planning venues.

<b>Travel costs</b>	<b>\$15,000.00</b>
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The team will have need of various supplies, notably copy paper for voluminous copies, notepads, flashdrives for electronic information, pens, pencils, etc.

<b>Supply costs</b>	<b>\$7,500.00</b>
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One or more qualified charter school consultants will direct the plan for the charter petition. The consultant(s) will meet with the leadership team at various times during the year and compile the concepts and ideas for the STEM academy into a charter petition prior to the required date. The consultant will ultimately be responsible for writing and compiling the charter petition document.

<b>Consultation services</b>	<b>\$20,000.00</b>
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Unforeseen expenses often arise in the planning and development of a project. It is sometimes wise to plan for contingencies and unintended consequences.

<b>Other expenses</b>	<b>\$2,500.00</b>
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There will be allowable indirect costs in implementing the grant and developing a charter petition.

<b>Indirect costs</b>	<b>\$5,000.00</b>
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<b>TOTAL COSTS</b>	<b>\$50,000.00</b>
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## MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding (MOU) is entered into by and between the Governor's Office of Planning and Budget (OPB) and the Northeast Georgia Partnership for a Regional Charter STEM Academy (Hall, Lumpkin, White Counties & North Georgia College and State University). The purpose of this agreement is to establish a framework of collaboration, as well as articulate specific roles and responsibilities in support of the State in its implementation of approved Innovation Fund projects.

### I. SCOPE OF WORK

Exhibit 1, the Preliminary Scope of Work, indicates the work that the Partnership is agreeing to implement.

### II. PROJECT ADMINISTRATION

#### A. PARTNERSHIP RESPONSIBILITIES

The Partnership agrees to:

- 1) Implement the plan as identified in Exhibit I of this agreement;
- 2) Actively participate in all relevant convenings, communities of practice, or other practice-sharing events that are organized or sponsored by OPB, the Georgia Department of Education, the Governor's Office of Student Achievement and the US Department of Education;
- 3) Post to any website specified by the State in a timely manner, all non-proprietary products and lessons learned using funds associated with the Innovation Fund;
- 4) Participate, as requested, in any evaluations of this grant conducted by the State or agency conducting business on behalf of the State;
- 5) Be responsive to State requests for information including the status of the project, project implementation, outcomes, and any problems anticipated or encountered; and
- 6) Participate in meetings and telephone conferences with the State to discuss (a) progress of the project, (b) potential dissemination of resulting non-proprietary products and lessons learned, (c) plans for subsequent years of the Innovation Fund grant period, and (d) other matters related to the Innovation Fund grant and associated plans.

#### B. STATE RESPONSIBILITIES

The State agrees to:

- 1) Timely distribute the Partnership's grant during the course of the project period;
- 2) Provide feedback on the Partnership's status updates, annual reports, any interim reports, and projects plans and products; and
- 3) Identify sources of technical assistance for the project.

#### C. JOINT RESPONSIBILITIES

- 1) OPB and the Partnership will each appoint a key contact person for the Innovation Fund grant.
- 2) These key contacts from OPB and the Partnership will maintain frequent communication to facilitate cooperation under this MOU.
- 3) State and Partnership grant personnel will work together to determine appropriate timelines for project updates and status reports throughout the grant period.
- 4) State and Partnership grant personnel will negotiate in good faith to continue to achieve the overall goals of the Innovation Fund.

#### D. STATE RECOURSE FOR PARTNERSHIP NON-PERFORMANCE

If OPB determines that the Partnership is not meeting its goals, timelines, budget, or annual targets or is not fulfilling other applicable requirements, OPB will take appropriate enforcement action, which could include a collaborative process between OPB and the Partnership, or any of the enforcement measures that are detailed in 34 CFR section 80.43 including putting the Partnership on reimbursement payment status, temporarily withholding funds, or disallowing costs.

**III. ASSURANCES**

The Partnership hereby certifies and represents that it:

- 1) Has all requisite power and authority to execute this MOU;
- 2) Agrees to implement the work indicated in Exhibit I, if funded;
- 3) Will comply with all terms of the grant and all applicable Federal and State laws and regulations, including laws and regulations applicable to the Race to the Top program and the applicable provisions of EDGAR (34 CFR Parts 74,75, 77, 79, 80, 81, 82, 84, 85, 86, 97, 98 and 99).

**IV. MODIFICATIONS**

This Memorandum of Understanding may be amended only by written agreement signed by each of the parties involved.

**V. DURATION/TERMINATION**

This Memorandum of Understanding shall be effective, beginning with the date of the last signature hereon and, if a grant is received, ending upon the expiration of the grant project period, or upon mutual agreement of the parties, whichever occurs first.

**VI. SIGNATURES**

**Partnership Executive Official – required:**

 6/7/11  
Signature/Date

Will Schofield, Superintendent Hall County School System  
Print Name/Title

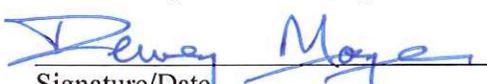
Partnership Member

**Partnership Member – required:**

 \_\_\_\_\_  
Signature/Date

Will, Schofield, Superintendent Hall County School System  
Print Name/Title

**Partnership Member – required:**

 6-7-11  
Signature/Date

Dewey Moye, Superintendent, Lumpkin County School System  
Print Name/Title

**Partnership Member – required:**

Paul Shaw 9/7/11  
Signature/Date

Paul Shaw, Superintendent, White County School System  
Print Name/Title

**Partnership Member – required:**

Robert Michael  
Signature/Date

Robert Michael, Dean of the Graduate School, North Georgia College and State University  
Print Name/Title

**Governor’s Office of Planning and Budget – required:**

\_\_\_\_\_  
Signature/Date

\_\_\_\_\_  
Print Name/Title

## ASSURANCES

The Applicant hereby assures and certifies compliance with all federal statutes, regulations, policies, guidelines and requirements, including OMB Circulars No. A-21, A-87, A-110, A-122, A-133; E.O. 12372 and Uniform Administrative Requirements for Grants and Cooperative Agreements 28 CFR, Part 66, Common rule, that govern the application, acceptance and use of federal funds for this federally-assisted project.

Also the Applicant assures and certifies that:

1. It possesses legal authority to apply for the grant; that a resolution, motion or similar action has been duly adopted or passed as an official act of the applicant's governing body, authorizing the filing of the application, including all understandings and assurances contained therein, and directing and authorizing the person identified as the official representative of the applicant to act in connection with the application and to provide such additional information
2. It will comply with requirements of the provisions of the Uniform Relocation Assistance and Real Property Acquisitions Act of 1970 (P.L. 91-646) which provides for fair and equitable treatment of persons displaced as a result of federal and federally - assisted programs.
3. It will comply with provisions of federal law which limit certain political activities of employees of a State or local unit of government whose principal employment is in connection with an activity financed in whole or in part by federal grants. (5 USC 1501, et seq.)
4. It will comply with the minimum wage and maximum hours provisions of the Federal Fair Labor Standards Act if applicable.
5. It will establish safeguards to prohibit employees from using their positions for a purpose that is or gives the appearance of being motivated by a desire for private gain for themselves or others, particularly those with whom they have family, business, or other ties.
6. It will give the sponsoring agency or the Comptroller General, through any authorized representative, access to and the right to examine all records, books, papers, or documents related to the grant.
7. It will comply with all requirements imposed by the federal sponsoring agency concerning special requirements of law, program requirements, and other administrative requirements.
8. It will insure that the facilities under its ownership, lease or supervision which shall be utilized in the accomplishment of the project are not listed on the Environmental Protection Agency's (EPA) list of Violating Facilities and that it will notify the federal grantor agency of the receipt of any communication from the Director of the EPA Office of Federal Activities indicating that a facility to be used in the project is under consideration for listing by the EPA.
9. It will comply with the flood insurance purchase requirements of Section 102(a) of the Flood Disaster Protection Act of 1973, Public Law 93-234, 87 Stat. 975, approved December 31, 1976, Section 102(a) requires, on and after March 2, 1975, the purchase of flood insurance in communities where such insurance is available as a condition for the receipt of any federal financial assistance for construction or acquisition purposes for use in any area that has been identified by the Secretary of the Department of Housing and Urban Development as an area having special flood hazards. The phrase "federal financial assistance" includes any form of loan, grant, guaranty, insurance payment, rebate, subsidy, disaster assistance loan or grant, or any other form of direct or indirect federal assistance.
10. It will assist the federal grantor agency in its compliance with Section 106 of the National Historic Preservation Act of 1966 as amended (16 USC 470), Executive Order 11593, and the Archeological and Historical Preservation Act of 1966 (16 USC 569 a-1 et seq.) by (a) consulting with the State Historic Preservation Officer on the conduct of investigations, as necessary, to identify properties

listed in or eligible for inclusion in the National Register of Historic Places that are subject to adverse effects (see 36 CFR Part 800.8) by the activity, and notifying the federal grantor agency of the existence of any such properties, and by (b) complying with all requirements established by the federal grantor agency to avoid or mitigate adverse effects upon such properties.

