DOUGLAS COUNTY BOARD OF EDUCATION
DOUGLASVILLE, GEORGIA

REPORT ON AUDIT
OF THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

STATE OF GEORGIA

DEPARTMENT OF AUDITS AND ACCOUNTS

Russell W. Hinton
State Auditor
DOUGLAS COUNTY BOARD OF EDUCATION

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

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

Ladies and Gentlemen:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information (Exhibits A through H) of the Douglas County Board of Education, as of and for the year ended June 30, 2006, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Douglas County Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Douglas County Board of Education, as of June 30, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

2006ARL-11
In accordance with Government Auditing Standards, we have also issued our report dated April 19, 2007, on our consideration of the Douglas County Board of Education's internal control over financial reporting and 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 ix and page 31 respectively, are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Douglas County Board of Education's basic financial statements. The accompanying supplementary information which consist of Schedules 2 through 5, which includes the Schedule of Expenditures of Federal Awards as required by U. S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Respectfully submitted,

Russell W. Hinton, CPA, CGFM
State Auditor

RWH:gp
2006ARL-11
The discussion and analysis of the Douglas County Board of Education's financial performance provides an overall review of the Board's financial activities for the fiscal year ended June 30, 2006. 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.

Financial Highlights

Key financial highlights for fiscal year 2006 are as follows:

- In March of 2005, the citizens of Douglas County voted to approve the continuation of the existing special sales and use tax of one percent to raise up to $120.0 million over 20 calendar quarters, primarily to finance the acquisition, construction and equipping of new schools, classroom additions and renovations, and the purchase of land for future school sites. This tax will begin to be collected after the expiration of SPLOST II in December of 2006.

- In conjunction with the approval of SPLOST III, the citizens of Douglas County voted to issue general obligation bonds in the aggregate principal amount of $78,600,000. These bonds were issued in May 2005.

- Net assets increased $24.5 million, which represents a 16.7 percent increase from fiscal year 2005. This total increase was due to governmental activities since the Board has no business-type activities.

- General revenues accounted for $100.8 million in revenue or 47.1 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for $113.4 million or 52.9 percent of total revenues. Total revenues were $214.2 million.

- The Board had $189.7 million in expenses related to governmental activities; only $113.4 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues, primarily taxes, of $100.8 million were adequate to provide for these programs.

- Among major funds, the general fund had $180.1 million in revenues and $175.1 million in expenditures. The general fund's balance increased to $36.7 million from $33.3 million.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Douglas 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 whole Board, 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 with all other nonmajor funds presented in total in one column. In the case of the Douglas County Board of Education, the general fund is by far the most significant fund.

**Reporting the Board as a Whole**

*Statement of Net Assets and 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 2006?" 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.

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 2006 compared to fiscal year 2005.
Table 1
Net Assets
(in Thousands)

<table>
<thead>
<tr>
<th></th>
<th>Governmental Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Fiscal Year 2006</td>
</tr>
<tr>
<td><strong>Assets</strong></td>
<td></td>
</tr>
<tr>
<td>Current and Other Assets</td>
<td>$ 158,482</td>
</tr>
<tr>
<td>Capital Assets, Net</td>
<td>$ 170,411</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$ 328,893</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
</tr>
<tr>
<td>Current and Other Liabilities</td>
<td>$ 28,879</td>
</tr>
<tr>
<td>Long-Term Liabilities</td>
<td>$ 128,675</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>$ 157,554</td>
</tr>
<tr>
<td><strong>Net Assets</strong></td>
<td></td>
</tr>
<tr>
<td>Invested in Capital Assets, Net of Related Debt</td>
<td>$ 104,673</td>
</tr>
<tr>
<td>Restricted</td>
<td>$ 30,425</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>$ 36,241</td>
</tr>
<tr>
<td><strong>Total Net Assets</strong></td>
<td>$ 171,339</td>
</tr>
</tbody>
</table>

Total net assets increased $24.5 million.

Table 2 shows the changes in net assets for fiscal year 2006 compared to the changes in net assets for fiscal year 2005.
DOUGLAS COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Table 2
Change in Net Assets
(in Thousands)

<table>
<thead>
<tr>
<th>Governmental Activities</th>
<th>Fiscal Year 2006</th>
<th>Fiscal Year 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program Revenues:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charges for Services and Sales</td>
<td>$ 4,736</td>
<td>$ 4,478</td>
</tr>
<tr>
<td>Operating Grants and Contributions</td>
<td>104,776</td>
<td>90,192</td>
</tr>
<tr>
<td>Capital Grants and Contributions</td>
<td>3,914</td>
<td>2,258</td>
</tr>
<tr>
<td>Total Program Revenues</td>
<td>$ 113,426</td>
<td>$ 95,198</td>
</tr>
<tr>
<td>General Revenues:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property Taxes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>For Maintenance and Operations</td>
<td>$ 58,891</td>
<td>$ 54,688</td>
</tr>
<tr>
<td>For Debt Service</td>
<td>2,931</td>
<td>2,899</td>
</tr>
<tr>
<td>Railroad Cars</td>
<td></td>
<td>25</td>
</tr>
<tr>
<td>Sales Taxes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Special Purpose Local Option Sales Tax</td>
<td>22,999</td>
<td>15,143</td>
</tr>
<tr>
<td>For Debt Service</td>
<td></td>
<td></td>
</tr>
<tr>
<td>For Capital Projects</td>
<td>4,987</td>
<td></td>
</tr>
<tr>
<td>Intangible Recording Tax</td>
<td>1,322</td>
<td>2,069</td>
</tr>
<tr>
<td>Real Estate</td>
<td>751</td>
<td>649</td>
</tr>
<tr>
<td>Grants and Contributions not Restricted to Specific Programs</td>
<td>4,026</td>
<td>4,041</td>
</tr>
<tr>
<td>Investment Earnings</td>
<td>5,382</td>
<td>1,564</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>4,525</td>
<td>4,643</td>
</tr>
<tr>
<td>Total General Revenues</td>
<td>$ 100,827</td>
<td>$ 90,708</td>
</tr>
<tr>
<td>Total Revenues</td>
<td>$ 214,253</td>
<td>$ 185,906</td>
</tr>
</tbody>
</table>

Program Expenses

Instruction                    $ 119,693  $ 103,308
Support Services
  Pupil Services              4,251     3,577
  Improvement of Instructional Services 4,688    4,155
  Educational Media Services  3,854     3,406
  General Administration      3,373     2,442
  School Administration       11,865    9,969
  Business Administration     1,690     3,282
  Maintenance and Operation of Plant 11,210   10,207
  Student Transportation Services 8,103    6,403
  Central Support Services    3,469     2,772
  Other Support Services      950      971
Operations of Non-Instructional Services
  Enterprise Operations       1,012     895
  Food Services               9,970     8,757
  Interest on Short-Term and Long-Term Debt 5,612    3,017

Total Expenses                $ 189,740  $ 163,161
Increase in Net Assets        $ 24,513   $ 22,745
Governmental Activities

Instruction comprises 63.1 percent of governmental program expenses. Interest expense comprises 3.0 percent of governmental program expenses. Interest expense was attributable to the outstanding bonds for capital projects.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. 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)

<table>
<thead>
<tr>
<th></th>
<th>Total Cost of Services</th>
<th>Net Cost of Services</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Fiscal Year 2006</td>
<td>Fiscal Year 2005</td>
</tr>
<tr>
<td></td>
<td>Fiscal Year 2006</td>
<td>Fiscal Year 2005</td>
</tr>
<tr>
<td>Instruction</td>
<td>$119,693</td>
<td>$103,308</td>
</tr>
<tr>
<td>Support Services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pupil Services</td>
<td>4,251</td>
<td>3,577</td>
</tr>
<tr>
<td>Improvement of Instructional Services</td>
<td>4,688</td>
<td>4,155</td>
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<tr>
<td>Educational Media Services</td>
<td>3,854</td>
<td>3,406</td>
</tr>
<tr>
<td>General Administration</td>
<td>3,373</td>
<td>2,442</td>
</tr>
<tr>
<td>School Administration</td>
<td>11,865</td>
<td>9,969</td>
</tr>
<tr>
<td>Business Administration</td>
<td>1,690</td>
<td>3,282</td>
</tr>
<tr>
<td>Maintenance and Operation of Plant</td>
<td>11,210</td>
<td>10,207</td>
</tr>
<tr>
<td>Student Transportation Services</td>
<td>8,103</td>
<td>6,403</td>
</tr>
<tr>
<td>Central Support Services</td>
<td>3,469</td>
<td>2,772</td>
</tr>
<tr>
<td>Other Support Services</td>
<td>950</td>
<td>971</td>
</tr>
<tr>
<td>Operations of Non-Instructional Services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enterprise Operations</td>
<td>1,012</td>
<td>895</td>
</tr>
<tr>
<td>Food Services</td>
<td>9,970</td>
<td>8,757</td>
</tr>
<tr>
<td>Interest on Short-Term and Long-Term Debt</td>
<td>5,612</td>
<td>3,017</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>$189,740</td>
<td>$163,161</td>
</tr>
</tbody>
</table>

Although program revenues make up a majority of the revenues, the Board is still dependent upon tax revenues for governmental activities. Over 32.3 percent of instruction activities are supported through taxes and other general revenues; for all governmental activities general revenue support is 40.2 percent.

The Board's Funds

The Board's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues and other financing sources of $215.6 million and expenditures and other financing uses of $227.7 million. There was a decrease of $22.2 million in the capital projects fund expenditures primarily due to the amount of capital projects building and renovation activity in fiscal year 2006. This decrease is directly related to
the fiscal year 2005 issuance of bonds for capital projects. Debt service fund expenditures also increased $4.9 million in large part due to the prior year issuance of these bonds. The general fund had a fund balance increase of $3.4 million. The positive change in the fund balance of the general fund for the year indicates that the Board was able to meet current costs from current revenues. The Board has one Nonmajor Governmental Fund which is used to account for the Perpetual Trust of Winston Elementary. The corpus of this trust is invested in stocks, which fluctuates in value according to market conditions. The corpus of this trust may not be spent; however, interest earned may be used to fund approved projects at Winston Elementary School.

**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 2006, the Board did not amend its general fund budget. 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 actual revenues of $180.1 million exceeded the budgeted amount by $24.4 million. This excess was related primarily to additional State funds received at mid-term due to student growth and the inclusion in our financial statements of the actual amounts of school activity revenue accounts which were not included in our budgeted amounts.

