



PAULDING COUNTY BOARD OF EDUCATION DALLAS, GEORGIA

**ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2009
(Including Independent Auditor's Reports)**



PAULDING COUNTY BOARD OF EDUCATION

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DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 1-156
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Russell W. Hinton
STATE AUDITOR
(404) 656-2174

March 17, 2010

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, 2009, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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 previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and

the aggregate remaining fund information of the Paulding County Board of Education, as of June 30, 2009, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

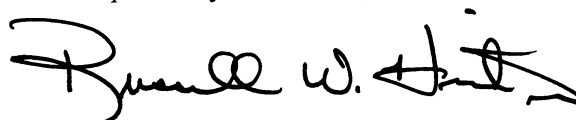
In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2010, on our consideration of the Paulding County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts 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 31 respectively, are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. 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, 2009**

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, 2009. The intent of this discussion and analysis is to look at the Board's financial performance as a whole. Readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the Board's financial performance.

The Paulding County School District has prepared the annual financial report to comply with the reporting model for financial statements (GASB Statement 34).

Financial Highlights

Key financial highlights for fiscal year 2009 are as follows:

- ✓ The Board's financial status continued to improve during fiscal year 2009. In total, net assets increased \$34.7 million, which represents a 14.9 percent increase from the fiscal year 2008 balance. This total increase was due to governmental activities since Board has no business-type activities.
- ✓ General revenues accounted for \$130.2 million in revenue or 46 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$154.1 million or 54 percent of total revenues. Total revenues were \$284.3 million.
- ✓ The Board had \$249.7 million in expenses related to governmental activities; only \$154.1 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues, primarily taxes, of \$130.2 million were adequate to provide for these programs.
- ✓ Among major funds, the general fund had \$237.6 million in revenues and \$237.5 million in expenditures. The general fund's balance decreased to \$24.1 million from \$24.3 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, 2009**

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 2009?" 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, 2009**

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 2009.

**Table 1
Net Assets**

	<u>Governmental Activities</u>	
	<u>Fiscal Year 2009</u>	<u>Fiscal Year 2008 (Restated)</u>
Assets		
Current and Other Assets	\$ 147,120	\$ 119,238
Capital Assets, Net	<u>349,406</u>	<u>291,443</u>
Total Assets	<u>\$ 496,526</u>	<u>\$ 410,681</u>
Liabilities		
Current and Other Liabilities	\$ 44,885	\$ 41,062
Long-Term Liabilities	<u>184,758</u>	<u>137,452</u>
Total Liabilities	<u>\$ 229,643</u>	<u>\$ 178,514</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	\$ 228,232	\$ 199,903
Restricted	22,840	18,737
Unrestricted	<u>15,811</u>	<u>13,527</u>
Total Net Assets	<u>\$ 266,883</u>	<u>\$ 232,167</u>

Total net assets increased \$34.7 million.

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

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

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

	Governmental Activities	
	Fiscal Year 2009	Fiscal Year 2008
Revenues		
Program Revenues:		
Charges for Services and Sales	\$ 9,788	\$ 9,805
Operating Grants and Contributions	126,058	131,352
Capital Grants and Contributions	18,282	18,121
Total Program Revenues	\$ 154,128	\$ 159,278
General Revenues:		
Taxes		
Property Taxes		
For Maintenance and Operations	\$ 76,241	\$ 72,075
For Debt Service	11,915	7,819
For Railroad Cars	21	
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Debt Service	13,316	8,781
For Capital Projects		5,955
Intangible Recording Tax	1,307	2,401
Grants and Contributions not Restricted to Specific Programs	21,865	20,734
Investment Earnings	1,341	3,472
Miscellaneous	4,238	5,129
Total General Revenues	\$ 130,244	\$ 126,366
Total Revenues	\$ 284,372	\$ 285,644
Program Expenses		
Instruction	\$ 163,159	\$ 164,067
Support Services		
Pupil Services	8,502	5,949
Improvement of Instructional Services	4,861	4,801
Educational Media Services	4,225	3,966
General Administration	1,486	1,366
School Administration	13,716	13,621
Business Administration	1,307	1,466
Maintenance and Operation of Plant	16,372	14,997
Student Transportation Service	10,609	10,843
Central Support Services	1,743	1,437
Other Support Services	264	305
Operations of Non-Instructional Services		
Enterprise Operations	2,369	2,215
Community Services	2,101	2,093
Food Services	11,450	10,876
Interest on Short-Term and Long-Term Debt	7,492	5,441
Total Expenses	\$ 249,656	\$ 243,443
Increase in Net Assets	\$ 34,716	\$ 42,201

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

Governmental Activities

Instruction comprises 65.4 percent of governmental program expenses. Interest expense comprises 3.0 percent of governmental program expenses. Interest expense was attributable to the outstanding bonds for capital projects.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services comparing fiscal year 2009 with fiscal year 2008. 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)**

	Total Cost of Services		Net Cost of Services	
	Fiscal Year 2009	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2008
Instruction	\$ 163,159	\$ 164,067	\$ 52,805	\$ 51,487
Support Services				
Pupil Services	8,502	5,949	6,951	4,746
Improvement of Instructional Services	4,861	4,801	2,475	2,253
Educational Media Services	4,225	3,966	875	93
General Administration	1,486	1,366	-1,269	-1,746
School Administration	13,716	13,621	8,209	7,144
Business Administration	1,307	1,466	1,194	1,307
Maintenance and Operation of Plant	16,372	14,997	8,439	6,023
Student Transportation Services	10,609	10,843	8,186	8,248
Central Support Services	1,743	1,437	1,451	1,080
Other Support Services	264	305	153	144
Operations of Non-Instructional Services				
Enterprise Operation	2,369	2,215	127	-15
Community Services	2,101	2,093	324	-106
Food Services	11,450	10,876	-1,884	-1,934
Interest on Short-Term and Long-Term Debt	7,492	5,441	7,492	5,441
Total Expenses	<u>\$ 249,656</u>	<u>\$ 243,443</u>	<u>\$ 95,528</u>	<u>\$ 84,165</u>

Although program revenues make up a majority of the revenues, the Board is still dependent upon tax revenues for governmental activities. Over 32.4 percent of instruction activities are supported through taxes and other general revenues; for all governmental activities general revenue support is 38.3 percent.