11. It will comply, and assure the compliance of all its sub-grantees and contractors, with the applicable provisions of Title I of the Omnibus Crime Control and Safe Streets Act of 1968, as amended, the Juvenile Justice and Delinquency Prevention Act, or the Victims of Crime Act, as appropriate; the provisions of the current edition of the Office of Justice Programs Financial and Administrative Guide for Grants, M7100.1; and all other applicable federal laws, orders, circulars, or regulations.
12. It will comply with the provisions of 28 CFR applicable to grants and cooperative agreements including Part 18, Administrative Review Procedure; Part 20, Criminal Justice Information Systems; Part 22, Confidentiality of Identifiable Research and Statistical Information; Part 23, Criminal Intelligence Systems Operating Policies; Part 30, Intergovernmental Review of Department of Justice Programs and Activities; Part 42, Nondiscrimination/Equal Employment Opportunity Policies and Procedures; Part 61, Procedures for Implementing the National Environmental Policy Act; Part 63, Floodplain Management and Wetland Protection Procedures; and federal laws or regulations applicable to Federal Assistance Programs.
13. It will comply, and all its contractors will comply, with the nondiscrimination requirements of the Omnibus Crime Control and Safe Streets Act of 1968, as amended, 42 USC 3789(d), or Victims of Crime Act (as appropriate); Title VI of the Civil Rights Act of 1964, as amended; Section 504 of the Rehabilitation Act of 1973, as amended; Subtitle A, Title II of the Americans with Disabilities Act (ADA) (1990); Title IX of the Education Amendments of 1972; the Age Discrimination Act of 1975; Department of Justice Non-Discrimination Regulations, 28 CFR Part 42, Subparts C, D, E, and G; and Department of Justice regulations on disability discrimination, 28 CFR Part 35 and Part 39.
14. In the event a federal or state court or federal or state administrative agency makes a finding of discrimination after a due process hearing on the grounds of race, color, religion, national origin, sex, or disability against a recipient of funds, the recipient will forward a copy of the finding to the Office for Civil Rights, Office of Justice Programs.
15. It will provide an Equal Employment Opportunity Program if required to maintain one, where the application is for \$500,000 or more.
16. It will comply with the provisions of the Coastal Barrier Resources Act (P.L. 97-348) dated October 19, 1982 (16 USC 3501 et seq.) which prohibits the expenditure of most new federal funds within the units of the Coastal Barrier Resources System.
17. It will comply with all ARRA requirements. All funds must be spent with an unprecedented level of transparency and accountability. Accordingly, recipients of ARRA funds must maintain accurate, complete, and reliable documentation of all ARRA expenditures.

Authorizing Official:



Signature and Title

Superintendent, Hall County Schools

June 15, 2011

Date



## IMMIGRATION AND SECURITY FORM

A. In order to insure compliance with the Immigration Reform and Control Act of 1986 (IRCA), D.L. 99-603 and the Georgia Security and Immigration Compliance Act OCGA 13-10-90 et.seq., Contractor must initial one of the sections below:

Contractor has 500 or more employees and Contractor warrants that Contractor has complied with the Immigration Reform and Control Act of 1986 (IRCA), D.L. 99-603 and the Georgia Security and Immigration Compliance Act by registering at <https://www.vis-dhs.com/EmployerRegistration> and verifying information of all new employees; and by executing any affidavits required by the rules and regulations issued by the Georgia Department of Labor set forth at Rule 300-10-1-.01 et.seq. Contractor has 100-499 employees and Contractor warrants that no later than July 1, 2008, Contractor will register at <https://www.visdhs.com/EmployerRegistration> to verify information of all new employees in order to comply with the Immigration Reform and Control Act of 1986 (IRCA), D.L. 99-603 and the Georgia Security and Immigration Compliance Act; and by executing any affidavits required by the rules and regulations issued by the Georgia Department of Labor set forth at Rule 300-10-1-.01 et.seq. Contractor has 99 or fewer employees and Contractor warrants that no later than July 1, 2009, Contractor will register at <https://www.visdhs.com/EmployerRegistration> to verify information of all new employees in order to comply with the Immigration Reform and Control Act of 1986 (IRCA), D.L. 99-603 and the Georgia Security and Immigration Compliance Act; and by executing any affidavits required by the rules and regulations issued by the Georgia Department of Labor set forth at Rule 300-10-1-.01 et.seq.

B. Contractor warrants that Contractor has included a similar provision in all written agreements with any subcontractors engaged to perform site under this Contract.

Authorizing Official:

  
 \_\_\_\_\_  
 Signature and Title

Superintendent, Hall County Schools

June 15, 2011

Date

## CERTIFICATION REGARDING LOBBYING (ED 80-0013)

Certification for Contracts, Grants, Loans and Cooperative Agreements.

The undersigned certifies, to the best of his or her knowledge and belief, that:

- 1) No Federal appropriated funds have been paid or will be paid, by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal Loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan or cooperative agreement.
  
- 2) If any funds other Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan or cooperative agreement, the undersigned shall complete and submit Standard Form – LLL, “Disclosure of Lobbying Activities,” in accordance with its instructions.
  
- 3) The undersigned shall require that the language of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly. This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

Statement for Loan Guarantees and Loan Insurance.

The undersigned states, to the best of his or her knowledge and belief, that:

If any funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee or any agency, a member of Congress, an officer or employee of Congress or an employee of a Member of Congress in connection with this commitment providing for the United States to insure or guarantee a loan, the undersigned shall complete and submit Standard Form-LLL, “Disclosure of Lobbying Activities,” in accordance with its instructions. Submission of this statement is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S. Code. Any person who fails to file the required statement shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

Authorizing Official:

  
 \_\_\_\_\_  
 Signature and Title

Superintendent, Hall County Schools

June 15, 2011

\_\_\_\_\_  
 Date



**RACE TO THE TOP INNOVATION FUND SCOPE OF WORK**

The following chart is designed to support applicants in documenting their scope of work. As a partnership, you must determine the intended goals for your project and the activities and implementation steps needed to achieve stated goals. Additionally, applicants should include a timeline for completing activities, assign responsibility for each activity to a member of the partnership or project management team and identify the funding source that will support each activity (i.e. Innovation Funds, other grants, partnership resources, raised funds, etc).

<b>RACE TO THE TOP INNOVATION FUND</b>				
<b>SCOPE OF WORK</b>				
<b>NAME OF PARTNERSHIP: NORTHEAST GEORGIA PARTNERSHIP FOR A REGIONAL CHARTER STEM ACADEMY (INCLUDING HALL, LUMPKIN, AND WHITE COUNTIES AND NORTH GEORGIA COLLEGE AND STATE UNIVERSITY</b>				
<b>GOAL 1: DEVELOP A COMPREHENSIVE VISION FOR A REGIONAL CHARTER STEM ACADEMY</b>				
<b>ACTIVITY</b>	<b>IMPLEMENTATION STEPS</b>	<b>TIMELINE</b>	<b>RESPONSIBILITY</b>	<b>FUNDING SOURCE</b>
Meetings with leadership team	Brainstorm possible ideas and concepts for the academy. Divide responsibilities for creation of charter petition. Finalize petition.	September, 2011 January 2012, March 2012	Project manager	Innovation funds
Travel to other locations to gather ideas and concepts	Determine locations and make travel arrangements	September – October, 2011	Project manager and Leadership Team	Innovation funds
<b>GOAL 2: DEVELOP A CHARTER PETITION REFLECTIVE OF THE VISION FOR THE SCHOOL</b>				
<b>ACTIVITY</b>	<b>IMPLEMENTATION STEPS</b>	<b>TIMELINE</b>	<b>RESPONSIBILITY</b>	<b>FUNDING SOURCE</b>
Develop charter petition	1. Work in committees to develop petition 2. Pull all pieces together into coherent document	November – February, 2011 -2012	Committees and Charter consultant	Innovation funds
Get LEA approval for petition	Submit petition to Local Board of Education for approval	March, 2012	Leadership team and charter consultant	No funds needed
<b>GOAL 3: SUBMIT A CHARTER PETITION TO THE GEORGIA DEPARTMENT OF EDUCATION CHARTER DIVISION</b>				
<b>ACTIVITY</b>	<b>IMPLEMENTATION STEPS</b>	<b>TIMELINE</b>	<b>RESPONSIBILITY</b>	<b>FUNDING SOURCE</b>
Submit petition to DOE	Complete all appendices and submit charter	Prior to August 1, 2012	Leadership team and charter consultant	No funds needed

**APPROACH TO PROJECT EVALUATION FOR VENTURE GRANT APPLICANTS**

The following chart is designed to support applicants in documenting their approach to evaluating their work. As a partnership, you must determine the intended outcomes for your project and decide how will collect the data and how often the data will be collected and reviewed. All outcomes must relate to one of the four long-term goals of the Innovation Fund. Each applicant is required to determine intended outcomes in the areas already listed in the chart; however, they are encouraged to strengthen their approach to project evaluation by adding additional intended outcomes. Applicants are required to complete this table and include it in either the narrative or appendix section of the proposal (it will be included in the page count). This information will serve as the basis of any future evaluation.

<b>GEORGIA BENEFITS FROM A STRONGER UNDERSTANDING OF THE TYPES OF INNOVATIVE PROGRAMS, STRATEGIES, AND PRACTICES THAT WILL LEAD TO POSITIVE IMPROVEMENTS IN APPLIED LEARNING, TEACHER INDUCTION, AND HOMEGROWN TEACHER PIPELINE EFFORTS</b>		
INDICATOR(S)	DATA COLLECTION METHODS(S)	FREQUENCY OF DATA COLLECTION/REVIEW
By the end of the planning period, a charter petition for the Northeast Georgia Regional Charter STEM Academy will be 100% complete.	Completed charter petition	Petition will be reviewed by all parties in the partnership at least three times prior to final submission.

