



PAULDING COUNTY BOARD OF EDUCATION DALLAS, GEORGIA

**ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2011
(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
Atlanta, Georgia 30334-8400

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

February 21, 2012

Honorable Nathan Deal, 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, the discretely presented component unit, 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, 2011, 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 Board'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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Paulding County Board of Education, as of June 30, 2011, and the respective changes in financial position and cash flows 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 February 21, 2012, 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 vii and page 27 respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures, 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 financial statements as a whole. The accompanying supplementary information consists of Schedules 2 through 9, which includes the Schedule of Expenditures of Federal Awards as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

Respectfully submitted,

A handwritten signature in black ink that reads "Russell W. Hinton". The signature is stylized with a large, sweeping initial "R" and a long, horizontal flourish at the end.

Russell W. Hinton, CPA, CGFM
State Auditor

RWH:as
2011ARL-11

**PAULDING COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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, 2011. 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 2011 are as follows:

- ✓ The Board's financial status continued to improve during fiscal year 2011. In total, net assets increased \$19.2 million, which represents a 7 percent increase from the fiscal year 2010 balance. This total increase was due to governmental activities since the Board has no business-type activities.
- ✓ General revenues accounted for \$104.8 million in revenue or 41 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$148 million or 59 percent of total revenues. Total revenues were \$252.8 million.
- ✓ The Board had \$233.6 million in expenses related to governmental activities; only \$148 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues, primarily taxes, of \$104.8 million were adequate to provide for these programs.
- ✓ Among major funds, the general fund had \$227.5 million in revenues, \$2.2 million in net other financing sources and \$219.6 million in expenditures. The general fund's balance increased to \$29.5 million from \$19.5 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, 2011**

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 2011?" 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.

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.

**PAULDING COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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 2011.

	Net Assets	
	(In Thousands)	
	Governmental Activities	
	Fiscal Year 2011	Fiscal Year 2010*
Assets		
Current and Other Assets	\$ 101,813	\$ 104,500
Capital Assets, Net	386,394	384,714
Total Assets	\$ 488,207	\$ 489,214
Liabilities		
Current and Other Liabilities	\$ 37,335	\$ 39,763
Long-Term Liabilities	149,157	166,661
Total Liabilities	\$ 186,492	\$ 206,424
Net Assets		
Invested in Capital Assets, Net of Related Debt	\$ 264,141	\$ 245,152
Restricted	22,259	23,527
Unrestricted	15,315	14,111
Total Net Assets	\$ 301,715	\$ 282,790

* This table does not reflect the effects of any restatements. See note 2 in the basic financial statements for more information.

Total net assets increased \$18.9 million.

Table 2 shows the changes in net assets for fiscal year 2011 compared to the changes in net assets in fiscal year 2010.

**PAULDING COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

	Governmental Activities	
	Fiscal Year	Fiscal Year
	2011	2010*
Revenues		
Program Revenues:		
Charges for Services and Sales	\$ 6,299	\$ 8,712
Operating Grants and Contributions	138,719	131,292
Capital Grants and Contributions	3,015	9,629
	<hr/>	<hr/>
Total Program Revenues	\$ 148,033	\$ 149,633
General Revenues:		
Taxes		
Property Taxes		
For Maintenance and Operations	\$ 59,162	\$ 69,948
For Debt Services	9,460	11,106
Railroad Cars and Other Taxes	24	20
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Debt Services	9,997	13,394
For Capital Projects	3,644	
Intangible Recording Tax	961	1,134
Grants and Contributions not		
Restricted to Specific Programs	17,276	16,803
Investment Earnings	84	175
Miscellaneous	4,194	4,162
Special Item		
Gain on Sale of Equipment	16	
	<hr/>	<hr/>
Total General Revenues	\$ 104,818	\$ 116,742
Total Revenues	\$ 252,851	\$ 266,375
Program Expenses:		
Instruction	\$ 153,734	\$ 159,188
Support Services		
Pupil Services	6,851	8,417
Improvement of Instructional Services	4,943	7,870
Educational Media Services	4,113	4,371
General Administration	1,520	1,554
School Administration	13,354	14,450
Business Administration	977	1,087
Maintenance and Operation of Plant	16,164	17,360
Student Transportation Services	10,414	11,176
Central Support Services	1,233	1,704
Other Support Services	190	213
Operations of Non-Instructional Services		
Enterprise Operations	1,433	1,963
Community Services	29	1,537
Food Services	12,652	12,714
Interest on Short-Term and Long-Term Debt	6,023	6,864
	<hr/>	<hr/>
Total Expenses	\$ 233,630	\$ 250,468
Increase in Net Assets	\$ 19,221	\$ 15,907

**PAULDING COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

* This table does not reflect the effects of any restatements. See note 2 in the basic financial statements for more information.

Governmental Activities

Instruction comprises 65.8 percent of governmental program expenses. Interest expense comprises 2.6 percent of governmental program expenses. Interest expense was attributable to the outstanding bonds for capital projects and capital leases.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. 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	Fiscal	Fiscal	Fiscal
	Year 2011	Year 2010 *	Year 2011	Year 2010 *
Instruction	\$ 153,734	\$ 159,188	\$ 45,899	\$ 52,744
Support Services:				
Pupil Services	6,851	8,417	5,685	7,299
Improvement of Instructional Services	4,943	7,870	1,515	4,419
Educational Media Services	4,113	4,371	967	1,084
General Administration	1,520	1,554	-1,577	-1,478
School Administration	13,354	14,450	7,605	8,570
Business Administration	977	1,087	973	1,056
Maintenance and Operation of Plant	16,164	17,360	8,671	9,599
Student Transportation Services	10,414	11,176	7,914	9,059
Central Support Services	1,233	1,704	1,205	1,580
Other Support Services	190	213	119	115
Operations of Non-Instructional Services:				
Enterprise Operations	1,433	1,963	57	25
Community Services	29	1,537	28	-36
Food Services	12,652	12,714	514	-65
Interest on Short-Term and Long-Term Debt	6,023	6,864	6,023	6,865
Total Expenses	\$ 233,630	\$ 250,468	\$ 85,598	\$ 100,836

* This table does not reflect the effects of any restatements. See note 2 in the basic financial statements for more information.

Although program revenues make up a majority of the revenues, the Board is still dependent upon tax revenues for governmental activities. 30 percent of instruction activities are supported through taxes and other general revenues; for all governmental activities general revenue support is over 36 percent.

**PAULDING COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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 \$256.9 million and expenditures and other financing uses of \$257.2 million. There was a decrease of \$6.6 million in the capital projects fund due to construction. The general fund had an increase of \$10.0 million and the debt service fund had a decrease of \$3.7 million. The negative change in the fund balance of the debt service fund for the year is due to the required principal and interest payments of the General Obligation Bonds.

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 2011, 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 \$226.8 million reflect an increase to the original budgeted amount of \$221.3 million by \$5.5 million. This difference was primarily due to increases in state revenues budgeted of \$2.0 million and Federal revenues budgeted of \$3.5 million. The actual revenues of \$227.5 million were more than the final budgeted amount by \$0.7 million.

The final budgeted expenditures of \$225.2 million reflect an increase to the original budgeted amount of \$223.4 million by \$1.8 million. This difference was primarily due to an increase in instruction of \$0.7 million, an increase of \$0.7 million in Student Transportation and an increase in Maintenance and Operation of \$0.3 million. The final budgeted amount of \$225.2 exceeded the actual expenditures by \$5.6 million.

General Fund revenues exceeded expenditures by \$7.9 million. The Board has made a concerted effort to maintain an appropriate fund balance for current operations and anticipated austerity reductions.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2011, the Board had \$386.4 million invested in capital assets, all in governmental activities. Table 4 shows fiscal year 2011 balances compared with fiscal year 2010 balances.

**PAULDING COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

	Governmental Activities	
	Fiscal Year 2011	Fiscal Year 2010
	Land	\$ 11,170
Construction In Progress	16,910	36,944
Building and Improvements	341,764	321,741
Equipment	14,268	13,845
Land Improvements	2,282	2,246
Total	\$ 386,394	\$ 384,715

The primary increases occurred in Buildings and Improvements as a result of the completion of one elementary school and miscellaneous additions to other schools. Due to the ongoing growth in the County, the Board has numerous construction projects including new buildings, additions and renovations.

