

**DOUGLAS COUNTY  
BOARD OF EDUCATION**

**ANNUAL FINANCIAL REPORT  
FOR THE  
FISCAL YEAR ENDED JUNE 30, 2007**

# DOUGLAS COUNTY BOARD OF EDUCATION

## ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2007

### TABLE OF CONTENTS

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<b>I. <u>Financial Section</u></b>	<b><u>Page</u></b>
Independent Auditor's Report	1 and 2
Management's Discussion and Analysis	3-10
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet – Governmental Funds	13
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	14
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
General Fund - Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	17
Statement of Fiduciary Net Assets – Agency Fund	18
Statement of Changes in Fiduciary Net Assets - Private Purpose Trust Fund	19
Notes to Financial Statements	20-37
 <b>II. <u>Other Supplementary Information</u></b>	
Schedule of State Revenue	38 and 39
Schedule of Quality Basic Education Program (QBE)	
Allotments and Expenditures by Program – General Fund	40
Schedule of Expenditures of Special Purpose Local Option Sales Tax Proceeds	41
 <b>III. <u>Single Audit Section</u></b>	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	42 and 43
Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	44 and 45
Schedule of Expenditures of Federal Awards	46 and 47
Schedule of Findings and Questioned Costs	48-51

## **I. FINANCIAL SECTION**

**INDEPENDENT AUDITOR'S REPORT**

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**To the Superintendent and Members of  
the Douglas County Board of Education  
Douglasville, Georgia**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Douglas County Board of Education as of and for the year ended June 30, 2007, which collectively comprise the Douglas County Board of Education'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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to 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, 2007, and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2008 on our consideration of the Douglas County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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The Management's Discussion and Analysis (on pages 3 through 10) is not a required part of the basic financial statements but is supplementary information required by 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 schedule of state revenue, schedule of Quality Basic Education Program (QBE), and the schedule of expenditures of Special Purpose Local Option Sales Tax Proceeds are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Douglas County Board of Education. The schedule of state revenue, schedule of Quality Basic Education Program (QBE), schedule of expenditures of Special Purpose Local Option Sales Tax Proceeds, and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mauldin & Jenkins, LLC

Atlanta, Georgia  
April 21, 2008

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

Our discussion and analysis of the Douglas County Board of Education's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the School District'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 School District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2007 are as follows:

- ✓ On March 20, 2007, the citizens of Douglas County voted to issue general obligation bonds in the aggregate principal amount of \$150,550,000 primarily to finance the acquisition, construction and equipping of new schools, and the purchase of land for future school sites. These bonds were issued in June 2007.
- ✓ 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 million over 20 calendar quarters. Collections under SPLOST III began to be received by the District in March 2007.
- ✓ Net assets increased \$51.9 million, which represents a 29.4 percent increase from fiscal year 2006. This total increase was due to governmental activities since the School District has no business-type activities.
- ✓ General revenues accounted for \$122.2 million in revenue or 46.9 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$138.5 million or 53.1 percent of total revenues. Total revenues were \$260.7 million.
- ✓ The School District had \$208.8 million in expenses related to governmental activities; only \$138.5 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily property and sales taxes) of \$122.2 million were adequate to provide for these programs.
- ✓ Among major funds, the general fund had \$215.3 million in revenues and \$202.2 million in expenditures. The general fund's balance increased to \$51.3 million from \$38.2 million.

**Using the Basic Financial Statements**

This annual report consists of management's discussion and analysis, a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Douglas County School District as a financial whole, or as an entire operating entity.

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

The district-wide financial statements include the Statement of Net Assets and Statement of Activities. These statements provide information about the activities of the School District, presenting both an aggregate view of the School District'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 School District's most significant funds. In the case of the Douglas County School District, the General Fund, Capital Projects Fund, and Debt Service Fund are the most significant funds.

### **District-Wide Statements**

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

These two statements report the District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether, for the District 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. Non-financial factors include the District's property tax base, facility conditions, required educational programs and other factors.

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

- ✓ Governmental Activities - All of the District'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.

### **Fund Financial Statements**

Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, the district-wide capital projects fund, and the debt service fund.

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

**Governmental Funds** – Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using 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 District'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 District is the trustee, or fiduciary, for assets that belong to others, such as school clubs and organizations within the school activity accounts. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

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

The perspective of the Statement of Net Assets is of the District as a whole. Table 1 provides a summary of the District's net assets for fiscal year 2007 compared to fiscal year 2006.

**Table 1  
Net Assets**

	<u>Governmental Activities</u>	
	<u>Fiscal Year 2007</u>	<u>Fiscal Year 2006</u>
<b>Assets</b>		
Current and Other Assets	\$320,596,931	\$160,894,090
Capital Assets, Net	<u>215,936,102</u>	<u>176,760,289</u>
<b>Total Assets</b>	<b><u>\$536,533,033</u></b>	<b><u>\$337,654,379</u></b>
<b>Liabilities</b>		
Current and Other Liabilities	\$ 35,921,092	\$ 30,488,166
Long-Term Liabilities	<u>272,394,438</u>	<u>130,805,509</u>
<b>Total Liabilities</b>	<b><u>\$308,315,530</u></b>	<b><u>\$161,293,675</u></b>
<b>Net Assets</b>		
Investment in Capital Assets, Net of Related Debt	\$103,508,974	\$111,777,173
Restricted	78,151,406	30,425,195
Unrestricted	<u>46,557,123</u>	<u>34,158,336</u>
<b>Total Net Assets</b>	<b><u>\$228,217,503</u></b>	<b><u>\$176,360,704</u></b>



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

Total net assets increased \$51.9 million.

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

**Table 2  
Change in Net Assets**

	Governmental Activities Fiscal Year 2007	Fiscal Year 2006
<b>Revenues</b>		
Program Revenues:		
Charges for Services and Sales	\$ 4,628,444	\$ 4,735,795
Operating Grants and Contributions	118,365,932	104,776,589
Capital Grants and Contributions	<u>15,458,647</u>	<u>3,913,710</u>
Total Program Revenues	<u>\$138,453,023</u>	<u>\$113,426,094</u>
General Revenues:		
Taxes		
Property Taxes		
For Maintenance and Operations	\$ 71,330,889	\$ 60,547,933
For Debt Service	3,426,642	2,931,280
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Debt Service	6,791,375	-
For Capital Projects	19,599,002	22,998,548
Other Taxes	1,060,614	2,072,527
Grants and Contributions not Restricted to		
Specific Programs	7,490,137	4,026,330
Investment Earnings	6,854,382	5,382,843
Miscellaneous	<u>5,660,151</u>	<u>4,525,193</u>
Total General Revenues	<u>\$122,213,192</u>	<u>\$102,484,654</u>
Total Revenues	<u>\$260,666,215</u>	<u>\$215,910,748</u>
<b>Program Expenses</b>		
Instruction	\$128,922,941	\$119,693,370
Support Services		
Pupil Services	4,968,577	4,251,039
Improvement of Instructional Services	4,880,404	4,687,542
Educational Media Services	3,643,814	3,853,784
General Administration	2,650,265	4,171,654
School Administration	12,249,451	11,864,568
Business Administration	1,942,651	1,689,706
Maintenance and Operation of Plant	13,927,004	11,210,057
Student Transportation Services	9,807,446	8,102,668
Central Support Services	5,364,752	3,469,027
Other Support Services	3,457,693	950,315
Operations of Non-Instructional Services		
Enterprise Operations	953,484	1,012,471
Food Services	11,640,565	9,970,301
Interest on Short-Term and Long-Term Debt	<u>4,400,369</u>	<u>7,220,806</u>
Total Expenses	<u>\$208,809,416</u>	<u>\$192,147,308</u>
Increase in Net Assets	<u>\$ 51,856,799</u>	<u>\$ 23,763,440</u>

