

**PAULDING COUNTY BOARD OF EDUCATION  
DALLAS, GEORGIA**

**REPORT ON AUDIT  
OF THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**



**STATE OF GEORGIA**

**DEPARTMENT OF AUDITS AND ACCOUNTS**

**Russell W. Hinton  
State Auditor**

PAULDING COUNTY BOARD OF EDUCATION

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SECTION I  
FINANCIAL



## DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

March 19, 2008

Honorable Sonny Perdue, Governor  
Members of the General Assembly  
Members of the State Board of Education  
and  
Superintendent and Members of the  
Paulding 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 Paulding County Board of Education, as of and for the year ended June 30, 2007, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Paulding 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Paulding County Board of Education's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above 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 Paulding County Board of Education, as of June 30, 2007, 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.

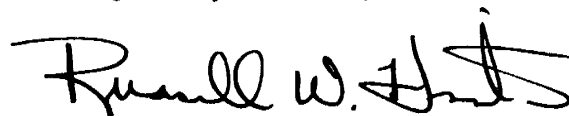
In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2008, on our consideration of the Paulding County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and the Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual, as presented on pages i through viii and page 27 respectively, are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Paulding County Board of Education's basic financial statements. The accompanying supplementary information which consist 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Respectfully submitted,

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

**PAULDING COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

The discussion and analysis of the Paulding County Board of Education's financial performance provides an overall review of the Board's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the Board's financial performance as a whole. Readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the Board's financial performance.

This is the fifth year the Paulding County School District has prepared the annual financial report to comply with the new reporting model for financial statements (GASB Statement 34).

**Financial Highlights**

Key financial highlights for fiscal year 2007 are as follows:

- ✓ The Board's financial status continued to improve during fiscal year 2007. In total, net assets increased \$28.0 million, which represents a 16.8 percent increase from the fiscal year 2006 balance. This total increase was due to governmental activities since Board has no business-type activities.
- ✓ General revenues accounted for \$99.9 million in revenue or 40 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$147.0 million or 60 percent of total revenues. Total revenues were \$246.9 million.
- ✓ The Board had \$218.9 million in expenses related to governmental activities; only \$147.0 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues, primarily taxes, of \$99.9 million were adequate to provide for these programs.
- ✓ Among major funds, the general fund had \$211.2 million in revenues and \$214.5 million in expenditures. The general fund's balance decreased to \$18.1 million from \$20.2 million.

**Using the Basic Financial Statements**

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

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

**PAULDING COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

*Statement of Net Assets and Statement of Activities*

While these documents contain the large number of funds used by the Board to provide programs and activities, the view of the Board as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2007?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include *all assets and all liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

- Governmental Activities - All of the Board's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, food service, after school program, school activity accounts and various others.

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

*Fund Financial Statements*

Fund financial reports provide detailed information about the Board's major funds. The Board uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Board's most significant funds. The Board's major governmental funds are the General Fund, the District-wide Capital Projects Fund, and the Debt Service Fund.

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



**PAULDING COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

**The Board as a Whole**

The perspective of the Statement of Net Assets is of the Board as a whole. Table 1 provides a summary of the Board's net assets for fiscal year 2007.

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

|   | <u>Governmental Activities</u> |                   |
|---|--------------------------------|-------------------|
|   | <u>Fiscal</u>                  | <u>Fiscal</u>     |
|   | <u>Year 2007</u>               | <u>Year 2006</u>  |
| <b>Assets</b>                                   |                                |                   |
| Current and Other Assets                        | \$ 136,182                     | \$ 90,666         |
| Capital Assets, Net                             | <u>237,914</u>                 | <u>193,348</u>    |
| <b>Total Assets</b>                             | <u>\$ 374,096</u>              | <u>\$ 284,014</u> |
| <b>Liabilities</b>                              |                                |                   |
| Current and Other Liabilities                   | \$ 31,510                      | \$ 28,188         |
| Long-Term Liabilities                           | <u>148,208</u>                 | <u>89,464</u>     |
| <b>Total Liabilities</b>                        | <u>\$ 179,718</u>              | <u>\$ 117,652</u> |
| <b>Net Assets</b>                               |                                |                   |
| Invested in Capital Assets, Net of Related Debt | \$ 164,676                     | \$ 130,330        |
| Restricted                                      | 25,116                         | 23,276            |
| Unrestricted                                    | <u>4,586</u>                   | <u>12,756</u>     |
| <b>Total Net Assets</b>                         | <u>\$ 194,378</u>              | <u>\$ 166,362</u> |

Total net assets increased \$28.0 million.

Table 2 shows the changes in net assets for fiscal year 2007 compared to the changes in net assets in fiscal year 2006.

**PAULDING COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

|  | <u>Governmental Activities</u> |                   |
|--|--------------------------------|-------------------|
|  | <u>Fiscal</u>                  | <u>Fiscal</u>     |
|  | <u>Year 2007</u>               | <u>Year 2006</u>  |
| <b>Revenues</b>                            |                                |                   |
| Program Revenues:                          |                                |                   |
| Charges for Services and Sales             | \$ 9,330                       | \$ 8,476          |
| Operating Grants and Contributions         | 120,351                        | 101,598           |
| Capital Grants and Contributions           | <u>17,285</u>                  | <u>8,959</u>      |
| Total Program Revenues                     | \$ <u>146,966</u>              | \$ <u>119,033</u> |
| General Revenues:                          |                                |                   |
| Taxes                                      |                                |                   |
| Property Taxes                             |                                |                   |
| For Maintenance and Operations             | \$ 56,452                      | \$ 47,831         |
| For Debt Service                           | 2,047                          | 3,331             |
| Sales Taxes                                |                                |                   |
| Special Purpose Local Option Sales Tax     |                                |                   |
| For Debt Service                           | 15,239                         | 6,859             |
| For Capital Projects                       |                                | 7,480             |
| Intangible Recording Tax                   | 2,531                          | 2,777             |
| Real Estate                                | 1,028                          | 1,043             |
| Grants and Contributions not Restricted to |                                |                   |
| Specific Programs                          | 15,502                         | 13,523            |
| Investment Earnings                        | 2,686                          | 2,878             |
| Miscellaneous                              | <u>4,514</u>                   | <u>3,940</u>      |
| Total General Revenues                     | \$ <u>99,999</u>               | \$ <u>89,662</u>  |
| Total Revenues                             | \$ <u>246,965</u>              | \$ <u>208,695</u> |
| <b>Program Expenses</b>                    |                                |                   |
| Instruction                                | \$ 147,910                     | \$ 125,678        |
| Support Services                           |                                |                   |
| Pupil Services                             | 4,151                          | 3,245             |
| Improvement of Instructional Services      | 5,163                          | 4,564             |
| Educational Media Services                 | 3,794                          | 3,036             |
| General Administration                     | 1,228                          | 1,263             |
| School Administration                      | 12,275                         | 10,547            |
| Business Administration                    | 2,371                          | 1,527             |
| Maintenance and Operation of Plant         | 12,339                         | 11,180            |
| Student Transportation Services            | 10,278                         | 8,777             |
| Central Support Services                   | 1,230                          | 914               |
| Other Support Services                     | 404                            | 281               |
| Operations of Non-Instructional Services   |                                |                   |
| Enterprise Operations                      | 1,786                          | 1,456             |
| Community Services                         | 2,210                          | 1,927             |
| Food Services                              | 10,023                         | 8,543             |
| Interest on Short-Term and Long-Term Debt  | <u>3,788</u>                   | <u>4,221</u>      |
| Total Expenses                             | \$ <u>218,950</u>              | \$ <u>187,159</u> |
| Increase in Net Assets                     | \$ <u>28,015</u>               | \$ <u>21,536</u>  |

**PAULDING COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

***Governmental Activities***

Instruction comprises 67.6 percent of governmental program expenses. Interest expense comprises 1.7 percent of governmental program expenses. Interest expense was attributable to the outstanding bonds for capital projects and capital leases.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services comparing fiscal year 2007 with fiscal year 2006. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

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

|   | <u>Total Cost of Services</u> |                             | <u>Net Cost of Services</u> |                             |
|---|-------------------------------|-----------------------------|-----------------------------|-----------------------------|
|   | <u>Fiscal<br/>Year 2007</u>   | <u>Fiscal<br/>Year 2006</u> | <u>Fiscal<br/>Year 2007</u> | <u>Fiscal<br/>Year 2006</u> |
| Instruction                               | \$ 147,910                    | \$ 125,678                  | \$ 40,153                   | \$ 40,315                   |
| Support Services                          |                               |                             |                             |                             |
| Pupil Services                            | 4,151                         | 3,245                       | 2,971                       | 1,968                       |
| Improvement of Instructional Services     | 5,163                         | 4,564                       | 2,550                       | 2,502                       |
| Educational Media Services                | 3,794                         | 3,036                       | 622                         | 837                         |
| General Administration                    | 1,228                         | 1,263                       | -1,106                      | -933                        |
| School Administration                     | 12,275                        | 10,547                      | 7,689                       | 6,223                       |
| Business Administration                   | 2,371                         | 1,527                       | 2,230                       | 1,418                       |
| Maintenance and Operation of Plant        | 12,339                        | 11,180                      | 5,519                       | 4,655                       |
| Student Transportation Services           | 10,278                        | 8,777                       | 7,990                       | 6,936                       |
| Central Support Services                  | 1,230                         | 914                         | 898                         | 887                         |
| Other Support Services                    | 404                           | 281                         | 280                         | 40                          |
| Operations of Non-Instructional Services  |                               |                             |                             |                             |
| Enterprise Operation                      | 1,786                         | 1,456                       | -109                        | -39                         |
| Community Services                        | 2,210                         | 1,927                       | 25                          | -53                         |
| Food Services                             | 10,023                        | 8,543                       | -1,515                      | -852                        |
| Interest on Short-Term and Long-Term Debt | <u>3,788</u>                  | <u>4,221</u>                | <u>3,787</u>                | <u>4,221</u>                |
| Total Expenses                            | \$ <u>218,950</u>             | \$ <u>187,159</u>           | \$ <u>71,984</u>            | \$ <u>68,125</u>            |

Although program revenues make up a majority of the revenues, the Board is still dependent upon tax revenues for governmental activities. Over 27.1 percent of instruction activities are supported through taxes and other general revenues; for all governmental activities general revenue support is 32.8 percent.