Debt

At June 30, 2011, the Board had \$141.0 million in bonds outstanding with \$19.3 million due within one year. The School District's legal debt limit is 10 percent of the net assessed valuation of \$3,211.9 million for bond purposes, or a maximum bonded debt of \$321.2 million. The total current bonded restricted debt of \$141.0 million is well below the legal limit. Other long-term liabilities amounted to \$8.1 million, which 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 and erosion of state and local funding has resulted in increased reliance on Federal stimulus/stabilization funding.

The School District 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.

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, 2011

EXHIBIT "A"

	PRIMARY GOVERNMENT <u>GOVERNMENTAL</u> <u>ACTIVITIES</u>	<u>COMPONENT UNIT</u> <u>PAULDING EDUCATION</u> <u>FOUNDATION, INC.</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 50,693,034.47	\$ 210,535.17
Investments	21,314,529.94	21,996.15
Accounts Receivable, Net		
Taxes	8,129,258.58	
State Government	17,035,015.99	
Federal Government	2,606,445.74	
Other	176,388.73	
Inventories	397,409.58	
Prepaid	101,659.81	
Capitalized Bond and Other Debt Issuance Cost	1,359,327.65	
Capital Assets, Non-Depreciable	28,079,929.31	
Capital Assets, Depreciable (Net of Accumulated Depreciation)	<u>358,313,904.87</u>	
Total Assets	<u>\$ 488,206,904.67</u>	<u>\$ 232,531.32</u>
 <u>LIABILITIES</u>		
Accounts Payable	\$ 7,520,413.41	
Salaries and Benefits Payable	25,497,795.98	
Claims Incurred but not Reported (IBNR)	369,172.16	
Payroll Withholdings Payable	28,817.29	
Contracts Payable	879,069.36	
Retainages Payable	305,365.27	
Interest Payable	2,733,907.08	
Long-Term Liabilities:		
Due Within One Year	21,325,165.50	
Due in More Than One Year	<u>127,832,241.71</u>	
Total Liabilities	<u>\$ 186,491,947.76</u>	
 <u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	\$ 264,141,471.85	
Restricted for		
Boles Memorial Scholarship		\$ 9,300.00
Continuation of Federal Programs	4,550,513.57	
Debt Service	15,336,051.29	
Capital Projects	2,371,646.46	
Logans Crossing Scholarship		1,000.00
Martin Scholarship		23,904.45
Rakestraw Memorial Scholarship		155,000.00
Unrestricted	<u>15,315,273.74</u>	<u>43,326.87</u>
Total Net Assets	<u>\$ 301,714,956.91</u>	<u>\$ 232,531.32</u>
Total Liabilities and Net Assets	<u>\$ 488,206,904.67</u>	<u>\$ 232,531.32</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, 2011

GOVERNMENTAL ACTIVITIES	EXPENSES	CHARGES FOR SERVICES
Instruction	\$ 153,734,064.26	
Support Services		
Pupil Services	6,850,703.82	
Improvement of Instructional Services	4,943,050.72	
Educational Media Services	4,112,585.23	
General Administration	1,520,094.18	
School Administration	13,353,891.02	
Business Administration	977,049.53	
Maintenance and Operation of Plant	16,163,922.97	
Student Transportation Services	10,414,333.94	
Central Support Services	1,233,122.68	
Other Support Services	189,525.03	
Operations of Non-Instructional Services		
Enterprise Operations	1,433,663.47	\$ 1,376,833.27
Community Services	29,653.77	1,266.57
Food Services Operation	12,652,055.38	4,921,334.56
Interest on Short-Term and Long-Term Debt	6,023,159.68	
 Total Governmental Activities	\$ 233,630,875.68	\$ 6,299,434.40

COMPONENT UNIT

Paulding Education Foundation, Inc. \$ 51,312.35

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

 For Capital Projects

 Other Sales Tax

Grants and Contributions Not Restricted to Specific Programs

Investment Earnings

Miscellaneous

Special Items

Gain on Sale of Equipment

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) REVENUES	
OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES	COMPONENT UNIT PAULDING EDUCATION FOUNDATION, INC.
\$ 105,726,385.13	\$ 2,108,628.55	\$ -45,899,050.58	
1,163,950.00	1,340.78	-5,685,413.04	
3,427,144.64	766.01	-1,515,140.07	
3,074,562.02	71,524.58	-966,498.63	
3,094,694.61	2,081.52	1,576,681.95	
5,684,309.80	64,905.98	-7,604,675.24	
3,186.33	1,001.83	-972,861.37	
7,433,592.51	59,373.24	-8,670,957.22	
2,042,679.43	457,752.00	-7,913,902.51	
7,047.66	21,458.25	-1,204,616.77	
68,795.05	1,580.86	-119,149.12	
		-56,830.20	
292.50	126.82	-27,967.88	
6,991,983.46	224,293.18	-514,444.18	
		-6,023,159.68	
<u>\$ 138,718,623.14</u>	<u>\$ 3,014,833.60</u>	<u>\$ -85,597,984.54</u>	
			\$ <u>-51,312.35</u>
		\$ 59,162,526.05	
		9,459,918.13	
		23,729.05	
		9,997,121.84	
		3,643,717.63	
		961,309.70	
		17,276,058.00	
		84,030.91	\$ 128.81
		4,194,441.00	82,679.27
		<u>15,628.51</u>	
		<u>\$ 104,818,480.82</u>	<u>\$ 82,808.08</u>
		\$ 19,220,496.28	\$ 31,495.73
		<u>282,494,460.63</u>	<u>201,035.59</u>
		<u>\$ 301,714,956.91</u>	<u>\$ 232,531.32</u>

PAULDING COUNTY BOARD OF EDUCATION
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 JUNE 30, 2011

EXHIBIT "C"

	GENERAL FUND	DISTRICT- WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 39,785,111.59	\$ 9,118,122.35	\$ 1,789,800.53	\$ 50,693,034.47
Investments	1,107,500.05	4,625,890.61	15,581,139.28	21,314,529.94
Accounts Receivable, Net				
Taxes	5,855,798.44	1,370,119.98	903,340.16	8,129,258.58
State Government	16,310,592.59	724,423.40		17,035,015.99
Federal Government	2,606,445.74			2,606,445.74
Other	176,388.73			176,388.73
Inventories	397,409.58			397,409.58
Prepaid	101,659.81			101,659.81
	<u>66,340,906.53</u>	<u>15,838,556.34</u>	<u>18,274,279.97</u>	<u>100,453,742.84</u>
Total Assets	<u>\$ 66,340,906.53</u>	<u>\$ 15,838,556.34</u>	<u>\$ 18,274,279.97</u>	<u>\$ 100,453,742.84</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 7,143,564.90	\$ 376,848.51		\$ 7,520,413.41
Salaries and Benefits Payable	25,497,795.98			25,497,795.98
Payroll Withholdings Payable	28,817.29			28,817.29
Contracts Payable		879,069.36		879,069.36
Retainages Payable		305,365.27		305,365.27
Deferred Revenue	4,187,875.51		\$ 642,336.38	4,830,211.89
	<u>36,858,053.68</u>	<u>1,561,283.14</u>	<u>642,336.38</u>	<u>39,061,673.20</u>
Total Liabilities	<u>\$ 36,858,053.68</u>	<u>\$ 1,561,283.14</u>	<u>\$ 642,336.38</u>	<u>\$ 39,061,673.20</u>
<u>FUND BALANCES</u>				
Nonspendable	\$ 499,069.39			\$ 499,069.39
Restricted	4,153,103.99	\$ 14,277,273.20	\$ 17,631,943.59	36,062,320.78
Assigned	1,341,433.01			1,341,433.01
Unassigned	23,489,246.46			23,489,246.46
	<u>29,482,852.85</u>	<u>14,277,273.20</u>	<u>17,631,943.59</u>	<u>61,392,069.64</u>
Total Fund Balances	<u>\$ 29,482,852.85</u>	<u>\$ 14,277,273.20</u>	<u>\$ 17,631,943.59</u>	<u>\$ 61,392,069.64</u>
Total Liabilities and Fund Balances	<u>\$ 66,340,906.53</u>	<u>\$ 15,838,556.34</u>	<u>\$ 18,274,279.97</u>	<u>\$ 100,453,742.84</u>

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

PAULDING COUNTY BOARD OF EDUCATION
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2011

EXHIBIT "D"

Total Fund Balances - Governmental Funds (Exhibit "C") \$ 61,392,069.64

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	\$	11,170,087.54	
Construction in Progress		16,909,841.77	
Land Improvements		4,162,321.76	
Buildings		400,367,580.06	
Machinery and Equipment		34,830,038.51	
Accumulated Depreciation		<u>-81,046,035.46</u>	
Total Capital Assets			386,393,834.18

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

Property Taxes			4,830,211.89
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Other Long-Term Assets are not available to pay for current period expenditures and therefore, are deferred on the Statement of Net Assets.