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

**Governmental Activities**

Instruction comprises 61.7 percent of governmental program expenses. Interest expense comprises 2.1 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**

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>Fiscal</u>	<u>Fiscal</u>	<u>Fiscal</u>	<u>Fiscal</u>
	<u>Year 2007</u>	<u>Year 2006</u>	<u>Year 2007</u>	<u>Year 2006</u>
Instruction	\$128,922,941	\$119,693,370	\$33,727,676	\$38,664,837
Support Services				
Pupil Services	4,968,577	4,251,039	3,436,880	3,085,125
Improvement of Instructional Services	4,880,404	4,687,542	1,908,669	2,105,964
Educational Media Services	3,643,814	3,853,784	907,341	1,744,672
General Administration	2,650,265	4,171,654	(61,162)	2,776,038
School Administration	12,249,451	11,864,568	6,619,450	7,454,074
Business Administration	1,942,651	1,689,706	1,657,891	1,482,171
Maintenance and Operation of Plant	13,927,004	11,210,057	6,119,860	5,347,272
Student Transportation Services	9,807,446	8,102,668	4,232,748	5,525,525
Central Support Services	5,364,752	3,469,027	4,495,060	2,851,529
Other Support Services	3,457,693	950,315	2,955,417	678,585
Operations of Non-Instructional Services				
Enterprise Operations	953,484	1,012,471	101,824	221,036
Food Services	11,640,565	9,970,301	(145,630)	(436,420)
Interest on Short-Term and Long-Term Debt	<u>4,400,369</u>	<u>7,220,806</u>	<u>4,400,369</u>	<u>7,220,806</u>
Total Expenses	<u>\$208,809,416</u>	<u>\$192,147,308</u>	<u>\$70,356,393</u>	<u>\$78,721,214</u>

Although program revenues make up a majority of the revenues, the District is still dependent upon tax revenues for governmental activities. Over 26 percent of instruction activities are supported through taxes and other general revenues; for all governmental activities general revenue support is 58.5 percent.

**The District's Funds**

The District's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues and other financing sources of \$443.0 million and expenditures and other financing uses of \$290.4 million. There was an increase of \$137.7 million in the district-wide capital projects fund balance. This increase is directly related to the fiscal year 2007 issuance of general obligation bonds for capital projects. The general fund had a fund balance increase of \$13.1 million. The positive change in the fund balance of the general fund for the year indicates that the District was able to meet current costs from current revenues.

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

***General Fund Budgeting Highlights***

The District's budget is prepared according to Georgia law. The most significant budgeted fund is the general fund.

During the course of fiscal year 2007, the District did not amend its general fund budget. The District 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 \$212.4 million exceeded the budgeted amount by \$31.6 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. Additionally, due to the tax digest not being received until after the state budget deadline, the estimate of taxes was lower than actual.

The actual expenditures of \$199.3 for the general fund exceeded the budgeted amount by \$3.3 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.

The District's 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.

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

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2007, the District had \$215.9 million invested in capital assets, all in governmental activities. Table 4 shows fiscal year 2007 balances compared with fiscal year 2006 balances.

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

	<u>Governmental Activities</u>	
	<u>Fiscal Year 2007</u>	<u>Fiscal Year 2006</u>
Land	\$ 28,916,396	\$ 26,319,012
Construction in Progress	42,817,789	25,557,335
Buildings and Improvements	125,709,316	108,895,271
Equipment	14,462,599	13,240,106
Land Improvements	<u>4,030,002</u>	<u>2,748,565</u>
Total	<u>\$215,936,102</u>	<u>\$176,760,289</u>

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

***Debt***

At June 30, 2007, the Board had \$256.6 million in bonds outstanding with \$17.6 million due within one year. Table 5 shows fiscal year 2007 balances compared with fiscal year 2006 balances.

**Table 5  
Debt at June 30**

	<u>Governmental Activities</u>	
	<u>Fiscal Year 2007</u>	<u>Fiscal Year 2006</u>
General Obligation Bonds	<u>\$256,575,000</u>	<u>\$123,740,000</u>

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

**Current Issues**

The Douglas County School System's current operating millage is 18.7, which produces approximately \$3.9 million per mill. This is a reduction from an operating millage rate of 19.4 in 2006, which supported the fiscal year 2007 budget. 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 13% between 2006 and 2007. 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. 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 District'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 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 District's finances and to show the District'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](mailto:kay.turner@douglas.k12.ga.us).

## **BASIC FINANCIAL STATEMENTS**

# DOUGLAS COUNTY BOARD OF EDUCATION

## STATEMENT OF NET ASSETS

JUNE 30, 2007

ASSETS	<u>Governmental Activities</u>
Cash and cash equivalents	\$ 57,140,142
Investments	234,681,802
Receivables:	
Taxes	6,687,706
Intergovernmental:	
State	13,814,681
Federal	3,150,087
Other	917,619
Inventory	617,254
Deferred charges	3,587,640
Capital assets (nondepreciable)	71,734,185
Capital assets (net of accumulated depreciation)	144,201,917
Total assets	<u>536,533,033</u>
<b>LIABILITIES</b>	
Accounts payable	1,070,779
Salaries and benefits payable	27,177,610
Contracts payable	3,047,405
Accrued interest payable	1,472,358
Claims payable	867,030
Retainage payable	2,285,910
Bonds payable due within one year	17,615,000
Bonds payable due in more than one year	253,937,974
Compensated absences, due in less than one year	673,171
Compensated absences, due in more than one year	168,293
Total liabilities	<u>308,315,530</u>
<b>NET ASSETS</b>	
Investment in capital assets, net of related debt	103,508,974
Restricted for:	
Federal programs	1,488,558
Capital projects	55,171,378
Debt service	21,491,470
Unrestricted	46,557,123
Total net assets	<u>\$ 228,217,503</u>

The accompanying notes are an integral part of these financial statements.