The actual expenditures of $175.1 million for the General Fund exceeded the budgeted amount by $8.8 million. This was due to the additional expenditures related to student growth, capital projects, and the inclusion in our financial statements of the actual amounts of school activity expenditure accounts which were not included in our budgeted amounts.

General Fund revenues exceeded expenditures by $5.0 million. The Board has made a concerted effort to raise fund balance in anticipation of future needs, continued decline in State funding, and continued student growth. This result is evidence of their work.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2006, the Board had $170.4 million invested in capital assets, all in governmental activities. Table 4 shows fiscal year 2006 balances compared with fiscal year 2005 balances.
Table 4
Capital Assets
(Net of Depreciation, in Thousands)

<table>
<thead>
<tr>
<th>Governmental Activities</th>
<th>Fiscal Year 2006</th>
<th>Fiscal Year 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$26,319</td>
<td>$22,677</td>
</tr>
<tr>
<td>Construction in Progress</td>
<td>19,208</td>
<td>1,172</td>
</tr>
<tr>
<td>Buildings and Building Improvements</td>
<td>108,895</td>
<td>109,346</td>
</tr>
<tr>
<td>Equipment</td>
<td>13,240</td>
<td>14,202</td>
</tr>
<tr>
<td>Land Improvements</td>
<td>2,749</td>
<td>2,910</td>
</tr>
<tr>
<td>Total</td>
<td>$170,411</td>
<td>$150,307</td>
</tr>
</tbody>
</table>

Due to the ongoing growth in the county, the Board continues to have numerous construction projects including new buildings, additions and renovations.

Debt

At June 30, 2006, the Board had $123.7 million in bonds outstanding with $17.7 million due within one year. Table 5 shows fiscal year 2006 balances compared with fiscal year 2005 balances.

Table 5
Debt at June 30
(in Thousands)

<table>
<thead>
<tr>
<th>Governmental Activities</th>
<th>Fiscal Year 2006</th>
<th>Fiscal Year 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Obligation Bonds</td>
<td>$123,740</td>
<td>$138,795</td>
</tr>
</tbody>
</table>

Current Issues

The Douglas County School System is financially stable. The School System's current operating millage is 19.4, which produces approximately $3.5 million per mill. Douglas County, and the Douglas County School System, appears to be recovering from economic setbacks suffered in prior years, in line with the state and national economy. The tax digest for Douglas County grew more than 9% between 2005 and 2006. Additionally, in recent months, sales tax collections have improved. Capital projects are being evaluated and re-prioritized in light of available revenue and current needs. On March 20, 2007, the voters of Douglas County approved an issuance of general obligation bonds in the amount of $150.55 million for the purposes of providing funds for construction of new educational facilities, additional classrooms, school buses, technology.
and other infrastructure improvements and equipment. The county's economic outlook continues to be healthy. From all indications, the State of Georgia will continue to impose formula reductions across the State, and continue to impose restrictions on maximum class sizes without fully funding the teachers needed to meet these requirements. The continuing population growth is expected to be reflected in school system enrollment growth for several years to come, and is a significant factor in the Board's annual budget and planning processes. Despite these challenges, the School System's management and Board are committed to continue to effectively and prudently manage the available resources to provide quality educational opportunities for all of the School System's students.

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 Kay R. Turner, CPA, Chief Financial Officer at the Douglas County Board of Education, 9030 Highway 5, Douglasville, Georgia 30134. You may also email your questions to kay_turner@douglas.k12.ga.us.
# Douglas County Board of Education
## Statement of Net Assets
### June 30, 2006

### Assets

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Cash Equivalents</td>
<td>$44,288,908</td>
</tr>
<tr>
<td>Investments</td>
<td>$92,041,465</td>
</tr>
<tr>
<td>Accounts Receivable, Net</td>
<td></td>
</tr>
<tr>
<td>Taxes</td>
<td>$5,337,551</td>
</tr>
<tr>
<td>State Government</td>
<td>$12,040,262</td>
</tr>
<tr>
<td>Federal Government</td>
<td>$3,418,390</td>
</tr>
<tr>
<td>Other</td>
<td>$239,370</td>
</tr>
<tr>
<td>Prepaid Items</td>
<td>$2,183</td>
</tr>
<tr>
<td>Inventories</td>
<td>$1,114,007</td>
</tr>
<tr>
<td>Capital Assets</td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>$26,319,012</td>
</tr>
<tr>
<td>Construction in Progress</td>
<td>$19,208,138</td>
</tr>
<tr>
<td>Land Improvements</td>
<td>$3,230,775</td>
</tr>
<tr>
<td>Buildings</td>
<td>$144,154,508</td>
</tr>
<tr>
<td>Equipment</td>
<td>$31,864,888</td>
</tr>
<tr>
<td>Less: Accumulated Depreciation</td>
<td></td>
</tr>
</tbody>
</table>

**Total Assets**

<table>
<thead>
<tr>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>$328,893,228</td>
</tr>
</tbody>
</table>

### Liabilities

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Payable</td>
<td>$9,415,577</td>
</tr>
<tr>
<td>Salaries Payable</td>
<td>$14,855,072</td>
</tr>
<tr>
<td>Contracts Payable</td>
<td>$3,015,216</td>
</tr>
<tr>
<td>Retainages Payable</td>
<td>$1,593,679</td>
</tr>
<tr>
<td>Long-Term Liabilities</td>
<td></td>
</tr>
<tr>
<td>Due Within One Year</td>
<td>$18,069,603</td>
</tr>
<tr>
<td>Due in More Than One Year</td>
<td>$110,605,250</td>
</tr>
</tbody>
</table>

**Total Liabilities**

<table>
<thead>
<tr>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>$157,554,397</td>
</tr>
</tbody>
</table>

### Net Assets

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Invested in Capital Assets, Net of Related Debt</td>
<td>$104,673,005</td>
</tr>
<tr>
<td>Restricted for</td>
<td></td>
</tr>
<tr>
<td>Continuation of Federal Programs</td>
<td>$1,774,117</td>
</tr>
<tr>
<td>Debt Service</td>
<td>$19,661,800</td>
</tr>
<tr>
<td>Capital Projects</td>
<td>$8,942,278</td>
</tr>
<tr>
<td>Permanent Funds</td>
<td>$47,000</td>
</tr>
<tr>
<td>Unrestricted</td>
<td></td>
</tr>
<tr>
<td>Total Net Assets</td>
<td></td>
</tr>
</tbody>
</table>

**Total Net Assets**

<table>
<thead>
<tr>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>$171,338,831</td>
</tr>
</tbody>
</table>

**Total Liabilities and Net Assets**

<table>
<thead>
<tr>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>$328,893,228</td>
</tr>
</tbody>
</table>

The notes to the basic financial statements are an integral part of this statement.
DOUGLAS COUNTY BOARD OF EDUCATION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2006  

<table>
<thead>
<tr>
<th></th>
<th>EXPENSES</th>
<th>CHARGES FOR SERVICES</th>
</tr>
</thead>
<tbody>
<tr>
<td>GOVERNMENTAL ACTIVITIES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Instruction</td>
<td>$115,693,370</td>
<td>$290,803</td>
</tr>
<tr>
<td>Support Services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pupil Services</td>
<td>4,251,039</td>
<td></td>
</tr>
<tr>
<td>Improvement of Instructional Services</td>
<td>4,687,542</td>
<td></td>
</tr>
<tr>
<td>Educational Media Services</td>
<td>3,853,784</td>
<td></td>
</tr>
<tr>
<td>General Administration</td>
<td>3,372,781</td>
<td></td>
</tr>
<tr>
<td>School Administration</td>
<td>11,864,568</td>
<td></td>
</tr>
<tr>
<td>Business Administration</td>
<td>1,689,706</td>
<td></td>
</tr>
<tr>
<td>Maintenance and Operation of Plant</td>
<td>11,210,057</td>
<td></td>
</tr>
<tr>
<td>Student Transportation Services</td>
<td>6,102,668</td>
<td></td>
</tr>
<tr>
<td>Central Support Services</td>
<td>3,469,027</td>
<td></td>
</tr>
<tr>
<td>Other Support Services</td>
<td>950,315</td>
<td></td>
</tr>
<tr>
<td>Operations of Non-Instructional Services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enterprise Operations</td>
<td>1,012,471</td>
<td>791,435</td>
</tr>
<tr>
<td>Food Services</td>
<td>9,970,301</td>
<td>3,653,557</td>
</tr>
<tr>
<td>Interest on Short-Term and Long-Term Debt</td>
<td>5,612,184</td>
<td></td>
</tr>
<tr>
<td><strong>Total Governmental Activities</strong></td>
<td><strong>$186,739,813</strong></td>
<td><strong>$4,735,795</strong></td>
</tr>
</tbody>
</table>

General Revenues  
Taxes  
Property Taxes  
For Maintenance and Operations  
For Debt Services  
Sales Taxes  
Special Purpose Local Option Sales Tax  
For Debt Services  
Intangible Recording Tax  
Real Estate  
Grants and Contributions not Restricted to Specific Programs  
Investment Earnings  
Miscellaneous  

Total General Revenues  

Change in Net Assets  

Net Assets - Beginning of Year  

Net Assets - End of Year  

The notes to the basic financial statements are an integral part of this statement.
<table>
<thead>
<tr>
<th>PROGRAM REVENUES</th>
<th>NET (EXPENSES)</th>
</tr>
</thead>
<tbody>
<tr>
<td>OPERATING</td>
<td>CAPITAL</td>
</tr>
<tr>
<td>GRANTS AND</td>
<td>GRANTS AND</td>
</tr>
<tr>
<td>CONTRIBUTIONS</td>
<td>CONTRIBUTIONS</td>
</tr>
<tr>
<td>$ 77,802,874</td>
<td>$ 2,934,856</td>
</tr>
<tr>
<td>1,165,914</td>
<td></td>
</tr>
<tr>
<td>2,581,578</td>
<td></td>
</tr>
<tr>
<td>2,021,987</td>
<td>87,125</td>
</tr>
<tr>
<td>1,045,073</td>
<td>350,543</td>
</tr>
<tr>
<td>4,410,494</td>
<td></td>
</tr>
<tr>
<td>207,535</td>
<td></td>
</tr>
<tr>
<td>5,834,879</td>
<td>27,906</td>
</tr>
<tr>
<td>2,281,209</td>
<td>295,934</td>
</tr>
<tr>
<td>617,498</td>
<td></td>
</tr>
<tr>
<td>271,730</td>
<td></td>
</tr>
<tr>
<td>6,535,818</td>
<td>217,346</td>
</tr>
<tr>
<td>104,776,589</td>
<td>3,913,710</td>
</tr>
<tr>
<td>$ 58,890,950</td>
<td></td>
</tr>
<tr>
<td>2,931,280</td>
<td></td>
</tr>
<tr>
<td>$ 22,998,548</td>
<td>1,321,806</td>
</tr>
<tr>
<td>750,721</td>
<td>4,026,330</td>
</tr>
<tr>
<td>5,382,214</td>
<td>4,525,193</td>
</tr>
<tr>
<td>$ 100,827,042</td>
<td></td>
</tr>
<tr>
<td>$ 24,513,323</td>
<td></td>
</tr>
<tr>
<td>146,825,598</td>
<td></td>
</tr>
<tr>
<td>$ 171,338,831</td>
<td></td>
</tr>
</tbody>
</table>
DOUGLAS COUNTY BOARD OF EDUCATION  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2006