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

The Board's Funds

The Board's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues and other financing sources of \$347.0 million and expenditures and other uses of \$325.9 million. There was an increase of \$19.7 million in the capital projects fund due to the issuance of 2008 series bonds. The general fund had a decrease of \$153 thousand and the debt service fund had an increase of \$1.5 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 2009, 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 \$239.6 million reflect a reduction to the original budgeted amount of \$251.0 million by \$11.4 million. This difference was primarily due to decreases in state revenues budgeted of \$13.8 million, decreases in Local revenues budgeted of \$0.9 million and increases in Federal revenues budgeted of \$3.4 million. The actual revenues of \$237.6 million were less than the final budgeted amount by \$2.0 million.

The final budgeted expenditures of \$243.4 million reflect a reduction to the original budgeted amount of \$251.8 million by \$8.4 million. This difference was primarily due to a decrease in instruction of \$5.6 million, in Maintenance and Operation of \$1.1 million and a decrease of \$0.4 million each in Business Administration and School Administration. The final budgeted amount of \$243.4 exceeded the actual expenditures by \$5.9 million.

General Fund expenditures exceeded revenues by \$153 thousand. 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 2009, the Board had \$349.4 million invested in capital assets, all in governmental activities. Table 4 shows fiscal year 2009 balances compared with fiscal year 2008 balances.

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

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

	Governmental Activities	
	Fiscal Year 2009	Fiscal Year 2008
Land	\$ 9,939	\$ 9,522
Construction in Progress	99,962	64,107
Buildings and Improvements	222,027	200,064
Equipment	15,097	15,302
Land Improvements	2,381	2,448
Total	<u>\$349,406</u>	<u>\$291,443</u>

The primary increases occurred in Construction in Progress as a result of one elementary school and miscellaneous additions to other schools being constructed. Due to the ongoing growth in the county, the Board has numerous construction projects including new buildings, additions and renovations.

Debt

At June 30, 2009, the Board had \$175.1 million in bonds outstanding with \$16.3 million due within one year. The Board's legal debt limit is 10 percent of the net assessed valuation of \$4,162.9 million for bond purposes, or a maximum bonded debt of \$416.3 million. The total current bonded restricted debt of \$175.1 million is well below the legal limit. Other Long-term Liabilities amounted to \$9.7 million and consists of unamortized bond premiums, capital leases and compensated absences.

Current Issues

With approximately 28,000 students, the Paulding County School District is one of the largest districts in the state. As home buying slowed, we had a window of opportunity to make greater strides in the demands on our facilities and resources in a district this size. The economy, recruitment and retention of highly qualified staff, erosion of state and local funding has resulted in increased reliance on Federal stimulus/stabilization funding.

The Board is facing operating challenges due to the decline in the economy. The Paulding County School District is committed to finding solutions that provide the best education for our children with the least possible impact on the classroom while working to minimize the financial impact on our employees.

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

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, 2009

EXHIBIT "A"

	GOVERNMENTAL ACTIVITIES
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 36,629,334.11
Investments	59,759,746.21
Accounts Receivable, Net	
Taxes	9,266,974.55
State Government	37,414,515.86
Federal Government	1,607,616.47
Other	200,007.05
Inventories	502,423.52
Prepaid	29,175.31
Capitalized Bond and Other Debt Issuance Cost	1,710,189.64
Capital Assets, Non-Depreciable	109,901,335.54
Capital Assets, Depreciable (Net of Accumulated Depreciation)	<u>239,504,592.55</u>
 Total Assets	 \$ <u><u>496,525,910.81</u></u>
<u>LIABILITIES</u>	
Accounts Payable	\$ 4,115,532.26
Salaries and Benefits Payable	28,262,126.41
Claims Incurred but not Reported (IBNR)	1,457,014.58
Contracts Payable	4,560,283.36
Retainages Payable	3,154,291.19
Interest Payable	3,336,076.25
Long-Term Liabilities:	
Due Within One Year	18,178,683.08
Due in More Than One Year	<u>166,578,835.86</u>
 Total Liabilities	 \$ <u><u>229,642,842.99</u></u>
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	\$ 228,232,154.34
Restricted for	
Continuation of Federal Programs	4,543,369.62
Capital Projects	4,488,737.22
Debt Service	13,807,952.53
Unrestricted	<u>15,810,854.11</u>
 Total Net Assets	 \$ <u><u>266,883,067.82</u></u>
 Total Liabilities and Net Assets	 \$ <u><u>496,525,910.81</u></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, 2009

<u>GOVERNMENTAL ACTIVITIES</u>	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>
Instruction	\$ 163,159,476.67	
Support Services		
Pupil Services	8,501,889.99	
Improvement of Instructional Services	4,860,794.56	
Educational Media Services	4,225,316.38	
General Administration	1,485,876.91	
School Administration	13,716,203.75	
Business Administration	1,306,350.41	
Maintenance and Operation of Plant	16,372,141.92	
Student Transportation Services	10,609,223.64	
Central Support Services	1,742,579.58	
Other Support Services	264,318.03	
Operations of Non-Instructional Services		
Enterprise Operations	2,368,822.64	\$ 2,241,981.26
Community Services	2,100,974.81	1,773,829.19
Food Services Operation	11,450,096.75	5,771,937.36
Interest on Short-Term and Long-Term Debt	7,491,943.06	
 Total Governmental Activities	 <u>\$ 249,656,009.10</u>	 <u>\$ 9,787,747.81</u>
 General revenues:		
Taxes:		
Property Taxes		
For Maintenance and Operations		
For Debt Services		
For Railroad Cars		
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Debt Services		
Intangible Recording Tax		
Grants and Contributions not Restricted to Specific Programs		
Investment Earnings		
Miscellaneous		
 Total General Revenues		
 Changes in Net Assets		
 Net Assets - Beginning of Year (Restated)		
 Net Assets - End of Year		

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

EXHIBIT "B"

PROGRAM REVENUES		NET (EXPENSES)
OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	REVENUES AND CHANGES IN NET ASSETS
\$ 95,966,562.18	\$ 14,388,018.52	\$ -52,804,895.97
1,536,050.65	14,276.35	-6,951,562.99
2,356,310.33	29,328.01	-2,475,156.22
2,794,384.81	555,825.06	-875,106.51
2,734,118.51	20,583.59	1,268,825.19
5,064,244.00	443,126.87	-8,208,832.88
12,566.86	99,187.60	-1,194,595.95
7,285,098.75	648,308.13	-8,438,735.04
2,121,450.80	301,796.91	-8,185,975.93
32,542.72	259,322.98	-1,450,713.88
80,595.56	30,907.89	-152,814.58
		-126,841.38
1,565.08	1,350.36	-324,230.18
6,072,835.40	1,489,569.16	1,884,245.17
		<u>-7,491,943.06</u>
<u>\$ 126,058,325.65</u>	<u>\$ 18,281,601.43</u>	<u>\$ -95,528,334.21</u>