**DOUGLAS COUNTY BOARD OF EDUCATION**

**STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
Instruction	\$ 128,922,941	\$ 67,630	\$ 84,333,231	\$ 10,794,404	\$ (33,727,676)
Support services:					
Pupil services	4,968,577	-	1,531,697	-	(3,436,880)
Improvement of instructional services	4,880,404	-	2,971,735	-	(1,908,669)
Educational media services	3,643,814	-	2,736,473	-	(907,341)
General administration	2,650,265	-	1,207,809	1,503,618	61,162
School administration	12,249,451	-	5,630,001	-	(6,619,450)
Business administration	1,942,651	-	284,760	-	(1,657,891)
Maintenance and operation of facilities	13,927,004	-	7,702,485	104,659	(6,119,860)
Student transportation services	9,807,446	-	3,375,865	2,198,833	(4,232,748)
Central support services	5,364,752	-	869,692	-	(4,495,060)
Other support services	3,457,693	-	502,276	-	(2,955,417)
Operations of non-instructional services					
Enterprise operation	953,484	851,660	-	-	(101,824)
Food services operation	11,640,565	3,709,154	7,219,908	857,133	145,630
Interest on long-term debt	4,400,369	-	-	-	(4,400,369)
Total governmental activities	<u>\$ 208,809,416</u>	<u>\$ 4,628,444</u>	<u>\$ 118,365,932</u>	<u>\$ 15,458,647</u>	<u>\$ (70,356,393)</u>
General revenues:					
Taxes:					
Property taxes, levied for general purposes					71,330,889
Property taxes, levied for debt service					3,426,642
Sales taxes:					
For debt service					6,791,375
For capital projects					19,599,002
Other taxes					1,060,614
Grants and contributions not restricted to specific programs					7,490,137
Unrestricted investment earnings					6,854,382
Other					5,660,151
Total general revenues					<u>122,213,192</u>
Change in net assets					51,856,799
Net assets, beginning of year, restated					176,360,704
Net assets, end of year					<u>\$ 228,217,503</u>

The accompanying notes are an integral part of these financial statements.



# DOUGLAS COUNTY BOARD OF EDUCATION

## BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2007

ASSETS	General	Capital Projects	Debt Service	Total Governmental Funds
Cash and cash equivalents	\$ 31,881,684	\$ 17,021,609	\$ 8,236,849	\$ 57,140,142
Investments	27,739,206	193,687,975	13,254,621	234,681,802
Receivables:				
Taxes	2,341,703	4,233,900	112,103	6,687,706
Intergovernmental:				
State	13,814,681	-	-	13,814,681
Federal	3,150,087	-	-	3,150,087
Other	917,619	-	-	917,619
Inventory	617,254	-	-	617,254
Total assets	<u>\$ 80,462,234</u>	<u>\$ 214,943,484</u>	<u>\$ 21,603,573</u>	<u>\$ 317,009,291</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 1,069,579	\$ -	\$ 1,200	\$ 1,070,779
Contract payable	-	3,047,405	-	3,047,405
Salaries and benefits payable	27,177,610	-	-	27,177,610
Retainage payable	-	2,285,910	-	2,285,910
Deferred revenue	869,193	-	42,144	911,337
Total liabilities	<u>29,116,382</u>	<u>5,333,315</u>	<u>43,344</u>	<u>34,493,041</u>
<b>FUND BALANCES</b>				
Reserved for:				
Inventory	617,254	-	-	617,254
Charter Technical School	4,000,000	-	-	4,000,000
Federal programs	1,488,558	-	-	1,488,558
Unreserved:				
Designated for:				
Capital construction	5,000,000	-	-	5,000,000
Bus replacement	2,600,000	-	-	2,600,000
Technology	3,500,000	-	-	3,500,000
Textbooks	2,750,000	-	-	2,750,000
Vehicle equipment	250,000	-	-	250,000
Undesignated reported in:				
General fund	31,140,040	-	-	31,140,040
Capital projects fund	-	209,610,169	-	209,610,169
Debt service fund	-	-	21,560,229	21,560,229
Total fund balances	<u>51,345,852</u>	<u>209,610,169</u>	<u>21,560,229</u>	<u>282,516,250</u>
Total liabilities and fund balances	<u>\$ 80,462,234</u>	<u>\$ 214,943,484</u>	<u>\$ 21,603,573</u>	<u>\$ 317,009,291</u>

The accompanying notes are an integral part of these financial statements.

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

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Total fund balances - governmental funds	\$	282,516,250
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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.

Cost	\$	277,291,465	
Less accumulated depreciation		<u>(61,355,363)</u>	215,936,102

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

Property taxes	911,337
----------------	---------

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds	\$	(256,575,000)	
Bond premium, net of amortization		(14,977,974)	
Bond issuance costs, net of amortization		3,587,640	
Accrued interest		(1,472,358)	
Compensated absences		(841,464)	
Claims liability		<u>(867,030)</u>	<u>(271,146,186)</u>

Net assets of governmental activities	\$	<u>228,217,503</u>
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The accompanying notes are an integral part of these financial statements.

**DOUGLAS COUNTY BOARD OF EDUCATION**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	General	District - Wide Capital Projects	Debt Service	Total Governmental Funds
<b>REVENUES</b>				
Property taxes	\$ 71,694,907	\$ -	\$ 3,377,890	\$ 75,072,797
Sales taxes	-	26,390,377	48,752	26,439,129
Other taxes	1,060,614	-	-	1,060,614
State funds	111,367,260	14,810,494	-	126,177,754
Federal funds	18,057,427	-	-	18,057,427
Interest income	2,877,429	2,967,986	994,168	6,839,583
Charges for services	4,628,444	-	-	4,628,444
Miscellaneous	5,660,150	14,799	-	5,674,949
Total revenues	<u>215,346,231</u>	<u>44,183,656</u>	<u>4,420,810</u>	<u>263,950,697</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	127,752,247	-	-	127,752,247
Support services:				
Pupil services	5,040,842	-	-	5,040,842
Improvement of instructional services	4,931,498	-	-	4,931,498
Educational media services	3,598,614	-	-	3,598,614
General administration	2,139,217	-	-	2,139,217
School administration	12,387,005	-	-	12,387,005
Business administration	1,966,812	-	3,511	1,970,323
Maintenance and operation of facilities	14,024,575	-	-	14,024,575
Student transportation services	9,270,127	-	-	9,270,127
Central support services	5,403,937	-	-	5,403,937
Other support services	3,457,693	-	-	3,457,693
Enterprise operations	953,484	-	-	953,484
Food services operation	11,320,423	-	-	11,320,423
Capital outlay	-	44,062,898	-	44,062,898
Debt service:				
Principal retirement	-	-	17,715,000	17,715,000
Interest and fees	-	-	5,510,238	5,510,238
Bond issuance cost	-	2,933,063	-	2,933,063
Total expenditures	<u>202,246,474</u>	<u>46,995,961</u>	<u>23,228,749</u>	<u>272,471,184</u>
Excess (deficiency) of revenues over (under) expenditures	<u>13,099,757</u>	<u>(2,812,305)</u>	<u>(18,807,939)</u>	<u>(8,520,487)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	17,927,837	17,927,837
Transfers out	-	(17,927,837)	-	(17,927,837)
Bonds issued	-	147,913,087	2,636,913	150,550,000
Premum on bonds sold	-	10,558,180	-	10,558,180
Total other financing sources (uses)	<u>-</u>	<u>140,543,430</u>	<u>20,564,750</u>	<u>161,108,180</u>
Net change in fund balances	13,099,757	137,731,125	1,756,811	152,587,693
FUND BALANCE, beginning of year, restated	<u>38,246,095</u>	<u>71,879,044</u>	<u>19,803,418</u>	<u>129,928,557</u>
FUND BALANCE, end of year	<u>\$ 51,345,852</u>	<u>\$ 209,610,169</u>	<u>\$ 21,560,229</u>	<u>\$ 282,516,250</u>