**Complete the following chart and include in the proposal**

<b>GEORGIA BENEFITS FROM A MEASURABLY STRONGER COMMITMENT FROM PUBLIC AND PRIVATE SECTORS TO SUPPORT AND ADVANCE POSITIVE ACADEMIC OUTCOMES FOR STUDENTS</b>		
INDICATOR(S)	DATA COLLECTION METHODS(S)	FREQUENCY OF DATA COLLECTION/REVIEW
Up to \$350,000 raised through additional grant funds to support ongoing implementation of proposed initiative	Accounting of funds through Hall County Accounting Department	Subsequent to awarding of charter petition.
<b>GEORGIA BENEFITS FROM AN INCREASED NUMBER AND PERCENTAGE OF STUDENTS AND TEACHERS WHO WILL HAVE ACCESS TO INNOVATIVE PROGRAMS, STRATEGIES, AND PRACTICES RELATED TO APPLIED LEARNING AND TEACHER/LEADER RECRUITMENT AND DEVELOPMENT</b>		
INDICATOR(S)	DATA COLLECTION METHODS(S)	FREQUENCY OF DATA COLLECTION/REVIEW
Number of people served each year by the proposed initiative: 400-600 students in grades 9-12	FTE enrollment count	Annually
<b>GEORGIA BENEFITS FROM A STRONGER UNDERSTANDING OF THE TYPES OF INNOVATIVE PROGRAMS, STRATEGIES, AND PRACTICES THAT WILL LEAD TO POSITIVE IMPROVEMENTS IN APPLIED LEARNING, TEACHER INDUCTION, AND HOMEGROWN TEACHER PIPELINE EFFORTS</b>		
INDICATOR(S)	DATA COLLECTION METHODS(S)	FREQUENCY OF DATA COLLECTION/REVIEW

Percentage of charter petition application that is complete by end of planning period: 100%	Submission of petition to DOE Charter Division prior to August 1, 2012	At the end of the grant period.
<b>GEORGIA BENEFITS FROM IMPROVED STUDENT OUTCOMES</b>		
<b>INDICATOR(S)</b>	<b>DATA COLLECTION METHODS(S)</b>	<b>FREQUENCY OF DATA COLLECTION/REVIEW</b>
At least 50% of the graduates from the STEM academy will have completed a career pathway or earned a certified STEM diploma	Student records in Infinite Campus and Learning Management System	Annually at end of year.

# Appendices



**HALL COUNTY  
BOARD OF EDUCATION  
GAINESVILLE, GEORGIA**

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

(Including Independent Auditor's Reports)



HALL COUNTY BOARD OF EDUCATION

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FINANCIAL



## DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

March 16, 2011

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2011, on our consideration of the Hall County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and

not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

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

Respectfully submitted,

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

Russell W. Hinton, CPA, CGFM  
State Auditor

RWH:as  
2010ARL-11

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

**INTRODUCTION**

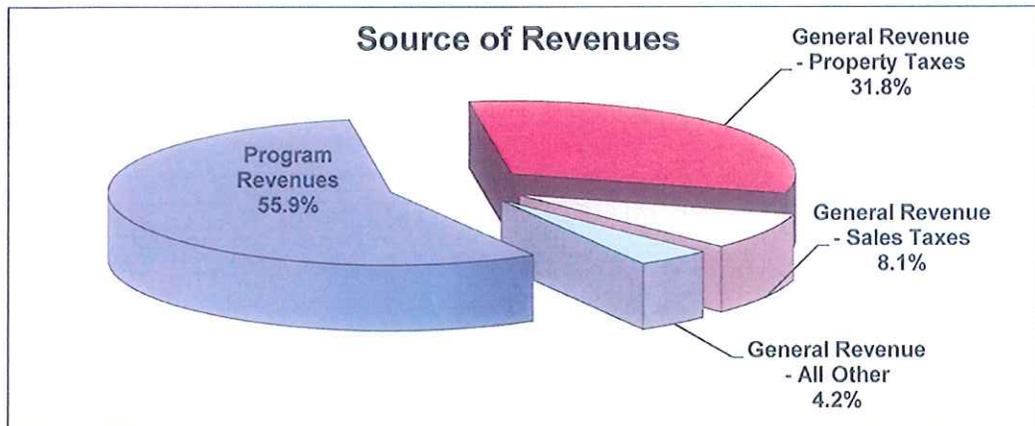
The School District's financial statements for the fiscal year ended June 30, 2010, includes a series of basic financial statements that report financial information for the School District as a whole, its funds, and its fiduciary responsibilities. The Statement of Net Assets and the Statement of Activities provide financial information about all of the School District's activities and present both a short-term and long-term view of the School District's finances on a global basis. The fund financial statements provide information about all of the School District's funds. Information about these funds, such as the School District's General Fund, is important in its own right, but will also give insight into the School District's overall soundness as reported in the Statement of Net Assets and the Statement of Activities.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for fiscal year 2010 are as follows:

On the District-wide financial statements:

- District-wide net assets at June 30, 2010, were \$248.1 million. Net assets reflect the difference between all assets of the School District (including capital assets, net of depreciation) and all liabilities, both short-term and long-term. The net assets at June 30, 2010 of \$248.1 million represented an increase of \$24.2 million in net assets when compared to the prior year net assets as restated.
- The School District had almost \$231.4 million in expenses relating to governmental activities; only \$143.0 million of these expenses were offset by program specific charges for services, grants and contributions. However, general revenues (primarily property and sales taxes) of just over \$112.5 million were adequate to provide for these programs.
- As stated above, general revenues accounted for just over \$112.5 million or about 44% of all revenues totaling just over \$255.5 million. Program specific revenues in the form of charges for services, grants, and contributions accounted for the balance of these revenues.



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

On the fund financial statements:

- Among major funds, the General Fund had \$228.3 million in revenues and \$221.4 million in expenditures. The General Fund balance of \$19.0 million at June 30, 2010, increased by roughly \$6.7 million from the prior year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

The fund financial statements focus on individual parts of the School District, reporting the School District's operation in more detail. The 'Governmental Funds' statements disclose how basic services are financed in the short-term as well as what remains for future spending. The 'Fiduciary Funds' statements provide information about the financial relationships in which the School District acts solely as a trustee or agent for the benefit of others. In the case of the Hall County School District, the General Fund, Capital Projects Funds, and Debt Service Funds are all considered to be major funds. The School District has no nonmajor funds as defined by GASB Statement 34 for the purposes of this report.

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

**District-wide Statements**

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

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

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

When analyzing District-wide financial statements, it is important to remember these statements are prepared using an economic resources measurement focus (accrual accounting) and involve the following steps to format the Statement of Net Assets:

- Capitalize current outlays for capital assets
- Depreciate capital assets
- Report long-term debt as a liability
- Calculate revenue and expense using the economic resources measurement focus and the accrual basis of accounting
- Allocate net assets as follows:
  - *Net Assets invested in capital assets, net of related debt*
  - *Restricted net assets* are those with constraints placed on the use by external sources such as creditors, grantors, contributors or laws and regulations.
  - *Unrestricted net assets* are net assets that do not meet any of the above restrictions.

#### Fund Financial Statements

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

The School District has two kinds of funds as discussed below:

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

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

#### FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Net assets, which is the difference between total assets and total liabilities, is one indicator of the financial condition of the School District. When revenues exceed expenses, the result is an increase in net assets. When expenses exceed revenues, the result is a decrease in net assets. The relationship between revenues and expenses can be thought of as the School District's operating results. The School District's net assets, as measured in the Statement of Net Assets, can be one way to measure the School District's financial health, or financial position. Over time, increases or

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

decreases in the School District's net assets as measured in the Statement of Activities are one indicator of whether its financial health is improving or deteriorating. However, the School District's goal and mission is to provide success for each child's education, not to generate profits as private corporations do. For this reason, many other nonfinancial factors should be considered in assessing the overall health of the School District.

In the case of the Hall County School District, assets exceeded liabilities by \$248.1 million at June 30, 2010. To better understand the School District's actual financial position and ability to deliver services in future periods, it is necessary to review the various components of the net asset category. For example, of the \$248.1 million of net assets, about \$19.4 million was restricted for continuation of Federal programs, debt service and ongoing capital projects. Accordingly, these funds were not available to meet the School District's ongoing obligations to citizens and creditors.

In addition, the School District had \$216.5 million (net of related debt) invested in capital assets (e.g., land, buildings, and equipment). The School District uses these capital assets to provide educational services to students within geographic boundaries served by the School District. Because of the very nature and on-going use of the assets being reported in this component of net assets, it must be recognized that this portion of the net assets is *not* available for future spending.

The remaining balance of *unrestricted net assets* of almost \$12.2 million may be used to meet the School District's ongoing obligations to citizens and creditors.

Table 1 provides a summary of the School District's net assets for this fiscal year as compared to the prior fiscal year.

**Table 1  
Net Assets**

	Governmental Activities	
	Fiscal Year 2010	Fiscal Year 2009
<b>Assets</b>		
Current and Other Assets	\$ 63,783,008	\$ 53,159,132
Capital Assets, Net	262,980,324	261,036,491
<b>Total Assets</b>	<b>\$ 326,763,332</b>	<b>\$ 314,195,623</b>
<b>Liabilities</b>		
Current and Other Liabilities	\$ 28,075,822	\$ 31,540,529
Long-Term Liabilities	50,585,501	59,871,035
<b>Total Liabilities</b>	<b>\$ 78,661,323</b>	<b>\$ 91,411,564</b>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	\$ 216,486,103	\$ 204,622,866
Restricted	19,403,448	14,348,443
Unrestricted	12,212,458	3,812,750
<b>Total Net Assets</b>	<b>\$ 248,102,009</b>	<b>\$ 222,784,059</b>

Total net assets increased \$25.3 million in fiscal year 2010 from the prior year. This change in net assets is detailed in Table 2 as presented below. Table 2 also shows the changes in net assets as compared to the prior fiscal year.