\$ 76,240,483.96
11,915,367.26
21,374.54

13,315,754.96
1,307,108.71
21,864,617.00
1,341,280.45
4,237,975.09

\$ 130,243,961.97

\$ 34,715,627.76

232,167,440.06

\$ 266,883,067.82

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

EXHIBIT "C"

	GENERAL FUND	DISTRICT- WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 33,920,400.74	\$ 108,217.64	\$ 2,600,715.73	\$ 36,629,334.11
Investments	1,239,655.76	46,626,456.88	11,893,633.57	59,759,746.21
Accounts Receivable, Net				
Taxes	6,617,295.07		2,649,679.48	9,266,974.55
State Government	15,775,800.66	21,638,715.20		37,414,515.86
Federal Government	1,607,616.47			1,607,616.47
Other	160,239.05	39,768.00		200,007.05
Due From Other Funds		36,629.79		36,629.79
Inventories	502,423.52			502,423.52
Prepaid Items	29,175.31			29,175.31
Total Assets	\$ 59,852,606.58	\$ 68,449,787.51	\$ 17,144,028.78	\$ 145,446,422.87
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 3,455,262.60	\$ 660,269.66		\$ 4,115,532.26
Salaries and Benefits Payable	28,262,126.41			28,262,126.41
Contracts Payable		4,560,283.36		4,560,283.36
Retainages Payable		3,154,291.19		3,154,291.19
Due To Other Funds	36,629.79			36,629.79
Deferred Revenue	3,973,159.60		\$ 857,680.15	4,830,839.75
Total Liabilities	\$ 35,727,178.40	\$ 8,374,844.21	\$ 857,680.15	\$ 44,959,702.76
<u>FUND BALANCES</u>				
Reserved for:				
Continuation of Federal Programs	\$ 4,543,369.62			\$ 4,543,369.62
Debt Service			\$ 16,286,348.63	16,286,348.63
Capital Projects		\$ 60,074,943.30		60,074,943.30
Unreserved:				
Designated for School Activity Accounts	1,422,571.59			1,422,571.59
Undesignated Reported in:				
General Fund	18,159,486.97			18,159,486.97
Total Fund Balances	\$ 24,125,428.18	\$ 60,074,943.30	\$ 16,286,348.63	\$ 100,486,720.11
Total Liabilities and Fund Balances	\$ 59,852,606.58	\$ 68,449,787.51	\$ 17,144,028.78	\$ 145,446,422.87

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, 2009

EXHIBIT "D"

Total Fund Balances - Governmental Funds (Exhibit "C") \$ 100,486,720.11

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	\$	9,939,185.54	
Construction in Progress		99,962,150.00	
Land Improvements		3,991,925.27	
Buildings and Improvements		265,614,033.68	
Machinery and Equipment		31,422,742.06	
Accumulated Depreciation		<u>-61,524,108.46</u>	
Total Capital Assets			349,405,928.09

Bond Issuance Costs (Deferred Charges reclassified to Assets and amortized in District-wide statements, expensed in Governmental Activities).			1,710,189.64
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Taxes that are not available to pay for current period expenditures are deferred in the funds.			4,830,839.75
--	--	--	--------------

Long-Term Liabilities, including Bonds Payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Long-Term Liabilities at year-end consist of:

Bonds Payable	\$	-175,055,000.00	
Capital Leases Payable		-1,480,486.62	
Compensated Absences		-538,778.44	
Unamortized Bond Premiums		-7,683,253.88	
Claims Incurred but not Reported (IBNR)		-1,457,014.58	
Interest Payable		<u>-3,336,076.25</u>	
Total Long-Term Liabilities			<u>-189,550,609.77</u>

Net Assets of Governmental Activities (Exhibit "A") \$ 266,883,067.82

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, 2009

EXHIBIT "E"

	GENERAL FUND	DISTRICT- WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
<u>REVENUES</u>				
Property Taxes	\$ 73,874,683.22		\$ 11,526,002.36	\$ 85,400,685.58
Sales Taxes	1,307,108.71		13,007,377.34	14,314,486.05
State Funds	132,583,614.20	\$ 17,979,804.52		150,563,418.72
Federal Funds	15,610,921.45			15,610,921.45
Charges for Services	9,787,747.81			9,787,747.81
Investment Earnings	230,414.90	1,061,638.88	49,226.67	1,341,280.45
Miscellaneous	4,237,975.09			4,237,975.09
Total Revenues	\$ 237,632,465.38	\$ 19,041,443.40	\$ 24,582,606.37	\$ 281,256,515.15
<u>EXPENDITURES</u>				
Current:				
Instruction	\$ 157,979,904.52			\$ 157,979,904.52
Support Services				
Pupil Services	8,492,730.01			8,492,730.01
Improvement of Instructional Services	4,878,894.47			4,878,894.47
Educational Media Services	3,969,758.97			3,969,758.97
General Administration	1,486,118.81			1,486,118.81
School Administration	13,497,193.58			13,497,193.58
Business Administration	1,233,933.44			1,233,933.44
Maintenance and Operation of Plant	16,174,269.47			16,174,269.47
Student Transportation Services	11,405,642.85			11,405,642.85
Central Support Services	1,597,887.00			1,597,887.00
Other Support Services	249,433.88			249,433.88
Enterprise Operations	2,368,822.64			2,368,822.64
Community Services	2,100,295.00			2,100,295.00
Food Services Operation	10,817,317.25			10,817,317.25
Capital Outlay		\$ 63,857,244.00		63,857,244.00
Debt Service:				
Principal	1,090,423.50		\$ 16,280,000.00	17,370,423.50
Interest	152,579.38		7,079,239.96	7,231,819.34
Dues and Fees		841,778.48	4,501.50	846,279.98
Total Expenditures	\$ 237,495,204.77	\$ 64,699,022.48	\$ 23,363,741.46	\$ 325,557,968.71
Excess of Revenues Over (Under) Expenditures	\$ 137,260.61	\$ -45,657,579.08	\$ 1,218,864.91	\$ -44,301,453.56
<u>OTHER FINANCING SOURCES (USES)</u>				
Proceeds of Long-Term Capital Related Debt		\$ 62,500,000.00		\$ 62,500,000.00
Premiums on Bonds Sold		2,874,772.40		2,874,772.40
Sale of Equipment	\$ 30,203.91			30,203.91
Transfers In		587.24	\$ 320,456.46	321,043.70
Transfers Out	-321,043.70			-321,043.70
Total Other Financing Sources (Uses)	\$ -290,839.79	\$ 65,375,359.64	\$ 320,456.46	\$ 65,404,976.31
Net Changes in Fund Balances	\$ -153,579.18	\$ 19,717,780.56	\$ 1,539,321.37	\$ 21,103,522.75
Fund Balances - Beginning	24,279,007.36	40,357,162.74	14,747,027.26	79,383,197.36
Fund Balances - Ending	\$ 24,125,428.18	\$ 60,074,943.30	\$ 16,286,348.63	\$ 100,486,720.11