The accompanying notes are an integral part of these financial statements.

**DOUGLAS COUNTY BOARD OF EDUCATION**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$	152,587,693
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which capital outlays exceeded.

Capital outlay	\$ 46,310,561		
Depreciation expense	<u>(7,125,785)</u>		39,184,776

The net effect of the sale of fixed assets is to decrease net assets			(8,963)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes			(364,018)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments - bonds	\$ 17,715,000		
Issuance of general obligation debt	(150,550,000)		
Bond premium	(10,558,180)		
Bond premium amortization expense	1,129,662		
Bond issuance costs	2,933,063		
Bond issuance costs amortization expense	<u>(156,057)</u>		(139,486,512)

Some expenses 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.

Change in compensated absences	\$ (124,284)		
Change in claims payable	(68,157)		
Change in accrued interest	<u>136,264</u>		<u>(56,177)</u>

Change in net assets of governmental activities	\$	<u>51,856,799</u>
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**The accompanying notes are an integral part of these financial statements.**

**DOUGLAS COUNTY BOARD OF EDUCATION**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 63,000,000	\$ 63,000,000	\$ 72,755,521	\$ 9,755,521
State funds	96,436,371	96,436,371	108,446,796	12,010,425
Federal funds	15,425,368	15,425,368	18,057,427	2,632,059
Charges for services	4,338,579	4,338,579	4,628,444	289,865
Interest income	1,022,200	1,022,200	2,877,429	1,855,229
Miscellaneous	651,000	651,000	5,660,150	5,009,150
	<u>180,873,518</u>	<u>180,873,518</u>	<u>212,425,767</u>	<u>31,552,249</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	123,612,156	123,612,156	125,635,873	(2,023,717)
Support services:				
Pupil services	4,587,544	4,587,544	4,968,577	(381,033)
Improvement of instructional services	3,859,072	3,859,072	4,880,404	(1,021,332)
Educational media services	3,689,263	3,689,263	3,527,069	162,194
General administration	1,694,251	1,694,251	2,108,477	(414,226)
School administration	11,590,889	11,590,889	12,125,167	(534,278)
Business administration	1,996,817	1,996,817	1,939,140	57,677
Maintenance and operation of plant	15,444,789	15,444,789	13,884,695	1,560,094
Student transportation services	8,345,917	8,345,917	9,160,255	(814,338)
Central support services	5,752,055	5,752,055	5,364,753	387,302
Other support services	1,781,479	1,781,479	3,457,693	(1,676,214)
Enterprise operations	-	-	953,484	(953,484)
Food services operation	9,653,642	9,653,642	11,320,423	(1,666,781)
Capital outlay	4,000,000	4,000,000	-	4,000,000
Total expenditures	<u>196,007,874</u>	<u>196,007,874</u>	<u>199,326,010</u>	<u>(3,318,136)</u>
Excess of revenues over expenditures	<u>(15,134,356)</u>	<u>(15,134,356)</u>	<u>13,099,757</u>	<u>(28,234,113)</u>
<b>FUND BALANCE, beginning of year</b>	<u>38,246,095</u>	<u>38,246,095</u>	<u>38,246,095</u>	<u>-</u>
<b>FUND BALANCE, end of year</b>	<u>\$ 23,111,739</u>	<u>\$ 23,111,739</u>	<u>\$ 51,345,852</u>	<u>\$ (28,234,113)</u>

The accompanying notes are an integral part of these financial statements.

**DOUGLAS COUNTY BOARD OF EDUCATION**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2007**

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	<u>Agency Fund</u>	<u>Private Purpose Trust Fund</u>
	<u>Club and Athletics Fund</u>	<u>Winston Ruritan Club Trust Fund</u>
<b>ASSETS</b>		
Cash	\$ 306,704	\$ 66,742
Total assets	<u>\$ 306,704</u>	<u>\$ 66,742</u>
<b>LIABILITIES</b>		
Funds held for others	<u>\$ 306,704</u>	<u>\$ -</u>
Total liabilities	<u>\$ 306,704</u>	<u>\$ -</u>
<b>Net Assets</b>		
Held in trust for private purposes	<u>\$ -</u>	<u>\$ 66,742</u>

**DOUGLAS COUNTY BOARD OF EDUCATION**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**

**WINSTON RURITAN CLUB**

**PRIVATE PURPOSE TRUST FUND**

**JUNE 30, 2007**

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Additions	
Investment income	\$ 11,079
	<u>11,079</u>
Total additions	<u>11,079</u>
Increase in net assets	11,079
Net assets, beginning of year	<u>55,663</u>
Net assets, end of year	<u><u>\$ 66,742</u></u>

**The accompanying notes are an integral part of these financial statements.**

**DOUGLAS COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2007**

**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 Government-wide financial statements, fund financial statements and notes to the basic financial statements of the Douglas County Board of Education.

***Government-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.

In the Statement of Net Assets, equity is reported as net assets and consists of amounts invested in capital assets, net of related debt, amounts restricted by outside parties for specific purposes and unrestricted amounts.

***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.



**DOUGLAS COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2007**

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The School District reports the following major governmental funds:

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

The School District reports the following fiduciary fund types:

- *Agency Funds* account for assets held by the School District as an agent for various individual school clubs and activities.
- *Private Purpose Trust Funds* account for assets held by the School District in a trustee capacity.