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>GENERAL FUND</th>
<th>DISTRICT-WIDE CAPITAL PROJECTS FUND</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Cash Equivalents</td>
<td>40,819,016</td>
<td>8,107</td>
</tr>
<tr>
<td>Investments</td>
<td>3,293,017</td>
<td>72,428,466</td>
</tr>
<tr>
<td>Accounts Receivable, Net Taxes</td>
<td></td>
<td>4,062,196</td>
</tr>
<tr>
<td>State Government</td>
<td>12,040,262</td>
<td></td>
</tr>
<tr>
<td>Federal Government</td>
<td>3,418,390</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>239,370</td>
<td></td>
</tr>
<tr>
<td>Prepaid Items Inventories</td>
<td>1,114,007</td>
<td>2,183</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>$ 60,924,062</strong></td>
<td><strong>$ 76,500,952</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES AND FUND BALANCES</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES</th>
<th>GENERAL FUND</th>
<th>DISTRICT-WIDE CAPITAL PROJECTS FUND</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Payable</td>
<td>9,412,126</td>
<td>2,169</td>
</tr>
<tr>
<td>Salaries Payable</td>
<td>14,844,228</td>
<td>10,844</td>
</tr>
<tr>
<td>Contracts Payable</td>
<td></td>
<td>3,015,216</td>
</tr>
<tr>
<td>Retainages Payable</td>
<td></td>
<td>1,593,679</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>$ 24,256,354</strong></td>
<td><strong>$ 4,621,908</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FUND BALANCES</th>
</tr>
</thead>
</table>

Reserved for:
- Continuation of Federal Programs | $ 1,173,277 |
- Debt Service |
- Inventories | 1,114,007 |
- Capital Projects | 71,879,044 |
- Permanent Funds |

Unreserved
- Designated for Capital Construction | 500,000 |
- Designated for Charter Technical School | 4,000,000 |
- Designated for Self-Insurance | 308,979 |
- Designated for Technology | 500,000 |
- Designated for Textbooks | 1,750,000 |
- Designated for Vehicle Equipment | 120,000 |
- Undesignated Reported in: General Fund |
- Permanent Fund | 27,201,445 |
| **Total Fund Balances** | **$ 36,667,708** | **$ 71,879,044** |

**Total Liabilities and Fund Balances**

<table>
<thead>
<tr>
<th>GENERAL FUND</th>
<th>DISTRICT-WIDE CAPITAL PROJECTS FUND</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>$ 60,924,062</strong></td>
<td><strong>$ 76,500,952</strong></td>
</tr>
</tbody>
</table>

The notes to the basic financial statements are an integral part of this statement.
<table>
<thead>
<tr>
<th>DEBT SERVICE FUND</th>
<th>NONMAJOR GOVERNMENTAL FUND</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 3,461,785</td>
<td>$ 44,288,908</td>
<td>$ 54,750,693</td>
</tr>
<tr>
<td>16,264,319 $</td>
<td>55,663 $</td>
<td>12,041,465</td>
</tr>
<tr>
<td></td>
<td>4,062,196 $</td>
<td>4,062,196</td>
</tr>
<tr>
<td></td>
<td>12,040,262 $</td>
<td>12,040,262</td>
</tr>
<tr>
<td></td>
<td>3,418,390 $</td>
<td>3,418,390</td>
</tr>
<tr>
<td></td>
<td>239,370 $</td>
<td>239,370</td>
</tr>
<tr>
<td></td>
<td>2,183 $</td>
<td>2,183</td>
</tr>
<tr>
<td></td>
<td>1,114,007 $</td>
<td>1,114,007</td>
</tr>
</tbody>
</table>

| $ 19,728,104 $    | 55,663 $                    | 157,206,781 |

| $ 1,282 $         | 9,415,577 $                 | 9,416,859 |
|                   | 14,855,072 $                | 14,855,072 |
|                   | 3,015,216 $                 | 3,015,216 |
|                   | 1,593,679 $                 | 1,593,679 |
| $ 1,282 $         | 28,879,544 $                | 28,880,826 |

| $ 19,724,822 $    | 1,173,277 $                 | 19,908,100 |
|                   | 19,724,822 $                | 19,724,822 |
|                   | 1,114,007 $                 | 1,114,007 |
|                   | 71,879,044 $                | 71,879,044 |
|                   | 47,000 $                    | 47,000 |
|                   | 500,000 $                   | 500,000 |
|                   | 4,000,000 $                 | 4,000,000 |
|                   | 308,979 $                   | 308,979 |
|                   | 500,000 $                   | 500,000 |
|                   | 1,750,000 $                 | 1,750,000 |
|                   | 120,000 $                   | 120,000 |
|                   | 27,201,445 $                | 27,201,445 |
|                   | 8,663 $                     | 8,663 |
| $ 19,724,822 $    | 55,663 $                    | 128,327,237 |

| $ 19,726,104 $    | 55,663 $                    | 157,206,781 |
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Douglas County Board of Education
Reconciliation of the Governmental Funds Balance Sheet
To the Statement of Net Assets
June 30, 2006

Total Fund Balances - Governmental Funds (Exhibit "C") $128,327,237

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 $26,319,012
- Construction in Progress 19,208,138
- Land Improvements 3,230,775
- Buildings 144,154,508
- Equipment 31,864,888
- Accumulated Depreciation -54,366,229
- Total Capital Assets 170,411,092

Some of the School District's property tax revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures. 1,275,355

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 $-123,740,000
- Unamortized Bond Premiums -4,934,853
- Total Long-Term Liabilities -128,674,853

Net Assets of Governmental Activities (Exhibit "A") $171,338,831

The notes to the basic financial statements are an integral part of this statement.
DOUGLAS COUNTY BOARD OF EDUCATION  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2006

<table>
<thead>
<tr>
<th></th>
<th>GENERAL FUND</th>
<th>DISTRICT-WIDE CAPITAL PROJECTS FUND</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property Taxes</td>
<td>$ 57,880,026</td>
<td></td>
</tr>
<tr>
<td>Sales Taxes</td>
<td>1,980,233</td>
<td></td>
</tr>
<tr>
<td>State Funds</td>
<td>91,524,851</td>
<td>$ 3,617,776</td>
</tr>
<tr>
<td>Federal Funds</td>
<td>17,486,815</td>
<td></td>
</tr>
<tr>
<td>Charges for Services</td>
<td>4,735,795</td>
<td></td>
</tr>
<tr>
<td>Investment Earnings</td>
<td>1,839,701</td>
<td>2,822,095</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>4,612,380</td>
<td></td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>$ 180,059,803</td>
<td>$ 6,439,871</td>
</tr>
</tbody>
</table>

|                          |              |                                     |
| **EXPENDITURES**         |              |                                     |
| Current                  |              |                                     |
| Instruction              | $ 109,087,040|                                     |
| Support Services         |              |                                     |
| Pupil Services           | 5,060,322    |                                     |
| Improvement of Instructional Services | 4,687,542 |                                     |
| Educational Media Services | 3,537,284 |                                     |
| General Administration   | 2,099,351    |                                     |
| School Administration    | 11,864,568   |                                     |
| Business Administration  | 2,019,695    | $ 20,000                            |
| Maintenance and Operation of Plant | 13,678,525 |                                     |
| Student Transportation Services | 7,864,951 |                                     |
| Central Support Services | 3,771,712    |                                     |
| Other Support Services   | 950,315      |                                     |
| Enterprise Operations    | 1,012,471    |                                     |
| Food Services Operation  | 9,432,942    |                                     |
| Capital Outlay           |              | 29,494,956                          |
| Debt Services            |              |                                     |
| Principal                |              |                                     |
| Interest                 |              |                                     |

|                          |              |                                     |
| **Total Expenditures**   | $ 175,066,718| $ 29,514,956                        |
| **Excess of Revenues over (under) Expenditures** | $ 4,993,085 | $ -23,075,085                      |

|                          |              |                                     |
| **OTHER FINANCING SOURCES (USES)** |          |                                     |
| Transfers In             |              | $ 1,612,418                         |
| Transfers Out            | $ -1,612,418 | $ -787,460                          |
| **Total Other Financing Sources (Uses)** | $ -1,612,418 | $ 824,958                        |
| Net Change in Fund Balances | $ 3,380,667 | $ -22,250,127                      |
| Fund Balances - Beginning |              | 33,287,041                          |
| Fund Balances - Ending   |              | $ 36,667,708                        |

The notes to the basic financial statements are an integral part of this statement.
<table>
<thead>
<tr>
<th>DEBT SERVICE FUND</th>
<th>NONMAJOR GOVERNMENTAL FUND</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 2,880,788</td>
<td>$ 60,760,816</td>
<td></td>
</tr>
<tr>
<td>23,090,842</td>
<td>25,071,075</td>
<td></td>
</tr>
<tr>
<td></td>
<td>95,142,627</td>
<td></td>
</tr>
<tr>
<td></td>
<td>17,486,815</td>
<td></td>
</tr>
<tr>
<td></td>
<td>4,735,795</td>
<td></td>
</tr>
<tr>
<td>721,047 $</td>
<td>-629</td>
<td>5,382,214</td>
</tr>
<tr>
<td></td>
<td></td>
<td>4,812,380</td>
</tr>
<tr>
<td>$ 26,692,677</td>
<td>$ -629</td>
<td>$ 213,191,722</td>
</tr>
</tbody>
</table>

| $                    | 0 $                       | 109,087,040 |
| $ 4,623             | 5,060,322                 |           |
|                    | 4,687,542                 |           |
|                    | 3,537,284                 |           |
|                    | 2,099,351                 |           |
|                    | 11,864,568                |           |
| $ 15,055,000        | 15,055,000                |           |
| 5,612,184           | 5,612,184                 |           |
| $ 20,671,807        | $ 0                       | $ 225,253,481 |
| $ 6,020,870         | $ -629                    | $ -12,061,759 |

| $ 787,460           | $ 2,399,878               |         |
|                    | -2,399,878                |         |
| $ 787,460           | $ 0                       |         |
| $ 6,808,330         | $ -629                    | $ -12,061,759 |
| 12,916,492          | 56,292                    | 140,388,996 |

| $ 19,724,822        | $ 55,663                  | $ 128,327,237 |
Total Net Change in Fund Balances - Governmental Funds (Exhibit "E")  $ -12,061,759