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

**Table 2  
Change in Net Assets**

	Governmental Activities	
	Fiscal Year 2010	Fiscal Year 2009
<b>Revenues</b>		
<b>Program Revenues:</b>		
Charges for Services and Sales	\$ 4,506,120	\$ 5,085,052
Operating Grants and Contributions	135,722,512	132,437,233
Capital Grants and Contributions	2,778,000	19,481,573
<b>Total Program Revenues</b>	<u>\$ 143,006,632</u>	<u>\$ 157,003,858</u>
<b>General Revenues:</b>		
Property Taxes	\$ 81,157,173	\$ 75,648,969
Sales Taxes	20,637,586	21,563,732
Grants and Contributions not Restricted to Specific Programs	5,972,052	9,835,560
Investment Earnings	229,342	348,585
Miscellaneous	4,746,676	2,949,428
<b>Special Item</b>		
Loss on Disposal of Capital Assets	-202,030	-296,007
<b>Total General Revenues and Special Item</b>	<u>\$ 112,540,799</u>	<u>\$ 110,050,267</u>
<b>Total Revenues</b>	<u>\$ 255,547,431</u>	<u>\$ 267,054,125</u>
<b>Program Expenses</b>		
Instruction	\$ 152,299,881	\$ 165,242,078
Support Services		
Pupil Services	7,424,174	8,519,763
Improvement of Instructional Services	6,450,886	6,711,942
Educational Media Services	4,032,957	4,388,523
General Administration	1,296,169	976,560
School Administration	12,767,648	13,226,713
Business Administration	1,878,644	1,692,017
Maintenance and Operation of Plant	14,848,815	16,374,815
Student Transportation Services	9,354,795	12,237,534
Central Support Services	5,926,116	5,983,963
Other Support Services	1,276,920	754,843
Operations of Non-Instructional Services		
Community Services	160,882	190,801
Food Services	12,218,503	13,276,976
Interest on Short-Term and Long-Term Debt	1,431,902	2,741,600
<b>Total Expenses</b>	<u>\$ 231,368,292</u>	<u>\$ 252,318,128</u>
<b>Increase in Net Assets</b>	<u>\$ 24,179,139</u>	<u>\$ 14,735,997</u>

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

**Governmental Activities**

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

Table 3  
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	Fiscal Year 2010	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2009
Instruction	\$ 152,299,881	\$ 165,242,078	\$ 53,098,288	\$ 54,317,207
Support Services:				
Pupil Services	7,424,174	8,519,763	5,874,808	6,941,382
Improvement of Instructional Services	6,450,886	6,711,942	2,717,501	2,392,953
Educational Media Services	4,032,957	4,388,523	596,986	1,096,698
General Administration	1,296,169	976,560	-2,228,539	-2,007,931
School Administration	12,767,648	13,226,713	6,145,031	6,266,901
Business Administration	1,878,644	1,692,017	1,846,305	1,597,562
Maintenance of Operation of Plant	14,848,815	16,374,815	6,598,339	7,966,070
Student Transportation Services	9,354,795	12,237,534	6,988,364	9,428,321
Central Support Services	5,926,116	5,983,963	5,697,994	5,045,948
Other Support Services	1,276,920	754,843	446,473	9,459
Operations of Non-Instructional Services:				
Community Services	160,882	190,801	156,344	186,970
Food Services	12,218,503	13,276,976	-1,008,137	-668,869
Interest on Short-Term and Long-Term Debt	1,431,902	2,741,600	1,431,902	2,741,599
<b>Total Expenses</b>	<b>\$ 231,368,292</b>	<b>\$ 252,318,128</b>	<b>\$ 88,361,659</b>	<b>\$ 95,314,270</b>

Expenditures for fiscal year 2010 decreased about 8% from prior year, while the net cost of services decreased about 7%. The above comparison indicates that total budget cuts made by the School District in fiscal year 2010 mirrored a similar reduction in program revenues as compared to the prior year.

**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS**

Information about the School District's governmental funds is presented starting on Exhibit "C" of this report. Governmental funds are accounted for using the modified accrual basis of accounting. The governmental funds had total revenues of \$252.9 million, other financing sources of \$1.1 million and total expenditures of \$243.0 million in fiscal year 2010. Total governmental fund balances of \$32.4 million at June 30, 2010, increased almost \$11.0 million from the prior year. This increase in fund balance resulted from an aggressive approach by management to conserve costs and increase the governmental fund balances that had been dwindling in prior years.

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

**General Fund Budget Highlights**

The School District's budget is prepared according to Georgia Law. The most significant budgeted fund is the General Fund. During the course of fiscal year 2010, the School District amended its general fund budget as needed.

The School District budget is adopted at the aggregate level and maintained at the program, function, object, and site levels to facilitate budgetary control. The budgeting systems are designed to control the total budget, but provide flexibility to meet the ongoing programmatic needs. The budgeting systems are also designed to control total site budgets but provide flexibility for site management as well.

For the General Fund, the final actual revenues of \$228.3 million were less than the final budgeted amount of almost \$231.0 million by \$2.7 million. This difference (final actual vs. final budget) was primarily attributable to revenues for State Funds less than the final budget of almost \$2.2 million, and revenues for Federal funds less than the final budget of \$3.0 million. This shortfall was offset in part by revenues for charges for services over final budget of \$1.2 million and miscellaneous revenues over final budget of almost \$2.4 million. The School District traditionally estimates revenue on a conservative basis to avoid shortfalls in actual revenues. Additionally, the School District did not include revenues for school activity accounts (included in miscellaneous revenues) in the final budget.

The General Fund's final actual expenditures of almost \$221.4 million were less than the final budget amount of \$236.5 million by \$15.1 million. This budget underexpenditure indicates the School District effectively managed its budget during fiscal year 2010 and actually increased its General Fund balance at June 30, 2010, in spite of revenues falling short of budgeted amounts.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At fiscal year ended June 30, 2010, the School District had almost \$263.0 million invested in capital assets, net of accumulated depreciation, all in governmental activities. These assets are made up of a broad range of items including buildings; land; land improvements; and food service, transportation and maintenance equipment. Table 4 reflects a summary of these balances, net of accumulated depreciation, as compared to the prior fiscal year.

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

**Table 4  
Capital Assets  
(Net of Depreciation)**

	Governmental Activities	
	Fiscal	Fiscal
	Year 2010	Year 2009
Land	\$ 28,480,244	\$ 28,480,244
Construction in Progress	3,823,736	33,355,015
Land Improvements	8,884,407	8,885,466
Buildings and Improvements	209,267,433	177,837,292
Equipment	12,524,504	12,478,473
<b>Total</b>	<b>\$ 262,980,324</b>	<b>\$ 261,036,490</b>

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

**Long-Term Debt**

At June 30, 2010, the School District had almost \$50.6 million in total debt outstanding which consisted of almost \$42.7 million in bond debt, \$1.8 in capital lease debt, \$4.8 million in installment sales debt, \$0.7 million in compensated absences debt, and \$0.6 million in unamortized bond premiums on bonds sold. Table 5 summarizes the School District's debt as compared to the prior fiscal year.

**Table 5  
Debt at June 30**

	Governmental Activities	
	Fiscal	Fiscal
	Year 2010	Year 2009
Bonds Payable	\$ 42,740,000	\$ 49,975,000
Capital Leases	1,762,537	1,920,789
Installment Sales Agreement	4,772,286	6,344,572
Compensated Absences	669,799	687,861
Unamortized Premiums on Bonds Sold	640,879	942,812
<b>Total</b>	<b>\$ 50,585,501</b>	<b>\$ 59,871,034</b>

At June 30, 2010, the School District's assigned bond rating was "Aa2" as determined by Moody's rating service.

Additional information about the School District's debt can be found in the Notes to the Basic Financial Statements.

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

**FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE**

Currently known circumstances that are expected to have a significant effect on financial position or results of operations in future years are as follows:

- The School District is financially stable. The School District's operating millage for fiscal year 2010 was 16.42, which produced approximately \$4.7 million per mill. The School District continues to grow at the rate of about 100 students per year. The School District continues to construct additional facilities to accommodate the growth and reduce portable classrooms at various schools as needed. The School District plans to fund additional capital outlays with the one percent local sales tax revenue and state capital outlay grants.
- The School District is financially challenged by the State's continuing reduction of revenue estimates and subsequent reduction of state revenue appropriations to local School Districts. State revenues for General Fund operations in fiscal year 2010 were about 13.4% less than the prior year. Further reductions of State Funding are budgeted for fiscal year 2011 which resulted in the School District reducing teacher contracts by seven days. Additionally, sales taxes have also slowed which have negatively affected both operating and construction revenues provided through those sources. Even with these reductions in resources, the School District has maintained the current millage rate of 16.42 mills for calendar year 2011. In spite of these challenges, the School District will continue to be a good steward of tax dollars while providing a quality educational opportunity.
- The School District will continue to face challenges from the implementation of the A+ Education Reform Act, which mandates lower teacher to student ratios. The School District will also continue to be impacted by the remedial actions required for under performing schools under the No Child Left Behind Act. In the midst of these challenges, the School District remains confident in the ability to maximize resources to provide the best possible educational experience for all of our students.

**CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. Lee Lovett, Deputy Superintendent, Hall County Board of Education, 711 Green Street, Gainesville, Georgia 30505. You may also email your questions to Mr. Lovett at [lee.lovett@hallco.org](mailto:lee.lovett@hallco.org).

HALL COUNTY BOARD OF EDUCATION

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

EXHIBIT "A"

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 34,830,565.51
Investments	382,973.91
Accounts Receivable, Net	
Taxes	6,114,135.57
State Government	15,357,385.95
Federal Government	6,163,582.67
Other	122,725.13
Inventories	469,096.82
Prepaid Items	191,500.00
Capitalized Bond and Other Debt Issuance Costs	151,042.50
Capital Assets, Non-Depreciable	32,303,980.43
Capital Assets, Depreciable (Net of Accumulated Depreciation)	<u>230,676,343.25</u>
Total Assets	<u>\$ 326,763,331.74</u>
<u>LIABILITIES</u>	
Salaries and Benefits Payable	\$ 27,398,655.95
Payroll Withholdings Payable	108,445.96
Interest Payable	257,004.17
Retainages Payable	171,988.00
Deposits and Deferred Revenues	139,728.00
Long-Term Liabilities	
Due Within One Year	16,884,755.96
Due in More Than One Year	<u>33,700,744.69</u>
Total Liabilities	<u>\$ 78,661,322.73</u>
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	\$ 216,486,103.44
Restricted for	
Continuation of Federal Programs	6,541,314.30
Debt Service	2,853,220.83
Capital Projects	10,008,912.80
Unrestricted	<u>12,212,457.64</u>
Total Net Assets	<u>\$ 248,102,009.01</u>
Total Liabilities and Net Assets	<u>\$ 326,763,331.74</u>