**Basis of Accounting/Measurement Focus**

The basis of accounting determines when transactions are reported on the financial statements. The District-wide governmental activities 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

**DOUGLAS COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2007**

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

available if they are collected within sixty days after year-end. Property taxes, sales taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and 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 authorizes the School District to deposit its funds in one or more solvent banks or insured Federal savings and loan associations.

**Investments**

COMPOSITION OF INVESTMENTS

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

- (1) Obligations issued by the State of Georgia or by other states,
- (2) Obligations issued by the United States government,
- (3) Obligations fully insured or guaranteed by the United States government or a United States government agency,
- (4) Obligations of any corporation of the United States government,
- (5) Prime banker's acceptances,

**DOUGLAS COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2007**

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- (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 Tax Commissioner fixed the property tax levy for the 2006 tax digest year (calendar year) on October 15, 2006 (levy date). Taxes were due on December 15, 2006 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2006 tax digest are reported as revenue in the governmental funds for fiscal year 2007. The 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, 2007, for maintenance and operations amounted to \$71,694,907 and for debt service amounted to \$3,377,890.

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

School Maintenance and Operations	19.40mills
School Bonds	<u>.90mills</u>
	<u>20.30mills</u>

**Sales Taxes**

Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to \$26,390,377 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.

**DOUGLAS COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2007**

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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/expenditures 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, 2007, are recorded as prepaid items.

**Capital Assets**

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

**DOUGLAS COUNTY BOARD OF EDUCATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2007**

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
Land	All	N/A
Land Improvements	\$ 10,000	20 years
Buildings		
Temporary	\$ 10,000	25 years
Permanent	\$ 50,000	50 years
Buildings Improvements	\$ 10,000	7 to 30 years
Equipment	\$ 10,000	4 to 20 years

**General Obligation Bonds**

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

In the fund financial statements, the face amount of debt issued and any related premium, is reported as other financing sources. Issuance costs, whether or not withheld from actual proceeds, are reported as debt service expenditures.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond issuance costs are recognized in the governmental activities statement of net assets and are amortized using the effective interest method.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 3: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

The School System adopts an annual budget for its general and debt service funds. The budget is prepared in accordance with provisions of the Quality Basic Education Act, OCGA Section 20-2-167. After the Board of Education has tentatively adopted the budget, such budget is advertised at least one time in a local newspaper of general circulation. At the next regular meeting of the Board after advertisement, the budget is revised as necessary and adopted as the final budget.

**DOUGLAS COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2007**

**Note 4: DEPOSITS AND INVESTMENTS**

**COLLATERALIZATION OF DEPOSITS**

Official Code of Georgia Annotated (OCGA) Section 45-8-12 provides that there shall not be on deposit at any time in any depository for a time longer than ten days a sum of money which has not been secured by surety bond, by guarantee of insurance, or by collateral. The aggregate of the face value of such surety bond and the market value of securities pledged shall be equal to not less than 110 percent of the public funds being secured after the deduction of the amount of deposit insurance. If a depository elects the pooled method (OCGA 45-8-13.1) the aggregate of the market value of the securities pledged to secure a pool of public funds shall be not less than 110 percent of the daily pool balance. At June 30, 2007, all deposits were secured by surety bond, insurance or collateral.

**Custodial credit risk.** Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the School District will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of June 30, 2007, the School District's cash accounts and investments were properly collateralized as required by State statutes.

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.

**DOUGLAS COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2007**

**Note 4: DEPOSITS AND INVESTMENTS (Continued)**

**CATEGORIZATION OF INVESTMENTS**

At June 30, 2007, the carrying value of the School District's total investments was \$234,681,802, which is materially the same as fair value. This investment consisted of funds invested in guaranteed investment contracts and 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 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 does not provide for investment in derivatives or similar investments. Additional information on the Local Government Investment Pool is disclosed in the *State of Georgia* Comprehensive Annual Financial Report. This audit can be obtained from the Georgia Department of Audits and Accounts at <http://www.audits.state.ga.us/internet/searchRpts.html>. The Georgia Fund 1, which is not registered with the SEC as an investment company, but does operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. The investment is valued at the pool's share price, \$1.00 per share. The pool is an AAAM rated investment pool by Standard and Poor's. The weighted average maturity of Georgia Fund 1 may not exceed 60 days. The weighted average maturity for Georgia Fund 1 on June 30, 2007, was 15 days.

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Guaranteed Investment Contract	June 1, 2010	\$ 153,351,722
Guaranteed Investment Contract	May 26, 2008	29,300,707
Guaranteed Investment Contract	August 1, 2007	12,943,377
Georgia Fund 1	15 days	39,085,996
Total		<u>\$ 234,681,802</u>

**Note 5: NON-MONETARY TRANSACTIONS**

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

**DOUGLAS COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2007**

**Note 6: CAPITAL ASSETS**

The following is a summary of changes in the capital assets during the fiscal year:

	<u>Balances July 1, 2006</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances June 30, 2007</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 26,319,012	\$ 2,597,384	\$ -	\$ 28,916,396
Construction in progress	25,557,335	37,394,580	(20,134,126)	42,817,789
Total	<u>51,876,347</u>	<u>39,991,964</u>	<u>(20,134,126)</u>	<u>71,734,185</u>
Capital assets, being depreciated:				
Building improvements	144,154,508	20,296,730	-	164,451,238
Equipment	31,864,888	4,676,018	(145,614)	36,395,292
Land improvements	3,230,775	1,479,975	-	4,710,750
Total	<u>179,250,171</u>	<u>26,452,723</u>	<u>(145,614)</u>	<u>205,557,280</u>
Less accumulated depreciation for:				
Building improvements	(35,259,237)	(3,482,685)	-	(38,741,922)
Equipment	(18,624,782)	(3,444,562)	136,651	(21,932,693)
Land improvements	(482,210)	(198,538)	-	(680,748)
Total	<u>(54,366,229)</u>	<u>(7,125,785)</u>	<u>136,651</u>	<u>(61,355,363)</u>
Total capital assets, being depreciated, net	<u>124,883,942</u>	<u>19,326,938</u>	<u>(8,963)</u>	<u>144,201,917</u>
Governmental activities capital assets, net	<u>\$ 176,760,289</u>	<u>\$ 59,318,902</u>	<u>\$ (20,143,089)</u>	<u>\$ 215,936,102</u>

As of June 30, 2007, the School District determined that a prior period adjustment of \$6,349,197 was needed due to errors in the omission of construction in progress, in prior years. Therefore, the beginning governmental activities capital assets, net of accumulated depreciation, increased from \$170,411,092 (from the prior year) to \$176,760,289 (as restated above for June 30, 2006).