**The Board's Funds**

The Board's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues and other financing sources of \$321.1 million and expenditures and other uses of \$278.9 million. There was an increase of \$32.5

**PAULDING COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

million in the capital projects fund due to the issuance of bonds for construction of facilities during the current year. The general fund had a decrease of \$2.1 million and the debt service fund had an increase of \$11.8 million. The negative change in the fund balance of the general fund for the year reflects what the Board anticipated in the operating funds and was also reflective in the current year budget.

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2007, the Board amended its general fund budget as needed. The Board uses site-based budgeting. The budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, the final budgeted revenues of \$203.3 million exceeded the original budgeted amount of \$199.0 million by \$4.3 million. This difference was primarily due to increases in state revenues budgeted of \$2.5 million and increases in Federal revenues budgeted of \$1.6 million. The actual revenues of \$211.2 million exceeded the final budgeted amount by \$7.9 million.

The final budgeted expenditures of \$208.3 million exceeded the original budgeted amount of \$203.9 million by \$4.4 million. This difference was primarily due to the input of enterprise operations (not included in the original budget) of \$1.8 million, an increase in transportation services of \$0.8 million, in improvement of instructional services of \$0.7 million, in pupil services of \$0.6 million, and instruction of \$0.5 million. The actual expenditures of \$214.5 exceeded the final budgeted amount by \$6.2 million.

General Fund expenditures exceeded revenues by \$3.2 million. The Board has made a concerted effort to maintain an appropriate fund balance for current operations and anticipated austerity reductions.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2007, the Board had \$237.9 million invested in capital assets, all in governmental activities. Table 4 shows fiscal year 2007 balances compared with fiscal year 2006 balances.

**PAULDING COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

|                                     | <u>Governmental Activities</u> |                   |
|-------------------------------------|--------------------------------|-------------------|
|                                     | <u>Fiscal</u>                  | <u>Fiscal</u>     |
|                                     | <u>Year 2007</u>               | <u>Year 2006</u>  |
| Land                                | \$ 5,432                       | \$ 5,175          |
| Construction in Progress            | 46,846                         | 35,132            |
| Buildings and Building Improvements | 170,172                        | 141,109           |
| Equipment                           | 13,250                         | 10,297            |
| Land Improvements                   | <u>2,214</u>                   | <u>1,635</u>      |
| Total                               | \$ <u>237,914</u>              | \$ <u>193,348</u> |

The primary increases occurred in Building and Improvements as a result of a new middle school being constructed and completed. Due to the ongoing growth in the county, the Board has numerous construction projects including new buildings, additions and renovations.

### ***Debt***

At June 30, 2007, the Board had \$142.4 million in bonds outstanding with \$13.5 million due within one year. The Board's legal debt limit is 10 percent of the net assessed valuation of \$3,519.8 million for bond purposes, or a maximum bonded debt of \$352.0 million. The total current bonded restricted debt of \$142.4 million is well below the legal limit.

### **Current Issues**

With approximately 27,000 students, the Paulding County School District is one of the largest and fastest growing districts in the state. Growing over a 1,000 students a year, requires an extensive building program and ongoing recruitment of highly qualified staff. The Paulding County School District continues a close working relationship with the community and the Chamber of Commerce, always driving support for both SPLOST and bond referendums. Voters approved a \$125 million bond referendum in March 2007. This bond will not eliminate the need for portable classrooms, but it does allow construction to begin on needed facilities as identified in our five year facility plan. In the fourth quarter of 2008, the county's new regional airport is expected to open. This economic engine could potentially bring significant resources and revenue to the area.

As the economy continues to level out, and home buying slows, there is a brief window of opportunity to make greater strides in the demands on our facilities and resources in a district this size. The economy growth, recruitment and retention of highly qualified staff, erosion of state funding with a shift to local funding for public education are several factors that will always impact a district that is moving forward.

**PAULDING COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**Contacting the Board's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Board's finances and to show the Board's accountability for the money it receives. If you have questions about this report or need additional information, contact Gayle W. Blalock, CPA, Chief Financial Officer at the Paulding County Board of Education, 3236 Atlanta Highway, Dallas, Georgia 30132.

PAULDING COUNTY BOARD OF EDUCATION

PAULDING COUNTY BOARD OF EDUCATION  
STATEMENT OF NET ASSETS  
JUNE 30, 2007

EXHIBIT "A"

|   | <u>GOVERNMENTAL<br/>ACTIVITIES</u> |
|---|------------------------------------|
| <u>ASSETS</u>                                   |                                    |
| Cash and Cash Equivalents                       | \$ 33,725,690.88                   |
| Investments                                     | 77,407,857.46                      |
| Accounts Receivable, Net                        |                                    |
| Taxes   | 4,949,011.93                       |
| State Government                                | 17,176,869.73                      |
| Federal Government                              | 1,940,343.44                       |
| Other   | 52,520.92                          |
| Inventories                                     | 332,295.58                         |
| Prepaid Items                                   | 596,953.67                         |
| Capital Assets                                  |                                    |
| Land  | 5,432,158.14                       |
| Construction in Progress                        | 46,846,108.41                      |
| Land Improvements                               | 3,616,477.37                       |
| Buildings                                       | 203,754,529.04                     |
| Equipment                                       | 26,398,072.61                      |
| Less: Accumulated Depreciation                  | <u>-48,133,324.98</u>              |
| <br>Total Assets                                | <br>\$ <u>374,095,564.20</u>       |
| <u>LIABILITIES</u>                              |                                    |
| Accounts Payable                                | \$ 869,476.07                      |
| Salaries and Benefits Payable                   | 23,644,132.65                      |
| Contracts Payable                               | 4,682,057.45                       |
| Retainages Payable                              | 2,313,859.26                       |
| Long-Term Liabilities                           |                                    |
| Due Within One Year                             | 15,089,209.47                      |
| Due in More Than One Year                       | <u>133,119,004.34</u>              |
| <br>Total Liabilities                           | <br>\$ <u>179,717,739.24</u>       |
| <u>NET ASSETS</u>                               |                                    |
| Invested in Capital Assets, Net of Related Debt | \$ 164,675,910.95                  |
| Restricted for                                  |                                    |
| Continuation of Federal Programs                | 3,099,421.57                       |
| Debt Service                                    | 14,132,421.18                      |
| Capital Projects                                | 7,884,013.24                       |
| Unrestricted                                    | <u>4,586,058.02</u>                |
| <br>Total Net Assets                            | <br>\$ <u>194,377,824.96</u>       |
| <br>Total Liabilities and Net Assets            | <br>\$ <u>374,095,564.20</u>       |

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



PAULDING COUNTY BOARD OF EDUCATION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2007

|  | <u>EXPENSES</u>          | <u>CHARGES FOR<br/>SERVICES</u> |
|--|--------------------------|---------------------------------|
| <u>GOVERNMENTAL ACTIVITIES</u>                               |                          |                                 |
| Instruction  | \$ 147,909,985.51        |                                 |
| Support Services   |                          |                                 |
| Pupil Services   | 4,150,986.72             |                                 |
| Improvement of Instructional Services                        | 5,163,084.13             |                                 |
| Educational Media Services                                   | 3,793,539.71             |                                 |
| General Administration                                       | 1,228,397.90             |                                 |
| School Administration  | 12,274,657.35            |                                 |
| Business Administration                                      | 2,371,368.65             |                                 |
| Maintenance and Operation of Plant                           | 12,339,222.81            |                                 |
| Student Transportation Services                              | 10,277,599.25            |                                 |
| Central Support Services                                     | 1,230,192.12             |                                 |
| Other Support Services                                       | 404,099.76               |                                 |
| Operations of Non-Instructional Services                     |                          |                                 |
| Enterprise Operations  | 1,786,315.21             | \$ 1,895,608.79                 |
| Community Services   | 2,210,178.73             | 2,004,486.00                    |
| Food Services  | 10,022,858.00            | 5,429,972.94                    |
| Interest on Short-Term and Long-Term Debt                    | <u>3,787,755.55</u>      |                                 |
| Total Governmental Activities                                | <u>\$ 218,950,241.40</u> | <u>\$ 9,330,067.73</u>          |
| General Revenues   |                          |                                 |
| Taxes  |                          |                                 |
| Property Taxes   |                          |                                 |
| For Maintenance and Operations                               |                          |                                 |
| For Debt Services  |                          |                                 |
| Sales Taxes  |                          |                                 |
| Special Purpose Local Option Sales Tax                       |                          |                                 |
| For Debt Services  |                          |                                 |
| Intangible Recording Tax                                     |                          |                                 |
| Real Estate  |                          |                                 |
| Grants and Contributions not Restricted to Specific Programs |                          |                                 |
| Investment Earnings  |                          |                                 |
| Miscellaneous  |                          |                                 |
| Total General Revenues                                       |                          |                                 |
| Change in Net Assets   |                          |                                 |
| Net Assets - Beginning of Year                               |                          |                                 |
| Net Assets - End of Year                                     |                          |                                 |