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

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

	EXPENSES	CHARGES FOR SERVICES
<u>GOVERNMENTAL ACTIVITIES</u>		
Instruction	\$ 152,299,880.92	\$ 1,339,761.15
Support Services		
Pupil Services	7,424,174.09	
Improvement of Instructional Services	6,450,886.53	
Educational Media Services	4,032,957.18	
General Administration	1,296,169.38	
School Administration	12,767,648.58	
Business Administration	1,878,643.93	
Maintenance and Operation of Plant	14,848,815.28	174,199.06
Student Transportation Services	9,354,795.13	
Central Support Services	5,926,115.62	
Other Support Services	1,276,919.61	
Operations of Non-Instructional Services		
Community Services	160,881.69	
Food Services	12,218,502.83	2,992,160.18
Interest on Short-Term and Long-Term Debt	1,431,901.66	
	\$ 231,368,292.43	\$ 4,506,120.39
General Revenues		
Taxes		
Property Taxes		
For Maintenance and Operations		
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Debt Services		
For Capital Projects		
Other Sales Tax		
Grants and Contributions not Restricted to Specific Programs		
Investment Earnings		
Miscellaneous		
Special Item		
Loss on Disposal of Assets		
Total General Revenues and Special Item		
Change in Net Assets		
Net Assets - Beginning of Year (Restated)		
Net Assets - End of Year		

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

EXHIBIT 'B'

PROGRAM REVENUES		NET (EXPENSES)
OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	REVENUES AND CHANGES IN NET ASSETS
\$ 95,564,147.81	\$ 2,297,683.29	\$ -53,098,288.67
1,548,604.23	761.78	-5,874,808.08
3,733,385.84		-2,717,500.69
3,435,970.69		-596,986.49
3,524,708.28		2,228,538.90
6,536,837.37	85,779.75	-6,145,031.46
16,743.02	15,596.33	-1,846,304.58
8,037,446.12	38,831.53	-6,598,338.57
2,366,430.97		-6,988,364.16
57,359.28	170,762.26	-5,697,994.08
830,446.49		-446,473.12
4,538.06		-156,343.63
10,065,894.31	168,585.06	1,008,136.72
		-1,431,901.66
<u>\$ 135,722,512.47</u>	<u>\$ 2,778,000.00</u>	<u>\$ -88,361,659.57</u>
		\$ 81,157,173.48
		9,184,779.66
		10,231,097.22
		1,221,708.78
		5,972,052.00
		229,341.83
		4,746,675.80
		<u>-202,030.46</u>
		\$ <u>112,540,798.31</u>
		\$ 24,179,138.74
		<u>223,922,870.27</u>
		\$ <u>248,102,009.01</u>



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

EXHIBIT "D"

Total Fund Balances - Governmental Funds (Exhibit "C") \$ 32,399,026.61

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

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

Land	\$	28,480,243.98	
Construction in Progress		3,823,736.45	
Land Improvements		20,758,277.97	
Buildings		259,425,364.37	
Equipment		25,107,214.77	
Accumulated Depreciation		<u>-74,614,513.86</u>	
Total Capital Assets			262,980,323.68

Taxes that are not available to pay for current period expenditures are deferred in the funds. 3,414,121.04

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	\$	-42,740,000.00	
Accrued Interest		-257,004.17	
Capital Leases Payable		-1,762,536.50	
Compensated Absences		-669,798.85	
Capitalized Bond and Other Debt Issuance Costs		151,042.50	
Installment Sales Agreement		-4,772,286.00	
Unamortized Bond Premiums		<u>-640,879.30</u>	
Total Long-Term Liabilities			<u>-50,691,462.32</u>

Net Assets of Governmental Activities (Exhibit "A") \$ 248,102,009.01

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

EXHIBIT \*E\*

	GENERAL FUND	DISTRICT- WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
<b>REVENUES</b>				
Property Taxes	\$ 77,743,052.44			\$ 77,743,052.44
Sales Taxes	1,221,708.78	\$ 9,184,779.66	\$ 10,780,436.24	21,186,924.68
State Funds	103,988,724.76	2,778,000.00		106,766,724.76
Federal Funds	37,705,839.71			37,705,839.71
Charges for Services	4,506,120.39			4,506,120.39
Investment Earnings	178,353.93	41,970.10	9,017.80	229,341.83
Miscellaneous	2,935,760.27	1,810,915.53		4,746,675.80
	\$ 228,279,560.28	\$ 13,815,665.29	\$ 10,789,454.04	\$ 252,884,679.61
<b>EXPENDITURES</b>				
<b>Current</b>				
Instruction	\$ 144,857,900.70	\$ 1,265,537.85		\$ 146,123,438.55
Support Services				
Pupil Services	7,422,202.69			7,422,202.69
Improvement of Instructional Services	6,450,886.53			6,450,886.53
Educational Media Services	4,032,957.18			4,032,957.18
General Administration	1,220,648.13			1,220,648.13
School Administration	12,577,275.82			12,577,275.82
Business Administration	1,838,811.47			1,838,811.47
Maintenance and Operation of Plant	14,755,362.07			14,755,362.07
Student Transportation Services	8,514,580.01			8,514,580.01
Central Support Services	5,485,802.76			5,485,802.76
Other Support Services	846,195.54			846,195.54
Community Services	160,881.69			160,881.69
Food Services Operation	12,213,693.73			12,213,693.73
Capital Outlay	34,741.50	9,208,506.88		9,243,248.38
Debt Services				
Principal	904,893.10	369,263.92	\$ 8,807,286.00	10,081,443.02
Dues and Fees			1,365.00	1,365.00
Interest	78,229.18		1,973,150.24	2,051,379.42
	\$ 221,395,062.10	\$ 10,843,308.65	\$ 10,781,801.24	\$ 243,020,171.99
Excess of Revenues over (under) Expenditures	\$ 6,884,498.18	\$ 2,972,356.64	\$ 7,652.80	\$ 9,864,507.62
<b>OTHER FINANCING SOURCES (USES)</b>				
Capital Leases		\$ 1,115,904.20		\$ 1,115,904.20
Transfers In		30,297.08	\$ 145,995.90	176,292.98
Transfers Out	\$ -176,292.98			-176,292.98
	\$ -176,292.98	\$ 1,146,201.28	\$ 145,995.90	\$ 1,115,904.20
Net Change in Fund Balances	\$ 6,708,205.20	\$ 4,118,557.92	\$ 153,648.70	\$ 10,980,411.82
Fund Balances - Beginning	12,321,420.03	8,909,731.73	187,463.03	21,418,614.79
Fund Balances - Ending	\$ 19,029,625.23	\$ 13,028,289.65	\$ 341,111.73	\$ 32,399,026.61

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

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

EXHIBIT \*F\*

Total Net Change in Fund Balances - Governmental Funds (Exhibit \*E\*) \$ 10,980,411.82

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	\$	7,128,256.69	
Depreciation Expense		<u>-6,121,204.24</u>	
Excess of Capital Outlay over Depreciation Expense			1,007,052.45

Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 2,864,782.02

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, and disposals) is to decrease net assets. -202,030.46

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. -1,115,904.20

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

Bond Principal Retirements	\$	7,235,000.00	
Capital Lease Payments		1,274,157.02	
Installment Sales Agreement Payments		<u>1,572,286.00</u>	
Total Long-Term Debt Repayments			10,081,443.02

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

Net Decrease in Accrued Interest	\$	318,910.11	
Decrease in Compensated Absences		18,062.58	
Amortization of Bond Cost		-75,521.25	
Amortization of Bond Premium		<u>301,932.65</u>	
Total Additional Expenditures			<u>563,384.09</u>

Change in Net Assets of Governmental Activities (Exhibit \*B\*) \$ 24,179,138.74

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

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

EXHIBIT "G"

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ <u>254,381.36</u>
<u>LIABILITIES</u>	
Funds Held for Others	\$ <u>254,381.36</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 Hall County Board of Education (School District) was established under the laws of the State of Georgia and operates under the guidance of a school board elected by the voters and a Superintendent appointed by the Board. The Board is organized as a separate legal entity and has the power to levy taxes and issue bonds. Its budget is not subject to approval by any other entity. Accordingly, the School District is a primary government and consists of all the organizations that compose its legal entity.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**BASIS OF PRESENTATION**

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

***District-wide Statements:***

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

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

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

***Fund Financial Statements:***

The fund financial statements provide information about the School District's funds, including fiduciary funds. Eliminations have been made to minimize the double counting of internal activities. Separate statements for each category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. The Hall County Board of Education had no funds that were required to be 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.

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

EXHIBIT "H"

- District-wide Capital Projects Fund accounts for financial resources including Special Purpose Local Option Sales Tax (SPLOST), Bond Proceeds, Installment Sales Agreement Proceeds, Capital Lease Proceeds and grants from Georgia State Financing and Investment Commission to be used for the acquisition, construction or renovation of major capital facilities.
- Debt Service Fund accounts for taxes (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 Principals' accounts.

### **BASIS OF ACCOUNTING**

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

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

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

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

The State of Georgia reimburses the School District for teachers' salaries and operating costs through the Quality Basic Education Formula Earnings program (QBE). Generally teachers are

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

EXHIBIT "H"

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

#### **NEW ACCOUNTING PRONOUNCEMENTS**

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

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

#### **RESTATEMENT OF PRIOR YEAR NET ASSETS**

For fiscal year 2010, the School District restated various Capital Assets due to errors and omissions. The School District increased, net of accumulated depreciation, buildings and improvements, equipment and land improvements, \$285,276.93, \$691,403.29 and \$162,130.83, respectively. The result is an increase in Net Assets at July 1, 2009, of \$1,138,811.05. This change is in accordance with generally accepted accounting principles.

#### **CASH AND CASH EQUIVALENTS**

##### **Composition of Deposits**

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

#### **INVESTMENTS**

##### **Composition of Investments**

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

HALL COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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EXHIBIT "H"

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

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

#### RECEIVABLES

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

#### PROPERTY TAXES

The Hall County Board of Commissioners fixed the property tax levy for the 2009 tax digest year (calendar year) on July 7, 2010 (levy date). Taxes were due on December 1, 2009 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2009 tax digest are reported as revenue in the governmental funds for fiscal year 2010. The Hall County Tax Commissioner bills and collects the property taxes for the School District, withholds 2.5% of taxes collected as a fee for tax collection and remits the balance of taxes collected to the School District. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2010, for maintenance and operations amounted to \$77,707,335.91.