Depreciation expense was charged to functions as follows:

Instruction	\$ 4,941,027
Support services:	
Educational media services	152,898
General administration	709,563
Maintenance and operation of facilities	55,411
Student transportation services	847,607
Operations of non-instructional services:	
Food services	419,279
	<u>\$ 7,125,785</u>



**DOUGLAS COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2007**

**Note 7: INTERFUND TRANSFERS**

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

Transfers To	Transfers From	
	Debt Service	District-Wide Capital Projects
Debt Service	\$ 17,927,837	\$ -
District-wide Capital Projects	-	17,927,837
Total governmental funds	\$ 17,927,837	\$ 17,927,837

Transfers are used to move SPLOST proceeds from Capital Projects Fund to Debt Service Fund to fund debt service as allowed in referendum.

**Note 8: RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; job related illness or injuries to employees; acts of God; and unemployment compensation 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 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 liabilities being reported when it is probable that a loss has occurred in the amount of that loss can be reasonably estimated. For purposes of estimating the unpaid claims liability as of June 30, 2007, the County's third party administrator computed the reserve liability based on the estimated cost of each outstanding claim from claims experience of similar claims.

**DOUGLAS COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2007**

**Note 8: RISK MANAGEMENT (Continued)**

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

	Beginning of Year	Claims and Changes in Estimates	Claims Paid	End of Year
2006	\$ -	\$ 1,319,976	\$ 521,103	\$ 798,873
2007	\$ 798,873	\$ 463,412	\$ 395,255	\$ 867,030

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:

	Beginning of Year	Claims and Changes in Estimates	Claims Paid	End of Year
2006	\$ -	\$ 36,772	\$ 36,772	\$ -
2007	\$ -	\$ 21,383	\$ 21,383	\$ -

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.

	Beginning of Year	Claims and Changes in Estimates	Claims Paid	End of Year
2006	\$ -	\$ 116,693	\$ 116,693	\$ -
2007	\$ -	\$ 118,088	\$ 118,088	\$ -

**DOUGLAS COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2007**

**Note 8: RISK MANAGEMENT (Continued)**

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

<u>Position Covered</u>	<u>Amount</u>
Superintendent	\$100,000
All Other Employees	\$250,000

**Note 9: OPERATING LEASES**

Douglas County Board of Education is committed under various leases for equipment. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the year totaled approximately \$630,747. Future minimum lease payments on these leases are as follows:

**Year ending June 30,**

2008	<u>\$ 464,088</u>
Total	<u><u>\$ 464,088</u></u>

**Note 10: LONG – TERM DEBT**

**COMPENSATED ABSENCES**

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

**GENERAL OBLIGATION DEBT OUTSTANDING**

General Obligation Bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amounts</u>
General Government - Refunding - Series 1999	3.10% - 5.00%	\$ 13,550,000
General Government - Refunding - Series 2002A	2.50% - 5.00%	13,875,000
General Government - Series 2005	3.00% - 5.00%	78,600,000
General Government - Series 2007	4.00% - 5.00%	<u>150,550,000</u>
		<u><u>\$ 256,575,000</u></u>

**DOUGLAS COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2007**

**Note 10: LONG – TERM DEBT (Continued)**

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

	Governmental Funds			
	Compensated Absences	General Obligation Bonds	Unamortized Bond Premium	Total
Balance July 1, 2006	\$ 717,180	\$ 123,740,000	\$ 5,549,456	\$ 130,006,636
Annual Leave Earned	796,885	-	-	796,885
G.O. Bonds		150,550,000	-	150,550,000
G.O. Bonds Premium		-	10,558,180	10,558,180
Deductions				
Annual Leave Utilized	672,601	-	-	672,601
Bond Premium Amortized			1,129,662	1,129,662
Debt Retired	-	17,715,000	-	17,715,000
Balance June 30, 2007	<u>\$ 841,464</u>	<u>\$ 256,575,000</u>	<u>\$ 14,977,974</u>	<u>\$ 272,394,438</u>
Due within One Year	<u>\$ 673,171</u>	<u>\$ 17,615,000</u>	<u>\$ -</u>	<u>\$ 18,288,171</u>

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

Fiscal Year Ended June 30	General Obligation Bonds	
	Principal	Interest
2008	\$ 17,615,000	\$ 7,217,715
2009	11,670,000	11,513,874
2010	10,765,000	11,046,080
2011	11,205,000	10,602,638
2012	11,720,000	10,065,194
2013-2017	48,290,000	43,007,769
2018-2022	59,900,000	28,755,750
2023-2027	67,810,000	13,498,250
2028	<u>17,600,000</u>	<u>440,000</u>
Total Principal and Interest	<u>\$ 256,575,000</u>	<u>\$ 136,147,270</u>

**DOUGLAS COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2007**

**Note 11: ON-BEHALF PAYMENTS**

The School District has recognized revenues and costs in the amount of \$2,920,464 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 \$2,815,801

Georgia Department of Education  
Paid the Teachers Retirement District  
For Teachers Retirement (TRS)  
In the amount of \$81,464

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

**Note 12: SIGNIFICANT COMMITMENTS**

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

<u>Project</u>	<u>Unearned Executed Contracts</u>
New Chapel Hill Elementary	\$ 16,743
Factory Shoals Middle	272,804
CHES Conversion to CHMS	965,547
Alexander Cafeteria Addition	<u>517,646</u>
	<u>\$ 1,772,740</u>

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

**DOUGLAS COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2007**

**Note 13: SIGNIFICANT CONTINGENT LIABILITIES**

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

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

**Note 14: 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. A separate stand alone financial audit report is issued for the plan. A copy can be obtained from the Teachers Retirement System of Georgia, Two Northside 75, Suite 100, Atlanta, Georgia 30318.

**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 for 2007 is 9.28% and employer contributions for the current fiscal year and the preceding two fiscal years are as follows:

<u>Fiscal Year</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>
2007	100%	\$ 9,709,691
2006	100%	\$ 8,731,863
2005	100%	\$ 8,032,772

**PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (PSERS)**

Substantially all bus drivers, maintenance, custodial, and lunchroom personnel employed by the District are members of the Public School Employees Retirement System of Georgia (PSERS), which is also a cost-sharing multiple employer public employee retirement system. The Board of the Public School Employees Retirement System of Georgia issues a publicly available financial report that includes financial statements and supplementary information for PSERS. That report may be obtained by writing Public School Employee Retirement System, Two Northside 75, Atlanta, Georgia 30318-7778, or by calling 1-800-805-4609.

**DOUGLAS COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2007**

**Note 14: RETIREMENT PLANS (Continued)**

PSERS provides service retirement, disability retirement and survivor's benefits for its members. A member is eligible for normal service retirement after 10 years of service and attainment of age 65. A member applying for service retirement with 10 years of services and retirees between the ages of 60 and 65 receive a reduced benefit. Monthly retirement benefits paid to members are equal to eight dollars per month multiplied by the number of years of creditable service. Retirement provisions include death and disability benefits. Benefits are established by state statute.