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

EXHIBIT "B"

| <u>PROGRAM REVENUES</u>  |                         | <u>NET (EXPENSES)</u>           |
|--------------------------|-------------------------|---------------------------------|
| <u>OPERATING</u>         | <u>CAPITAL</u>          | <u>REVENUES</u>                 |
| <u>GRANTS AND</u>        | <u>GRANTS AND</u>       | <u>AND CHANGES IN</u>           |
| <u>CONTRIBUTIONS</u>     | <u>CONTRIBUTIONS</u>    | <u>NET ASSETS</u>               |
| \$ 94,589,548.63         | \$ 13,167,657.81        | \$ -40,152,779.07               |
| 1,178,180.35             | 2,128.51                | -2,970,677.86                   |
| 2,578,019.67             | 34,783.54               | -2,550,280.92                   |
| 2,592,431.76             | 578,593.91              | -622,514.04                     |
| 2,285,251.16             | 49,261.00               | 1,106,114.26                    |
| 4,142,006.41             | 443,847.32              | -7,688,803.62                   |
| 24,220.00                | 117,638.34              | -2,229,510.31                   |
| 6,235,553.61             | 585,087.82              | -5,518,581.38                   |
| 1,628,288.37             | 659,727.00              | -7,989,583.88                   |
| 24,238.00                | 307,561.85              | -898,392.27                     |
| 119,193.14               | 4,563.83                | -280,342.79                     |
|                          |                         | 109,293.58                      |
| 180,147.55               | 133.46                  | -25,411.72                      |
| 4,774,467.53             | 1,333,814.16            | 1,515,396.63                    |
|                          |                         | <u>-3,787,755.55</u>            |
| <u>\$ 120,351,546.18</u> | <u>\$ 17,284,798.55</u> | <u>\$ -71,983,828.94</u>        |
|                          |                         | \$ 56,451,428.40                |
|                          |                         | 2,047,384.88                    |
|                          |                         | 15,238,494.95                   |
|                          |                         | 2,531,292.23                    |
|                          |                         | 1,028,982.18                    |
|                          |                         | 15,501,969.00                   |
|                          |                         | 2,686,252.65                    |
|                          |                         | <u>4,513,780.71</u>             |
|                          |                         | \$ <u>99,999,585.00</u>         |
|                          |                         | \$ 28,015,756.06                |
|                          |                         | <u>166,362,068.90</u>           |
|                          |                         | \$ <u><u>194,377,824.96</u></u> |

PAULDING COUNTY BOARD OF EDUCATION  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2007

EXHIBIT "C"

|   | GENERAL<br>FUND             | DISTRICT-<br>WIDE<br>CAPITAL<br>PROJECTS<br>FUND | DEBT<br>SERVICE<br>FUND     | TOTAL                        |
|---|-----------------------------|--|-----------------------------|------------------------------|
| <u>ASSETS</u>                           |                             |  |                             |                              |
| Cash and Cash Equivalents               | \$ 20,735,058.07            | \$ 12,493,347.72                                 | \$ 497,285.09               | \$ 33,725,690.88             |
| Investments                             | 1,160,030.74                | 65,192,098.07                                    | 11,055,728.65               | 77,407,857.46                |
| Accounts Receivable, Net                |                             |  |                             |                              |
| Taxes                                   | 1,880,331.44                |  | 2,546,568.03                | 4,426,899.47                 |
| State Government                        | 15,300,060.93               | 1,876,808.80                                     |                             | 17,176,869.73                |
| Federal Government                      | 1,940,343.44                |  |                             | 1,940,343.44                 |
| Other                                   | 52,520.92                   |  |                             | 52,520.92                    |
| Inventories                             | 332,295.58                  |  |                             | 332,295.58                   |
| Prepaid Items                           | 596,953.67                  |  |                             | 596,953.67                   |
| <br>Total Assets                        | <br>\$ <u>41,997,594.79</u> | <br>\$ <u>79,562,254.59</u>                      | <br>\$ <u>14,099,581.77</u> | <br>\$ <u>135,659,431.15</u> |
| <u>LIABILITIES AND FUND BALANCES</u>    |                             |  |                             |                              |
| <u>LIABILITIES</u>                      |                             |  |                             |                              |
| Accounts Payable                        | \$ 259,973.33               | \$ 609,502.74                                    |                             | \$ 869,476.07                |
| Salaries and Benefits Payable           | 23,644,132.65               |  |                             | 23,644,132.65                |
| Contracts Payable                       |                             | 4,682,057.45                                     |                             | 4,682,057.45                 |
| Retainages Payable                      |                             | 2,313,859.26                                     |                             | 2,313,859.26                 |
| <br>Total Liabilities                   | <br>\$ <u>23,904,105.98</u> | <br>\$ <u>7,605,419.45</u>                       |                             | <br>\$ <u>31,509,525.43</u>  |
| <u>FUND BALANCES</u>                    |                             |  |                             |                              |
| Reserved for:                           |                             |  |                             |                              |
| Continuation of Federal Programs        | \$ 2,767,125.99             |  |                             | \$ 2,767,125.99              |
| Debt Service                            |                             |  | \$ 14,099,581.77            | 14,099,581.77                |
| Inventories                             | 332,295.58                  |  |                             | 332,295.58                   |
| Capital Projects                        |                             | \$ 71,875,478.00                                 |                             | 71,875,478.00                |
| Unreserved                              |                             |  |                             |                              |
| Designated for Student Activities       | 1,478,542.53                |  |                             | 1,478,542.53                 |
| Undesignated Reported in:               |                             |  |                             |                              |
| General Fund                            | 13,515,524.71               |  |                             | 13,515,524.71                |
| Capital Projects                        |                             | 81,357.14  |                             | 81,357.14                    |
| <br>Total Fund Balances                 | <br>\$ <u>18,093,488.81</u> | <br>\$ <u>71,956,835.14</u>                      | <br>\$ <u>14,099,581.77</u> | <br>\$ <u>104,149,905.72</u> |
| <br>Total Liabilities and Fund Balances | <br>\$ <u>41,997,594.79</u> | <br>\$ <u>79,562,254.59</u>                      | <br>\$ <u>14,099,581.77</u> | <br>\$ <u>135,659,431.15</u> |

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

PAULDING COUNTY BOARD OF EDUCATION  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2007

EXHIBIT "D"

Total Fund Balances - Governmental Funds (Exhibit "C") \$ 104,149,905.72

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                     | \$ 5,432,158.14       |                |
| Construction in Progress | 46,846,108.41         |                |
| Land Improvements        | 3,616,477.37          |                |
| Buildings                | 203,754,529.04        |                |
| Equipment                | 26,398,072.61         |                |
| Accumulated Depreciation | <u>-48,133,324.98</u> |                |
| Total Capital Assets     |                       | 237,914,020.59 |

Some of the School District's property tax revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures. 522,112.46

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:

|                                  |                      |                        |
|----------------------------------|----------------------|------------------------|
| General Obligation Bonds Payable | \$ -142,360,000.00   |                        |
| Unamortized Bond Premium         | -2,599,427.50        |                        |
| Compensated Absences Payable     | -388,754.51          |                        |
| Capital Leases                   | <u>-2,860,031.80</u> |                        |
| Total Long-Term Liabilities      |                      | <u>-148,208,213.81</u> |

Net Assets of Governmental Activities (Exhibit "A") \$ 194,377,824.96

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

PAULDING COUNTY BOARD OF EDUCATION  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2007

EXHIBIT "E"