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

School Operations	<u>16.42</u> mills
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#### SALES TAXES

Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to \$19,965,215.90 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. The current governing referendum expires September 30, 2012.

**INVENTORIES**

**Food Inventories**

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

**PREPAID ITEMS**

Payments made to vendors for services that will benefit periods subsequent to June 30, 2010, 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 fiscal year 2010, no events or changes in circumstances affecting a capital asset that may indicate impairment were known to the School District.

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

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
Land	All	N/A
Land Improvements	\$ 5,000.00	10 to 60 years
Buildings and Improvements	\$ 100,000.00	10 to 70 years
Equipment	\$ 5,000.00	5 to 50 years
Intangible Assets	\$ 100,000.00	individually determined

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

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

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

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**COMPENSATED ABSENCES**

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

Vacation leave of up to 15 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 15 days.

The following table reflects changes in compensated absences liability for the last three fiscal years:

	Beginning of Year Liability		Increase		Decrease		End of Year Liability
2008	\$ 629,352.62	\$	805,725.62	\$	742,611.95	\$	692,466.29
2009	\$ 692,466.29	\$	827,579.12	\$	832,183.98	\$	687,861.43
2010	\$ 687,861.43	\$	785,510.31	\$	803,572.89	\$	669,798.85

**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 are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are reported as deferred charges and amortized over the term of the debt.

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

**NET ASSETS**

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

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

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

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

EXHIBIT "H"

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

#### **FUND BALANCES**

##### **Reserved**

Reserves represent those portions of fund balance equity that are legally segregated for a specific future use.

##### **Unreserved - Designated**

Designated fund balances represent tentative plans for future use of financial resources.

#### **USE OF ESTIMATES**

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

#### **Note 3: DEPOSITS AND INVESTMENTS**

##### **COLLATERALIZATION OF DEPOSITS**

Official Code of Georgia Annotated (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,

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

EXHIBIT "H"

- (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.

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. The School District does not have a deposit policy for custodial credit risk. At June 30, 2010, the bank balances were \$46,460,648.75. The amounts exposed to custodial credit risk are classified into three categories as follows:

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

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

Custodial Credit Risk Category	Bank Balance
1	\$ 0.00
2	0.00
3	<u>44,605,794.67</u>
Total	<u>\$ 44,605,794.67</u>

CATEGORIZATION OF INVESTMENTS

The School District's investments as of June 30, 2010, are presented below. All investments are presented by investment type and debt securities are presented by maturity. These amounts do not include cash deposits in various banks and/or Credit unions which the School District has classified as investments on the financial statements.

Investment Type	Fair Value	Investment Maturity Less than 1 Year
Debt Securities		
U. S. Treasuries	\$ <u>302,369.24</u>	\$ <u>302,369.24</u>

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

EXHIBIT "H"

**Interest Rate Risk**

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

**Custodial Credit Risk**

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

At June 30, 2010, \$302,369.24 of the School District's applicable investments were uninsured or unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the School District's name.

**Note 4: NON-MONETARY TRANSACTIONS**

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

**Note 5: CAPITAL ASSETS**

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

	Balances July 1, 2009 (Restated)	Increases	Decreases	Balances June 30, 2010
<b>Governmental Activities</b>				
<b>Capital Assets, Not Being Depreciated:</b>				
Land	\$ 28,480,243.98			\$ 28,480,243.98
Construction Work In Progress	33,355,014.74	\$ 5,100,458.38	\$ 34,631,736.67	3,823,736.45
<b>Total Capital Assets, Not Being Depreciated</b>	<b>\$ 61,835,258.72</b>	<b>\$ 5,100,458.38</b>	<b>\$ 34,631,736.67</b>	<b>\$ 32,303,980.43</b>
<b>Capital Assets, Being Depreciated:</b>				
Buildings and Improvements	\$ 224,480,770.23	\$ 35,067,594.14	\$ 123,000.00	\$ 259,425,364.37
Equipment	24,596,565.70	1,026,313.07	515,664.00	25,107,214.77
Land Improvements	20,192,650.20	565,627.77		20,758,277.97
<b>Less: Accumulated Depreciation:</b>				
Buildings and Improvements	46,358,201.07	3,826,996.07	27,265.00	50,157,932.14
Equipment	11,426,689.21	1,565,389.92	409,368.54	12,582,710.59
Land Improvements	11,145,052.88	728,818.25		11,873,871.13
<b>Total Capital Assets, Being Depreciated, Net</b>	<b>\$ 200,340,042.97</b>	<b>\$ 30,538,330.74</b>	<b>\$ 202,030.46</b>	<b>\$ 230,676,343.25</b>
<b>Governmental Activity Capital Assets - Net</b>	<b>\$ 262,175,301.69</b>	<b>\$ 35,638,789.12</b>	<b>\$ 34,833,767.13</b>	<b>\$ 262,980,323.68</b>

HALL COUNTY BOARD OF EDUCATION  
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Current year depreciation expense by function is as follows:

Instruction	\$	4,341,943.49
Support Services		
Pupil Services	\$	1,678.55
School Administration		189,012.02
Business Administration		34,365.85
Maintenance and Operation of Plant		85,563.62
Student Transportation Services		720,903.39
Central Support Services		376,267.35
		1,407,790.78
Food Services		371,469.97
		\$ 6,121,204.24

Note 6: INTERFUND TRANSFERS

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

<u>Transfer to</u>	<u>Transfers From</u>
	General Fund
Capital Projects Fund	\$ 30,297.08
Debt Service Fund	145,995.90
	\$ 176,292.98

Transfers are used to move property tax revenues collected by the General Fund to (1) the Debt Service Fund to retire the School District's debt as it becomes due and (2) move funds collected by the General Fund to the District-wide Capital Projects Funds to cover non-SPLOST expenditures.

Note 7: RISK MANAGEMENT

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

The School District has obtained commercial insurance for risk of loss associated with commercial property, crime, general liability, commercial auto, and educators' legal liability. The coverage also includes torts, assets, errors or omissions, job related illness or injuries to employees 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.

HALL COUNTY BOARD OF EDUCATION  
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The School District has established a limited risk management program for workers' compensation claims. A premium is charged when needed by the General Fund to each user program on the basis of the percentage of that program's payroll to total payroll in order to cover estimated claims budgeted by management based on known claims and prior experience. The School District accounts for claims with expenses/expenditures and liability being reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. An excess coverage insurance policy covers individual claims in excess of \$350,000.00 loss per occurrence, up to the statutory limit.

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

	<u>Beginning of Year Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Paid</u>	<u>End of Year Liability</u>
2009	\$ 0.00	\$ 710,857.26	\$ 710,857.26	\$ 0.00
2010	\$ 0.00	\$ 630,161.12	\$ 630,161.12	\$ 0.00

The School District is self-insured with regard to unemployment compensation claims. A premium is charged when needed by the General Fund to each user program on the basis of the percentage of that fund's payroll to total payroll in order to cover estimated claims budgeted by management based on known claims and prior experience. The School District accounts for claims with expenses/expenditures and liability being reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated.

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

	<u>Beginning of Year Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Paid</u>	<u>End of Year Liability</u>
2009	\$ 0.00	\$ 37,570.44	\$ 37,570.44	\$ 0.00
2010	\$ 0.00	\$ 373,224.57	\$ 373,224.57	\$ 0.00

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

<u>Position Covered</u>	<u>Amount</u>
Superintendent	\$ 25,000.00

Note 8: OPERATING LEASES

The Hall County Board of Education has entered into various leases as lessee for office equipment. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the year ended June 30, 2010, for governmental funds amounted to \$375,784.38. Future minimum lease payments for these leases are as follows:

HALL COUNTY BOARD OF EDUCATION  
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<u>Year Ending</u>	<u>Governmental Funds</u>
2011	\$ 295,622.08
2012	209,334.65
2013	136,659.85
2014	<u>72,856.00</u>
Total	<u>\$ 714,472.58</u>

Note 9: LONG-TERM DEBT

**CAPITAL LEASES**

The Hall County Board of Education entered into various lease agreements as lessee for energy, lawn equipment and information technology equipment. Under the terms of these agreements, the School District will make annual payments through 2013. These lease agreements qualify as capital leases for accounting purposes, and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

**INSTALLMENT SALES AGREEMENTS**

The Hall County Board of Education entered into an agreement dated January 30, 2008, with Regions Bank for technology equipment facility expansion and facility upgrades. Under terms of the agreement, the School District will make annual payments through February 1, 2011.

The Hall County Board of Education entered into an agreement dated July 11, 2008, with Regions Bank for the acquisition of school buses. Under terms of the agreement, the School District will make annual payments through August 10, 2010.