Deferred Charges - Capitalized Bond Issuance Costs			1,359,327.65
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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	\$	-141,015,000.00	
Capital Leases Payable		-1,642,471.19	
Compensated Absences		-574,732.01	
Unamortized Bond Premiums		-5,925,204.01	
Claims Incurred but not Reported (IBNR)		-369,172.16	
Interest Payable		<u>-2,733,907.08</u>	
Total Long-Term Liabilities			<u>-152,260,486.45</u>

Net Assets of Governmental Activities (Exhibit "A") \$ 301,714,956.91

PAULDING COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

EXHIBIT "E"

	<u>GENERAL FUND</u>	<u>DISTRICT- WIDE CAPITAL PROJECTS FUND</u>	<u>DEBT SERVICE FUND</u>	<u>TOTAL</u>
REVENUES				
Property Taxes	\$ 59,692,909.30		\$ 9,519,017.41	\$ 69,211,926.71
Sales Taxes	826,464.40	\$ 3,643,717.63	10,131,967.14	14,602,149.17
State Funds	132,670,567.61	2,557,081.60		135,227,649.21
Federal Funds	23,781,865.53			23,781,865.53
Charges for Services	6,299,434.40			6,299,434.40
Investment Earnings	62,230.61	16,183.02	5,617.28	84,030.91
Miscellaneous	4,194,441.00			4,194,441.00
Total Revenues	\$ 227,527,912.85	\$ 6,216,982.25	\$ 19,656,601.83	\$ 253,401,496.93
EXPENDITURES				
Current:				
Instruction	\$ 147,007,601.39			\$ 147,007,601.39
Support Services				
Pupil Services	6,843,534.90			6,843,534.90
Improvement of Instructional Services	4,943,594.35			4,943,594.35
Educational Media Services	3,835,694.62			3,835,694.62
General Administration	1,511,684.69			1,511,684.69
School Administration	13,095,233.36			13,095,233.36
Business Administration	966,200.16			966,200.16
Maintenance and Operation of Plant	16,167,271.46			16,167,271.46
Student Transportation Services	9,573,706.04			9,573,706.04
Central Support Services	1,147,298.80			1,147,298.80
Other Support Services	182,672.14			182,672.14
Enterprise Operations	1,433,663.47			1,433,663.47
Community Services	29,152.54			29,152.54
Food Services Operation	11,893,063.95			11,893,063.95
Capital Outlay		\$ 11,401,747.66		11,401,747.66
Debt Service:				
Principal	1,006,508.51		\$ 17,735,000.00	18,741,508.51
Interest	31,006.15		7,028,939.50	7,059,945.65
Dues and Fees		3,675.00	5,028.30	8,703.30
Total Expenditures	\$ 219,667,886.53	\$ 11,405,422.66	\$ 24,768,967.80	\$ 255,842,276.99
Excess of Revenues Over (Under) Expenditures	\$ 7,860,026.32	\$ -5,188,440.41	\$ -5,112,365.97	\$ -2,440,780.06
OTHER FINANCING SOURCES (USES)				
Sale of Equipment	\$ 31,397.00			\$ 31,397.00
Capital Leases	2,124,753.75			2,124,753.75
Transfers In			\$ 1,393,215.75	1,393,215.75
Transfers Out	-5,003.00	\$ -1,388,212.75		-1,393,215.75
Total Other Financing Sources (Uses)	\$ 2,151,147.75	\$ -1,388,212.75	\$ 1,393,215.75	\$ 2,156,150.75
Net Changes in Fund Balances	\$ 10,011,174.07	\$ -6,576,653.16	\$ -3,719,150.22	\$ -284,629.31
Fund Balances - Beginning, Restated	19,471,678.78	20,853,926.36	21,351,093.81	61,676,698.95
Fund Balances - Ending	\$ 29,482,852.85	\$ 14,277,273.20	\$ 17,631,943.59	\$ 61,392,069.64

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, 2011

EXHIBIT "F"

Total Net Changes in Fund Balances - Governmental Funds (Exhibit "E") \$ -284,629.31

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

Capital Outlays 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	\$	12,314,813.93	
Depreciation Expense		<u>-10,619,815.66</u>	
Excess of Capital Outlay over Depreciation Expense			1,694,998.27

Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. -565,753.48

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, and disposals) is to decrease net assets. -15,768.49

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

Amortization of Bond Issuance Costs			-175,430.99
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Some of the Capital Assets acquired this year were financed with capital leases. In Governmental Funds, a capital lease arrangement is considered a source of financing, but in the Statement of Net Assets, the lease obligation is reported as a Long-Term Liability. -2,132,995.10

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	\$	17,735,000.00	
Bond Premium Retirements		914,274.25	
Capital Lease Payments		<u>1,006,508.51</u>	
Total Long-Term Debt-Repayments			19,655,782.76

Interest expense reported in the Statement of Activities is recorded as incurred, whereas interest expense in the governmental fund statements is reported when paid. 297,942.71

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	\$	-18,598.51	
Decrease in Claims and Judgments		<u>764,948.42</u>	
Total Additional Expenditures			<u>746,349.91</u>

Change in Net Assets of Governmental Activities (Exhibit "B") \$ 19,220,496.28

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

PAULDING COUNTY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011

EXHIBIT "G"

	<u>AGENCY FUNDS</u>
 <u>ASSETS</u>	
Cash and Cash Equivalents	\$ <u>302,381.88</u>
 <u>LIABILITIES</u>	
Funds Held for Others	\$ <u>302,381.88</u>

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

NOTE 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

REPORTING ENTITY

The 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.

DISCRETELY PRESENTED COMPONENT UNIT

The Paulding Education Foundation, Inc. (Foundation) is a private, non-profit organization incorporated in 2006 to promote excellence in education in the School District. The Foundation encourages community and private sector support for educational activities. Contributions to the Foundation support scholarships, grants to teachers and schools as well as other School District programs.

The affairs and business of the Foundation are conducted by a Board of Trustees of not less than eight (8) but no more than twenty-two (22) voting members. In addition to the voting members, the Board of Trustees consists of three (3) non-voting members. These non-voting member positions are held by the Chairperson of the Paulding County Board of Education, the School District's Superintendent, and the School District's Chief Financial Officer, who also serves as the Foundation's treasurer. All powers, duties and functions of the Foundation conferred by the Articles of Incorporation, bylaws, state statutes, common law, court decisions, or otherwise, are exercised or performed by the Board of Trustees.

The School District deems it misleading to exclude the Foundation from its financial statements. Therefore, for fiscal year 2011, the School District included the Foundation as a discretely presented component unit in accordance with GASB Statement No. 14. The Foundation has a December 31 fiscal year end. The Foundation's December 31, 2010 financial information is presented in a separate column on the School District's Statement of Net Assets and Statement of Activities. The Foundation does not issue separate financial statements. Accordingly, the Foundation's fund financial statements are included herein as supplementary information (Schedules 2 through 5).

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. 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 are recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

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

NEW ACCOUNTING PRONOUNCEMENTS

In fiscal year 2011, the School District adopted the Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The provisions of this Statement establish accounting and financial reporting standards for all governments that report governmental funds. It establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental funds.

RESTATEMENT OF PRIOR YEAR NET ASSETS/FUND BALANCE

For fiscal year 2011, the School District made a prior period adjustment due to an omission of accounts payable, which require the restatement of the June 30, 2010, net assets in Governmental Activities and fund balance in the General Fund. The result is an increase in Net Assets and Fund Balance at July 1, 2010, of \$295,544.99. These changes are in accordance with generally accepted accounting principles.

District-wide Financial Statements

Net Assets, July 1, 2010, as previously reported	\$ 282,790,005.62
Less: Adjustment for prior year expenses	<u>295,544.99</u>
Net assets, July 1, 2010, as restated	<u><u>\$ 282,494,460.63</u></u>

Governmental Fund Financial Statements

	<u>General Fund</u>
Fund Balance, July 1, 2010, as previously reported	\$ 19,767,223.77
Less: Adjustment for prior year expenditures	<u>295,544.99</u>
Fund Balance, July 1, 2010, as restated	<u><u>\$ 19,471,678.78</u></u>

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 State Treasurer,
7. Repurchase agreements, and
8. Obligations of other political subdivisions of the State of Georgia.