|  | GENERAL<br>FUND   | DISTRICT-<br>WIDE<br>CAPITAL<br>PROJECTS<br>FUND | DEBT<br>SERVICE<br>FUND | TOTAL             |
|--|-------------------|--|-------------------------|-------------------|
| <u>REVENUES</u>                              |                   |  |                         |                   |
| Property Taxes                               | \$ 56,441,954.77  |  | \$ 2,053,545.62         | \$ 58,495,500.39  |
| Sales Taxes                                  | 3,388,125.22      |  | 15,410,644.14           | 18,798,769.36     |
| State Funds                                  | 124,488,205.95    | \$ 16,625,071.55                                 |                         | 141,113,277.50    |
| Federal Funds                                | 12,025,036.23     |  |                         | 12,025,036.23     |
| Charges for Services                         | 9,330,067.73      |  |                         | 9,330,067.73      |
| Investment Earnings                          | 1,205,641.30      | 1,456,286.31                                     | 24,324.04               | 2,686,251.65      |
| Miscellaneous                                | 4,366,493.09      | 173,357.14                                       |                         | 4,539,850.23      |
| Total Revenues                               | \$ 211,245,524.29 | \$ 18,254,715.00                                 | \$ 17,488,513.80        | \$ 246,988,753.09 |
| <u>EXPENDITURES</u>                          |                   |  |                         |                   |
| Current                                      |                   |  |                         |                   |
| Instruction                                  | \$ 144,107,016.32 |  |                         | \$ 144,107,016.32 |
| Support Services                             |                   |  |                         |                   |
| Pupil Services                               | 4,167,153.92      |  |                         | 4,167,153.92      |
| Improvement of Instructional Services        | 5,149,720.47      |  |                         | 5,149,720.47      |
| Educational Media Services                   | 3,578,097.67      |  |                         | 3,578,097.67      |
| General Administration                       | 1,237,088.55      |  |                         | 1,237,088.55      |
| School Administration                        | 12,096,835.90     |  |                         | 12,096,835.90     |
| Business Administration                      | 1,606,638.18      |  |                         | 1,606,638.18      |
| Maintenance and Operation of Plant           | 12,577,247.99     |  |                         | 12,577,247.99     |
| Student Transportation Services              | 11,958,094.42     |  |                         | 11,958,094.42     |
| Central Support Services                     | 1,113,112.83      |  |                         | 1,113,112.83      |
| Other Support Services                       | 372,237.07        |  |                         | 372,237.07        |
| Enterprise Operations                        | 1,803,781.58      |  |                         | 1,803,781.58      |
| Community Services                           | 2,215,347.36      |  |                         | 2,215,347.36      |
| Food Services Operation                      | 9,537,238.71      |  |                         | 9,537,238.71      |
| Capital Outlay                               | 1,227,216.89      | \$ 46,235,346.60                                 |                         | 47,462,563.49     |
| Debt Services                                |                   |  |                         |                   |
| Principal                                    | 1,598,691.39      |  | \$ 7,340,000.00         | 8,938,691.39      |
| Dues and Fees                                |                   | 708,962.74                                       | 7,124.58                | 716,087.32        |
| Interest                                     | 135,031.54        |  | 3,678,863.28            | 3,813,894.82      |
| Total Expenditures                           | \$ 214,480,550.79 | \$ 46,944,309.34                                 | \$ 11,025,987.86        | \$ 272,450,847.99 |
| Excess of Revenues over (under) Expenditures | \$ -3,235,026.50  | \$ -28,689,594.34                                | \$ 6,462,525.94         | \$ -25,462,094.90 |
| <u>OTHER FINANCING SOURCES (USES)</u>        |                   |  |                         |                   |
| Accrued Interest on Bonds Sold               |                   |  | \$ 26,139.27            | \$ 26,139.27      |
| Proceeds of Long-Term Capital Related Debt   |                   | \$ 62,500,000.00                                 |                         | 62,500,000.00     |
| Premiums on Bonds Sold                       |                   | 2,599,427.50                                     |                         | 2,599,427.50      |
| Capital Leases                               | \$ 2,527,368.50   |  |                         | 2,527,368.50      |
| Transfers In                                 |                   | 1,181,435.98                                     | 5,296,140.17            | 6,477,576.15      |
| Transfers Out                                | -1,409,622.60     | -5,067,953.55                                    |                         | -6,477,576.15     |
| Total Other Financing Sources (Uses)         | \$ 1,117,745.90   | \$ 61,212,909.93                                 | \$ 5,322,279.44         | \$ 67,652,935.27  |
| Net Change in Fund Balances                  | \$ -2,117,280.60  | \$ 32,523,315.59                                 | \$ 11,784,805.38        | \$ 42,190,840.37  |
| Fund Balances - Beginning                    | 20,210,769.41     | 39,433,519.55                                    | 2,314,776.39            | 61,959,065.35     |
| Fund Balances - Ending                       | \$ 18,093,488.81  | \$ 71,956,835.14                                 | \$ 14,099,581.77        | \$ 104,149,905.72 |

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

PAULDING 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, 2007

EXHIBIT "F"

Total Net Change in Fund Balances - Governmental Funds (Exhibit "E") \$ 42,190,840.37

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                                     | \$ 50,754,014.48     |               |
| Depreciation Expense                               | <u>-6,162,303.29</u> |               |
| Excess of Capital Outlay over Depreciation Expense |                      | 44,591,711.19 |

Because some property taxes will not be collected for several months after the School District's fiscal year ends, they are not considered "available" revenues. 3,312.76

In the Statement of Activities, only the gain on the sale of the equipment is reported, whereas in the Governmental Funds, the entire proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balances by the carrying value of the equipment sold. -26,068.52

Bond proceeds provide current financial resources to Governmental Funds; however, issuing debt increases Long-Term Liabilities in the Statement of Net Assets. In the current period, proceeds were received from:

|  |  |                |
|--|--|----------------|
| General Obligation Bonds Issued, including a premium of \$2,599,427.50 |  | -65,099,427.50 |
|--|--|----------------|

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. -2,527,368.50

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      | \$ 7,340,000.00     |              |
| Capital Lease Payments          | <u>1,598,691.39</u> |              |
| Total Long-Term Debt Repayments |                     | 8,938,691.39 |

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:

|                                  |  |                   |
|----------------------------------|--|-------------------|
| Increase in Compensated Absences |  | <u>-55,935.13</u> |
|----------------------------------|--|-------------------|

Change in Net Assets of Governmental Activities (Exhibit "B") \$ 28,015,756.06

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

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PAULDING COUNTY BOARD OF EDUCATION  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2007

EXHIBIT "G"

AGENCY  
FUNDS

ASSETS

Cash and Cash Equivalents

\$ 180,645.67

LIABILITIES

Funds Held for Others

\$ 180,645.67

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 Paulding 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 Paulding 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.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The School District reports the following major governmental funds:

- General Fund is the School District's primary operating fund. It accounts for all financial resources of the School District, except those resources required to be accounted for in another fund.
- District-wide Capital Projects Fund accounts for financial resources including Special Purpose Local Option Sales Tax (SPLOST), Bond Proceeds and grants from Georgia State Financing and Investment Commission to be used for the acquisition, construction or renovation of major capital facilities.
- Debt Service Fund accounts for taxes (property and sales) legally restricted for the payment of general long-term principal, interest and paying agent's fees.

The School District reports the following fiduciary fund type:

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

**BASIS OF ACCOUNTING**

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

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. Property taxes, sales taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

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

**CASH AND CASH EQUIVALENTS**

**COMPOSITION OF DEPOSITS**

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

- (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,

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (6) The Local Government Investment Pool 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 Paulding County Board of Commissioners fixed the property tax levy for the 2006 tax digest year (calendar year) on August 8, 2006 (levy date). Taxes were due on November 15, 2006 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2006 tax digest are reported as revenue in the governmental funds for fiscal year 2007. The Paulding 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, 2007, for maintenance and operations amounted to \$56,441,954.77 and for school bonds amounted to \$2,053,545.62.

Tax millage rates levied for the 2006 tax year (calendar year) for the Paulding County Board of Education were as follows (a mill equals \$1 per thousand dollars of assessed value):

|                   |                     |
|-------------------|---------------------|
| School Operations | 16.409 mills        |
| School Bonds      | <u>.557</u> mills   |
|                   | <u>16.966</u> mills |

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**SALES TAXES**

Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to \$15,238,494.95 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

**INVENTORIES**

**FOOD INVENTORIES**

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

**PREPAID ITEMS**

Payments made to vendors for services that will benefit periods subsequent to June 30, 2007, are recorded as prepaid items.

**CAPITAL ASSETS**

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

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

|                            | <u>Capitalization<br/>Policy</u> | <u>Estimated<br/>Useful Life</u> |
|----------------------------|----------------------------------|----------------------------------|
| Land                       | All                              | N/A                              |
| Land Improvements          | \$ 5,000.00                      | 20 years                         |
| Buildings and Improvements | \$ 5,000.00                      | 50 years                         |
| Equipment                  | \$ 5,000.00                      | 5 to 25 years                    |

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

**GENERAL OBLIGATION BONDS**

The School District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. Bond issuance costs are recognized in the financial statements during the fiscal year bonds are issued. In addition, general obligation bonds have been issued to refund existing general obligation bonds. General obligation bonds are direct obligations and pledge the full faith and credit of the government. The outstanding amount of these bonds is recorded in the Statement of Net Assets.

**NET ASSETS**

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

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

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

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

Note 3: DEPOSITS AND INVESTMENTS

**COLLATERALIZATION OF DEPOSITS**

Official Code of Georgia Annotated (OCGA) Section 45-8-12 provides that there shall not be on deposit at any time in any depository for a time longer than ten days a sum of money which has not been secured by surety bond, by guarantee of insurance, or by collateral. The aggregate of the face value of such surety bond and the market value of securities pledged shall be equal to not less than 110 percent of the public funds being secured after the deduction of the amount of deposit insurance. If a depository elects the pooled method (OCGA 45-8-13.1) the aggregate of the market value of the securities pledged to secure a pool of public funds shall be not less than 110 percent of the daily pool balance. At June 30, \$63,267.55 of deposits were not secured by surety bond, insurance or collateral as specified above. The School District is working with the affected financial institutions to ensure appropriate levels of collateral are maintained for all of the School District's deposits.

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

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

**CATEGORIZATION OF DEPOSITS**

At June 30, 2007, the bank balances were \$44,259,177.08. The amounts of the total uninsured bank balances are classified into three categories of custodial credit risk:

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EXHIBIT "H"

Note 3: DEPOSITS AND INVESTMENTS

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

The School District's uninsured deposits are classified by custodial credit risk category at June 30, 2007, as follows:

| <u>Custodial Credit<br/>Risk Category</u> | <u>Bank Balance</u>    |
|---|------------------------|
| 1   | \$ 63,267.55           |
| 2   | 42,903,752.18          |
| 3   | <u>421,690.48</u>      |
| Total                                     | <u>\$43,388,710.21</u> |

CATEGORIZATION OF INVESTMENTS

The School District's investments as of June 30, 2007, are presented below. All investments are presented by investment type and debt securities are presented by maturity.

| <u>Investment Type</u>                 | <u>Fair<br/>Value</u>  |
|--|------------------------|
| Other Investments                      |                        |
| U. S. Treasury Money Market            |                        |
| Mutual Funds                           | \$11,880,684.46        |
| Investment Pools                       |                        |
| Office of Treasury and Fiscal Services |                        |
| Georgia Fund 1                         | <u>65,412,579.47</u>   |
| Total Investments                      | <u>\$77,293,263.93</u> |

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



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Note 3: DEPOSITS AND INVESTMENTS

The Primary Liquidity Portfolio consists of Georgia Fund 1 which is not registered with the SEC as an investment company but does operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. The investment is valued at the pool's share price, \$1.00 per share. The pool is an AAAM rated investment pool by Standard and Poor's. The weighted average maturity of Georgia Fund 1 may not exceed 60 days. The weighted average maturity for Georgia Fund 1 on June 30, 2007, was 15 days.