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

Capital Outlays are reported as expenditures in Governmental Funds. However, in the Statement of Activities, the cost of Capital Assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Outlay</td>
<td>$ 27,177,026</td>
</tr>
<tr>
<td>Depreciation Expense</td>
<td>-7,072,970</td>
</tr>
<tr>
<td>Excess of Capital Outlay over Depreciation Expense</td>
<td>20,104,056</td>
</tr>
</tbody>
</table>

Because some property taxes will not be collected for several months after the School District's fiscal year ends, they are not considered "available" revenues.  1,061,414

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:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bond Principal Retirements</td>
<td>15,055,000</td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amortization of Bond Premium</td>
<td>354,812</td>
</tr>
</tbody>
</table>

Change in Net Assets of Governmental Activities (Exhibit "B") $ 24,513,323

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

Cash and Cash Equivalents  

$313,524

## LIABILITIES

Funds Held for Others  

$313,524

The notes to the basic financial statements are an integral part of this statement.
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Note 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

REPORTING ENTITY

The Douglas County Board of Education (School District) was established under the laws of the State of Georgia and operates under the guidance of a school board elected by the voters and a Superintendent appointed by the Board. The Board is organized as a separate legal entity and has the power to levy taxes and issue bonds. Its budget is not subject to approval by any other entity. Accordingly, the School District is a primary government and consists of all the organizations that compose its legal entity.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

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

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

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

- Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expenses (expenses of the School District related to the administration and support of the School District's programs, such as office and maintenance personnel and accounting) are not allocated to programs.

- Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:
The fund financial statements provide information about the School District's funds, including fiduciary funds. Eliminations have been made to minimize the double counting of internal activities. Separate statements for each category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.
Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The School District reports the following major governmental funds:

- General Fund is the School District's primary operating fund. It accounts for all financial resources of the School District, except those resources required to be accounted for in another fund.

- District-wide Capital Projects Fund accounts for financial resources including Special Purpose Local Option Sales Tax (SPLOST) and Bond Proceeds 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, governments, or individuals.

BASIS OF ACCOUNTING

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

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. Property taxes, sales taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and claims and
Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

judgments, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

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

CASH AND CASH EQUIVALENTS

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

INVESTMENTS

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

(1) Obligations issued by the State of Georgia or by other states,

(2) Obligations issued by the United States government,

(3) Obligations fully insured or guaranteed by the United States government or a United States government agency,

(4) Obligations of any corporation of the United States government,

(5) Prime banker's acceptances,
Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(6) The Local Government Investment Pool administered by the State of Georgia, Office of Treasury and Fiscal Services,

(7) Repurchase agreements, and

(8) Obligations of other political subdivisions of the State of Georgia.

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

RECEIVABLES

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

PROPERTY TAXES

The Douglas County Board of Commissioners fixed the property tax levy for the 2005 tax digest year (calendar year) on September 23, 2005 (levy date). Taxes were due on November 23, 2005 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2005 tax digest are reported as revenue in the governmental funds for fiscal year 2006. The Douglas County Tax Commissioner bills and collects the property taxes for the School District, withholds 1% 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, 2006, for maintenance and operations amounted to $57,880,028 and for school bonds amounted to $2,880,788.

Tax millage rates levied for the 2005 tax year (calendar year) for the Douglas County Board of Education were as follows (a mill equals $1 per thousand dollars of assessed value):

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>School Operations</td>
<td>18.4</td>
</tr>
<tr>
<td>School Bonds</td>
<td>.9</td>
</tr>
<tr>
<td></td>
<td>19.3</td>
</tr>
</tbody>
</table>
Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

SALES TAXES

Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to $22,998,548 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

INVENTORIES

CONSUMABLE SUPPLIES
On the basic financial statements, consumable supplies are reported at cost (first-in, first-out). The School District uses the consumption method to account for the consumable supplies inventory whereby an asset is recorded when supplies are purchased and expenses are recorded at the time the supplies are consumed.

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

PREPAID ITEMS

Payments made to vendors for services that will benefit periods subsequent to June 30, 2006, 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.

Capitalization thresholds and estimated useful lives of capital assets reported in the District-wide statements are as follows:
Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

<table>
<thead>
<tr>
<th></th>
<th>Capitalization Policy</th>
<th>Estimated Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>All</td>
<td>N/A</td>
</tr>
<tr>
<td>Land Improvements</td>
<td>$10,000</td>
<td>20 years</td>
</tr>
<tr>
<td>Buildings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Temporary</td>
<td>$10,000</td>
<td>25 years</td>
</tr>
<tr>
<td>Permanent</td>
<td>$50,000</td>
<td>50 years</td>
</tr>
<tr>
<td>Building Improvements</td>
<td>$10,000</td>
<td>7 to 30 years</td>
</tr>
<tr>
<td>Equipment</td>
<td>$10,000</td>
<td>4 to 20 years</td>
</tr>
</tbody>
</table>

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

GENERAL OBLIGATION BONDS

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

FUND BALANCES

UNRESERVED - DESIGNATED

Designated fund balances represent tentative plans for future use of financial resources. In 2005, the School District entered into an agreement to build a charter school on the site of West Central Technical College in Douglasville, Georgia. This charter school will be a joint venture between the School District and West Central Technical College wherein high school students can earn joint credit towards a high school diploma and technical college credit. In 2006, the Georgia General Assembly authorized the use of proceeds from the issuance of General Obligation Debt in the amount of $4,999,000 for the purpose of constructing the State's portion of the charter school building on the campus of West Central Technical College. Included in the School District's Unreserved - Designated fund balance is $4,000,000 for the purpose of funding the construction and furnishings of the School District's portion of the charter school building on the campus of West Central Technical College. These two buildings will be connected by an atrium that will be owned by the State of Georgia. A formal memorandum of understanding is currently being finalized by the Department of Technical and Adult Education, Georgia State Financing and Investment Commission and the Douglas County Board of Education.
Note 3: DEPOSITS AND INVESTMENTS

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

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

1. Surety bond signed by a surety company duly qualified and authorized to transact business within the State of Georgia,

2. Insurance on accounts provided by the Federal Deposit Insurance Corporation,

3. Bonds, bills, notes, certificates of indebtedness or other direct obligations of the United States or of the State of Georgia,

4. Bonds, bills, notes, certificates of indebtedness or other obligations of the counties or municipalities of the State of Georgia,

5. Bonds of any public authority created by the laws of the State of Georgia, providing that the statute that created the authority authorized the use of the bonds for this purpose,

6. Industrial revenue bonds and bonds of development authorities created by the laws of the State of Georgia, and

7. Bonds, bills, notes, certificates of indebtedness, or other obligations of a subsidiary corporation of the United States government, which are fully guaranteed by the United States government both as to principal and interest or debt obligations issued by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, the Central Bank for Cooperatives, the Farm Credit Banks, the Federal Home Loan Mortgage Association, and the Federal National Mortgage Association.

CATEGORIZATION OF DEPOSITS
At June 30, 2006, the bank balances were $49,492,686. The amounts of the total bank balances are classified into four categories of custodial credit risk:

Category 1 - Cash that is insured (e.g., Federal Deposit Insurance) or collateralized with securities held by the School District or by the School District's agent in the School District's name.
Note 3: DEPOSITS AND INVESTMENTS

Category 2 - Cash collateralized with securities held by the pledging financial institution's trust department or agent in the School District's name.
Category 3 - Cash collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the School District's name.
Category 4 - Uncollateralized.

The School District's deposits are classified by custodial credit risk category at June 30, 2006, as follows:

<table>
<thead>
<tr>
<th>Custodial Credit Risk Category</th>
<th>Bank Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$42,451,144</td>
</tr>
<tr>
<td>2</td>
<td>2,588,132</td>
</tr>
<tr>
<td>3</td>
<td>42,659,410</td>
</tr>
<tr>
<td>4</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>$49,492,686</td>
</tr>
</tbody>
</table>

CATEGORIZATION OF INVESTMENTS

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

Investments are classified as to custodial credit risk by the categories described below:

Category 1 - Insured or registered, or securities held by the School District or the School District's agent in the School District's name.
Category 2 - Uninsured or unregistered, with securities held by the counterparty's trust department or agent in the School District's name.
Category 3 - Uninsured or unregistered, with securities held by the counterparty's trust department or agent, but not in the School District's name.

Funds invested in an investment pool managed by another government are not required to be categorized unless the investing entity owns specific, identifiable investment securities in the pool.

At June 30, 2006, the carrying value of the School District's total investments was $91,291,465 which is materially the same as fair value. These investments included funds in the amount of $9,571,477 invested in the Local Government Investment Pool administered by the State of Georgia, Office of Treasury and Fiscal Services which are not required to be categorized since the School
Note 3: DEPOSITS AND INVESTMENTS

District did not own any specific identifiable securities in the pool. The investment policy of the State of Georgia, Office of Treasury and Fiscal Services for the Local Government Investment Pool (Primary Liquidity Portfolio) does not provide for investment in derivatives or similar investments. A description of the Primary Liquidity Portfolio is as follows:

The Primary Liquidity Portfolio consists of Georgia Fund 1, which is a combination local and state government investment pool. Georgia Fund 1 is a stable net asset value investment pool which follows Standard and Poor's criteria for AAAm rated money market funds. The pool is not registered with the SEC as an investment company but does operate Georgia Fund 1 in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940. The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal ($1.00 per share value). Net asset value is calculated daily and reported to the rating agency weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and values participant's shares sold and redeemed at the pool's share price, $1.00 per share. Pooled cash and cash equivalents and investments are reported at cost. The pool does not issue any legally binding guarantees to support the value of the shares. Participation in the pool is voluntary and deposits consist of funds from local governments; operating and trust funds of Georgia's state agencies, colleges and universities; and current operating funds of the State of Georgia's General Fund.