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

RECEIVABLES

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

PROPERTY TAXES

The Paulding County Board of Commissioners fixed the property tax levy for the 2010 tax digest year (calendar year) on August 10, 2010 (levy date). Taxes were due on November 15, 2010 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2010 tax digest are reported as revenue in the governmental funds for fiscal year 2011. 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, 2011, for maintenance and operations amounted to \$59,669,180.25 and for school bonds amounted to \$9,519,017.41.

PAULDING COUNTY BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2011

EXHIBIT "H"

Tax millage rates levied for the 2010 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 mills</u>
	<u><u>21.872 mills</u></u>

SALES TAXES

Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to \$13,640,839.47 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

INVENTORIES

Food Inventories

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

PREPAID ITEMS

Payments made to vendors for services that will benefit periods subsequent to June 30, 2011, are recorded as prepaid items.

CAPITAL ASSETS

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

	Capitalization Policy	Estimated Useful Life
Land	ALL	N/A
Land Improvements	\$ 5,000.00	20 years
Buildings and Improvements	\$ 5,000.00	50 years
Equipment	\$ 5,000.00	5 to 25 years
Intangible Assets	\$ 100,000.00	20 years

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

Amortization of intangible assets such as water, timber, and mineral rights, easements, patents, trademarks, copyrights and internally generated software is computed using the straight-line method over the estimated useful lives of the assets, generally 20 years.

COMPENSATED ABSENCES

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

Vacation leave of 12 days (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. Vacation leave not utilized during the fiscal year may be carried over to the next fiscal year, providing such vacation leave does not exceed 20 days.

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

	Beginning of Year Liability	Increases	Decreases	End of Year Liability
2009	\$ 456,796.85	\$ 661,924.80	\$ 579,943.21	\$ 538,778.44
2010	\$ 538,778.44	\$ 1,043,860.58	\$ 1,026,505.52	\$ 556,133.50
2011	\$ 556,133.50	\$ 933,650.97	\$ 915,052.46	\$ 574,732.01

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 continuation of Federal Programs and debt service in accordance with restrictions imposed by external third parties.

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

FUND BALANCES

The School District's fund balances are classified as follows:

Nonspendable - Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - Constraints are placed on the use of resources are either (1) externally imposed conditions by creditors, grantors, contributors, or laws and regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Education. The Board of Education is the School District's highest level of decision-making authority, and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution approved by the Board. Committed fund balance also should incorporate contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts that are constrained by the School District's *intent* to be used for specific purposes, but are neither restricted nor committed. The intent should be expressed by (1) the Board of Education or (2) the budget or finance committee, or the Superintendent, or designee, to assign amounts to be used for specific purposes.

Unassigned - The residual classification for the General Fund. This classification represents fund balances that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

Fund Balances of the Governmental Funds at June 30, 2011, are as follows:

FUND BALANCES

Nonspendable			
Inventories	\$	397,409.58	
Prepaid Assets		<u>101,659.81</u>	\$ 499,069.39
Restricted			
Debt Service	\$	17,631,943.59	
Capital Projects		14,277,273.20	
Continuation of Federal Programs		<u>4,153,103.99</u>	36,062,320.78
Assigned			
School Activity Accounts			1,341,433.01
Unassigned			<u>23,489,246.46</u>
Fund Balance, June 30, 2011			<u>\$ 61,392,069.64</u>

When multiple categories of fund balance are available for expenditure, the School District will start with the most restricted category and spend those funds first before moving down to the next category with available funds.

USE OF ESTIMATES

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

NOTE 3: DEPOSITS AND INVESTMENTS

COLLATERALIZATION OF DEPOSITS

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

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

1. Surety bond signed by a surety company duly qualified and authorized to transact business within the State of Georgia,
2. Insurance on accounts provided by the Federal Deposit Insurance Corporation,
3. Bonds, bills, notes, certificates of indebtedness or other direct obligations of the United States or of the State of Georgia,
4. Bonds, bills, notes, certificates of indebtedness or other obligations of the counties or municipalities of the State of Georgia,
5. Bonds of any public authority created by the laws of the State of Georgia, providing that the statute that created the authority authorized the use of the bonds for this purpose,
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

PRIMARY GOVERNMENT

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 formal policy for managing custodial credit risk. At June 30, 2011, the bank balances were \$51,970,741.58. The bank balance is either insured or collateralized with securities held by the pledging financial institution's trust department in the name of the School District.

COMPONENT UNIT

At December 31, 2010, the carrying amount of deposits and bank balance for the Paulding Education Foundation, Inc., the discretely presented component unit, was \$213,396.97, which was fully covered by Federal depository insurance.

CATEGORIZATION OF INVESTMENTS

The School District's investments as of June 30, 2011, 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	\$ 15,581,139.28
Investment Pools	
Office of State Treasurer Georgia Fund 1	<u>5,733,390.66</u>
Total Investments	<u>\$ 21,314,529.94</u>

The Georgia Fund 1, formerly referred to as LGIP, administered by the State of Georgia, Office of State Treasurer 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 State Treasurer 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 www.audits.ga.gov/SGD/CAFR.html.

The Primary Liquidity Portfolio consists of Georgia Fund 1 which is not registered with the SEC as an investment company but does operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. The investment is valued at the pool's share price, \$1.00 per share. The pool is an AAAM rated investment pool by Standard and Poor's. The weighted average maturity of Georgia Fund 1 may not exceed 60 days. The weighted average maturity for Georgia Fund 1 on June 30, 2011, was 59 days.

The U. S. Treasury Money Market Mutual Funds have a credit quality rating of AAAM by Standard and Poor's and Aaa-mf 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**

PAULDING COUNTY BOARD OF EDUCATION
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NOTE 5: CAPITAL ASSETS

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

	Beginning Balances July 1, 2010	Reclassifications of Beginning Balances	Adjusted Beginning Balances July 1, 2010	Increases	Decreases	Ending Balances June 30, 2011
Governmental Activities						
Capital Assets, Not Being Depreciated:						
Land	\$ 9,939,185.54	\$ 0.00	\$ 9,939,185.54	1,230,902.00		\$ 11,170,087.54
Construction Work In Progress	<u>36,943,174.37</u>		<u>36,943,174.37</u>	<u>7,713,153.35</u>	<u>27,746,485.95</u>	<u>16,909,841.77</u>
Total Capital Assets, Not Being Depreciated	\$ 46,882,359.91	\$ 0.00	\$ 46,882,359.91	\$ 8,944,055.35	\$ 27,746,485.95	\$ 28,079,929.31
Capital Assets, Being Depreciated:						
Buildings and						
Building Improvements	\$ 372,371,888.65	-1,172,347.13	\$ 371,199,541.52	29,168,038.54		\$ 400,367,580.06
Equipment	32,712,431.52	1,172,347.13	33,884,778.65	1,748,155.99	802,896.13	34,830,038.51
Land Improvements	3,961,271.76		3,961,271.76	201,050.00		4,162,321.76
Less: Accumulated Depreciation:						
Buildings and						
Building Improvements	50,630,850.04		50,630,850.04	7,972,631.64		58,603,481.68
Equipment	18,867,523.77		18,867,523.77	2,481,652.05	787,127.64	20,562,048.18
Land Improvements	<u>1,714,973.63</u>		<u>1,714,973.63</u>	<u>165,531.97</u>		<u>1,880,505.60</u>
Total Capital Assets, Being Depreciated, Net	\$ 337,832,244.49	\$ 0.00	\$ 337,832,244.49	\$ 20,497,428.87	\$ 15,768.49	\$ 358,313,904.87
Governmental Activity Capital Assets - Net	\$ 384,714,604.40	\$ 0.00	\$ 384,714,604.40	\$ 29,441,484.22	\$ 27,762,254.44	\$ 386,393,834.18

Current year depreciation expense by function is as follows:

Instruction		\$	7,232,414.76
Support Services			
Pupil Services	\$		5,568.40
Improvement of Instructional Services			3,181.30
Educational Media Services			297,048.75
General Administration			8,644.75
School Administration			269,561.01
Business Administration			4,160.68
Maintenance and Operation of Plant			246,583.02
Student Transportation Services			1,524,930.56
Central Support Services			89,118.25
Other Support Services			6,565.46
Community Services			<u>526.70</u>
Food Services			<u>931,512.02</u>
		\$	<u>10,619,815.66</u>

NOTE 6: INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2011, consisted of the following:

<u>Transfer to</u>	Transfers From	
	General Fund	District-wide Capital Projects
Debt Service Fund	\$ 5,003.00	\$ 1,388,212.75

Transfers are used to move property tax revenues collected by the General Fund and SPLOST proceeds collected by the Capital Projects Fund to the Debt Service Fund to pay principal, interest and administration fees on Bonds.