The U. S. Treasury Money Market Mutual Funds have a credit quality rating of AAAM by Standard and Poor's and Aaa by Moody's. The funds have a weighted average maturity of approximately 10 days.

Note 4: NON-MONETARY TRANSACTIONS

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

Note 5: CAPITAL ASSETS

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

|  | <u>Balances</u><br><u>July 1, 2006</u> | <u>Increases</u>       | <u>Decreases</u>       | <u>Balances</u><br><u>June 30, 2007</u> |
|--|--|------------------------|------------------------|---|
| Governmental Activities                      |  |                        |                        |   |
| Capital Assets, Not Being Depreciated:       |  |                        |                        |   |
| Land   | \$ 5,174,836.66                        | \$ 257,321.48          |                        | \$ 5,432,158.14                         |
| Construction in Progress                     | <u>35,132,224.06</u>                   | <u>42,898,491.93</u>   | <u>\$31,184,607.58</u> | <u>46,846,108.41</u>                    |
| Total Capital Assets Not Being Depreciated   | <u>\$ 40,307,060.72</u>                | <u>\$43,155,813.41</u> | <u>\$31,184,607.58</u> | <u>\$ 52,278,266.55</u>                 |
| Capital Assets Being Depreciated             |  |                        |                        |   |
| Buildings and Building Improvements          | \$170,623,489.29                       | \$33,131,039.75        |                        | \$203,754,529.04                        |
| Equipment                                    | 22,185,759.38                          | 4,933,227.29           | \$ 720,914.06          | 26,398,072.61                           |
| Land Improvements                            | 2,897,935.76                           | 718,541.61             |                        | 3,616,477.37                            |
| Less Accumulated Depreciation for:           |  |                        |                        |   |
| Buildings and Building Improvements          | 29,514,372.26                          | 4,067,883.52           |                        | 33,582,255.78                           |
| Equipment                                    | 11,888,908.43                          | 1,954,272.00           | 694,845.54             | 13,148,334.89                           |
| Land Improvements                            | <u>1,262,586.54</u>                    | <u>140,147.77</u>      |                        | <u>1,402,734.31</u>                     |
| Total Capital Assets, Being Depreciated, Net | <u>\$153,041,317.20</u>                | <u>\$32,620,505.36</u> | <u>\$ 26,068.52</u>    | <u>\$185,635,754.04</u>                 |
| Governmental Activity Capital Assets - Net   | <u>\$193,348,377.92</u>                | <u>\$75,776,318.77</u> | <u>\$31,210,676.10</u> | <u>\$237,914,020.59</u>                 |

PAULDING COUNTY BOARD OF EDUCATION  
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Note 5: CAPITAL ASSETS

Current year depreciation expense by function is as follows:

|  |              |                        |
|--|--------------|------------------------|
| Instruction                            |              | \$ 3,622,401.10        |
| Support Services                       |              |                        |
| Pupil Services                         | \$ 700.00    |                        |
| Improvements of Instructional Services | 11,439.20    |                        |
| Educational Media Services             | 190,281.15   |                        |
| General Administration                 | 14,101.87    |                        |
| School Administration                  | 152,983.94   |                        |
| Business Administration                | 38,687.51    |                        |
| Maintenance and Operation of Plant     | 192,416.78   |                        |
| Student Transportation Services        | 1,357,342.23 |                        |
| Central Support Services               | 101,147.32   |                        |
| Other Support Services                 | 29,821.25    |                        |
| Community Services                     | <u>43.89</u> | 2,088,965.14           |
| Food Services                          |              | <u>450,937.05</u>      |
|  |              | <u>\$ 6,162,303.29</u> |

Note 6: RESTRICTED ASSETS

Special Purpose Local Option Sales Tax (SPLOST), general obligation bond proceeds and property tax levied specifically for retirement of outstanding bond principal, interest and paying agent's fees (Debt Service Funds) are restricted assets in the Statement of Net Assets because their use is limited by applicable bond covenants or statutory provisions. Restricted assets at June 30, 2007, were as follows:

|                                       | <u>District-wide Capital Projects</u> |                      |                           |
|---------------------------------------|---------------------------------------|----------------------|---------------------------|
|                                       | <u>SPLOST</u>                         | <u>Bond Proceeds</u> | <u>Debt Service Funds</u> |
| Restricted Cash and Cash Equivalents: |                                       |                      |                           |
| Debt Services                         |                                       |                      | \$ 497,285.09             |
| Capital Acquisitions                  | \$ 12,411,990.58                      |                      |                           |
| Restricted Investments:               |                                       |                      |                           |
| Debt Services                         |                                       |                      | \$ 11,055,728.65          |
| Capital Acquisitions                  | \$ 948,223.76                         | \$ 64,243,874.31     |                           |

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

Note 7: INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2007, consisted of the following:

| <u>Transfer to</u>                | <u>Transfers From</u>   |   |
|-----------------------------------|-------------------------|---|
|                                   | <u>General<br/>Fund</u> | <u>District-wide<br/>Capital<br/>Projects</u> |
| District-wide Capital<br>Projects | \$ 1,181,435.98         |   |
| Debt Service Fund                 | <u>228,186.62</u>       | <u>\$ 5,067,953.55</u>                        |
| Total                             | <u>\$ 1,409,622.60</u>  | <u>\$ 5,067,953.55</u>                        |

Transfers are used to move property tax revenues collected by the General Fund to (1) the District-wide Capital Projects Fund as required match or supplemental funding source for capital construction projects and (2) the Debt Service Fund as required to meet current year principal and interest payments on general obligation bonds. In addition, SPLOST revenue collected in prior fiscal years was transferred from District-wide Capital Projects to the Debt Service Fund to pay principal and interest on SPLOST bonds.

Note 8: RISK MANAGEMENT

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

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

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

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

Note 8: RISK MANAGEMENT

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

|      | <u>Beginning<br/>of Year<br/>Liability</u> | <u>Claims and<br/>Changes in<br/>Estimates</u> | <u>Claims<br/>Paid</u> | <u>End of Year<br/>Liability</u> |
|------|--|--|------------------------|----------------------------------|
| 2006 | \$ 0.00                                    | \$ 12,814.96                                   | \$ 12,814.96           | \$ 0.00                          |
| 2007 | \$ 0.00                                    | \$ 14,152.00                                   | \$ 14,152.00           | \$ 0.00                          |

The School District participates in the Georgia School Boards Association Workers' Compensation Fund, a public entity risk pool organized on July 1, 1992, to develop, implement, and administer a program of workers' compensation self-insurance for its member organizations. The School District pays an annual premium to the Fund for its general insurance coverage. Additional insurance coverage is provided through an agreement by the Fund with the Safety National Casualty Corporation to provide coverage for potential losses sustained by the Fund in excess of \$400,000.00 loss per occurrence, up to \$1,000,000.00.

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

| <u>Position Covered</u> | <u>Amount</u> |
|-------------------------|---------------|
| Superintendent          | \$ 250,000.00 |
| All Other Employees     | \$ 250,000.00 |

Note 9: LONG-TERM DEBT

**CAPITAL LEASES**

The Paulding County Board of Education entered into various lease agreements for computer equipment. These lease agreements qualify as capital leases for accounting purposes, and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

**COMPENSATED ABSENCES**

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

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

Note 9: LONG-TERM DEBT

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 2007             | 4.25% - 5.00%         | \$ 62,500,000.00        |
| General Government - Series 2004             | 2.50% - 5.00%         | 59,000,000.00           |
| General Government - Refunding - Series 2003 | 2.87%                 | 6,685,000.00            |
| General Government - Series 1995             | 5.50% - 6.00%         | 10,595,000.00           |
| General Government - Series 1992A            | 6.625%                | <u>3,580,000.00</u>     |
|  |                       | <u>\$142,360,000.00</u> |

Voters have authorized \$62,500,000.00 in general obligation debt for the acquisition, construction, renovation and equipping new and existing School District facilities, which was not issued as of June 30, 2007.