Investments in Georgia Fund 1 are directed toward short-term instruments such as U. S. Treasury obligations, securities issued or guaranteed as to principal and interest by the U. S. Government or any of its agencies or instrumentalities, banker's acceptances and repurchase agreements. The weighted average maturity of Georgia Fund 1 may not exceed 60 days. The weighted average maturity for Georgia Fund 1 on June 30, 2006, was 28 days.

Funds invested in U. S. Treasury Money Market Mutual Funds (open-end mutual funds) are not required to be classified by categories of custodial credit risk.

The investments are classified as to custodial credit risk categories as follows:

<table>
<thead>
<tr>
<th>Type of Investment</th>
<th>Risk Categories</th>
<th>Carrying Amount</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Debt Securities</td>
<td>$55,663</td>
<td>$0</td>
<td>$81,664,325</td>
</tr>
<tr>
<td>Repurchase Agreements</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment Portfolio Account</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Investments</td>
<td>$55,663</td>
<td>$0</td>
<td>$81,664,325</td>
</tr>
</tbody>
</table>

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The School District does not have a formal policy for managing interest rate risk.
Note 3: DEPOSITS AND INVESTMENTS

At June 30, 2006, the School District's investment consisted of Repurchase Agreements which had an investment maturity of 1 - 5 years.

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

Note 4: NON-MONETARY TRANSCTIONS

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

Note 5: CAPITAL ASSETS

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

<table>
<thead>
<tr>
<th></th>
<th>Balances</th>
<th>Increases</th>
<th>Decreases</th>
<th>Balances</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>July 1, 2005</td>
<td></td>
<td></td>
<td>June 30, 2006</td>
</tr>
<tr>
<td>Governmental Activities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Assets, Not Being Depreciated:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>$ 22,676,601</td>
<td>$ 3,642,411</td>
<td></td>
<td>$ 26,319,012</td>
</tr>
<tr>
<td>Construction in Progress</td>
<td>- 1,172,667</td>
<td>18,035,471</td>
<td>$ 0</td>
<td>19,208,138</td>
</tr>
<tr>
<td>Total Capital Assets Not Being Depreciated</td>
<td>$ 23,849,268</td>
<td>$ 21,677,882</td>
<td>$ 0</td>
<td>45,527,150</td>
</tr>
<tr>
<td>Capital Assets Being Depreciated</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings and Improvements</td>
<td>$ 141,459,647</td>
<td>$ 2,694,861</td>
<td></td>
<td>$ 144,154,508</td>
</tr>
<tr>
<td>Equipment</td>
<td>29,094,671</td>
<td>2,804,283</td>
<td>$ 34,066</td>
<td>31,864,888</td>
</tr>
<tr>
<td>Land Improvements</td>
<td>3,230,775</td>
<td></td>
<td></td>
<td>3,230,775</td>
</tr>
<tr>
<td>Less Accumulated Depreciation for:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings and Improvements</td>
<td>32,114,008</td>
<td>3,145,229</td>
<td></td>
<td>35,259,237</td>
</tr>
<tr>
<td>Equipment</td>
<td>14,892,646</td>
<td>3,766,202</td>
<td>$ 34,066</td>
<td>18,624,782</td>
</tr>
<tr>
<td>Land Improvements</td>
<td>320,671</td>
<td>161,539</td>
<td></td>
<td>482,210</td>
</tr>
<tr>
<td>Total Capital Assets, Being Depreciated, Net</td>
<td>$ 126,457,768</td>
<td>$ -1,573,826</td>
<td>$ 0</td>
<td>124,883,942</td>
</tr>
<tr>
<td>Governmental Activity Capital Assets - Net</td>
<td>$ 150,307,036</td>
<td>$ 20,104,056</td>
<td>$ 0</td>
<td>170,411,092</td>
</tr>
</tbody>
</table>

Current year depreciation expense by function is as follows:
DOUGLAS COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006

EXHIBIT "H"

Note 5: CAPITAL ASSETS

Instruction $ 5,127,609
Support Services
   Educational Media Services $ 152,219
   General Administration 612,449
   Maintenance and Operation of Plant 48,755
   Student Transportation Services 752,204 1,565,627
Food Services 379,734

$ 7,072,970

Note 6: RESTRICTED ASSETS

Special Purpose Local Option Sales Tax (SPLOST), general obligation bond proceeds, the Endowment Corpus of Permanent Funds and property tax levied specifically for retirement of outstanding bond principal, interest and paying agent's fees (Debt Service Funds) are reported as restricted assets in the Statement of Net Assets because their use is limited by applicable bond covenants, statutory provisions or trust agreements. Restricted assets at June 30, 2006, were as follows:

<table>
<thead>
<tr>
<th>District-wide Capital Projects</th>
<th>Debt Service Funds</th>
<th>Permanent Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>SPLOST</td>
<td>Bond Proceeds</td>
<td></td>
</tr>
<tr>
<td>Restricted Cash and Cash</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equivalents:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt Services</td>
<td>$ 165</td>
<td>$ 7,942</td>
</tr>
<tr>
<td>Capital Acquisitions</td>
<td>$ 3,461,785</td>
<td></td>
</tr>
<tr>
<td>Restricted Investments:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt Services</td>
<td>$ 16,264,319</td>
<td></td>
</tr>
<tr>
<td>Capital Acquisitions</td>
<td>$ 7,028,460</td>
<td>$ 65,400,006</td>
</tr>
<tr>
<td>Permanent Fund</td>
<td>$ 47,000</td>
<td></td>
</tr>
</tbody>
</table>

Note 7: INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2006, consisted of the following:

<table>
<thead>
<tr>
<th>Transfers From</th>
<th>District-wide Capital Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>$ 1,612,418</td>
</tr>
<tr>
<td>Capital Projects</td>
<td>$ 787,460</td>
</tr>
</tbody>
</table>

Total $ 1,612,418 $ 787,460
Note 7: INTERFUND TRANSFERS

Transfers are used to (1) move land expenditures from the General Fund to the District-wide Capital Projects Fund and (2) move investment funds from the District-wide Capital Projects Fund to the Debt Service Fund for debt service payments.

Note 8: RISK MANAGEMENT

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

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

The School District has established a limited risk management program for workers' compensation claims. A premium is paid by the General Fund at the beginning of the fiscal year for an excess workers' compensation coverage policy which covers individual claims in excess of $300,000 loss per occurrence, up to the statutory limit. Assessments of individual programs, except for School Food Services, are performed, as needed, on the basis of that program's payroll to total payroll in order to cover estimated claims budgeted by management based on known claims and prior experiences. School Food Services is billed by the General Fund for the actual amount of claims for that program. The School District accounts for claims with expenses/expenditures and liability being reported when it is probable that a loss has occurred, in the amount of that loss can be reasonably estimated.

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

<table>
<thead>
<tr>
<th></th>
<th>Beginning of Year Liability</th>
<th>Claims and Changes in Estimates</th>
<th>Claims Paid</th>
<th>End of Year Liability</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>$0</td>
<td>$752,618</td>
<td>$752,618</td>
<td>$0</td>
</tr>
<tr>
<td>2006</td>
<td>$0</td>
<td>$521,103</td>
<td>$521,103</td>
<td>$0</td>
</tr>
</tbody>
</table>
Note 8: RISK MANAGEMENT

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:

<table>
<thead>
<tr>
<th>Beginning</th>
<th>Claims and</th>
<th>Claims</th>
<th>End of Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>of Year</td>
<td>Changes in</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liability</td>
<td>Estimates</td>
<td></td>
<td>Liability</td>
</tr>
<tr>
<td>2005</td>
<td>$0</td>
<td>$23,309</td>
<td>$23,309</td>
</tr>
<tr>
<td>2006</td>
<td>$0</td>
<td>$36,772</td>
<td>$36,772</td>
</tr>
</tbody>
</table>

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

Changes in the vision claims liability during the year are as follows:

<table>
<thead>
<tr>
<th>Beginning</th>
<th>Claims and</th>
<th>Claims</th>
<th>End of Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>of Year</td>
<td>Changes in</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liability</td>
<td>Estimates</td>
<td></td>
<td>Liability</td>
</tr>
<tr>
<td>2005</td>
<td>$0</td>
<td>$116,693</td>
<td>$116,693</td>
</tr>
<tr>
<td>2006</td>
<td>$0</td>
<td>$123,673</td>
<td>$123,673</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Position Covered</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Superintendent</td>
<td>$100,000</td>
</tr>
<tr>
<td>All Other Employees</td>
<td>$250,000</td>
</tr>
</tbody>
</table>

Note 9: OPERATING LEASES

Douglas County Board of Education has entered into various leases as lessee for copiers. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the year ended June 30, 2006, for governmental funds amounted to $507,288. Future minimum lease payments for these leases are as follows:
Note 9: OPERATING LEASES

<table>
<thead>
<tr>
<th>Year Ending</th>
<th>Governmental Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>$ 489,288</td>
</tr>
<tr>
<td>2008</td>
<td>464,088</td>
</tr>
<tr>
<td>Total</td>
<td>$ 953,376</td>
</tr>
</tbody>
</table>

Note 10: LONG-TERM DEBT

GENERAL OBLIGATION DEBT OUTSTANDING
General Obligation Bonds currently outstanding are as follows:

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Interest Rates</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Government - Series 1995</td>
<td>4.35% - 5.45%</td>
<td>$ 1,155,000</td>
</tr>
<tr>
<td>General Government - Refunding - Series 1999</td>
<td>3.10% - 5.00%</td>
<td>13,670,000</td>
</tr>
<tr>
<td>General Government - Series 2001</td>
<td>3.625% - 5.25%</td>
<td>7,500,000</td>
</tr>
<tr>
<td>General Government - Series 2002</td>
<td>3.00% - 5.00%</td>
<td>4,670,000</td>
</tr>
<tr>
<td>General Government - Refunding - Series 2002A</td>
<td>2.50% - 5.00%</td>
<td>18,145,000</td>
</tr>
<tr>
<td>General Government - Series 2005</td>
<td>3.00% - 5.00%</td>
<td>78,600,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$123,740,000</td>
</tr>
</tbody>
</table>

The changes in Long-Term Debt during the fiscal year ended June 30, 2006, were as follows:

<table>
<thead>
<tr>
<th>Governmental Funds</th>
<th>Unamortized Bond Premium</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Obligation Bonds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance July 1, 2005</td>
<td>$ 138,795,000</td>
<td>$ 5,289,465</td>
</tr>
</tbody>
</table>