NOTE 7: RISK MANAGEMENT

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

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

The School District participates in the Georgia School Boards Association Workers' Compensation Fund, a public entity risk pool organized on July 1, 1992, to develop, implement, and administer a program of workers' compensation self-insurance for its member organizations. The School District pays an annual premium to the Fund for its general insurance coverage. Additional insurance coverage is provided through an agreement by the Fund with the Safety National Casualty Corporation to provide coverage for potential losses sustained by the Fund in excess of \$500,000.00 loss per occurrence, up to the statutory limit. Employers' Liability insurance coverage is also provided by Safety National Casualty Corporation to provide coverage for potential losses sustained by the Fund in excess of \$500,000.00 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.

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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>
2010	\$ 1,457,014.58	\$ 2,704,258.03	\$ 3,027,152.03	\$ 1,134,120.58
2011	\$ 1,134,120.58	\$ 1,362,767.21	\$ 2,127,715.63	\$ 369,172.16

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>
2010	\$ 0.00	\$ 73,244.00	\$ 73,244.00	\$ 0.00
2011	\$ 0.00	\$ 791,962.50	\$ 791,962.50	\$ 0.00

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

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

NOTE 8: LONG-TERM DEBT

CAPITAL LEASES

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

COMPENSATED ABSENCES

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

PAULDING COUNTY BOARD OF EDUCATION
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GENERAL OBLIGATION DEBT OUTSTANDING

General Obligation Bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
General Government - Series 2008	3.00% - 5.00%	\$ 53,865,000.00
General Government - Series 2007	4.25% - 5.00%	62,500,000.00
General Government - Series 2004	2.50% - 5.00%	13,935,000.00
General Government - Refunding - Series 2003	2.87%	6,210,000.00
General Government - Series 1995	5.50% - 6.00%	4,505,000.00
		<u>\$ 141,015,000.00</u>

The changes in Long-Term Debt during the fiscal year ended June 30, 2011, were as follows:

	Governmental Funds					
	Balance July 1, 2010	Adjustments	Additions	Deductions	Balance June 30, 2011	Due Within One Year
G. O. Bonds	\$ 158,750,000.00			\$ 17,735,000.00	\$ 141,015,000.00	\$ 19,310,000.00
Capital Leases	515,984.60	\$ 8,241.35	\$ 2,124,753.75	1,006,508.51	1,642,471.19	504,245.41
Compensated Absences	556,133.50		933,650.97	915,052.46	574,732.01	518,308.85
Bond Premiums Amortized	6,839,478.26			914,274.25	5,925,204.01	992,611.24
Balance June 30, 2011	<u>\$ 166,661,596.36</u>	<u>\$ 8,241.35</u>	<u>\$ 3,058,404.72</u>	<u>\$ 20,570,835.22</u>	<u>\$ 149,157,407.21</u>	<u>\$ 21,325,165.50</u>

At June 30, 2011, payments due by fiscal year which includes principal and interest for these items are as follows:

<u>Fiscal Year Ended June 30:</u>	<u>Capital Leases</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 504,245.41	\$ 116,138.02
2013	508,728.73	80,716.65
2014	544,162.03	44,646.07
2015	85,335.02	6,052.25
Total Principal and Interest	<u>\$ 1,642,471.19</u>	<u>\$ 247,552.99</u>

PAULDING COUNTY BOARD OF EDUCATION
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<u>Fiscal Year Ended June 30:</u>	General Obligation Debt		Unamortized
	Principal	Interest	Bond Premium
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	6,695,000.00	5,191,925.50	164,666.96
2016	3,740,000.00	4,959,325.00	172,026.38
2017 - 2021	21,460,000.00	21,936,575.00	987,081.85
2022 - 2026	27,100,000.00	16,242,725.00	1,194,273.88
2027 - 2031	34,395,000.00	9,286,975.00	1,430,516.95
2032 - 2033	16,250,000.00	1,228,500.00	675,851.15
	<u>\$ 141,015,000.00</u>	<u>\$ 76,251,550.50</u>	<u>\$ 5,925,204.01</u>
Total Principal and Interest	<u>\$ 141,015,000.00</u>	<u>\$ 76,251,550.50</u>	<u>\$ 5,925,204.01</u>

NOTE 9: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of \$605,275.54 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 \$385,865.89

Paid to the Teachers' Retirement System of Georgia
 For Teachers Retirement System (TRS) Employer's Cost
 In the amount of \$94,948.65

Office of State Treasurer

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 10: SIGNIFICANT COMMITMENTS

The following is an analysis of significant outstanding construction or renovation contracts executed by the School District as of June 30, 2011, together with funding available:

Project	Unearned Executed Contracts	Funding Available From State
New Middle School #9	\$ 10,590,135.08	\$ 9,062,588.00

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

NOTE 11: 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 12: RELATED PARTY TRANSACTIONS

The Paulding Education Foundation, Inc., discretely presented component unit, expended funds to the School District in the amount of \$25,688 during the component unit's fiscal year ended December 31, 2010. The School District, primary government, did not have any transactions with the Paulding Education Foundation, Inc. during the School District's fiscal year ended June 30, 2011.

NOTE 13: POST-EMPLOYMENT BENEFITS

GEORGIA SCHOOL PERSONNEL POST-EMPLOYMENT HEALTH BENEFIT FUND

Plan Description. The Georgia School Personnel Post-employment Health Benefit Fund (School OPEB Fund) is a cost-sharing multiple-employer defined benefit post-employment healthcare plan that covers eligible former employees of public school systems, libraries and regional educational service agencies. The School OPEB Fund provides health insurance benefits to eligible former employees and their qualified beneficiaries through the State Employees Health Benefit Plan administered by the Department of Community Health. The Official Code of Georgia Annotated (O.C.G.A.) assigns the authority to establish and amend the benefit provisions of the group health plans, including benefits for retirees, to the Board of Community Health (Board). The Department of Community Health, which includes the School OPEB Fund, issues a separate stand alone financial audit report and a copy can be obtained from the Georgia Department of Audits and Accounts.

Funding Policy. The contribution requirements of plan members and participating employers are established by the Board in accordance with the current Appropriations Act and may be amended by the Board. Contributions of plan members or beneficiaries receiving benefits vary based on plan election, dependent coverage, and Medicare eligibility and election. On average, plan members pay approximately 25 percent of the cost of 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. Contributions are not based on the actuarially calculated annual required contribution (ARC) which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The combined rates for the active and retiree contribution rates established by the Board for employers participating in the School OPEB Fund were as follows for the fiscal year ended June 30, 2011:

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For certificated teachers, librarians and regional educational service agencies:

July 2010 - April 2011 21.955% of covered payroll for August - May Coverage
 May 2011 - June 2011 1.429% of covered payroll for June - July Coverage

For non-certificated school personnel:

July 2010 - December 2010 \$162.72 per member per month
 January 2011 - May 2011 \$218.20 per member per month
 June 2011 \$246.20 per member per month

The Department of Education was appropriated an additional \$25,081,633 for non-certificated personnel health insurance payments. The amount attributable to the School District is reflected in the On-behalf note disclosure.

No additional contribution was required by the Board for fiscal year 2011 nor contributed to the State OPEB Fund to prefund retiree benefits. Such additional contribution amounts are determined annually by the Board in accordance with the State plan for other post-employment benefits and are subject to appropriation.

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

Fiscal Year	Percentage Contributed	Required Contribution
2011	100%	\$ 21,342,501.92
2010	100%	\$ 20,902,510.22
2009	100%	\$ 15,209,779.58

NOTE 14: 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.

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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. Members become fully vested after 10 years of service. If a member terminates with less than 10 years of service, no vesting of employer contributions occurs, but the member's contributions may be refunded with interest. Member contributions are limited by State law to not less than 5% or more than 6% of a member's earnable compensation. Member contributions as adopted by the Board of Trustees for the fiscal year ended June 30, 2011, were 5.53% of annual salary. The member contribution rate will increase to 6.00% effective July 1, 2012. Employer contributions required for fiscal year 2011 were 10.28% of annual salary as required by the June 30, 2008, actuarial valuation. The employer contribution rate will increase to 11.41% effective July 1, 2012.