The changes in Long-Term Debt during the fiscal year ended June 30, 2007, were as follows:

|  | <u>Governmental Funds</u> |                                     |   |   |                         |
|--|---------------------------|-------------------------------------|---|---|-------------------------|
|  | <u>Capital<br/>Leases</u> | <u>Compensated<br/>Absences (1)</u> | <u>General<br/>Obligation<br/>Bonds</u> | <u>Unamortized<br/>Bond<br/>Premium</u> | <u>Total</u>            |
| Balance July 1, 2006                             | \$ 1,931,354.69           | \$ 332,819.38                       | \$ 87,200,000.00                        | \$ 0.00                                 | \$ 89,464,174.07        |
| Additions  |                           |                                     |   |   |                         |
| Capital Leases                                   | 2,527,368.50              |                                     |   |   | 2,527,368.50            |
| Annual Leave Earned                              |                           | 404,670.56                          |   |   | 404,670.56              |
| G. O. Bonds                                      |                           |                                     | 62,500,000.00                           |   | 62,500,000.00           |
| Unamortized Bonds                                |                           |                                     |   | 2,599,427.50                            | 2,599,427.50            |
| Deductions                                       |                           |                                     |   |   |                         |
| Annual Leave Utilized                            |                           | 348,735.43                          |   |   | 348,735.43              |
| Debt Retired                                     | <u>1,598,691.39</u>       | <u>                    </u>         | <u>7,340,000.00</u>                     | <u>                    </u>             | <u>8,938,691.39</u>     |
| Balance June 30, 2007                            | <u>\$ 2,860,031.80</u>    | <u>\$ 388,754.51</u>                | <u>\$142,360,000.00</u>                 | <u>\$ 2,599,427.50</u>                  | <u>\$148,208,213.81</u> |
| Portion of Long-Term Debt<br>Due within One Year | <u>\$ 1,564,209.47</u>    | <u>\$ 0.00</u>                      | <u>\$ 13,525,000.00</u>                 | <u>\$ 0.00</u>                          | <u>\$ 15,089,209.47</u> |

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

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

Note 9: LONG-TERM DEBT

At June 30, 2007, payments due by fiscal year which includes principal and interest for these items are as follows:

| <u>Fiscal Year</u><br><u>Ended June 30</u> | <u>Capital Leases</u>  |                      |
|--|------------------------|----------------------|
|  | <u>Principal</u>       | <u>Interest</u>      |
| 2008                                       | \$ 1,564,209.47        | \$ 168,533.47        |
| 2009                                       | 697,669.23             | 77,442.12            |
| 2010                                       | 548,557.10             | 35,826.21            |
| 2011                                       | <u>49,596.00</u>       | <u>3,030.52</u>      |
| Total Principal and Interest               | \$ <u>2,860,031.80</u> | \$ <u>284,832.32</u> |

| <u>Fiscal Year</u><br><u>Ended June 30</u> | <u>General Obligation Debt</u> |                         | <u>Unamortized Bond Premium</u> |
|--|--------------------------------|-------------------------|---------------------------------|
|  | <u>Principal</u>               | <u>Interest</u>         |                                 |
| 2008                                       | \$ 13,525,000.00               | \$ 5,271,576.17         |                                 |
| 2009                                       | 13,525,000.00                  | 5,687,034.50            |                                 |
| 2010                                       | 13,430,000.00                  | 5,047,571.00            |                                 |
| 2011                                       | 14,730,000.00                  | 4,442,177.00            |                                 |
| 2012                                       | 16,170,000.00                  | 3,772,514.50            |                                 |
| 2013 - 2017                                | 8,480,000.00                   | 15,662,211.00           |                                 |
| 2018 - 2022                                |                                | 15,083,562.50           |                                 |
| 2023 - 2027                                | 18,090,000.00                  | 14,288,625.00           | \$ 1,039,771.00                 |
| 2028 - 2033                                | <u>44,410,000.00</u>           | <u>8,032,325.00</u>     | <u>1,559,656.50</u>             |
| Total Principal and Interest               | <u>\$142,360,000.00</u>        | <u>\$ 77,287,596.67</u> | <u>\$ 2,599,427.50</u>          |

Note 10: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of \$3,517,659.51 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 \$3,415,522.27

PAULDING COUNTY BOARD OF EDUCATION  
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EXHIBIT "H"

Note 10: ON-BEHALF PAYMENTS

Paid to the Teachers Retirement System of Georgia  
For Teachers Retirement System (TRS) Employer's Cost  
In the amount of \$78,771.24

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 \$23,366.00

Note 11: SIGNIFICANT COMMITMENTS

The following is an analysis of significant outstanding construction or renovation contracts executed by the School District as of June 30, 2007, together with funding available:

| <u>Project</u>                        | <u>Unearned<br/>Executed<br/>Contracts</u> | <u>Funding<br/>Available<br/>From State</u> |
|---------------------------------------|--|---|
| Allgood Elementary School Addition    | \$ 48,600.00                               |   |
| Burnt Hickory Elementary School       | 1,896,476.67                               |   |
| Herschel Jones Middle School Addition | 104,400.00                                 |   |
| Nebo Elementary School Addition       | 38,000.00                                  |   |
| North Paulding High School            | 28,379,880.78                              | \$ 8,404,323.05                             |
| Sammy McClure Middle School           | <u>3,179,891.04</u>                        |   |
|                                       | <u>\$ 33,647,248.49</u>                    | <u>\$ 8,404,323.05</u>                      |

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

Note 12: SIGNIFICANT CONTINGENT LIABILITIES

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

The School District 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.

PAULDING COUNTY BOARD OF EDUCATION  
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EXHIBIT "H"

Note 13: RETIREMENT PLANS

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

**TRS PLAN DESCRIPTION**

Substantially all teachers, administrative and clerical personnel employed by local school systems are covered by the Teachers Retirement System of Georgia (TRS), which is a cost-sharing multiple employer defined benefit pension plan. TRS provides service retirement, disability retirement and survivors benefits for its members in accordance with State statute. 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.

**TRS CONTRIBUTIONS REQUIRED AND MADE**

Employees of the School District who are covered by TRS are required by State statute to contribute 5% of their gross earnings to TRS. The School District makes monthly employer contributions to TRS at rates adopted by the TRS Board of Trustees in accordance with State statute and as advised by their independent actuary. The required employer contribution rate is 9.28% and employer contributions for the current fiscal year and the preceding two fiscal years are as follows:

| <u>Fiscal Year</u> | <u>Percentage<br/>Contributed</u> | <u>Required<br/>Contribution</u> |
|--------------------|-----------------------------------|----------------------------------|
| 2007               | 100%                              | \$ 10,345,262.27                 |
| 2006               | 100%                              | \$ 8,847,988.00                  |
| 2005               | 100%                              | \$ 7,779,411.00                  |



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PAULDING COUNTY BOARD OF EDUCATION  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2007

SCHEDULE "1"

|  | NONAPPROPRIATED BUDGETS |                      | ACTUAL               |
|--|-------------------------|----------------------|----------------------|
|  | ORIGINAL (1)            | FINAL (1)            | AMOUNTS              |
| <b>REVENUES</b>                              |                         |                      |                      |
| Property Taxes                               | \$ 58,338,783.00        | \$ 58,338,783.00     | \$ 56,441,954.77     |
| Sales Taxes                                  | 820,000.00              | 820,000.00           | 3,388,125.22         |
| State Funds                                  | 117,120,297.00          | 119,637,137.20       | 124,488,205.95       |
| Federal Funds                                | 9,731,594.00            | 11,343,830.00        | 12,025,036.23        |
| Charges for Services                         | 5,364,567.00            | 5,362,046.00         | 9,330,067.73         |
| Investment Earnings                          | 980,889.00              | 980,889.00           | 1,205,641.30         |
| Miscellaneous                                | 6,630,244.37            | 6,868,781.00         | 4,366,493.09         |
| Total Revenues                               | \$ 198,986,374.37       | \$ 203,351,466.20    | \$ 211,245,524.29    |
| <b>EXPENDITURES</b>                          |                         |                      |                      |
| Current                                      |                         |                      |                      |
| Instruction                                  | \$ 141,709,651.01       | \$ 142,160,587.29    | \$ 144,107,016.32    |
| Support Services                             |                         |                      |                      |
| Pupil Services                               | 3,649,607.15            | 4,204,824.72         | 4,167,153.92         |
| Improvement of Instructional Services        | 3,733,676.48            | 4,475,952.99         | 5,149,720.47         |
| Educational Media Services                   | 3,537,927.62            | 3,527,356.12         | 3,578,097.67         |
| General Administration                       | 1,777,147.03            | 1,246,649.54         | 1,237,088.55         |
| School Administration                        | 11,852,730.55           | 11,756,321.94        | 12,096,835.90        |
| Business Administration                      | 1,945,684.49            | 1,945,684.49         | 1,606,638.18         |
| Maintenance and Operation of Plant           | 12,369,881.08           | 12,369,881.08        | 12,577,247.99        |
| Student Transportation Services              | 11,337,272.89           | 12,151,346.89        | 11,958,094.42        |
| Central Support Services                     | 956,232.63              | 959,687.63           | 1,113,112.83         |
| Other Support Services                       | 379,126.23              | 487,178.23           | 372,237.07           |
| Food Services Operation                      | 9,000,702.00            | 9,022,542.00         | 9,537,238.71         |
| Enterprise Operations                        |                         | 1,803,000.00         | 1,803,781.58         |
| Community Services Operations                | 1,607,409.55            | 1,990,541.25         | 2,215,347.36         |
| Capital Outlay                               |                         | 158,362.68           | 1,227,216.89         |
| Debt Service                                 |                         |                      | 1,733,722.93         |
| Total Expenditures                           | \$ 203,857,048.71       | \$ 208,259,916.85    | \$ 214,480,550.79    |
| Excess of Revenues over (under) Expenditures | \$ -4,870,674.34        | \$ -4,908,450.65     | \$ -3,235,026.50     |
| <b>OTHER FINANCING SOURCES (USES)</b>        |                         |                      |                      |
| Other Sources                                |                         | \$ 535,942.00        | \$ 2,527,368.50      |
| Other Uses                                   |                         | <u>-535,942.00</u>   | <u>-1,409,622.60</u> |
| Total Other Financing Sources (Uses)         |                         | \$ 0.00              | \$ 1,117,745.90      |
| Net Change in Fund Balances                  | \$ -4,870,674.34        | \$ -4,908,450.65     | \$ -2,117,280.60     |
| Fund Balances - Beginning                    | 21,703,673.69           | 19,403,261.92        | 20,210,769.41        |
| Adjustments                                  |                         | <u>-1,207,996.93</u> |                      |
| Fund Balances - Ending                       | \$ 16,832,999.35        | \$ 13,286,814.34     | \$ 18,093,488.81     |

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.