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, 2009

EXHIBIT "F"

Total Net Changes in Fund Balances - Governmental Funds (Exhibit "E") \$ 21,103,522.75

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	\$ 66,530,006.39	
Depreciation Expense	<u>-8,152,377.51</u>	
Excess of Capital Outlay over Depreciation Expense		58,377,628.88

Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 3,084,917.80

In the Statement of Activities, only the gain or loss on the sale or disposal of a capital assets are 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 assets sold or disposed. -414,736.21

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 \$2,874,772.40 -65,374,772.41

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

Deferral of Bond Issuance Costs	\$ 836,630.96	
Amortization of Bond Issuance Costs	<u>-148,442.90</u>	
Total Bond Issuance Cost		688,188.06

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	\$ 16,280,000.00	
Bond Premium Amortization	780,736.68	
Capital Lease Payments	<u>1,090,423.50</u>	
Total Long-Term Debt-Repayments		18,151,160.18

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	\$ -81,981.59	
Decrease in Claims Incurred but Not Reported	74,117.80	
Increase in Interest Payable	<u>-892,417.50</u>	
Total Additional Expenditures		<u>-900,281.29</u>

Change in Net Assets of Governmental Activities (Exhibit "B") \$ 34,715,627.76

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, 2009

EXHIBIT "G"

AGENCY
FUNDS

ASSETS

Cash and Cash Equivalents

\$ 248,937.17

LIABILITIES

Funds Held for Others

\$ 248,937.17

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.

PAULDING COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

EXHIBIT "H"

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Property taxes, sales taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, 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.

RESTATEMENT OF PRIOR YEAR NET ASSETS

For fiscal year 2009, the School District made a variety of prior period adjustments due to errors or omissions which require the restatement of the June 30, 2008 net assets. These changes are in accordance with generally accepted accounting principles. June 30, 2008 net assets have been adjusted as follows:

	<u>Governmental Activities</u>
Net Assets as Previously Reported	\$ 236,578,887.89
Correction of Capital Assets	
Equipment	-1,172,347.21
Building and Improvements	1,172,347.13
Accumulated Depreciation for Building and Improvements	0.08
Correction of Capitalized Bond and Other Issuance Cost	1,022,001.58
Correction of Unamortized Bond Premiums	-2,989,790.66
Correction of Interest Payable	<u>-2,443,658.75</u>
Net Assets as Restated	\$ <u><u>232,167,440.06</u></u>

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CASH AND CASH EQUIVALENTS

COMPOSITION OF DEPOSITS

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

INVESTMENTS

COMPOSITION OF INVESTMENTS

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

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

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 2008 tax digest year (calendar year) on August 12, 2008 (levy date). Taxes were due on November 17, 2008 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2008 tax digest are reported as revenue in the governmental funds for fiscal year 2009. The 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, 2009, for maintenance and operations amounted to \$73,853,308.68 and for school bonds amounted to \$11,526,002.36.

Tax millage rates levied for the 2008 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	18.909 mills
School Bonds	<u>2.963</u> mills
	<u>21.872</u> mills

SALES TAXES

Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to \$13,007,377.34 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

PAULDING COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

EXHIBIT "H"

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

method to account for inventories whereby donated food commodities are recorded as an asset and as revenue when received, and expenses/expenditures are recorded as the inventory items are used. Purchased foods are recorded as an asset when purchased and expenses/expenditures are recorded as the inventory items are used.

PREPAID ITEMS

Payments made to vendors for services that will benefit periods subsequent to June 30, 2009, are recorded as prepaid items.

CAPITAL ASSETS

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

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

	<u>Capitalization Policy</u>	<u>Estimated 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.

COMPENSATED ABSENCES

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Vacation leave of 12 days (1.0 day per month) is awarded on a fiscal year basis to all full time personnel employed on a twelve month basis with less than 5 years experience and 15 days (1.25 days per month) per fiscal year is awarded to all full time personnel employed on a twelve month basis with 5 or more years of experience. No other employees are eligible to earn vacation leave.

GENERAL OBLIGATION BONDS

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

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

NET ASSETS

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

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

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

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

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

CATEGORIZATION OF DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At June 30, 2009, the bank balances were \$42,469,533.45. The amounts of the total uninsured bank balances are classified into three categories of custodial credit risk:

PAULDING COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

EXHIBIT "H"

Note 3: DEPOSITS AND INVESTMENTS

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

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

<u>Custodial Credit Risk Category</u>	<u>Bank Balance</u>
1	\$ 0.00
2	0.00
3	<u>21,813,550.06</u>
Total	<u>\$ 21,813,550.06</u>

CATEGORIZATION OF INVESTMENTS

The School District's investments as of June 30, 2009, are presented below. All investments are presented by investment type and debt securities are presented by maturity.

<u>Investment Type</u>	<u>Fair Value</u>
Other Investments	
U. S. Treasury Money Market	
Mutual Funds	\$ 11,893,633.57
Investment Pools	
Office of Treasury and Fiscal Services	
Georgia Fund 1	<u>47,728,955.52</u>
Total Investments	<u>\$ 59,622,589.09</u>

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

PAULDING COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

EXHIBIT "H"

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, 2009, was 41 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:

	Balances July 1, 2008 (Restated)	Increases	Decreases	Balances June 30, 2009
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 9,521,689.54	\$ 417,496.00		\$ 9,939,185.54
Construction in Progress	<u>64,106,697.65</u>	<u>61,695,891.59</u>	<u>\$ 25,840,439.24</u>	<u>99,962,150.00</u>
Total Capital Assets Not Being Depreciated	<u>\$ 73,628,387.19</u>	<u>\$ 62,113,387.59</u>	<u>\$ 25,840,439.24</u>	<u>\$ 109,901,335.54</u>
Capital Assets Being Depreciated				
Buildings and Improvements	\$ 239,557,421.27	\$ 26,056,612.41		\$ 265,614,033.68
Equipment	28,879,268.24	4,001,520.60	\$ 1,458,046.78	31,422,742.06
Land Improvements	3,890,130.97	198,925.03	97,130.73	3,991,925.27
Less Accumulated Depreciation for:				
Buildings and Improvements	38,321,254.92	5,265,987.86		43,587,242.78
Equipment	14,749,012.71	2,717,561.57	1,140,441.30	16,326,132.98
Land Improvements	<u>1,441,904.62</u>	<u>168,828.08</u>	<u> </u>	<u>1,610,732.70</u>
Total Capital Assets, Being Depreciated, Net	<u>\$ 217,814,648.23</u>	<u>\$ 22,104,680.53</u>	<u>\$ 414,736.21</u>	<u>\$ 239,504,592.55</u>
Governmental Activity Capital Assets - Net	<u>\$ 291,443,035.42</u>	<u>\$ 84,218,068.12</u>	<u>\$ 26,255,175.45</u>	<u>\$ 349,405,928.09</u>

PAULDING COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

EXHIBIT "H"

Note 5: CAPITAL ASSETS

Current year depreciation expense by function is as follows:

Instruction		\$ 4,822,534.92
Support Services		
Pupil Services	\$ 5,568.40	
Improvements of Instructional Services	11,439.21	
Educational Media Services	216,796.12	
General Administration	8,028.50	
School Administration	182,893.59	
Business Administration	38,687.51	
Maintenance and Operation of Plant	252,868.57	
Student Transportation Services	1,830,902.77	
Central Support Services	101,147.32	
Other Support Services	12,055.43	
Community Services	<u>526.70</u>	2,660,914.12
Food Services		<u>668,928.47</u>
		<u>\$ 8,152,377.51</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, 2009, were as follows:

	<u>District-wide Capital Projects</u>		<u>Debt Service Funds</u>
	<u>SPLOST</u>	<u>Bond Proceeds</u>	
Restricted Cash and Cash Equivalents:			
Debt Services			\$ 2,600,715.73
Capital Acquisitions	\$ 32,733.28	\$ 75,484.36	
Restricted Investments:			
Debt Services			\$ 11,893,633.57
Capital Acquisitions	\$ 130,112.79	\$ 46,496,344.09	

PAULDING COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

EXHIBIT "H"

Note 7: INTERFUND ASSETS AND LIABILITIES

During the course of its operations, the School District makes transfers between funds to finance operations, provide services, and acquire assets. To the extent that certain transfers among funds had not been received as of year end, balances of inter-fund amounts receivable or payable have been recorded. It is management's intent to repay inter-fund balances within the next fiscal year. Interfund balances at June 30, 2009, consisted of the following:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund		\$ 36,629.79
District-wide Capital Projects	\$ <u>36,629.79</u>	<u> </u>
	\$ <u>36,629.79</u>	\$ <u>36,629.79</u>

Note 8: INTERFUND TRANSFERS

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

<u>Transfer to</u>	<u>Transfers From General Fund</u>
District-wide Capital Projects	\$ 587.24
Debt Service Fund	<u>320,456.46</u>
Total	\$ <u>321,043.70</u>

Transfers are used to move property tax revenues collected by the General Fund to the District-wide Capital Projects Fund as a supplemental funding source for capital construction projects and to the Debt Service Fund to pay principal, interest and administration fees on the SPLOST Bonds.

Note 9: 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

PAULDING COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

EXHIBIT "H"

Note 9: RISK MANAGEMENT

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.

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

	<u>Beginning of Year Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Paid</u>	<u>End of Year Liability</u>
2008	\$ 0.00	\$ 15,184.56	\$ 15,184.56	\$ 0.00
2009	\$ 0.00	\$ 15,967.00	\$ 15,967.00	\$ 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. The fund provides insurance coverage for potential losses sustained by the Fund in excess of \$100,000.00 loss per occurrence, up to \$2,000,000.00. The School District is self-insured with regard to workers compensation claims that do not exceed \$100,000.00 per claim. The School District accounts for claims within the General Fund with expenses/expenditures and liability being reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated.

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

	<u>Beginning of Year Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Paid</u>	<u>End of Year Liability</u>
2008	\$ 0.00	\$ 2,906,530.35	\$ 1,375,397.97	\$ 1,531,132.38
2009	\$ 1,531,132.38	\$ 1,448,185.94	\$ 1,522,303.74	\$ 1,457,014.58

PAULDING COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

EXHIBIT "H"

Note 9: RISK MANAGEMENT

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 10: SHORT-TERM DEBT

The School District issues tax anticipation notes in advance of property tax collections, depositing the proceeds in its General Fund. This short-term debt is to provide cash for operations until property tax collections are received by the School District. Article IX, Section V, Paragraph V of the Constitution of the State of Georgia limits the aggregate amount of short-term debt to 75 percent of the total gross income from taxes collected in the preceding year and requires all short-term debt to be repaid no later than December 31 of the calendar year in which the debt was incurred.

Short-term debt activity for the fiscal year is as follows:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
Tax Anticipation Notes	\$ <u>0.00</u>	\$ <u>5,000,000.00</u>	\$ <u>5,000,000.00</u>	\$ <u>0.00</u>

Note 11: LONG-TERM DEBT

CAPITAL LEASES

The Paulding County Board of Education also 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.

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

PAULDING COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

EXHIBIT "H"

Note 11: LONG-TERM DEBT

	Beginning of Year Liability	Additions	Decrease	End of Year Liability
2007	\$ 332,819.38	\$ 404,670.56	\$ 348,735.43	\$ 388,754.51
2008	\$ 388,754.51	\$ 824,995.61	\$ 756,953.27	\$ 456,796.85
2009	\$ 456,796.85	\$ 661,924.80	\$ 579,943.21	\$ 538,778.44

GENERAL OBLIGATION DEBT OUTSTANDING

General Obligation Bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
General Government - Series 2008	3.00% - 5.00%	\$ 59,745,000.00
General Government - Series 2007	4.25% - 5.00%	62,500,000.00
General Government - Series 2004	2.50% - 5.00%	38,375,000.00
General Government - Refunding - Series 2003	2.87%	6,455,000.00
General Government - Series 1995	5.50% - 6.00%	7,980,000.00
		<u>\$175,055,000.00</u>