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

Fiscal Year	Percentage Contributed	Required Contribution
2011	100%	\$ 12,647,372.00
2010	100%	\$ 13,316,799.98
2009	100%	\$ 12,477,624.25

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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, 2011

SCHEDULE "1"

	NONAPPROPRIATED BUDGETS		ACTUAL
	ORIGINAL (1)	FINAL (1)	AMOUNTS
REVENUES			
Property Taxes	\$ 57,994,096.00	\$ 57,994,096.00	\$ 59,692,909.30
Sales Tax	944,100.00	944,100.00	826,464.40
State Funds	129,274,218.89	131,237,653.49	132,670,567.61
Federal Funds	22,601,173.51	26,088,665.55	23,781,865.53
Charges for Services	6,664,104.72	6,665,098.05	6,299,434.40
Investment Earnings	58,570.00	58,570.00	62,230.61
Miscellaneous	3,752,881.00	3,773,425.00	4,194,441.00
	<u>221,289,144.12</u>	<u>226,761,608.09</u>	<u>227,527,912.85</u>
Total Revenues	\$ 221,289,144.12	\$ 226,761,608.09	\$ 227,527,912.85
EXPENDITURES			
Current			
Instruction	\$ 148,259,925.03	\$ 148,966,569.88	\$ 147,007,601.39
Support Services			
Pupil Services	7,968,862.70	7,932,217.03	6,843,534.90
Improvement of Instructional Services	5,122,160.49	5,235,815.08	4,943,594.35
Educational Media Services	3,802,199.04	3,815,589.81	3,835,694.62
General Administration	1,509,565.48	1,558,719.25	1,511,684.69
School Administration	13,301,647.78	13,137,721.94	13,095,233.36
Business Administration	1,068,961.05	1,041,643.15	966,200.16
Maintenance and Operation of Plant	17,363,253.79	17,655,956.71	16,167,271.46
Student Transportation Services	9,049,533.36	9,745,604.24	9,573,706.04
Central Support Services	1,126,302.11	1,104,182.03	1,147,298.80
Other Support Services	185,607.67	185,734.80	182,672.14
Enterprise Operations	1,254,443.59	1,254,443.59	1,433,663.47
Community Service			29,152.54
Food Services Operation	13,443,744.00	13,596,707.84	11,893,063.95
Debt Service			1,037,514.66
	<u>223,456,206.09</u>	<u>225,230,905.35</u>	<u>219,667,886.53</u>
Total Expenditures	\$ 223,456,206.09	\$ 225,230,905.35	\$ 219,667,886.53
Excess of Revenues over (under) Expenditures	\$ -2,167,061.97	\$ 1,530,702.74	\$ 7,860,026.32
OTHER FINANCING SOURCES (USES)			
Other Sources	\$ 629,100.00	\$ 629,100.00	\$ 2,156,150.75
Other Uses	-629,100.00	-629,100.00	-5,003.00
	<u>0.00</u>	<u>0.00</u>	<u>2,151,147.75</u>
Total Other Financing Sources (Uses)	\$ 0.00	\$ 0.00	\$ 2,151,147.75
Net Change in Fund Balances	\$ -2,167,061.97	\$ 1,530,702.74	\$ 10,011,174.07
Fund Balances - Beginning, Restated	<u>19,784,820.43</u>	<u>19,632,281.56</u>	<u>19,471,678.78</u>
Fund Balances - Ending	<u>\$ 17,617,758.46</u>	<u>\$ 21,162,984.30</u>	<u>\$ 29,482,852.85</u>

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
 COMPONENT UNIT
 STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 DECEMBER 31, 2010
 (Component Unit Fiscal Year End)

SCHEDULE "2"

PAULDING
 EDUCATION
 FOUNDATION, INC.

ASSETS

Current Assets	
Cash and Cash Equivalents	\$ 43,326.87
Restricted Cash and Cash Equivalents	167,208.30
Restricted Investments	<u>21,996.15</u>
Total Assets	\$ <u><u>232,531.32</u></u>

NET ASSETS

Restricted for:	
Expendable:	
Boles Memorial Scholarship	\$ 9,300.00
Logans Crossing Scholarship	1,000.00
Martin Scholarship	23,904.45
Rakestraw Memorial Scholarship	155,000.00
Unrestricted	<u>43,326.87</u>
Total Net Assets	\$ <u><u>232,531.32</u></u>

See notes to the basic financial statements.

PAULDING COUNTY BOARD OF EDUCATION
 COMPONENT UNIT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUND
 DECEMBER 31, 2010
 (Component Unit Fiscal Year End)

SCHEDULE "3"

PAULDING
 EDUCATION
FOUNDATION, INC.

OPERATING REVENUES

Miscellaneous		
Individual Contributions	\$	35,714.45
Educators Payroll Deduction Contributions		5,691.11
United Way Deduction Contributions		3,796.71
Corporate Contributions		26,501.00
Fund Raisers		<u>10,976.00</u>
 Total Operating Revenues	 \$	 <u>82,679.27</u>

OPERATING EXPENSES

Bank Charges	\$	150.00
Dues and Subscriptions		430.00
Grants to Teachers		9,900.00
Insurance		744.00
Miscellaneous		2,195.33
Other Program Grants		7,500.00
Purchased Services		1,055.02
Savings Bond Awards		150.00
Scholarships		11,000.00
School Projects		<u>18,188.00</u>
 Total Operating Expenses	 \$	 <u>51,312.35</u>
 Operating Income (Loss)	 \$	 31,366.92

NONOPERATING REVENUES (EXPENSES)

Interest and Investment Revenue		<u>128.81</u>
 Changes in Net Assets	 \$	 31,495.73
 Total Net Assets - Beginning		 <u>201,035.59</u>
 Total Net Assets - Ending	 \$	 <u><u>232,531.32</u></u>

See notes to the basic financial statements.

PAULDING COUNTY BOARD OF EDUCATION
 COMPONENT UNIT
 STATEMENT OF CASH FLOWS
 PROPRIETARY FUND
 DECEMBER 31, 2010
 (Component Unit Fiscal Year End)

SCHEDULE "4"

		PAULDING EDUCATION FOUNDATION, INC.
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Individual	\$	35,714.45
Receipts from Educators Payroll Deduction		5,691.11
Receipts from United Way Deduction		3,796.71
Receipts from Corporate Partners		26,501.00
Receipts from Fund Raisers		10,976.00
Payments to Suppliers		<u>-51,312.35</u>
Net Cash Provided (Used) by Operating Activities	\$	<u>31,366.92</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest	\$	128.81
Purchase of Investments		<u>-21,996.15</u>
Net Cash Provided (Used) by Investing Activities	\$	<u>-21,867.34</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$	9,499.58
Cash and Cash Equivalents, Beginning of Year		<u>201,035.59</u>
Cash and Cash Equivalents, End of Year	\$	<u><u>210,535.17</u></u>

See notes to the basic financial statements.

PAULDING COUNTY BOARD OF EDUCATION
 COMPONENT UNIT
 SELECTED FINANCIAL NOTES
 YEAR ENDED DECEMBER 31, 2010
 (Component Unit Fiscal Year End)

SCHEDULE "5"

Selected Financial Notes to the Component Unit Statement of Net Assets; Statement of Revenues, Expenses and Changes in Net Assets; and Statement of Cash Flows as presented on Schedules 6 through 8.

The financial statements of The Paulding Education Foundation Inc. (Foundation) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Foundation met the criteria to use enterprise fund accounting and financial reporting. Accordingly, the financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of when the related cash flow occurs.

The Foundation has elected not to adopt the pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989.

The Foundation considers assets to be current that can reasonably be expected, as part of its normal operations, to be converted to cash and available for liquidation of current liabilities within 12 months of the statement of net assets date. Liabilities that reasonably can be expected, as part of its normal operations, to be liquidated within 12 months of the statement of net assets date are considered to be current. All other assets and liabilities are considered to be noncurrent.

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. Restricted cash and cash equivalents use is restricted by donors.

The Foundation is exempt from income taxes under section 501(c) (3) of the Internal Revenue Code. Accordingly, the financial statements reflect no provision for income taxes.