**COMPENSATED ABSENCES**

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

**GENERAL OBLIGATION DEBT OUTSTANDING**

General Obligation Bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
General Government - Series 2006	3.59%	\$ 9,500,000.00
General Government - Series 2007	4.25% - 5.00%	8,970,000.00
General Government - Series 2007A	4.00% - 5.00%	7,350,000.00
General Government - Refunding - Series 2007B	4.00% - 5.00%	14,305,000.00
General Government - QZAB - Series 2007	0.00%	<u>2,615,000.00</u>
		<u>\$ 42,740,000.00</u>

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

EXHIBIT "H"

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

	Governmental Funds				
	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010	Due Within One Year
G. O. Bonds	\$ 49,975,000.00		\$ 7,235,000.00	\$ 42,740,000.00	\$ 10,730,000.00
Capital Leases	1,920,789.32	\$ 1,115,904.20	1,274,157.02	1,762,536.50	1,005,537.31
Installment Sales Agreement	6,344,572.00		1,572,286.00	4,772,286.00	4,772,286.00
Compensated Absences	687,861.43	785,510.31	803,572.89	669,798.85	75,000.00
Unamortized Bond Premium	942,811.95		301,932.65	640,879.30	301,932.65
	<u>\$ 59,871,034.70</u>	<u>\$ 1,901,414.51</u>	<u>\$ 11,186,948.56</u>	<u>\$ 50,585,500.65</u>	<u>\$ 16,884,755.96</u>

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

	Capital Leases		General Obligation Debt	
	Principal	Interest	Principal	Interest
<u>Fiscal Year Ended June 30:</u>				
2011	\$ 1,005,537.31	\$ 86,852.17	\$ 10,730,000.00	\$ 1,699,875.00
2012	539,206.86	41,479.32	11,320,000.00	1,233,088.00
2013	217,792.33	8,519.05	12,040,000.00	742,327.00
2014			2,880,000.00	203,900.00
2015			3,155,000.00	65,950.00
2023			<u>2,615,000.00</u>	
Total Principal and Interest	<u>\$ 1,762,536.50</u>	<u>\$ 136,850.54</u>	<u>\$ 42,740,000.00</u>	<u>\$ 3,945,140.00</u>
			Installment Sales Agreements	
			Principal	Interest
			Unamortized Bond Premium	
<u>Fiscal Year Ended June 30:</u>				
2011		\$ 4,772,286.00	\$ 62,516.45	\$ 301,932.65
2012				301,932.65
2013				<u>37,014.00</u>
Total Principal and Interest		<u>\$ 4,772,286.00</u>	<u>\$ 62,516.45</u>	<u>\$ 640,879.30</u>

Note 10: PRIOR YEAR DEFEASEMENT OF DEBT

In fiscal year 2008, the School District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the School District's basic financial statements. At June 30, 2010, none of these bonds are outstanding and are considered defeased.

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

EXHIBIT "H"

Note 11: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of \$615,815.31 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 \$358,216.66

Paid to the Teachers Retirement System of Georgia  
 For Teachers Retirement System (TRS) Employer's Cost  
 In the amount of \$159,203.95

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 \$98,394.70

Note 12: SIGNIFICANT COMMITMENTS

The following is an analysis of significant outstanding construction or renovation contracts executed by the School District as of June 30, 2010. There is no funding available from the State to fund these commitments in subsequent years.

Project	Unearned Executed Contracts
Lanier Career Cultural Art Center	\$ 413,842.23
East Hall High School - Stadium	143,578.42
	\$ 557,420.65

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

Note 13: SIGNIFICANT CONTINGENT LIABILITIES

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

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

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

EXHIBIT "H"

Note 14: SUBSEQUENT EVENTS

In the subsequent fiscal year, the School District entered into an Intergovernmental Installment Sales Agreement with the Gainesville and Hall County Development Authority. Under terms of this agreement, the Authority will issue \$3,000,000.00 of revenue bonds to provide funding to pay the cost of rehabilitating the technology infrastructure of the School District's schools. In exchange, the School District is contractually obligated to pay debt service on the Authority's Bonds as principal and interest become due.

Note 15: POST-EMPLOYMENT BENEFITS

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

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

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

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

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

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

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

**For non-certificated school personnel:**

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

EXHIBIT "H"

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

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

Fiscal Year	Percentage Contributed	Required Contribution
2010	100%	\$ 19,623,730.08
2009	100%	\$ 16,137,283.52
2008	100%	\$ 22,215,796.96

Note 16: 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.

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

EXHIBIT "H"

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

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

Fiscal Year	Percentage Contributed	Required Contribution
2010	100%	\$ 12,038,280.79
2009	100%	\$ 12,388,836.21
2008	100%	\$ 11,413,843.56

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

SCHEDULE '1'

	NONAPPROPRIATED BUDGETS		ACTUAL
	ORIGINAL (1)	FINAL (1)	AMOUNTS
<b>REVENUES</b>			
Property Taxes	\$ 78,514,564.00	\$ 78,514,564.00	\$ 77,743,052.44
Sales Taxes	1,460,000.00	1,460,000.00	1,221,708.78
State Funds	125,703,536.00	106,159,561.88	103,988,724.76
Federal Funds	26,103,719.00	40,752,105.84	37,705,839.71
Charges for Services	3,288,368.00	3,288,368.00	4,506,120.39
Investment Earnings	212,000.00	212,000.00	178,353.93
Miscellaneous	500,000.00	565,000.00	2,935,760.27
	\$ 235,782,187.00	\$ 230,951,599.72	\$ 228,279,560.28
<b>EXPENDITURES</b>			
Current			
Instruction	\$ 153,845,510.00	\$ 151,056,411.00	\$ 144,857,900.70
Support Services			
Pupil Services	8,231,220.00	8,502,553.00	7,422,202.69
Improvement of Instructional Services	6,492,168.00	7,641,573.00	6,450,886.53
Educational Media Services	4,211,206.00	4,080,652.00	4,032,957.18
General Administration	730,638.00	1,498,106.06	1,220,648.13
School Administration	13,164,215.00	12,792,447.00	12,577,275.82
Business Administration	1,815,736.00	1,800,280.00	1,838,811.47
Maintenance and Operation of Plant	16,615,007.00	16,587,317.00	14,755,362.07
Student Transportation Services	9,704,794.00	9,715,345.00	8,514,580.01
Central Support Services	5,807,509.00	5,753,418.00	5,485,802.76
Other Support Services	730,794.00	1,013,591.78	846,195.54
Food Services Operation	15,825,902.00	15,826,237.00	12,213,693.73
Community Services Operations	189,817.00	187,727.00	160,881.69
Capital Outlay	138,368.00	25,000.00	34,741.50
Debt Service			983,122.28
	\$ 237,502,884.00	\$ 236,480,657.84	\$ 221,395,062.10
Excess of Revenues over (under) Expenditures	\$ -1,720,697.00	\$ -5,529,058.12	\$ 6,884,498.18
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating Transfers from Other Funds	\$ 87,500.00	\$ 87,500.00	
Sale or Compensation for Loss of Fixed Assets	20,000.00	20,000.00	
Operating Transfers to Other Funds	-233,495.00	-233,495.00	\$ -176,292.98
	\$ -125,995.00	\$ -125,995.00	\$ -176,292.98
Net Change in Fund Balances	\$ -1,846,692.00	\$ -5,655,053.12	\$ 6,708,205.20
Fund Balances - Beginning	9,500,000.00	9,500,000.00	12,321,420.03
Fund Balances - Ending	\$ 7,653,308.00	\$ 3,844,946.88	\$ 19,029,625.23

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

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

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

See notes to the basic financial statements.

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

SCHEDULE \*2\*

FUNDING AGENCY PROGRAM/GRANT	CFDA NUMBER	PASS- THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD
Agriculture, U. S. Department of			
Child Nutrition Cluster			
Pass-Through From Georgia Department of Education			
Food Services			
School Breakfast Program	10.553	N/A	(2)
National School Lunch Program	10.555	N/A	\$ 11,723,192.73 (1)
Total Child Nutrition Cluster			\$ 11,723,192.73
Other Programs			
Pass-Through From Georgia Department of Education			
Food Services			
ARRA - Child Nutrition Discretionary Grants Limited Availability	10.579	N/A	38,099.00
Total U. S. Department of Agriculture			\$ 11,761,291.73
Education, U. S. Department of			
Education Technology State Grants Cluster			
Pass-Through From Georgia Department of Education			
ARRA - Education Technology State Grants	84.386	N/A	\$ 77,508.00
School Improvement Grants Cluster			
Pass-Through From Georgia Department of Education			
School Improvement Grants	84.377	N/A	\$ 121,598.88
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
ARRA - Grants to States	* 84.391	N/A	\$ 2,480,998.87
ARRA - Preschool Grants	* 84.392	N/A	61,225.19
Grants to States	* 84.027	N/A	3,831,495.17
Preschool Grants	* 84.173	N/A	141,712.32
Total Special Education Cluster			\$ 6,515,431.55
State Fiscal Stabilization Fund Cluster			
Pass-Through From Georgia Department of Education			
ARRA - Education State Grants	* 84.394	N/A	\$ 12,922,391.00
Title I, Part A Cluster			
Pass-Through From Georgia Department of Education			
ARRA - Title I Grants to Local Educational Agencies	* 84.389	N/A	\$ 1,608,743.03
Title I Grants to Local Educational Agencies	* 84.010	N/A	4,378,863.06
Total Title I, Part A Cluster			\$ 5,987,606.09
Other Programs			
Pass-Through From Georgia Department of Education			
Career and Technical Education - Basic Grants to States	84.048	N/A	\$ 223,829.12
Charter Schools	84.282	N/A	204,866.82
English Language Acquisition Grants	84.365	N/A	626,972.78
Improving Teacher Quality State Grants	84.367	N/A	707,812.22
Migrant Education - State Grant Program	84.011	N/A	354,146.48
Reading First State Grants	84.357	N/A	4,051.37
Safe and Drug-Free Schools and Communities - State Grants	84.186	N/A	52,282.11
Total Other Programs			\$ 2,173,960.90
Total U. S. Department of Education			\$ 27,798,496.42

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

SCHEDULE '2'

FUNDING AGENCY PROGRAM/GRANT	CFDA NUMBER	PASS- THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD
Health and Human Services, U. S. Department of			
Direct			
Developmental Disabilities Basic Support Advocacy Grants	93.630		\$ 123,947.55
Drug-free Communities Support Program Grants	93.276		<u>118,793.92</u>
Total U. S. Department of Health and Human Services			\$ <u>242,741.47</u>
Defense, U. S. Department of			
Direct			
Department of the Navy			
R.O.T.C. Program			\$ <u>64,910.82</u>
Total Federal Financial Assistance			\$ <u><u>39,867,440.44</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 \$620,422.66.
- (2) Expenditures for the funds earned on the School Breakfast Program (\$2,665,123.30) were not maintained separately and are included in the 2010 National School Lunch Program.