Covered employees are required by state statute to contribute four dollars per month for the nine month school year. Unlike TRS, the District makes no contribution to PSERS. Total contributions from employees of the District made during the fiscal year ended June 30, 2007, totaled \$10,872.

The State of Georgia is required by statute to make an annual contribution to PSERS based upon an actuarial calculation. The state's contribution for employees for the fiscal year ended June 30, 2007, for District employees was \$23,199.

Members become fully vested after 10 years of service. If a member terminates with less than 10 years of service, no vesting of employer contributions occurs, but the member's contributions are refunded with interest. There were 302 employees (members) covered under PSERS for the year ended June 30, 2007.

**Note 15: PRIOR PERIOD ADJUSTMENTS**

The School District has determined that a restatement of the net assets of the governmental activities is required to reflect corrections to beginning balances of capital assets, claims payable, taxes receivable, accrued interest, bond issuance and premium costs and compensated absences. The School District classified a trust fund as a governmental fund in the prior year in the amount of \$55,663, omitted various projects in construction in progress in prior year amounting to \$6,349,197, omission of \$798,873 in claims payable (including IBNRs), omission of \$810,634 in bond issuance costs, omission of \$717,180 in compensated absences, omission of \$1,608,622 in accrued interest on long term debt, the improper recognition of property taxes of \$1,656,983 and the improper amortization of bond premium of \$614,603 in the June 30, 2006 financial statements in error, resulting in an overall understatement of net assets.

**DOUGLAS COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2007**

**Note 15: PRIOR PERIOD ADJUSTMENTS (Continued)**

Fund Balance, Governmental Funds, June 30, 2006, as previously reported	\$ 128,327,237
Adjustment for change in fund type	(55,663)
Adjustment for proper recognition of property taxes	1,656,983
	<u>1,656,983</u>
Fund Balance, Governmental Funds, June 30, 2006, as restated	<u>\$ 129,928,557</u>
Net assets June 30, 2006, as previously reported	\$ 171,338,831
Adjustment for change in fund type	(55,663)
Adjustment for capital assets, net of accumulated depreciation	8,349,197
Adjustment for claims payable, including IBNRs	(798,873)
Adjustment for bond issuance costs, net of amortization	810,634
Adjustment for compensated absences	(717,180)
Adjustment for accrued interest on long term debt	(1,608,622)
Adjustment for proper recognition of property taxes	1,656,983
Adjustment for proper recognition of premium amortization	(614,603)
	<u>(614,603)</u>
Net assets June 30, 2006, as restated	<u>\$ 176,360,704</u>

To further explain the above restatements, the following details are provided:

**Adjustment for Proper Recognition of Fund Type.** A Trust Fund is required to be reported as a Fiduciary Fund in the basic financial statements. The School District had include the Trust Fund as a governmental fund in the June 30, 2006 financial report. The School District has recorded a prior period adjustment to properly report the Trust Fund in the basic financial statements as of June 30, 2006.

**Adjustment for Capital Assets.** The School District noted one error related to capital assets of governmental activities. This asset error caused an overstatement relative to the carrying value of capital assets. This error resulted from not properly transferring an asset from construction in progress to the appropriate asset classe upon completion. The School District determined the adjustment to capital assets and were required to appropriately reflect capital assets of governmental activities as of June 30, 2006.



**DOUGLAS COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2007**

**Note 15: PRIOR PERIOD ADJUSTMENTS (Continued)**

**Adjustment for Claims Payable.** The School District is self-insured for workers' compensation claims. As such, a liability should be recorded for the outstanding claims liability and the estimated incurred but not reported claims liability at the end of each fiscal year. A liability was not recorded in the June 30, 2006 financial report; therefore the School District has recorded a prior period adjustment to include the June 30, 2006 liability on the government-wide statement of net assets.

**Adjustment for Bond Issuance Costs.** In prior years, the School District issued general obligations bonds, which resulted in bond issuance costs. In accordance with general accepted accounting principles, the bond issuance costs must be recorded as a deferred charge and amortized over the life of the bonds. The School District has recorded a restatement relative to the June 30, 2006 financial report to include the asset on the government-wide statement of net assets.

**Adjustment for Compensated Absences.** Compensated absences are required to be reported as a liability in the government-wide statement of net assets. The School District has recorded a prior period adjustment to properly report compensated absences as a liability in the government-wide statement of net assets as of June 30, 2006.

**Adjustment for Accrued Interest on Long-Term Debt.** Accrued interest on long-term debt is required to be reported as a liability in the government-wide statement of net assets. The School District has various bond issuances for which accrued interest payable was not calculated and recorded as a liability in the June 30, 2006 financial report. The School District has recorded a prior period adjustment to properly report accrued interest payable as a liability in the government-wide statement of net assets as of June 30, 2006.

**Adjustment for Proper Recognition of Property Taxes.** Property taxes receivable are required to be reported as an asset in the government-wide statement of net assets. The School District had property taxes receivable decreased in the June 30, 2006 financial report. The School District has recorded a prior period adjustment to properly report the property taxes receivable in the government-wide statement of net assets as of June 30, 2006.

**Adjustment for Proper Recognition of Bond Premium.** Bond premiums are required to be amortized using the effective interest method and reported in the government-wide statement of net assets. The School District used the straight line method to amortize the bond premium in the June 30, 2006 financial report. The School District has recorded a prior period adjustment to properly report bond premium, net of amortization, in the government-wide statement of net assets as of June 30, 2006.

## **II. OTHER SUPPLEMENTARY INFORMATION**

# DOUGLAS COUNTY BOARD OF EDUCATION

## SCHEDULE OF STATE REVENUE FOR THE FISCAL YEAR ENDED JUNE 30, 2007

<u>Agency/Funding</u>	<u>Governmental Fund Types</u>		<u>Total</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>	
<b>Grants</b>			
Education, Georgia Department of			
Quality Basic Education			
Direct Instructional Cost			
Kindergarten Program	\$ 6,015,270	\$ -	\$ 6,015,270
Kindergarten Program - Early Intervention Program	1,189,868	-	1,189,868
Primary Grades (1-3) Program	14,957,809	-	14,957,809
Primary Grades - Early Intervention (1-3) Program	2,531,283	-	2,531,283
Primary Grades - Early Intervention (4-5) Program	1,996,800	-	1,996,800
Upper Elementary Grades (4-5) Program	6,933,122	-	6,933,122
Middle Grades (6-8) Program	57,771	-	57,771
Middle School (6-8) Program	13,447,143	-	13,447,143
High School General Education (9-12) Program	12,177,991	-	12,177,991
Vocational Laboratory (9-12) Program	4,125,918	-	4,125,918
Students with Disabilities	11,502,752	-	11,502,752
Program for Intellectually Gifted Students - Category VI	3,375,854	-	3,375,854
Remedial Education Program	488,621	-	488,621
Alternative Education Program	1,096,452	-	1,096,452
English Speakers of Other Languages (ESOL)	890,883	-	890,883
Media Center Program	2,269,402	-	2,269,402
20 Days Additional Instruction	710,674	-	710,674
Staff and Professional Development	462,155	-	462,155
Indirect Cost			
Central Administration	2,172,088	-	2,172,088
School Administration	4,367,257	-	4,367,257
Facility Maintenance and Operations	6,200,426	-	6,200,426
Categorical Grants			
Pupil Transportation			
Regular	1,858,421	-	1,858,421
Bus Replacement	198,153	-	198,153
Nursing Services	419,457	-	419,457
Principal Supplements	80,831	-	80,831
Vocational Supervisors	37,717	-	37,717
K-8 Statewide Reading and Math Grants	332,211	-	332,211
Education Equalization Funding Grant	7,490,137	-	7,490,137