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

	Governmental Funds				
	Balance July 1, 2008 (Restated)	Additions	Deductions	Balance June 30, 2009	Due Within One Year
G.O. Bonds	\$128,835,000.00	\$62,500,000.00	\$16,280,000.00	\$175,055,000.00	\$16,305,000.00
Capital Leases	2,570,910.12		1,090,423.50	1,480,486.62	964,502.02
Compensated Absences	456,796.85	661,924.80	579,943.21	538,778.44	65,405.44
Bond Premiums Amortized	5,589,218.16	2,874,772.40	780,736.68	7,683,253.88	843,775.62
	<u>\$137,451,925.13</u>	<u>\$66,036,697.20</u>	<u>\$18,731,103.39</u>	<u>\$184,757,518.94</u>	<u>\$18,178,683.08</u>

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

Fiscal Year Ended June 30	Capital Leases	
	Principal	Interest
2010	\$ 964,502.02	\$ 87,946.93
2011	490,096.57	30,596.15
2012	25,888.03	1,558.21
Total Principal and Interest	<u>\$ 1,480,486.62</u>	<u>\$ 120,101.29</u>

PAULDING COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

EXHIBIT "H"

Note 11: LONG-TERM DEBT

Fiscal Year Ended June 30	General Obligation Debt		Unamortized Bond Premium
	Principal	Interest	
2010	\$ 16,305,000.00	\$ 7,749,333.50	\$ 843,775.62
2011	17,735,000.00	7,028,939.50	914,274.25
2012	19,310,000.00	6,254,102.00	992,611.24
2013	5,800,000.00	5,706,739.50	150,638.07
2014	6,265,000.00	5,444,683.50	157,537.53
2015 - 2019	22,715,000.00	23,913,625.50	901,528.62
2020 - 2024	24,665,000.00	18,644,875.00	1,133,442.85
2025 - 2029	31,255,000.00	12,318,525.00	1,299,921.70
2030 - 2033	<u>31,005,000.00</u>	<u>3,969,000.00</u>	<u>1,289,524.00</u>
Total Principal and Interest	<u>\$175,055,000.00</u>	<u>\$ 91,029,823.50</u>	<u>\$ 7,683,253.88</u>

Note 12: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of \$2,030,366.14 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 \$1,820,130.75

Paid to the Teachers Retirement System of Georgia
For Teachers Retirement System (TRS) Employer's Cost
In the amount of \$85,774.39

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 \$124,461.00

Note 13: SIGNIFICANT COMMITMENTS

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

PAULDING COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

EXHIBIT "H"

Note 13: SIGNIFICANT COMMITMENTS

<u>Project</u>	<u>Unearned Executed Contracts</u>	<u>Funding Available From State</u>
Abney Elementary School	\$12,457,071.18	\$ 6,241,128.00
Carl Scoggins Middle School	2,051,808.80	810,837.60
East Paulding High School Addition	2,261,480.77	
East Paulding Middle School Addition	2,404,111.95	1,071,162.00
Hal Hutchens Elementary School	1,026,578.44	667,322.70
Herschel Jones Middle School Renovation	338,979.23	
Hiram High School Renovation	813,741.16	
McClure Middle School Addition	508,900.74	
North Paulding High School	933,105.95	
Sara Ragsdale Elementary School	<u>374,713.23</u>	<u>667,322.70</u>
	<u>\$23,170,491.45</u>	<u>\$ 9,457,773.00</u>

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

Note 14: 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.

Note 15: POSTEMPLOYMENT BENEFITS

Georgia Retiree Health Benefit Fund

Plan Description. The School District contributes to the Georgia Retiree Health Benefit Fund (GRHBF), a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the Department of Community Health. The GRHBF is a cost-sharing multiple-employer defined benefit postemployment healthcare plan that covers retired employees of the State including all departments, agencies and local school systems. GRHBF provides health insurance benefits to eligible retirees and their qualified beneficiaries through the health

Note 15: POSTEMPLOYMENT BENEFITS

insurance plan for State employees. Pursuant to Title 45, Chapter 18 of the Official Code of Georgia Annotated, the authority to establish and amend the benefit provisions of the employees' health insurance plan (including benefits to retirees) is assigned to the Board of Community Health (Board). The Department of Community Health issues a publicly available financial report that includes financial statements and required supplementary information for GRHBF. That report may be obtained from the Department of Community Health at 2 Peachtree Street, Atlanta, Georgia 30303.

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

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

Certified employees

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

Non-Certificated Employees

\$162.72 per month

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

The School District's contributions to the health insurance plans for the years ended June 30, 2008, and June 30, 2009, were \$22,721,049.63, and \$15,209,779.58, respectively, which equaled the required contribution.

Note 16: RETIREMENT PLANS

TEACHERS RETIREMENT SYSTEM OF GEORGIA (TRS)

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

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

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

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

Funding Policy. TRS is funded by member and employer contributions as adopted and amended by the Board of Trustees. Member contributions are limited by State law to not less than 5% or more than 6% of a member's earnable compensation. Member contributions as adopted by the Board of Trustees for the fiscal year ended June 30, 2009, were 5% of annual salary. The member contribution rate will increase to 5.25% effective July 1, 2009, and to 5.53% effective July 1, 2010. Employer contributions required for fiscal year 2009 were 9.28% of annual salary as required by the June 30, 2006, actuarial valuation. The employer contribution rate will increase to 9.74% effective July 1, 2009, and to 10.28% effective July 1, 2010.

PAULDING COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

EXHIBIT "H"

Note 16: RETIREMENT PLANS

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

<u>Fiscal Year</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>
2009	100%	\$12,477,624.25
2008	100%	\$11,670,712.97
2007	100%	\$10,345,262.27

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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, 2009

SCHEDULE "1"