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

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

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

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

SCHEDULE '3'

AGENCY/FUNDING	GOVERNMENTAL FUND TYPES		TOTAL
	GENERAL FUND	CAPITAL PROJECTS FUND	
<b>GRANTS</b>			
Bright From the Start:			
Georgia Department of Early Care and Learning			
Pre-Kindergarten Program	\$ 240,485.14		\$ 240,485.14
Education, Georgia Department of			
Quality Basic Education			
Direct Instructional Cost			
Kindergarten Program	8,232,511.90		8,232,511.90
Kindergarten Program - Early Intervention Program	1,143,270.00		1,143,270.00
Primary Grades (1-3) Program	19,174,072.23		19,174,072.23
Primary Grades - Early Intervention (1-3) Program	1,737,599.00		1,737,599.00
Upper Elementary Grades (4-5) Program	8,743,527.86		8,743,527.86
Upper Grades - Early Intervention (4-5) Program	1,137,223.00		1,137,223.00
Middle Grades 6-8	56,941.00		56,941.00
Middle School (6-8) Program	15,504,756.01		15,504,756.01
High School General Education (9-12) Program	13,205,841.00		13,205,841.00
Vocational Laboratory (9-12) Program	3,906,150.00		3,906,150.00
Students with Disabilities			
Category I	2,293,142.00		2,293,142.00
Category II	1,179,974.00		1,179,974.00
Category III	7,259,509.00		7,259,509.00
Category IV	1,967,478.00		1,967,478.00
Category V	853,763.00		853,763.00
Gifted Student - Category VI	3,483,029.00		3,483,029.00
Remedial Education Program	1,421,675.00		1,421,675.00
Alternative Education Program	1,220,208.00		1,220,208.00
English Speakers of Other Languages (ESOL)	6,502,983.00		6,502,983.00
Media Center Program	2,823,086.00		2,823,086.00
20 Days Additional Instruction	855,294.00		855,294.00
Staff and Professional Development	531,562.00		531,562.00
Indirect Cost			
Central Administration	2,557,128.00		2,557,128.00
School Administration	5,315,744.00		5,315,744.00
Facility Maintenance and Operations	6,586,832.00		6,586,832.00
Categorical Grants			
Pupil Transportation			
Regular	1,950,780.00		1,950,780.00
Sparsity			
Nursing Services	412,161.00		412,161.00
Vocational Supervisors	30,408.00		30,408.00
Migrant Education	8,168.00		8,168.00
Mid-term Adjustment Hold-Harmless	76,629.00		76,629.00
Education Equalization Funding Grant	5,972,052.00		5,972,052.00
Food Services	452,402.00		452,402.00
Vocational Education	939,869.33		939,869.33
Amended Formula Adjustment	-25,036,444.00		-25,036,444.00
Other State Programs			
Charter Schools-Planning Grant	12,042.10		12,042.10
Dual Enrollment	13,020.00		13,020.00
Health Insurance	358,216.66		358,216.66
National Teacher Certification	185,297.88		185,297.88
Preschool Handicapped Program	352,065.00		352,065.00
Project Summer Express Program	3,000.00		3,000.00
Teachers' Retirement	159,203.95		159,203.95
Virtual Schools Grant	2,675.00		2,675.00
Georgia State Financing and Investment			
Commission			
Reimbursement on Construction Projects		\$ 2,778,000.00	2,778,000.00

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

SCHEDULE '3'

AGENCY/FUNDING	GOVERNMENTAL FUND TYPES		TOTAL
	GENERAL FUND	CAPITAL PROJECTS FUND	
GRANTS			
Health and Human Services, Georgia Department of Youth Development	\$ 65,000.00		\$ 65,000.00
Office of Treasury and Fiscal Services Public School Employees Retirement	98,394.70		98,394.70
	<u>\$ 103,988,724.76</u>	<u>\$ 2,778,000.00</u>	<u>\$ 106,766,724.76</u>

See notes to the basic financial statements.

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

SCHEDULE \*4\*

PROJECT	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3)	AMOUNT EXPENDED IN PRIOR YEARS (3)	PROJECT STATUS
<b>SPLOST II</b>					
Acquiring, constructing and equipping of new elementary schools, a new middle school, and a new technical vocational secondary school, acquiring and conducting site preparation of real estate for School District purposes, constructing and equipping additional classrooms, instructional and support space, and acquiring furnishings, equipment and fixtures for new and existing facilities, including technology equipment, payment of any general obligation debt of the Hall County School District issued in conjunction with the imposition of this tax.	\$ 102,086,646.00	\$ 102,086,646.00	\$ 634,276.99	\$ 92,371,269.39	Completed
<b>SPLOST III</b>					
Payment of portion of the payments, including principal and interest, due on the 1992B and 1997 bonds with a maximum payment of \$28,800,000.00.	28,800,000.00	28,800,000.00	3,598,912.78	8,404,225.97	Ongoing/In Budget
Acquiring, constructing and equipping of new schools and facilities, acquiring and conducting site preparation of real estate for School District purposes, constructing and equipping additional classrooms and instructional and support space, remodeling, renovating and equipping existing classrooms and instructional and support space, and acquiring furnishings, equipment and fixtures for new and existing facilities system-wide, including technology equipment, textbooks, library books and school buses, and	124,200,000.00	124,200,000.00	8,227,703.95	78,212,318.85	Ongoing/In Budget
Payment of any general obligation debt of the Hall County School District issued in conjunction with the imposition of this tax.	7,000,000.00	7,000,000.00	1,229,112.46	3,444,084.39	Ongoing/In Budget
	<u>\$ 262,086,646.00</u>	<u>\$ 262,086,646.00</u>	<u>\$ 13,690,006.18</u>	<u>\$ 182,431,898.60</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 Hall 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.

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

SCHEDULE '5'

DESCRIPTION	ALLOTMENTS FROM GEORGIA DEPARTMENT OF EDUCATION (1) (2)	ELIGIBLE QBE PROGRAM COSTS		
		SALARIES	OPERATIONS	TOTAL
Direct Instructional Programs				
Kindergarten Program	\$ 10,185,561.00	\$ 8,806,334.69	\$ 243,743.33	\$ 9,050,078.02
Kindergarten Program-Early Intervention Program	1,330,004.00	906,794.48		906,794.48
Primary Grades (1-3) Program	24,000,098.00	18,786,107.71	491,738.49	19,277,846.20
Primary Grades-Early Intervention (1-3) Program	2,130,876.00	2,434,005.26		2,434,005.26
Upper Elementary Grades (4-5) Program	11,001,142.00	10,636,031.97	382,813.49	11,018,845.46
Upper Elementary Grades-Early Intervention (4-5) Program	1,370,594.00	901,600.63		901,600.63
Middle Grades (6-8) Program	64,581.00			
Middle School (6-8) Program	18,657,146.00	18,214,125.33	553,709.02	18,767,834.35
High School General Education (9-12) Program	15,685,223.00	18,302,350.60	1,396,074.58	19,698,425.18
Vocational Laboratory (9-12) Program	4,676,070.00	4,228,065.61	77,554.07	4,305,619.68
Students with Disabilities	16,149,454.00			
Category I		230,006.92	6,136.58	236,143.50
Category II		2,100,591.83	8,006.68	2,108,598.51
Category III		11,306,417.97	91,508.07	11,397,926.04
Category IV		1,289,775.31	62,497.03	1,352,272.34
Category V		100,975.03		100,975.03
Gifted Student - Category VI	3,977,822.00	2,056,839.80	6,101.04	2,062,940.84
Remedial Education Program	1,568,185.00			
Alternative Education Program	1,450,645.00	1,066,928.25		1,066,928.25
English Speakers of Other Languages (ESOL)	7,801,957.00	6,250,358.93	7,969.78	6,258,328.71
<b>TOTAL DIRECT INSTRUCTIONAL PROGRAMS</b>	<b>\$ 120,049,358.00</b>	<b>\$ 107,617,310.32</b>	<b>\$ 3,327,852.16</b>	<b>\$ 110,945,162.48</b>
Media Center Program	3,353,212.00	3,474,961.45	373,971.75	3,848,933.20
Staff and Professional Development	636,909.00			339,042.55
<b>TOTAL QBE FORMULA FUNDS</b>	<b>\$ 124,039,479.00</b>	<b>\$ 111,092,271.77</b>	<b>\$ 3,701,823.91</b>	<b>\$ 115,133,138.23</b>

(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

March 16, 2011

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

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

Ladies and Gentlemen:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hall County Board of Education as of and for the year ended June 30, 2010, which collectively comprise Hall County Board of Education's basic financial statements and have issued our report thereon dated March 16, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

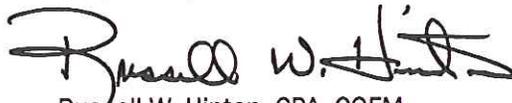
2010YB-10

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hall 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*.

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Russell W. Hinton". The signature is stylized with a large initial "R" and a prominent "H".

Russell W. Hinton, CPA, CGFM  
State Auditor

RWH:as  
2010YB-10



## DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

March 16, 2011

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

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

Ladies and Gentlemen:

Compliance

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

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

### Internal Control Over Compliance

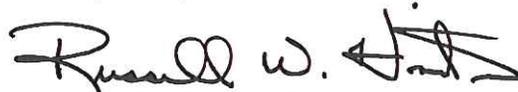
Management of Hall County Board of Education is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Hall County Board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

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

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

This report is intended solely for the information and use of management, members of the Hall 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 includes a large flourish at the end.

Russell W. Hinton, CPA, CGFM  
State Auditor

RWH:as  
2010SA-10

SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

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

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV  
FINDINGS AND QUESTIONED COSTS

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

**I SUMMARY OF AUDITOR'S RESULTS**

Financial Statements

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

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

Noncompliance material to financial statements noted: No

Federal Awards

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

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

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

Identification of major programs:

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

Dollar threshold used to distinguish between Type A and Type B programs: \$1,196,023.22

Auditee qualified as low-risk auditee? Yes

**II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS**

No matters were reported.

**III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.