PAULDING COUNTY BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2007

SCHEDULE "2"

| FUNDING AGENCY<br>PROGRAM/GRANT                   | CFDA<br>NUMBER | PASS-<br>THROUGH<br>ENTITY<br>ID<br>NUMBER | EXPENDITURES<br>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  | \$ 8,612,125.31           |
| Total Child Nutrition Cluster                     |                |  | \$ 8,612,125.31           |
| Other Programs                                    |                |  |                           |
| Pass-Through From Georgia Department of Education |                |  |                           |
| Food Donation (1)                                 | 10.550         | N/A  | 431,603.44                |
| Total U. S. Department of Agriculture             |                |  | \$ 9,043,728.75           |
| Education, U. S. Department of                    |                |  |                           |
| Special Education Cluster                         |                |  |                           |
| Pass-Through From Georgia Department of Education |                |  |                           |
| Special Education                                 |                |  |                           |
| Grants to States                                  | 84.027         | N/A  | \$ 3,707,924.09           |
| Preschool Grants                                  | 84.173         | N/A  | 85,056.00                 |
| Total Special Education Cluster                   |                |  | \$ 3,792,980.09           |
| Other Programs                                    |                |  |                           |
| Pass-Through From Georgia Department of Education |                |  |                           |
| English Language Acquisition Grants               | 84.365         | N/A  | 43,837.94                 |
| Enhancing Education Through Technology Program    | 84.318         | N/A  | 87.00                     |
| Hurricane Education Recovery Act                  | 84.938         | N/A  | (3)                       |
| Improving Teacher Quality State Grants            | 84.367         | N/A  | 489,851.63                |
| Mathematics and Science Partnerships              | 84.366         | N/A  | 248,132.00                |
| State Grants for Innovative Programs              | 84.298         | N/A  | 26,478.72                 |
| Title I Grants to Local Educational Agencies      | 84.010         | N/A  | 1,966,727.55              |
| Vocational Education - Basic Grants to States     | 84.048         | N/A  | 151,988.25                |
| Total U. S. Department of Education               |                |  | \$ 6,720,083.18           |
| Defense, U. S. Department of                      |                |  |                           |
| Direct  |                |  |                           |
| U. S. Marine Corps                                |                |  |                           |
| R.O.T.C. Program                                  |                |  | \$ 235,157.05             |
| Total Federal Financial Assistance                |                |  | \$ 15,998,968.98          |

N/A = Not Available

PAULDING COUNTY BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2007

SCHEDULE "2"

Notes to the Schedule of Expenditures of Federal Awards

- (1) The amount shown for the Food Donation Program represents the Federally assigned value of nonmonetary assistance for donated commodities received and/or consumed by the School District during the current fiscal year.
- (2) Expenditures for the funds earned on the School Breakfast Program (\$735,247.94) were not maintained separately and are included in the 2007 National School Lunch Program.
- (3) Funds earned and expended in the prior period on the Hurricane Education Recovery Act, in the amount of \$130,505.00, do not require reporting of expenditures.

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 Paulding 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.

PAULDING COUNTY BOARD OF EDUCATION  
SCHEDULE OF STATE REVENUE  
YEAR ENDED JUNE 30, 2007

SCHEDULE "3"

| AGENCY/FUNDING   | GOVERNMENTAL FUND TYPES |                       | TOTAL           |
|--|-------------------------|-----------------------|-----------------|
|  | GENERAL FUND            | CAPITAL PROJECTS FUND |                 |
| GRANTS   |                         |                       |                 |
| Education, Georgia Department of                           |                         |                       |                 |
| Quality Basic Education                                    |                         |                       |                 |
| Direct Instructional Cost                                  |                         |                       |                 |
| Kindergarten Program                                       | \$ 8,446,176.00         |                       | \$ 8,446,176.00 |
| Kindergarten Program - Early Intervention Program          | 280,093.00              |                       | 280,093.00      |
| Primary Grades (1-3) Program                               | 19,212,584.00           |                       | 19,212,584.00   |
| Primary Grades - Early Intervention (1-3) Program          | 1,165,710.00            |                       | 1,165,710.00    |
| Upper Elementary Grades (4-5) Program                      | 8,923,815.00            |                       | 8,923,815.00    |
| Upper Elementary Grades - Early Intervention (4-5) Program | 706,935.00              |                       | 706,935.00      |
| Middle Grades (6-8) Program                                | 437,965.00              |                       | 437,965.00      |
| Middle School (6-8) Program                                | 14,933,848.00           |                       | 14,933,848.00   |
| High School General Education (9-12) Program               | 13,284,083.00           |                       | 13,284,083.00   |
| Vocational Laboratory (9-12) Program                       | 2,581,862.00            |                       | 2,581,862.00    |
| Students with Disabilities                                 |                         |                       |                 |
| Category I   | 1,156,408.00            |                       | 1,156,408.00    |
| Category II  | 914,662.00              |                       | 914,662.00      |
| Category III   | 6,568,220.00            |                       | 6,568,220.00    |
| Category IV  | 2,345,600.00            |                       | 2,345,600.00    |
| Category V   | 1,011,014.00            |                       | 1,011,014.00    |
| Gifted Student - Category VI                               | 1,623,302.00            |                       | 1,623,302.00    |
| Alternative Education Program                              | 1,164,551.00            |                       | 1,164,551.00    |
| English Speakers of Other Languages (ESOL)                 | 315,834.00              |                       | 315,834.00      |
| Media Center Program                                       | 2,519,286.00            |                       | 2,519,286.00    |
| 20 Days Additional Instruction                             | 791,267.00              |                       | 791,267.00      |
| Staff and Professional Development                         | 491,269.00              |                       | 491,269.00      |
| Indirect Cost  |                         |                       |                 |
| Central Administration                                     | 2,215,972.00            |                       | 2,215,972.00    |
| School Administration                                      | 4,430,637.00            |                       | 4,430,637.00    |
| Facility Maintenance and Operations                        | 6,797,204.00            |                       | 6,797,204.00    |
| Categorical Grants   |                         |                       |                 |
| Pupil Transportation                                       |                         |                       |                 |
| Regular  | 1,628,288.00            |                       | 1,628,288.00    |
| Bus Replacement  | 159,727.00              |                       | 159,727.00      |
| Nursing Services   | 444,049.00              |                       | 444,049.00      |
| Principal Supplements                                      | 83,680.00               |                       | 83,680.00       |
| Education Equalization Funding Grant                       | 15,501,969.00           |                       | 15,501,969.00   |
| Food Services  | 493,510.00              |                       | 493,510.00      |
| Amended Formula Adjustment                                 | -2,158,295.00           |                       | -2,158,295.00   |
| Other State Programs                                       |                         |                       |                 |
| Agriculture - Extended Day                                 | 10,439.00               |                       | 10,439.00       |
| Agriculture - Extended Year                                | 8,452.00                |                       | 8,452.00        |
| Graduation Coaches   | 160,300.00              |                       | 160,300.00      |
| Health Insurance   | 3,415,522.27            |                       | 3,415,522.27    |
| K-8 Statewide Reading and Mathematics Program              | 325,822.90              |                       | 325,822.90      |
| Middle School Summer Remedial Program                      | 17,979.00               |                       | 17,979.00       |
| National Teacher Certification                             | 159,759.00              |                       | 159,759.00      |
| Preschool Handicapped Program                              | 343,665.85              |                       | 343,665.85      |
| Pupil Transportation - State Bond                          | 500,000.00              |                       | 500,000.00      |
| Teachers Retirement  | 78,771.24               |                       | 78,771.24       |
| Technology/Career Education - Apprenticeship               | 39,298.00               |                       | 39,298.00       |
| Technology/Career Education - Extended Day                 | 83,605.00               |                       | 83,605.00       |
| Technology/Career Education - Extended Year                | 2,465.00                |                       | 2,465.00        |
| Tuition For Multiple-Handicapped Children                  | 27,682.00               |                       | 27,682.00       |
| Virtual Schools Grant                                      | 1,925.00                |                       | 1,925.00        |
| Vocational Education                                       | 780,211.46              |                       | 780,211.46      |
| Vocational Supervisor                                      | 37,717.23               |                       | 37,717.23       |

PAULDING COUNTY BOARD OF EDUCATION  
SCHEDULE OF STATE REVENUE  
YEAR ENDED JUNE 30, 2007

SCHEDULE "3"

| <u>AGENCY/FUNDING</u>                                | <u>GOVERNMENTAL FUND TYPES</u> |                                      | <u>TOTAL</u>             |
|--|--------------------------------|--------------------------------------|--------------------------|
|  | <u>GENERAL<br/>FUND</u>        | <u>CAPITAL<br/>PROJECTS<br/>FUND</u> |                          |
| GRANTS   |                                |                                      |                          |
| Georgia State Financing and Investment<br>Commission |                                |                                      |                          |
| Reimbursement on Construction Projects               |                                | \$ 16,625,071.55                     | \$ 16,625,071.55         |
| Office of Treasury and Fiscal Services               |                                |                                      |                          |
| Public School Employees Retirement                   | \$ 23,366.00                   |                                      | 23,366.00                |
|  | <u>\$ 124,488,205.95</u>       | <u>\$ 16,625,071.55</u>              | <u>\$ 141,113,277.50</u> |

See notes to the basic financial statements.