Deductions
- Debt Retired | 15,055,000 |
- Bond Premium Amortized | 354,612 |

Balance June 30, 2006 | $ 123,740,000 | $ 4,934,853 | $ 128,674,853 |

Portion of Long-Term Debt Due within One Year | $ 17,715,000 | $ 354,603 | $ 18,069,603 |
Note 10: LONG-TERM DEBT

At June 30, 2006, payments due by fiscal year which includes principal and interest for these items are as follows:

<table>
<thead>
<tr>
<th>Fiscal Year Ended June 30</th>
<th>General Obligation Debt</th>
<th>Unamortized Bond Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Principal</td>
<td>Interest</td>
</tr>
<tr>
<td>2007</td>
<td>17,715,000</td>
<td>4,955,182</td>
</tr>
<tr>
<td>2008</td>
<td>17,615,000</td>
<td>4,840,474</td>
</tr>
<tr>
<td>2009</td>
<td>11,670,000</td>
<td>4,072,074</td>
</tr>
<tr>
<td>2010</td>
<td>10,390,000</td>
<td>3,611,780</td>
</tr>
<tr>
<td>2011</td>
<td>10,235,000</td>
<td>3,195,237</td>
</tr>
<tr>
<td>2012 - 2016</td>
<td>32,495,000</td>
<td>9,908,212</td>
</tr>
<tr>
<td>2017 - 2020</td>
<td>23,620,000</td>
<td>2,910,250</td>
</tr>
<tr>
<td><strong>Total Principal and Interest</strong></td>
<td><strong>$123,740,000</strong></td>
<td><strong>$33,493,209</strong></td>
</tr>
</tbody>
</table>

Note 11: PRIOR YEAR DEFEASEMENT OF DEBT

In fiscal years 1999 and 2003, the School District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the School District's basic financial statements. A partial call of Series 1995 Bonds occurred on January 1, 2005. The Series 1993 Bonds were called on January 1, 2003. At June 30, 2006, none of the bonds previously defeased are outstanding or considered defeased.

Note 12: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of $2,653,597 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 $2,630,398

- Office of Treasury and Fiscal Services
  - Paid to the Public School Employees Retirement System For Public School Employees Retirement (PSERS) Employer's Cost
    - In the amount of $23,199

- 27 -
Note 13: SIGNIFICANT COMMITMENTS

The following is an analysis of significant outstanding construction or renovation contracts executed by the School District as of June 30, 2006, together with funding available:

<table>
<thead>
<tr>
<th>Project</th>
<th>Executed Contracts</th>
<th>Funding Available From State</th>
</tr>
</thead>
<tbody>
<tr>
<td>06G-648-009</td>
<td>$8,944</td>
<td>$401,975</td>
</tr>
<tr>
<td>07-648-025</td>
<td>191,321</td>
<td>484,672</td>
</tr>
<tr>
<td>07G-648-023</td>
<td>20,942,120</td>
<td>11,117,420</td>
</tr>
<tr>
<td>07-648-026</td>
<td>11,542,649</td>
<td>5,263,817</td>
</tr>
<tr>
<td>07-648-027</td>
<td>1,121,115</td>
<td>1,210,000</td>
</tr>
<tr>
<td>Stewart Middle HVAC</td>
<td>1,173,003</td>
<td></td>
</tr>
<tr>
<td>Energy Management Upgrade</td>
<td>770,345</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>$35,749,497</strong></td>
<td><strong>$18,477,884</strong></td>
</tr>
</tbody>
</table>

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

Note 14: SIGNIFICANT CONTINGENT LIABILITIES

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

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

Note 15: SUBSEQUENT EVENTS

In the subsequent fiscal year, voters authorized the School District to issue general obligation bonds in the amount of $150,550,000. The proceeds from these bonds will be used for constructing, equipping and repairing new and existing schools, the acquisition of buses and transportation equipment and acquisition and installing of new computers, technology and equipment.
Note 16: RETIREMENT PLANS

TEACHERS RETIREMENT SYSTEM OF GEORGIA (TRS)

TRS PLAN DESCRIPTION
Substantially all teachers, administrative and clerical personnel employed by local school systems are covered by the Teachers Retirement System of Georgia (TRS), which is a cost-sharing multiple employer defined benefit pension plan. TRS provides service retirement, disability retirement and survivors benefits for its members in accordance with State statute. The Teachers Retirement System of Georgia issues a separate stand alone financial audit report and a copy can be obtained from the Georgia Department of Audits and Accounts.

TRS CONTRIBUTIONS REQUIRED AND MADE
Employees of the School District who are covered by TRS are required by State statute to contribute 5% of their gross earnings to TRS. The School District makes monthly employer contributions to TRS at rates adopted by the TRS Board of Trustees in accordance with State statute and as advised by their independent actuary. The required employer contribution rate is 9.24% and employer contributions for the current fiscal year and the preceding two fiscal years are as follows:

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Percentage Contributed</th>
<th>Required Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>100%</td>
<td>$8,731,863</td>
</tr>
<tr>
<td>2005</td>
<td>100%</td>
<td>$8,032,772</td>
</tr>
<tr>
<td>2004</td>
<td>100%</td>
<td>$7,484,239</td>
</tr>
</tbody>
</table>
(This page left intentionally blank)
## Revenues

<table>
<thead>
<tr>
<th>Description</th>
<th>Original (1)</th>
<th>Final (1)</th>
<th>Actual Amounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Taxes</td>
<td>$57,000,000</td>
<td>$57,000,000</td>
<td>$57,880,028</td>
</tr>
<tr>
<td>Sales Taxes</td>
<td>82,386,567</td>
<td>82,386,567</td>
<td>1,980,233</td>
</tr>
<tr>
<td>State Funds</td>
<td>10,906,268</td>
<td>10,906,268</td>
<td>91,524,851</td>
</tr>
<tr>
<td>Federal Funds</td>
<td>3,752,473</td>
<td>3,752,473</td>
<td>17,681,615</td>
</tr>
<tr>
<td>Charges for Services</td>
<td>510,196</td>
<td>510,196</td>
<td>4,735,795</td>
</tr>
<tr>
<td>Investment Earnings</td>
<td>1,061,371</td>
<td>1,061,371</td>
<td>1,839,701</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td></td>
<td></td>
<td>4,612,380</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td><strong>$155,616,875</strong></td>
<td><strong>$155,616,875</strong></td>
<td><strong>$180,059,803</strong></td>
</tr>
</tbody>
</table>

## Expenditures

<table>
<thead>
<tr>
<th>Description</th>
<th>Original (1)</th>
<th>Final (1)</th>
<th>Original (1)</th>
<th>Final (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Instruction</td>
<td>$108,824,650</td>
<td>$108,824,650</td>
<td>$109,087,040</td>
<td></td>
</tr>
<tr>
<td>Support Services</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pupil Services</td>
<td>4,933,728</td>
<td>4,933,728</td>
<td>5,060,322</td>
<td></td>
</tr>
<tr>
<td>Improvement of Instructional Services</td>
<td>3,657,579</td>
<td>3,657,579</td>
<td>4,687,542</td>
<td></td>
</tr>
<tr>
<td>Educational Media Services</td>
<td>3,489,735</td>
<td>3,489,735</td>
<td>3,537,284</td>
<td></td>
</tr>
<tr>
<td>General Administration</td>
<td>1,882,115</td>
<td>1,882,115</td>
<td>2,099,351</td>
<td></td>
</tr>
<tr>
<td>School Administration</td>
<td>10,401,744</td>
<td>10,401,744</td>
<td>11,864,568</td>
<td></td>
</tr>
<tr>
<td>Business Administration</td>
<td>2,093,079</td>
<td>2,093,079</td>
<td>2,019,695</td>
<td></td>
</tr>
<tr>
<td>Maintenance and Operation of Plant</td>
<td>11,630,615</td>
<td>11,630,615</td>
<td>13,678,525</td>
<td></td>
</tr>
<tr>
<td>Student Transportation Services</td>
<td>6,901,808</td>
<td>6,901,808</td>
<td>7,864,951</td>
<td></td>
</tr>
<tr>
<td>Central Support Services</td>
<td>3,521,945</td>
<td>3,521,945</td>
<td>3,771,712</td>
<td></td>
</tr>
<tr>
<td>Other Support Services</td>
<td></td>
<td></td>
<td>950,315</td>
<td></td>
</tr>
<tr>
<td>Enterprise Operations</td>
<td></td>
<td></td>
<td>1,012,471</td>
<td></td>
</tr>
<tr>
<td>Food Services Operation</td>
<td>9,142,249</td>
<td>9,142,249</td>
<td>9,432,942</td>
<td></td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td><strong>$166,279,247</strong></td>
<td><strong>$166,279,247</strong></td>
<td><strong>$175,066,718</strong></td>
<td></td>
</tr>
<tr>
<td>Excess of Revenues over (under) Expenditures</td>
<td>$-10,662,372</td>
<td>$-10,662,372</td>
<td>$4,993,085</td>
<td></td>
</tr>
</tbody>
</table>

## Other Financing Uses

<table>
<thead>
<tr>
<th>Description</th>
<th>Original (1)</th>
<th>Final (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other Uses</td>
<td></td>
<td>-1,612,418</td>
</tr>
<tr>
<td>Net Change in Fund Balances</td>
<td>$-10,662,372</td>
<td>$-10,662,372</td>
</tr>
<tr>
<td>Fund Balances - Beginning</td>
<td>31,241,855</td>
<td>31,241,855</td>
</tr>
<tr>
<td>Fund Balances - Ending</td>
<td>$20,579,483</td>
<td>$20,579,483</td>
</tr>
</tbody>
</table>