Restricted net assets represent resources for which the Foundation is obligated to spend in accordance with restrictions imposed by donors.

If both restricted and unrestricted assets are available for use for a certain purpose, it is the Foundation's policy to use restricted assets first, and then use unrestricted assets as needed.

Contributions, including unconditional promises to give, are recorded as revenue when the unconditional pledge is made. All contributions are available for unrestricted use unless specifically restricted by the donor. Non-cash contributions are recorded at estimated fair value as of the date of the gift.

The Foundation considers operating revenues and expenses in the Statement of Activities to be those revenues and expenses that result from exchange transactions or other activities that are connected directly with the Foundation's primary functions. Exchange transactions include charges for services rendered and the acquisition of goods and services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Foundation's operating expenses by functional classification are shown below:

	Functional Classification			Total
	Program Services	Services	Fundraising	
<u>Natural Classification:</u>				
Bank Charges	\$ 150.00			\$ 150.00
Dues and Subscriptions		\$ 430.00		430.00
Grants to Teachers	9,900.00			9,900.00
Insurance		744.00		744.00
Miscellaneous	253.00	164.30	\$ 1,778.03	2,195.33
Other Program Grants	7,500.00			7,500.00
Purchased Services		1,055.02		1,055.02
Savings Bond Awards	150.00			150.00
Scholarships	11,000.00			11,000.00
School Projects	18,188.00			18,188.00
Total Operating Expenses	\$ 47,141.00	\$ 2,393.32	\$ 1,778.03	\$ 51,312.35

See notes to the basic financial statements.

PAULDING COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

SCHEDULE "6"

FUNDING AGENCY PROGRAM/GRANT	CFDA NUMBER	PASS- THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD
Agriculture, U. S. Department of			
Child Nutrition Cluster			
Pass-Through From Georgia Department of Education			
Food Services			
School Breakfast Program	* 10.553	N/A	(2)
National School Lunch Program	* 10.555	N/A	\$ 11,500,637.95 (1)
Total U. S. Department of Agriculture			\$ 11,500,637.95
Education, U. S. Department of			
Education of Homeless Children and Youth Cluster			
Pass-Through From Georgia Department of Education			
ARRA - Education for Homeless Children and Youth	84.387	N/A	\$ 53,039.92
Education for Homeless Children and Youth	84.196	N/A	50,311.89
Total Education of Homeless Children and Youth Cluster			\$ 103,351.81
Education Technology State Grants Cluster			
Pass-Through From Georgia Department of Education			
Education Technology State Grants	84.318	N/A	\$ 20,958.30
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
ARRA - Grants to States	* 84.391	N/A	\$ 2,942,114.96
ARRA - Preschool Grants	* 84.392	N/A	99,647.13
Grants to States	* 84.027	N/A	3,402,811.40
Preschool Grants	* 84.173	N/A	82,589.64
Total Special Education Cluster			\$ 6,527,163.13
Title I, Part A Cluster			
Pass-Through From Georgia Department of Education			
ARRA - Title I Grants to Local Educational Agencies	84.389	N/A	\$ 630,151.05
Title I Grants to Local Educational Agencies	84.010	N/A	2,622,672.91
Total Title I, Part A Cluster			\$ 3,252,823.96
Other Programs			
Direct			
Fund for the Improvement of Education	84.215		\$ 279,708.43
Pass-Through From Georgia Department of Education			
Career and Technical Education - Basic Grants to States	84.048	N/A	196,191.38
Education Jobs Fund	* 84.410	N/A	5,320,242.00
English Language Acquisition Grants	84.365	N/A	63,465.43
Improving Teacher Quality State Grants	84.367	N/A	563,822.97
Mathematics and Science Partnerships	84.366	N/A	629,696.22
Total Other Programs			\$ 7,053,126.43
Total U. S. Department of Education			\$ 16,957,423.63

PAULDING COUNTY BOARD OF EDUCATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2011

SCHEDULE "6"

FUNDING AGENCY PROGRAM/GRANT	CFDA NUMBER	PASS- THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD
Defense, U. S. Department of Direct			
Department of the U. S. Air force			
R.O.T.C. Program - Air Force			\$ 62,149.42
Department of the U. S. Army			
R.O.T.C. Program - Army			<u>160,118.62</u>
Total Department of Defense			<u>\$ 222,268.04</u>
Total Federal Financial Assistance			<u><u>\$ 28,680,329.62</u></u>

N/A = Not Available

Notes to the Schedule of Expenditures of Federal Awards

- (1) Includes the Federally assigned value of donated commodities for the Food Donation Program in the amount of \$429,335.13.
- (2) Expenditures for the funds earned on the School Breakfast Program (\$1,245,370.78) were not maintained separately and are included in the 2011 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, 2011

SCHEDULE "7"

AGENCY/FUNDING	GOVERNMENTAL FUND TYPES		TOTAL
	GENERAL FUND	CAPITAL PROJECTS FUND	
GRANTS			
Education, Georgia Department of			
Quality Basic Education			
Direct Instructional Cost			
Kindergarten Program	\$ 10,383,417.59		\$ 10,383,417.59
Kindergarten Program - Early Intervention Program	95,515.00		95,515.00
Primary Grades (1-3) Program	22,982,214.41		22,982,214.41
Primary Grades - Early Intervention (1-3) Program	1,355,869.00		1,355,869.00
Upper Elementary Grades (4-5) Program	10,559,669.00		10,559,669.00
Upper Elementary Grades - Early Prevention (4-5) Program	1,405,126.00		1,405,126.00
Middle Grades (6-8) Program	18,357,454.00		18,357,454.00
High School General Education (9-12) Program	15,801,284.00		15,801,284.00
Vocational Laboratory (9-12) Program	4,943,549.00		4,943,549.00
Students with Disabilities	18,103,100.00		18,103,100.00
Gifted Student - Category VI	2,781,311.00		2,781,311.00
Remedial Education Program	775,012.00		775,012.00
Alternative Education Program	1,444,682.00		1,444,682.00
English Speakers of Other Languages (ESOL)	468,758.00		468,758.00
Media Center Program	3,061,469.00		3,061,469.00
20 Days Additional Instruction	958,530.00		958,530.00
Staff and Professional Development	580,195.00		580,195.00
Indirect Cost			
Central Administration	2,805,267.00		2,805,267.00
School Administration	5,636,060.00		5,636,060.00
Facility Maintenance and Operation	7,403,567.00		7,403,567.00
Categorical Grants			
Pupil Transportation			
Regular	1,421,099.00		1,421,099.00
State Bonds	457,752.00		457,752.00
Nursing Services	412,708.00		412,708.00
Education Equalization Funding Grant	17,276,058.00		17,276,058.00
Food Services	392,426.00		392,426.00
Vocational Education	554,202.41		554,202.41
Amended Formula Adjustment	-18,943,395.00		-18,943,395.00
Other State Programs			
Dual Enrollment	3,169.00		3,169.00
Health Insurance	385,865.89		385,865.89
Math and Science Supplements	126,831.60		126,831.60
Move On When Ready	1,669.00		1,669.00
Preschool Handicapped Program	322,480.00		322,480.00
Residential Treatment Centers Grant	96,096.00		96,096.00
Teachers' Retirement	94,948.65		94,948.65
Virtual School State Grant	225.00		225.00
Georgia State Financing and Investment Commission			
Reimbursement on Construction Projects		\$ 2,557,081.60	2,557,081.60
Office of State Treasurer			
Public School Employees Retirement	124,461.00		124,461.00
CONTRACT			
Human Resources, Georgia Department of			
Family Connection	41,922.06		41,922.06
	<u>\$ 132,670,567.61</u>	<u>\$ 2,557,081.60</u>	<u>\$ 135,227,649.21</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, 2011

SCHEDULE "8"