PAULDING COUNTY BOARD OF EDUCATION  
SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS  
YEAR ENDED JUNE 30, 2007

SCHEDULE "4"

| <u>PROJECT</u>   | <u>ORIGINAL<br/>ESTIMATED<br/>COST (1)</u> | <u>CURRENT<br/>ESTIMATED<br/>COSTS (2)</u> | <u>AMOUNT<br/>EXPENDED<br/>IN CURRENT<br/>YEAR (3) (4)</u> | <u>AMOUNT<br/>EXPENDED<br/>IN PRIOR<br/>YEARS (3) (4)</u> | <u>PROJECT<br/>STATUS</u> |
|--|--|--|--|---|---------------------------|
| Acquiring, constructing and equipping of four new elementary schools, one new middle school, one new high school, a performing arts center, improving system-wide technology, renovations, repairs, improvements and equipping of existing schools and the acquisition of related facilities including all necessary properties. | \$ 76,500,000.00                           | \$ 80,994,115.00                           | \$ 4,129,194.00  | \$ 76,864,921.00  | Completed                 |
| Acquisition, construction and equipping of three new elementary schools, three new middle schools, one new high school, renovation, completion and expansion of the new and existing school facilities, acquisition of any property necessary or desirable therefor, both real and personal.                                     | 86,500,000.00                              | 86,500,000.00                              | 40,964,938.00  | 33,860,260.00   | Ongoing                   |
| Payment of a portion of the principal and interest of the School District's outstanding general obligation bonds coming due August 1, 2006 through and including February 1, 2011.   | <u>3,500,000.00</u>                        | <u>3,500,000.00</u>                        |  |   | Ongoing                   |
|  | <u>\$ 166,500,000.00</u>                   | <u>\$ 170,994,115.00</u>                   | <u>\$ 45,094,132.00</u>                                    | <u>\$ 110,725,181.00</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 Paulding 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.
- (4) In addition to the expenditures shown above, the School District has incurred interest to provide advance funding for the above projects as follows:

|              |                        |
|--------------|------------------------|
| Prior Years  | \$ 6,346,382.00        |
| Current Year | <u>2,448,089.00</u>    |
| Total        | <u>\$ 8,794,471.00</u> |

See notes to the basic financial statements.

PAULDING COUNTY BOARD OF EDUCATION  
GENERAL FUND - QUALITY BASIC EDUCATION PROGRAM (QBE)  
ALLOTMENTS AND EXPENDITURES BY PROGRAM  
YEAR ENDED JUNE 30, 2007

SCHEDULE "5"

| DESCRIPTION  | ALLOTMENTS<br>FROM GEORGIA<br>DEPARTMENT OF<br>EDUCATION (1) (2) | ELIGIBLE QBE PROGRAM COSTS |                 |                   |
|--|--|----------------------------|-----------------|-------------------|
|  |  | SALARIES                   | OPERATIONS      | TOTAL             |
| Direct Instructional Programs                            |  |                            |                 |                   |
| Kindergarten Program                                     | \$ 9,366,004.00  | \$ 8,753,459.75            | \$ 514,948.49   | \$ 9,268,408.24   |
| Kindergarten Program-Early Intervention Program          | 285,418.00   | 323,534.12                 | 828.72          | 324,362.84        |
| Primary Grades (1-3) Program                             | 21,251,246.00  | 25,594,405.90              | 1,219,422.64    | 26,813,828.54     |
| Primary Grades-Early Intervention (1-3) Program          | 1,357,945.00   | 1,520,962.30               | 6,183.24        | 1,527,145.54      |
| Upper Elementary Grades (4-5) Program                    | 9,850,089.00   | 9,647,665.62               | 626,082.67      | 10,273,748.29     |
| Upper Elementary Grades-Early Intervention (4-5) Program | 861,655.00   | 1,280,397.21               | 4,696.18        | 1,285,093.39      |
| Middle Grades (6-8) Program                              | 425,528.00   |                            |                 |                   |
| Middle School (6-8) Program                              | 16,658,558.00  | 19,717,391.79              | 568,346.34      | 20,285,738.13     |
| High School General Education (9-12) Program             | 14,671,866.00  | 18,033,223.69              | 1,102,769.56    | 19,135,993.25     |
| Vocational Laboratory (9-12) Program                     | 2,860,789.00   | 2,831,766.34               | 421,414.46      | 3,253,180.80      |
| Students with Disabilities                               | 13,310,473.00  |                            |                 |                   |
| Category I   |  |                            | 15,914.84       | 15,914.84         |
| Category II  |  | 921,578.58                 | 6,673.43        | 928,252.01        |
| Category III   |  | 17,089,151.11              | 104,318.71      | 17,193,469.82     |
| Category IV  |  | 437,495.30                 | 18,451.12       | 455,946.42        |
| Category V   |  |                            | 14,292.67       | 14,292.67         |
| Gifted Student - Category VI                             | 1,811,002.00   | 1,814,229.91               | 36,686.74       | 1,850,916.65      |
| Remedial Education Program                               |  |                            | 535.71          | 535.71            |
| Alternative Education Program                            | 1,288,400.00   | 1,510,704.91               | 24,678.39       | 1,535,383.30      |
| English Speakers of Other Languages (ESOL)               | 331,928.00   | 634,656.38                 | 14,847.77       | 649,504.15        |
| TOTAL DIRECT INSTRUCTIONAL PROGRAMS                      | \$ 94,330,901.00   | \$ 110,110,622.91          | \$ 4,701,091.68 | \$ 114,811,714.59 |
| Media Center Program                                     | 2,798,867.00   | 2,988,238.55               | 505,067.37      | 3,493,305.92      |
| Staff and Professional Development                       | 557,080.00   | 192,224.49                 | 365,341.43      | 557,565.92        |
| TOTAL QBE FORMULA FUNDS                                  | \$ 97,686,848.00   | \$ 113,291,085.95          | \$ 5,571,500.48 | \$ 118,862,586.43 |

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

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



## SECTION II

### COMPLIANCE AND INTERNAL CONTROL REPORTS



## DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

March 19, 2008

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

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

Ladies and Gentlemen:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Paulding County Board of Education as of and for the year ended June 30, 2007, which collectively comprise Paulding County Board of Education's basic financial statements and have issued our report thereon dated March 19, 2008. 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 Paulding 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 Paulding County Board of Education's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Paulding County Board of Education's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the Paulding County Board of Education's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally

accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Paulding County Board of Education's financial statements that is more than inconsequential will not be prevented or detected by the Paulding County Board of Education's internal control.

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

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

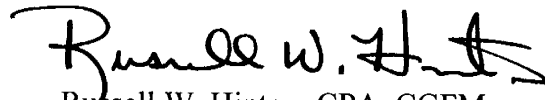
#### Compliance and Other Matters

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

We noted certain matters that we have reported to management of Paulding County Board of Education in a separate letter dated March 19, 2008.

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

Respectfully submitted,

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

Russell W. Hinton, CPA, CGFM  
State Auditor

RWH:as  
2007YB-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 19, 2008

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

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

Ladies and Gentlemen:

Compliance

We have audited the compliance of Paulding County Board of Education with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2007. Paulding 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 Paulding County Board of Education's management. Our responsibility is to express an opinion on Paulding 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 Paulding 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 Paulding County Board of Education's compliance with those requirements.

In our opinion, the Paulding County Board of Education complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2007.

#### Internal Control Over Compliance

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

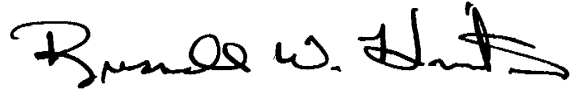
A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a Federal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

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

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

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

Respectfully submitted,

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

Russell W. Hinton, CPA, CGFM  
State Auditor

RWH:as  
2007SA-10

### SECTION III

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

PAULDING COUNTY BOARD OF EDUCATION  
AUDITEE'S RESPONSE  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2007

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

**FINDING CONTROL NUMBER AND STATUS**

|               |   |
|---------------|---|
| FS-7101-05-02 | Further Action Not Warranted                      |
| FS-7101-06-01 | Previously Reported Corrective Action Implemented |
| FS-7101-06-02 | Previously Reported Corrective Action Implemented |
| FS-7101-06-03 | Previously Reported Corrective Action Implemented |

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

| <u>FINDING<br/>CONTROL<br/>NUMBER</u> | <u>AUDITEE'S<br/>RESPONSE/STATUS</u>              | <u>SEE<br/>AUDITOR'S<br/>COMMENTS</u> |
|---------------------------------------|---|---------------------------------------|
| FA-7101-05-01                         | Previously Reported Corrective Action Implemented |                                       |
| FA-7101-06-01                         | Unresolved - See Auditor's Comment                | (1)                                   |
| FA-7101-06-02                         | Previously Reported Corrective Action Implemented |                                       |
| FA-7101-06-03                         | Previously Reported Corrective Action Implemented |                                       |

**AUDITOR'S COMMENTS**

- (1) Funding for the Hurricane Education Recovery program was a one year grant. Georgia Department of Education is reviewing this matter to determine if a refund is appropriate.



SECTION IV  
FINDINGS AND QUESTIONED COSTS

PAULDING COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2007

I SUMMARY OF AUDITOR'S RESULTS

1. Type of Report Issued on the Financial Statements

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

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

The audit report for the Paulding County Board of Education did not disclose any significant deficiencies related to the financial statements.

3. Noncompliance Material to the Financial Statements

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

4. Significant Deficiencies in Internal Control Over Major Programs

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

5. Type of Report Issued on Compliance for Major Programs

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

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

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

7. Major Programs

Federal awards audited as major programs are as follows:

10.553 Food Services - School Breakfast Program

10.555 Food Services - National School Lunch Program

8. Type "A" Program Dollar Threshold

The dollar threshold for type "A" programs was \$479,969.07.

9. Low Risk Auditee

The Paulding County Board of Education did not qualify as a low risk auditee as defined by Section .530 of OMB Circular A-133.

PAULDING COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2007

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.