### 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.
### FUNDING AGENCY
#### PROGRAM/GRAIN

<table>
<thead>
<tr>
<th>Agriculture, U. S. Department of</th>
</tr>
</thead>
<tbody>
<tr>
<td>Child Nutrition Cluster</td>
</tr>
<tr>
<td><strong>Pass-Through From Georgia Department of Education</strong></td>
</tr>
<tr>
<td>Food Services</td>
</tr>
<tr>
<td>School Breakfast Program</td>
</tr>
<tr>
<td>National School Lunch Program</td>
</tr>
<tr>
<td>Total Child Nutrition Cluster</td>
</tr>
<tr>
<td>Other Programs</td>
</tr>
<tr>
<td><strong>Pass-Through From Georgia Department of Education</strong></td>
</tr>
<tr>
<td>Food Donation (1)</td>
</tr>
<tr>
<td>Total U. S. Department of Agriculture</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Education, U. S. Department of</th>
</tr>
</thead>
<tbody>
<tr>
<td>Special Education Cluster</td>
</tr>
<tr>
<td><strong>Pass-Through From Georgia Department of Education</strong></td>
</tr>
<tr>
<td>Special Education</td>
</tr>
<tr>
<td>Grants to States</td>
</tr>
<tr>
<td>Preschool Grants</td>
</tr>
<tr>
<td>Total Special Education Cluster</td>
</tr>
<tr>
<td>Other Programs</td>
</tr>
<tr>
<td><strong>Direct</strong></td>
</tr>
<tr>
<td>Safe and Drug Free Schools and Communities - National Programs</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Pass-Through From Georgia Department of Education</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advanced Placement</td>
</tr>
<tr>
<td>Charter Schools</td>
</tr>
<tr>
<td>Comprehensive School Reform Demonstration</td>
</tr>
<tr>
<td>English Language Acquisition Grants</td>
</tr>
<tr>
<td>Enhancing Education Through Technology Program</td>
</tr>
<tr>
<td>Hurricane Education Recovery</td>
</tr>
<tr>
<td>Improving Teacher Quality State Grants</td>
</tr>
<tr>
<td>Safe and Drug-Free Schools and Communities - State Grants</td>
</tr>
<tr>
<td>State Grants for Innovative Programs</td>
</tr>
<tr>
<td>Title I Grants to Local Educational Agencies</td>
</tr>
<tr>
<td>Twenty-First Century Community Learning Centers</td>
</tr>
<tr>
<td>Vocational Education - Basic Grants to States</td>
</tr>
<tr>
<td>Total U. S. Department of Education</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Defense, U. S. Department of</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct</td>
</tr>
<tr>
<td>Department of the Marines</td>
</tr>
<tr>
<td>R.O.T.C. Program</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Labor, U. S. Department of</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pass-Through From Georgia Department of Education</td>
</tr>
<tr>
<td>Workforce Investment Act Adult Program</td>
</tr>
<tr>
<td>Total Federal Financial Assistance</td>
</tr>
</tbody>
</table>

N/A = Not Available
Notes to the Schedule of Expenditures of Federal Awards

(1) The amount shown for the Food Donation Program represents the Federally assigned value of nonmonetary assistance for donated commodities received and/or consumed by the School District during the current fiscal year.

(2) Expenditures for the funds earned on the School Breakfast Program ($1,397,553) were not maintained separately and are included in the 2006 National School Lunch Program.

(3) Funds earned on the Hurricane Education Program, in the amount of $1,633,658, do not require reporting of expenditures.

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

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

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the Douglas 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.
### GOVERNMENTAL FUND TYPES

<table>
<thead>
<tr>
<th>Agency/Funding</th>
<th>General Fund</th>
<th>Capital Projects Fund</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Grants</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education, Georgia Department of</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quality Basic Education</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct Instructional Cost</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kindergarten Program</td>
<td>$5,526,174</td>
<td>$5,526,174</td>
<td></td>
</tr>
<tr>
<td>Kindergarten Program - Early Intervention Program</td>
<td>1,200,379</td>
<td>1,200,379</td>
<td></td>
</tr>
<tr>
<td>Primary Grades (1-3) Program</td>
<td>12,967,243</td>
<td>12,967,243</td>
<td></td>
</tr>
<tr>
<td>Primary Grades - Early Intervention (1-3) Program</td>
<td>2,228,002</td>
<td>2,228,002</td>
<td></td>
</tr>
<tr>
<td>Upper Elementary Grades (4-5) Program</td>
<td>6,168,165</td>
<td>6,168,165</td>
<td></td>
</tr>
<tr>
<td>Upper Elementary Grades - Early Intervention (4-5) Program</td>
<td>1,745,831</td>
<td>1,745,831</td>
<td></td>
</tr>
<tr>
<td>Middle School (6-8) Program</td>
<td>12,618,217</td>
<td>12,618,217</td>
<td></td>
</tr>
<tr>
<td>High School General Education (9-12) Program</td>
<td>10,286,843</td>
<td>10,286,843</td>
<td></td>
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<tr>
<td>Vocational Laboratory (9-12) Program</td>
<td>3,569,269</td>
<td>3,569,269</td>
<td></td>
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<tr>
<td>Students with Disabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Category I</td>
<td>510,789</td>
<td>510,789</td>
<td></td>
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<tr>
<td>Category II</td>
<td>916,112</td>
<td>916,112</td>
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</tr>
<tr>
<td>Category III</td>
<td>6,054,268</td>
<td>6,054,268</td>
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<tr>
<td>Category IV</td>
<td>1,864,291</td>
<td>1,864,291</td>
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<tr>
<td>Category V</td>
<td>242,710</td>
<td>242,710</td>
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<tr>
<td>Gifted Student - Category VI</td>
<td>2,867,027</td>
<td>2,867,027</td>
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<tr>
<td>Remedial Education Program</td>
<td>191,004</td>
<td>191,004</td>
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<tr>
<td>Alternative Education Program</td>
<td>978,063</td>
<td>978,063</td>
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<tr>
<td>English Speakers of Other Languages (ESOL)</td>
<td>564,559</td>
<td>564,559</td>
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<td>Media Center Program</td>
<td>1,943,932</td>
<td>1,943,932</td>
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<td>20 Days Additional Instruction</td>
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<td>Staff and Professional Development</td>
<td>404,807</td>
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<td>Indirect Cost</td>
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<td>Central Administration</td>
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<td>School Administration</td>
<td>3,934,748</td>
<td>3,934,748</td>
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<td>Facility Maintenance and Operations</td>
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<td><strong>Categorical Grants</strong></td>
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<td>Pupil Transportation</td>
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<td>Regular</td>
<td>1,716,971</td>
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<td>Bus Replacement</td>
<td>295,934</td>
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<td>Nursing Services</td>
<td>396,561</td>
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<td>Principal Supplements</td>
<td>76,059</td>
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<td>Education Equalization Funding Grant</td>
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<td>Food Services</td>
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<td>Vocational Education</td>
<td>203,780</td>
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<td>Austerity Reduction</td>
<td>-4,155,880</td>
<td>-4,155,880</td>
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<td>Other State Programs</td>
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<td>Health Insurance</td>
<td>2,630,398</td>
<td>2,630,398</td>
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<td>K-8 Statewide Reading Program</td>
<td>342,289</td>
<td>342,289</td>
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<td>National Teacher Certification</td>
<td>85,780</td>
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<td>Preschool Handicapped Program</td>
<td>284,846</td>
<td>284,846</td>
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<td>Rule 10 Special Education Support Cost</td>
<td>71,000</td>
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<td>Virtual Schools Grant</td>
<td>550</td>
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<td>Georgia State Financing and Investment Commission</td>
<td>$3,617,776</td>
<td>$3,617,776</td>
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<td>Office of Treasury and Fiscal Services</td>
<td>23,199</td>
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<td>Public School Employees Retirement</td>
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<tr>
<td><strong>Contract</strong></td>
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<td>Education, Georgia Department of</td>
<td></td>
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<td></td>
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<td>Foreign Language Model Program</td>
<td>28,151</td>
<td>28,151</td>
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<td></td>
<td>$91,524,851</td>
<td>$3,617,776</td>
<td>$95,142,627</td>
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See notes to the basic financial statements.
<table>
<thead>
<tr>
<th>PROJECT</th>
<th>ORIGINAL ESTIMATED COST (1)</th>
<th>CURRENT ESTIMATED COSTS (2)</th>
<th>AMOUNT EXPENDED IN CURRENT YEAR (3)(4)</th>
<th>AMOUNT EXPENDED IN PRIOR YEARS (3)(4)</th>
<th>PROJECT STATUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>The payment of principal and interest on the School District’s Series 1993 Bonds maturing July 1, 2003 through and including July 1, 2007; the principal and interest on the School District’s Series 1995 Bonds maturing July 1, 2003 through and including January 1, 2007; and the principal and interest on the School District’s Series 1996 Bonds maturing July 1, 2003 through and including July 1, 2007.</td>
<td>$30,000,000</td>
<td>$22,745,107</td>
<td>$6,768,988</td>
<td>$15,724,493</td>
<td>Ongoing</td>
</tr>
<tr>
<td>The acquisition and installation of new technology and equipment at all educational facilities; the acquisition, construction and equipping of three new schools and the purchase of land to be used as sites for future educational facilities; the acquisition, construction and equipping of classroom additions, physical education facilities and renovations and modifications to existing educational facilities and the acquisition of new school buses and transportation equipment.</td>
<td>79,000,000</td>
<td>86,254,893</td>
<td>14,153,364</td>
<td>67,469,958</td>
<td>Ongoing</td>
</tr>
<tr>
<td>The payment of principal and interest on the School District’s Series 1999 Bonds maturing July 1, 2007, through and including January 1, 2012, and the School District’s Series 2002A Bonds maturing July 1, 2007, through and including January 1, 2010.</td>
<td>12,800,000</td>
<td>12,600,000</td>
<td></td>
<td></td>
<td>Ongoing</td>
</tr>
<tr>
<td>The acquisition, construction and equipping of new schools and the purchase of land to be used as sites for future educational facilities; the acquisition, construction and equipping of classroom additions, other educational facilities and renovations and modifications to existing educational facilities; the acquisition and installation of new instructional, safety and transportation equipment for all educational facilities.</td>
<td>107,400,000</td>
<td>107,400,000</td>
<td>19,474,788</td>
<td></td>
<td>Ongoing</td>
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<tr>
<td></td>
<td>$229,000,000</td>
<td>$229,000,000</td>
<td>$40,397,140</td>
<td>$83,194,451</td>
<td></td>
</tr>
</tbody>
</table>

(1) The School District’s original cost estimate as specified in the resolution calling for the imposition of the Local Option Sales Tax.

(2) The School District’s current estimate of total cost for the projects. Includes all cost from project inception to completion.

(3) The voters of Douglas County approved the imposition of a 1% sales tax to fund the above projects and retire associated debt. Amounts expended for these projects may include sales tax proceeds, state, local property taxes and/or other funds over the life of the projects.

(4) A portion of the Series 1995 Bonds were retired through the sale of Series 1999 Refunding Bond Issue. The School District will utilize the SPLOST proceeds budgeted for this project, plus any excess SPLOST proceeds to retire the Series 1999 Refunding Bond Issue.