PROJECT (SPLOST III)	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3) (4)	AMOUNT EXPENDED IN PRIOR YEARS (3) (4)	PROJECT STATUS (5)
(i) Acquisition, construction, and equipping of two new elementary schools, one new middle school, and one new high school	\$ 96,398,858.00	\$ 87,190,104.00	\$ 0.00	\$ 87,190,104.00	Completed
(ii) Renovation, completion, construction and expansion of new and existing school facilities	27,826,284.00	19,170,210.00		19,170,210.00	Completed
(iii) Acquisition of any property necessary or desirable therefore, both real and personal	3,235,630.00				Completed
(iv) Payment of a portion of principal and interest on the School District's outstanding general obligation bonds coming due August 1, 2006 through and including February 1, 2011	3,500,000.00	1,338,992.00			Ongoing
PROJECT (SPLOST IV)					
(v) Paying a portion of the principal and interest on the School District's outstanding General Obligation Bonds, Series 1995, Series 2003, Series 2007, and Series 2008 coming due February 1, 2012 through and including August 1, 2016, in the maximum amount of \$54,537,249.50	54,537,249.50	54,537,249.50			Ongoing
(vi)(a) Financing capital outlays for the maintenance, renovation, completion, construction, and expansion of new and existing school facilities and (b) acquiring any property necessary or desirable therefore, both real and personal, the maximum cost of such projects not to exceed \$35,462,750.50	<u>35,462,750.50</u>	<u>35,462,750.50</u>			Ongoing
	<u>\$ 220,960,772.00</u>	<u>\$ 197,699,306.00</u>	<u>\$ 0.00</u>	<u>\$ 106,360,314.00</u>	

- (1) The School District's original cost estimate as specified in the SPLOST III resolution calling for the imposition of the Local Option Sales Tax is \$90,000,000.00. The Local Option Sales Tax is estimated to contribute \$59,000,000.00 of the total projected cost. The original estimated cost reported in prior year financial statements of \$90,000,000.00 was adjusted by \$40,960,772.00 in order to include all costs of the projects, which includes state, local property taxes and/or other funds omitted from the balance reported in the prior year.
- (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 includes sales tax proceeds, state, local property taxes and/or other funds over the life of the projects.
- (4) In addition to the expenditures shown above, the School District has incurred interest to provide advance funding for the above projects as follows:

Prior Years	\$ 10,683,114.58
Current Year	<u>862,050.00</u>
Total	<u>\$ 11,545,164.58</u>

- (5) Project (i) was completed in June 2010 with total actual expenditures of \$87,190,104. The original estimated cost was \$96,398,858. Due to the decrease in Sales Tax revenues collected, the construction of two elementary schools was removed from this plan estimated at \$22 million. The cost for the remaining schools was underestimated by \$13 million.

Project (ii) was completed in June 2010 with total actual expenditures of \$19,170,210. The original estimated cost was \$27,826,284. Due to the decrease in Sales Tax revenues collected, maintenance projects of \$8 million were removed from this plan.

Project (iii) was removed from this plan due to the decrease in Sales Tax revenues collected.

Project (iv) will remain ongoing until the completion of the SPLOST period. Any funds in excess of the General Obligation Bond payments will be used to finance capital outlays as described in (vi)(a).

See notes to the basic financial statements.

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PAULDING COUNTY BOARD OF EDUCATION
 GENERAL FUND - QUALITY BASIC EDUCATION PROGRAM (QBE)
 ALLOTMENTS AND EXPENDITURES - BY PROGRAM
 YEAR ENDED JUNE 30, 2011

SCHEDULE "9"

DESCRIPTION	ALLOTMENTS FROM GEORGIA DEPARTMENT OF EDUCATION (1) (2)	ELIGIBLE QBE PROGRAM COSTS		
		SALARIES	OPERATIONS	TOTAL
Direct Instructional Programs				
Kindergarten Program	\$ 10,901,925.00	\$ 7,444,519.28	\$ 68,626.88	\$ 7,513,146.16
Kindergarten Program-Early Intervention Program	150,086.00	243,556.34	603.77	244,160.11
Primary Grades (1-3) Program	24,810,727.00	20,652,780.81	448,774.64	21,101,555.45
Primary Grades-Early Intervention (1-3) Program	1,606,917.00	1,631,504.81	4,853.78	1,636,358.59
Upper Elementary Grades (4-5) Program	12,073,177.00	12,355,286.70	133,754.74	12,489,041.44
Upper Elementary Grades-Early Intervention (4-5) Program	1,621,475.00	1,200,542.11	4,531.20	1,205,073.31
Middle School (6-8) Program	20,929,191.00	20,840,919.35	312,247.32	21,153,166.67
High School General Education (9-12) Program	18,054,657.00	19,726,558.65	839,409.09	20,565,967.74
Vocational Laboratory (9-12) Program	5,647,975.00	3,693,902.84	432,904.52	4,126,807.36
Students with Disabilities	20,641,329.00			
Category I			49,312.80	49,312.80
Category II		1,496,572.07	6,263.55	1,502,835.62
Category III		16,565,971.59	421,104.87	16,987,076.46
Category IV		277,623.86	13,282.85	290,906.71
Category V			15,533.07	15,533.07
Gifted Student - Category VI	3,186,666.00	2,472,712.80	31,294.29	2,504,007.09
Remedial Education Program	907,350.00		2,961.54	2,961.54
Alternative Education Program	1,648,282.00	341,482.17		341,482.17
English Speakers of Other Languages (ESOL)	539,558.00	1,078,443.12	17,893.31	1,096,336.43
TOTAL DIRECT INSTRUCTIONAL PROGRAMS	\$ 122,719,315.00	\$ 110,022,376.50	\$ 2,803,352.22	\$ 112,825,728.72
Media Center Program	3,508,580.00	3,438,044.93	372,575.75	3,810,620.68
Staff and Professional Development	668,046.00	269,439.22		269,439.22
TOTAL QBE FORMULA FUNDS	\$ 126,895,941.00	\$ 113,729,860.65	\$ 3,175,927.97	\$ 116,905,788.62

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

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

See notes to the basic financial statements.

SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS



DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

February 21, 2012

Honorable Nathan Deal, 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 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Paulding County Board of Education as of and for the year ended June 30, 2011, which collectively comprise Paulding County Board of Education's basic financial statements and have issued our report thereon dated February 21, 2012. 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

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

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


Compliance and Other Matters

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

We noted a certain matter that we have reported to management of Paulding County Board of Education in a separate letter dated February 21, 2012.

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 that reads "Russell W. Hinton". The signature is stylized with a large, sweeping initial "R" and a long, horizontal flourish at the end.

Russell W. Hinton, CPA, CGFM
State Auditor

RWH:as
2011YB-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

February 21, 2012

Honorable Nathan Deal, 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 REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE
A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Ladies and Gentlemen:

Compliance

We have audited Paulding County Board of Education's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2011. 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 compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

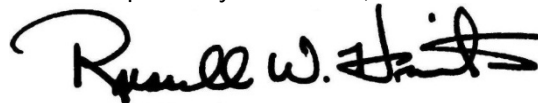
Management of Paulding County Board of Education is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Paulding County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

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

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

This report is intended solely for the information and use of management, members of the 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". The signature is stylized with a large initial "R" and a long horizontal stroke at the end.

Russell W. Hinton, CPA, CGFM
State Auditor

RWH:as
2011SA-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, 2011

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV

FINDINGS AND QUESTIONED COSTS

PAULDING COUNTY BOARD OF EDUCATION
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2011

I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issue: Governmental Activities; Discretely Presented Component Unit; General Fund; Capital Projects Fund; Debt Service Fund; Aggregate Remaining Fund Information	Unqualified
Internal control over financial reporting:	
▪ Material weakness identified?	No
▪ Significant deficiency identified?	None Reported
Noncompliance material to financial statements noted:	No

Federal Awards

Internal Control over major programs:									
▪ Material weakness identified?	No								
▪ Significant deficiency identified?	None Reported								
Type of auditor's report issued on compliance for major programs: All major programs	Unqualified								
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)?	No								
Identification of major programs:									
<table border="0" style="width: 100%;"> <thead> <tr> <th style="text-align: left;"><u>CFDA Numbers</u></th> <th style="text-align: left;"><u>Name of Federal Program or Cluster</u></th> </tr> </thead> <tbody> <tr> <td>10.553, 10.555</td> <td>Child Nutrition Cluster</td> </tr> <tr> <td>84.027, 84.173, 84.391, 84.392</td> <td>Special Education Cluster</td> </tr> <tr> <td>84.410</td> <td>Education Jobs Fund</td> </tr> </tbody> </table>	<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>	10.553, 10.555	Child Nutrition Cluster	84.027, 84.173, 84.391, 84.392	Special Education Cluster	84.410	Education Jobs Fund	
<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>								
10.553, 10.555	Child Nutrition Cluster								
84.027, 84.173, 84.391, 84.392	Special Education Cluster								
84.410	Education Jobs Fund								
Dollar threshold used to distinguish between Type A and Type B programs:	\$860,409.89								
Auditee qualified as low-risk auditee?	Yes								

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.