	NONAPPROPRIATED BUDGETS		ACTUAL
	ORIGINAL (1)	FINAL (1)	AMOUNTS
<u>REVENUES</u>			
Property Taxes	\$ 77,765,587.00	\$ 76,165,587.00	\$ 73,874,683.22
Sales Tax	400,000.00	2,000,000.00	1,307,108.71
State Funds	145,074,664.23	131,249,753.79	132,583,614.20
Federal Funds	12,353,351.00	15,735,399.27	15,610,921.45
Charges for Services	5,857,446.00	5,857,446.00	9,787,747.81
Investment Earnings	1,146,000.00	306,700.00	230,414.90
Miscellaneous	8,437,140.37	8,338,443.49	4,237,975.09
Total Revenues	\$ 251,034,188.60	\$ 239,653,329.55	\$ 237,632,465.38
<u>EXPENDITURES</u>			
Current			
Instruction	\$ 167,621,814.26	\$ 161,991,484.32	\$ 157,979,904.52
Support Services			
Pupil Services	8,472,464.19	8,127,008.97	8,492,730.01
Improvement of Instructional Services	5,145,364.97	5,206,571.95	4,878,894.47
Educational Media Services	4,152,078.13	4,030,434.75	3,969,758.97
General Administration	1,796,063.77	1,654,798.34	1,486,118.81
School Administration	13,746,049.19	13,354,268.57	13,497,193.58
Business Administration	1,626,779.74	1,264,051.65	1,233,933.44
Maintenance and Operation of Plant	18,828,171.69	17,679,992.21	16,174,269.47
Student Transportation Services	11,143,392.65	11,074,463.87	11,405,642.85
Central Support Services	1,867,013.86	1,749,773.66	1,597,887.00
Other Support Services	437,113.38	233,032.05	249,433.88
Enterprise Operations	2,117,043.04	2,117,043.04	2,368,822.64
Community Service Operations	2,203,474.22	2,216,478.22	2,100,295.00
Food Services Operation	12,731,839.00	12,731,839.00	10,817,317.25
Debt Service			1,243,002.88
Total Expenditures	\$ 251,888,662.09	\$ 243,431,240.60	\$ 237,495,204.77
Excess of Revenues over (under) Expenditures	\$ -854,473.49	\$ -3,777,911.05	\$ 137,260.61
<u>OTHER FINANCING SOURCES (USES)</u>			
Other Sources	\$ 632,018.00	\$ 632,018.00	\$ 30,203.91
Other Uses	-632,018.00	-632,018.00	-321,043.70
Total Other Financing Sources (Uses)	\$ 0.00	\$ 0.00	\$ -290,839.79
Net Change in Fund Balances	\$ -854,473.49	\$ -3,777,911.05	\$ -153,579.18
Fund Balances - Beginning	24,344,801.88	24,344,801.88	24,279,007.36
Fund Balances - Ending	\$ 23,490,328.39	\$ 20,566,890.83	\$ 24,125,428.18

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, 2009

SCHEDULE "2"

FUNDING AGENCY PROGRAM/GRANT	CFDA NUMBER	PASS- THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD
Agriculture, U. S. Department of			
Child Nutrition Cluster			
Pass-Through From Georgia Department of Education			
Food Services			
School Breakfast Program	10.553	N/A	(2)
National School Lunch Program	10.555	N/A	\$ 10,281,645.25 (1)
Total U. S. Department of Agriculture			\$ 10,281,645.25
Education, U. S. Department of			
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
ARRA - Grants to States	* 84.391	N/A	\$ 2,616.40
Grants to States	* 84.027	N/A	3,980,245.80
Preschool Grants	* 84.173	N/A	80,231.29
Total Special Education Cluster			\$ 4,063,093.49
State Fiscal Stabilization Fund Cluster			
Pass-Through From Georgia Department of Education			
ARRA - Education State Grants	* 84.394	N/A	2,640,691.00
Title I, Part A Cluster			
Pass-Through From Georgia Department of Education			
Title I - Grants to Local Educational Agencies	* 84.010	N/A	2,054,476.17
Other Programs			
Pass-Through From Georgia Department of Education			
Career and Technical Education - Basic Grants to States	84.048	N/A	147,394.26
English Language Acquisition Grant	84.365	N/A	63,427.58
Improving Teacher Quality State Grants	84.367	N/A	579,580.28
Mathematics and Science Partnerships	84.366	N/A	284,655.00
Total U. S. Department of Education			\$ 9,833,317.78
Defense, U. S. Department of			
Direct			
Department of the Air Force			
R.O.T.C. Program			\$ 58,125.00
Department of the Army			
R.O.T.C. Program			182,315.27
Total U. S. Department of Defense			\$ 240,440.27
Total Federal Financial Assistance			\$ 20,355,403.30

N/A = Not Available

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

SCHEDULE "2"

Notes to the Schedule of Expenditures of Federal Awards

- (1) Includes the Federally assigned value of donated commodities for the Food Donation Program in the amount of \$531,636.81.
- (2) Expenditures for the funds earned on the School Breakfast Program (\$1,002,903.48) were not maintained separately and are included in the 2009 National School Lunch Program.

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

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

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

See notes to the basic financial statements.

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

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	\$ 8,886,458.00		\$ 8,886,458.00
Kindergarten Program - Early Intervention Program	226,305.00		226,305.00
Primary Grades (1-3) Program	20,227,394.00		20,227,394.00
Primary Grades - Early Intervention (1-3) Program	1,175,729.00		1,175,729.00
Upper Elementary Grades (4-5) Program	9,375,322.00		9,375,322.00
Upper Elementary Grades - Early Prevention (4-5) Program	1,230,910.00		1,230,910.00
Middle Grades (6-8) Program	15,891,802.00		15,891,802.00
High School General Education (9-12) Program	14,339,090.00		14,339,090.00
Vocational Laboratory (9-12) Program	3,290,508.00		3,290,508.00
Students with Disabilities			
Category I	2,780,667.00		2,780,667.00
Category II	1,061,885.00		1,061,885.00
Category III	7,927,679.00		7,927,679.00
Category IV	1,900,620.00		1,900,620.00
Category V	1,512,196.00		1,512,196.00
Gifted Student - Category VI	2,083,292.00		2,083,292.00
Remedial Education Program	576,751.00		576,751.00
Alternative Education Program	1,236,362.00		1,236,362.00
English Speakers of Other Languages (ESOL)	459,255.00		459,255.00
Media Center Program	2,748,596.00		2,748,596.00
20 Days Additional Instruction	848,903.00		848,903.00
Staff and Professional Development	558,200.00		558,200.00
Indirect Cost			
Central Administration	2,476,250.00		2,476,250.00
School Administration	4,888,469.00		4,888,469.00
Facility Maintenance and Operation	7,196,598.00		7,196,598.00
Categorical Grants			
Pupil Transportation			
Regular	1,504,308.00		1,504,308.00
Bus Replacement	271,593.00		271,593.00
Fiscal Year 2008 Special Needs Scholarship Adjustment	-95,449.00		-95,449.00
Nursing Services	460,443.00		460,443.00
Vocational Supervisors	33,898.00		33,898.00
Education Equalization Funding Grant	21,864,617.00		21,864,617.00
Food Services	535,672.00		535,672.00
Vocational Education	799,633.09		799,633.09
Amended Formula Adjustment	-8,979,310.00		-8,979,310.00
Other State Programs			
Health Insurance	1,820,130.75		1,820,130.75
High School Graduation Coaches	403,188.00		403,188.00
Middle School Graduation Coaches	287,030.00		287,030.00
National Teacher Certification	155,702.25		155,702.25
Preschool Handicapped Program	347,551.00		347,551.00
Teachers' Retirement	85,774.39		85,774.39
Tuition for Multi-Handicapped	18,156.60		18,156.60
Virtual School State Grant	725.00		725.00