The Series 1993 Bonds were retired through the sale of Series 2002A Refunding Bond Issue. The School District will utilize the SPLOST proceeds budgeted for this project, plus any excess SPLOST proceeds to retire the Series 2002A Refunding Bond Issue.

See notes to the basic financial statements.
## ALLOTMENTS FROM GEORGIA DEPARTMENT OF EDUCATION (1)(2) ELIGIBLE QBE PROGRAM COSTS

<table>
<thead>
<tr>
<th>Description</th>
<th>Salaries</th>
<th>Operations</th>
<th>Total</th>
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<tbody>
<tr>
<td>Direct Instructional Programs</td>
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<tr>
<td>Kindergarten Program</td>
<td>$6,388,938</td>
<td>$6,463,050</td>
<td>$208,764</td>
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<tr>
<td>Kindergarten Program-Early Intervention Program</td>
<td>1,370,807</td>
<td>1,482,199</td>
<td>8,008</td>
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<tr>
<td>Primary Grades (1-3) Program</td>
<td>15,026,898</td>
<td>14,874,215</td>
<td>949,744</td>
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<tr>
<td>Primary Grades-Early Intervention (1-3) Program</td>
<td>2,626,259</td>
<td>4,066,800</td>
<td>21,933</td>
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<tr>
<td>Upper Elementary Grades (4-5) Program</td>
<td>7,150,889</td>
<td>7,710,574</td>
<td>423,249</td>
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<tr>
<td>Upper Elementary Grades-Early Intervention (4-5) Program</td>
<td>2,033,129</td>
<td>1,916,603</td>
<td>13,591</td>
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<tr>
<td>Middle School (6-8) Program</td>
<td>14,641,616</td>
<td>14,829,299</td>
<td>607,373</td>
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<td>High School General Education (9-12) Program</td>
<td>11,906,477</td>
<td>13,940,841</td>
<td>790,712</td>
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<td>Vocational Laboratory (9-12) Program</td>
<td>4,144,116</td>
<td>3,961,152</td>
<td>305,864</td>
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<td>Students with Disabilities</td>
<td>11,151,375</td>
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<tr>
<td>Category I</td>
<td>394,628</td>
<td>10,087</td>
<td>404,715</td>
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<td>Category II</td>
<td>1,594,961</td>
<td>11,838</td>
<td>1,606,799</td>
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<td>Category III</td>
<td>9,374,301</td>
<td>99,095</td>
<td>9,473,396</td>
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<tr>
<td>Category IV</td>
<td>853,841</td>
<td>38,123</td>
<td>891,964</td>
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<td>Category V</td>
<td>59,902</td>
<td>9,850</td>
<td>69,752</td>
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<td>Gifted Student - Category VI</td>
<td>3,372,910</td>
<td>3,395,729</td>
<td>47,554</td>
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<td>Remedial Education Program</td>
<td>226,270</td>
<td>120,093</td>
<td>308</td>
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<td>Alternative Education Program</td>
<td>1,132,448</td>
<td>1,307,977</td>
<td>35,866</td>
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<td>English Speakers of Other Languages (ESOL)</td>
<td>640,517</td>
<td>735,896</td>
<td>11,220</td>
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<td><strong>TOTAL DIRECT INSTRUCTIONAL PROGRAMS</strong></td>
<td><strong>$81,794,651</strong></td>
<td><strong>$87,112,260</strong></td>
<td><strong>$3,593,179</strong></td>
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<tr>
<td>Media Center Program</td>
<td>2,258,002</td>
<td>3,224,070</td>
<td>254,060</td>
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<td>Staff and Professional Development</td>
<td>477,344</td>
<td>187,426</td>
<td>164,265</td>
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<tr>
<td><strong>TOTAL QBE FORMULA FUNDS</strong></td>
<td><strong>$84,529,997</strong></td>
<td><strong>$90,523,576</strong></td>
<td><strong>$4,031,554</strong></td>
</tr>
</tbody>
</table>

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

(2) Allotments do not include the impact of the State budget austerity reduction.

See notes to the basic financial statements.
SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS
April 19, 2007

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

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

Ladies and Gentlemen:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Douglas County Board of Education as of and for the year ended June 30, 2006, which collectively comprise Douglas County Board of Education's basic financial statements and have issued our report thereon dated April 19, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Douglas County Board of Education's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

2006YB-10
Compliance and Other Matters

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

This report is intended solely for the information and use of the management and members of the Douglas County Board of Education and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

[Signature]

Russell W. Hinton, CPA, CGFM
State Auditor

RWH:gp
2006YB-10
April 19, 2007

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

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

Ladies and Gentlemen:

Compliance

We have audited the compliance of Douglas County Board of Education with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major Federal programs for the year ended June 30, 2006. Douglas 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 Douglas County Board of Education's management. Our responsibility is to express an opinion on Douglas 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 Douglas 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 Douglas County Board of Education's compliance with those requirements.

2006SA-30
In our opinion, the Douglas County Board of Education complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2006.

**Internal Control Over Compliance**

The management of Douglas County Board of Education is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered Douglas County Board of Education's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the Douglas County Board of Education's ability to administer a major Federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item FA-6481-06-01.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level of risk that noncompliance with the applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

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

Respectfully submitted,

Russell W. Hinton, CPA, CGFM
State Auditor

RWH:gp
2006SA-30
SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS
DOUGLAS COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006

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
DOUGLAS COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006

I SUMMARY OF AUDITOR'S RESULTS

1. Type of Report Issued on the Financial Statements
   The auditor's opinion on the Douglas County Board of Education's financial statements was unqualified.

2. Reportable Conditions in Internal Control Disclosed by the Audit of the Financial Statements
   The audit report for the Douglas County Board of Education did not disclose any reportable conditions related to the financial statements.

3. Noncompliance Material to the Financial Statements
   The audit of the Douglas County Board of Education disclosed no instances of noncompliance that were deemed to be material to the financial statements.

4. Reportable Conditions in Internal Control Over Major Programs
   The audit report for the Douglas County Board of Education disclosed a reportable condition in internal control over major programs for the following compliance requirement.

   Activities Allowed or Unallowed

   The reportable condition described above is not considered to be a material weakness.

5. Type of Report Issued on Compliance for Major Programs
   The auditor's opinion on the Douglas County Board of Education's report on compliance with requirements applicable to major programs was unqualified.

6. Audit Findings Required to be Reported by Section .510(a) of OMB Circular A-133
   The Douglas County Board of Education's audit disclosed an audit finding required to be reported by section .510(a) of OMB Circular A-133. This audit finding is included in section IV of this report.

7. Major Programs
   Federal awards audited as major programs are as follows:
   84.010 Title I Grants to Local Educational Agencies
   84.027 Special Education - Grants to States
   84.173 Special Education - Preschool Grants
   84.367 Improving Teacher Quality State Grants
   84.938 Hurricane Education Recovery

8. Type "A" Program Dollar Threshold
   The dollar threshold for type "A" programs was $625,108.
I SUMMARY OF AUDITOR'S RESULTS

9. Low Risk Auditee
   The Douglas County Board of Education qualified as a low risk auditee as defined by Section .530 of OMB Circular A-133.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

ACTIVITIES ALLOWED OR UNALLOWED
Inadequate Internal Control Procedures
Reportable Condition
U. S. Department of Education
Through Georgia Department of Education
Hurricane Education Recovery (CFDA 84.938)
Finding Control number: FA-6481-06-01

Condition: The School District did not have procedures in place to ensure that Hurricane Education Recovery Act (HERA) funds provided for displaced students reported as having disabilities were used for the excess costs of providing special education and related services to students with disabilities.

Criteria: The following guidance applied to the management of Emergency Impact Aid for Displaced Students to include funds made available for displaced students:

1. Section 107(e)(4) of HERA,
2. Volumes "I" and "II" of U. S. Department of Education (USED) guidelines included in "Frequently Asked Questions, Emergency Impact Aid for Displaced Students", and
III  FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

ACTIVITIES ALLOWED OR UNALLOWED
Inadequate Internal Control Procedures
Reportable Condition
U. S. Department of Education
Through Georgia Department of Education
Hurricane Education Recovery (CFDA 84.938)
Finding Control number: FA-6481-06-01

Provisions of HERA, USED and GDOE Guidelines state that HERA funds for students with disabilities may only be used to pay for special education and related service consistent with the Individuals with Disabilities Education Act (IDEA). Both Volumes "I" and "II" of USED guidance state that the funds provide for students with disabilities must be recorded and traced separately from those HERA funds provided for non-disabled students. This Federal requirement was not specifically included in GDOE Guidelines.

Provisions of HERA and GDOE guidelines state that these funds may become a part of a School District's special education budget to ensure that they are only used to pay for special education and related service consistent with IDEA. The guidelines further stated that since these funds are to be applied and used in a manner as funds made available under Part B of IDEA, it was also advised to consult with State and local staff who are cognizant of IDEA requirements.

Questioned Cost: $141,746

Information: HERA funds received by the School District included $141,746 for students with disabilities. Although required by Federal guidelines, the receipt and expenditure of these funds were not maintained separately.

We further noted that the budget for special education was not modified for the increase in HERA funds designated for special education and related purposes.

Cause: The School District relied on GDOE Guidelines which did not require that the School District provide separate accountability of HERA funds provided for students with disabilities. Consideration had not been given to consulting with local and State special education staff or revising its special education budget to ensure that these HERA funds were applied in line with IDEA.
III  FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

ACTIVITIES ALLOWED OR UNALLOWED
Inadequate Internal Control Procedures
Reportable Condition
U. S. Department of Education
Through Georgia Department of Education
Hurricane Education Recovery (CFDA 84.938)
Finding Control number: FA-6481-06-01

Effect: We were unable to determine if the $141,746 of HERA funds earmarked for students with disabilities were used for special education and related purposes.

Recommendation: Management should ensure that procedures are in place to comply with Federal and State guidelines when administering HERA funds for special education purposes. GDOE should review this matter and determine if these funds were used properly or if a refund is appropriate.
SECTION V

MANAGEMENT'S RESPONSES
Finding Control number: FA-6481-06-01

We concur with this finding. School System officials relied on Georgia Department of Education Guidelines which did not require separate accountability of HERA funds provided for students with disabilities. The Georgia Department of Education has audited these funds and no refund was determined to be appropriate in regards to these funds. We will continue to follow all guidance provided by the Georgia Department of Education as it relates to Federal and State funds received.

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