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

SCHEDULE "3"

<u>AGENCY/FUNDING</u>	<u>GOVERNMENTAL FUND TYPES</u>		<u>TOTAL</u>
	<u>GENERAL FUND</u>	<u>CAPITAL PROJECTS FUND</u>	
GRANTS			
Georgia State Financing and Investment Commission Reimbursement on Construction Projects		\$ 17,977,304.52	\$ 17,977,304.52
Office of Treasury and Fiscal Services Public School Employees Retirement	\$ 124,461.00		124,461.00
CONTRACT			
Human Resources, Georgia Department of Family Connection	46,249.12		46,249.12
OTHER			
Community Affairs, Georgia Department of Local Assistance Grant		2,500.00	2,500.00
	<u>\$ 132,583,614.20</u>	<u>\$ 17,979,804.52</u>	<u>\$ 150,563,418.72</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, 2009

SCHEDULE "4"

<u>PROJECT</u>	<u>ORIGINAL ESTIMATED COST (1)</u>	<u>CURRENT ESTIMATED COSTS (2)</u>	<u>AMOUNT EXPENDED IN CURRENT YEAR (3) (4)</u>	<u>AMOUNT EXPENDED IN PRIOR YEARS (3) (4)</u>	<u>PROJECT STATUS</u>
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	\$ 88,500,000.00	\$ 2,099,107.42	\$ 85,499,948.51	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>\$ 90,000,000.00</u>	<u>\$ 92,000,000.00</u>	<u>\$ 2,099,107.42</u>	<u>\$ 85,499,948.51</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) Included in this amount is interest in the amount of \$9,307,306.25 related to the 2004 series General Obligation Bonds incurred by the School District to provide advance funding for the above projects.

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, 2009

SCHEDULE "5"

DESCRIPTION	ALLOTMENTS FROM GEORGIA DEPARTMENT OF EDUCATION (1) (2)		ELIGIBLE QBE PROGRAM COSTS		
			SALARIES	OPERATIONS	TOTAL
Direct Instructional Programs					
Kindergarten Program	\$ 10,259,449.00	\$ 9,608,103.89	\$ 247,500.97	\$ 9,855,604.86	
Kindergarten Program - Early Intervention Program	280,578.00	121,177.25	1,355.32	122,532.57	
Primary Grades (1-3) Program	23,539,202.00	25,959,503.24	1,201,269.63	27,160,772.87	
Primary Grades - Early Intervention (1-3) Program	1,411,894.00	2,144,318.79	5,178.58	2,149,497.37	
Upper Elementary Grades (4-5) Program	10,883,049.00	11,250,011.82	566,283.83	11,816,295.65	
Upper Elementary Grades-Early Intervention (4-5) Program	1,374,232.00	1,366,506.48	3,585.35	1,370,091.83	
Middle School (6-8) Program	18,513,780.00	22,925,648.09	1,043,925.63	23,969,573.72	
High School General Education (9-12) Program	16,708,817.00	20,893,371.53	2,072,445.68	22,965,817.21	
Vocational Laboratory (9-12) Program	3,691,828.00	3,914,084.89	292,403.05	4,206,487.94	
Students with Disabilities	17,422,940.00				
Category I				35,903.03	35,903.03
Category II		1,611,334.35	7,240.97	1,618,575.32	
Category III		18,091,753.63	116,202.66	18,207,956.29	
Category IV		348,569.50	10,175.19	358,744.69	
Category V			18,949.74	18,949.74	
Gifted Student - Category VI	2,443,014.00	2,425,604.08	37,150.59	2,462,754.67	
Remedial Education Program	574,127.00		557.67	557.67	
Alternative Education Program	1,437,038.00	1,009,900.40	395.98	1,010,296.38	
English Speakers of Other Languages (ESOL)	515,769.00	1,039,689.02	21,151.63	1,060,840.65	
TOTAL DIRECT INSTRUCTIONAL PROGRAMS	\$ 109,055,717.00	\$ 122,709,576.96	\$ 5,681,675.50	\$ 128,391,252.46	
Media Center Program	3,189,841.00	3,347,476.94	551,875.66	3,899,352.60	
Staff and Professional Development	648,516.00	212,423.11	399,778.81	612,201.92	
TOTAL QBE FORMULA FUNDS	\$ 112,894,074.00	\$ 126,269,477.01	\$ 6,633,329.97	\$ 132,902,806.98	

(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 17, 2010

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, 2009, which collectively comprise Paulding County Board of Education's basic financial statements and have issued our report thereon dated March 17, 2010. 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 Board of Education's internal control.

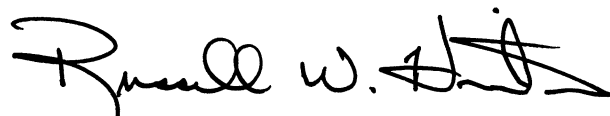
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily disclose all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any 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 Board of Education's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Respectfully submitted,

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

Russell W. Hinton, CPA, CGFM
State Auditor

RWH:as
2009YB-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 17, 2010

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, 2009. 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, 2009.

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.

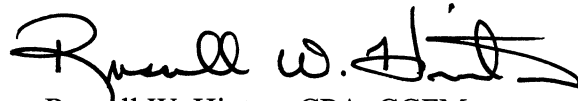
A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a Federal 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 management, members of the Paulding County Board of Education, others within the entity, Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

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

Russell W. Hinton, CPA, CGFM
State Auditor

RWH:as
2009SA-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, 2009

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

<u>FINDING CONTROL NUMBER</u>	<u>AUDITEE'S RESPONSE/STATUS</u>	<u>SEE AUDITOR'S COMMENTS</u>
FA-7101-06-01	Unresolved - See Auditor's Comments	(1)

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, 2009

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:

84.010	Title I Grants to Local Educational Agencies
84.027	Special Education - Grants to States
84.173	Special Education - Preschool Grants
84.391	ARRA - Grants to States
84.394	ARRA - Education State Grants

8. Type "A" Program Dollar Threshold

The dollar threshold for type "A" programs was \$610,662.10.

9. Low Risk Auditee

The Paulding County Board of Education qualified 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, 2009

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.