(continued)

# DOUGLAS COUNTY BOARD OF EDUCATION

## SCHEDULE OF STATE REVENUE FOR THE FISCAL YEAR ENDED JUNE 30, 2007

<u>Agency/Funding</u>	<u>Governmental Fund Types</u>		<u>Total</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>	
Food Services	545,880	-	545,880
Vocational Education	196,383	-	196,383
Austerity Reduction	(2,063,084)	-	(2,063,084)
Other State Programs			
Communities in Schools Dropout Prevention	20,000	-	20,000
Graduation Coaches	160,300	-	160,300
Health Insurance	2,815,801	-	2,815,801
K-8 Statewide Reading	196,500	-	196,500
Middle School Summer Remedial Program	20,657	-	20,657
National Teacher Certification	82,343	-	82,343
Other State Grant	1,098,480	-	1,098,480
Preschool Handicapped Program	307,496	-	307,496
Pupil Transportation	450,000	-	450,000
Teachers' Retirement	81,464	-	81,464
Georgia State Financing and Investment Commission			
Reimbursement on Construction Projects	-	14,810,494	14,810,494
Office of Treasury and Fiscal Services			
Public School Employees Retirement	23,199	-	23,199
Contracts			
Education, Georgia Department of			
Foreign Language Model Program	30,500	-	30,500
Foreign Language Research	14,875	-	14,875
	<u>\$ 111,367,260</u>	<u>\$ 14,810,494</u>	<u>\$ 126,177,754</u>

**DOUGLAS COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF QUALITY BASIC EDUCATION PROGRAM (QBE)**  
**ALLOTMENTS AND EXPENDITURES BY PROGRAM**  
**GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

<u>Description</u>	<u>Allotments From Georgia Department of Education (1)(2)</u>	<u>Eligible QBE Program Costs</u>		
		<u>Salaries</u>	<u>Operations</u>	<u>Total</u>
<b>Direct Instructional Funds:</b>				
Kindergarten Program	\$ 6,940,149	\$ 7,144,861	\$ 242,031	\$ 7,386,892
Kindergarten Program - Early Intervention Program	1,388,079	1,469,726	10,751	1,480,477
Primary Grades (1-3) Program	17,136,689	17,757,628	832,138	18,589,766
Primary Grades - Early Intervention (1-3) Program	2,911,607	4,076,291	22,772	4,099,063
Upper Elementary Grades (4-5) Program	7,969,420	9,546,632	410,725	9,957,357
Upper Elementary Grades-Early Intervention (4-5) Program	2,291,230	2,208,889	14,004	2,222,893
Middle Grades (6-8) Program	57,969	-	-	-
Middle School (6-8) Program	15,566,249	18,479,069	824,556	19,303,625
High School General Education (9-12) Program	13,910,192	15,751,896	662,830	16,414,726
Vocational Laboratory (9-12) Program	4,732,366	4,320,848	306,694	4,627,542
Students with Disabilities	13,120,692	-	-	-
Category I	-	296,189	19,448	315,637
Category II	-	1,291,560	10,609	1,302,169
Category III	-	10,959,287	107,278	11,066,565
Category IV	-	982,124	36,771	1,018,895
Category V	-	108	8,950	9,058
Gifted Student - Category VI	3,864,874	4,289,067	46,604	4,335,671
Remedial Education Program	521,927	152,923	742	153,665
Alternative Education Program	1,260,478	1,032,363	767,631	1,799,994
English Speakers of Other Languages (ESOL)	983,890	1,105,955	8,103	1,114,058
<b>TOTAL DIRECT INSTRUCTIONAL PROGRAMS</b>	<u>92,655,811</u>	<u>100,865,416</u>	<u>4,332,637</u>	<u>105,198,053</u>
Media Center Program	2,611,183	3,309,229	207,841	3,517,070
Staff and Professional Development	541,189	-	-	-
<b>TOTAL QBE FORMULA FUNDS</b>	<u>\$ 95,808,183</u>	<u>\$ 104,174,645</u>	<u>\$ 4,540,478</u>	<u>\$ 108,715,123</u>

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

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

**DOUGLAS COUNTY BOARD OF EDUCATION**

**SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

<u>Project</u>	<u>Original Estimated Cost(1)</u>	<u>Current Estimated Costs(2)</u>	<u>Expended In Current Year (3) (4)</u>	<u>Expended In Prior Years (3) (4)</u>	<u>Project Status</u>
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 1999 Bonds maturing July 1, 2003 through and including July 1, 2007.	\$ 30,000,000	\$ 22,745,107	\$ 1,938,450	\$ 22,493,481	Ongoing
The acquisition and installation of new technology and equipment at all education 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.	79,000,000	86,254,893	-	81,623,322	Ongoing
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.	12,600,000	12,600,000	-	-	Ongoing
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 renovations and modifications to existing educational facilities; the acquisition and installation of new instructional, safety and transportation equipment for all educational facilities.	<u>107,400,000</u>	<u>107,400,000</u>	<u>-</u>	<u>19,474,788</u>	Ongoing
	<u>\$ 229,000,000</u>	<u>\$ 229,000,000</u>	<u>\$ 1,938,450</u>	<u>\$ 123,591,591</u>	

- (1) The School District's original cost estimate as specified in the resolution calling for the imposition of the Local Option Sales Tax.
- (2) The School District's current estimate of total cost for the project(s). 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.

### **III. SINGLE AUDIT SECTION**

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

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**To the Superintendent and Members of  
the Douglas County Board of Education  
Douglasville, Georgia**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Douglas County Board of Education as of and for the year ended June 20, 2007, which collectively comprise the Douglas County Board of Education's basic financial statements and have issued our report thereon dated April 21, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Douglas County Board of Education's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Douglas County Board of Education's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Douglas County Board of Education's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs, as item 2007-1, to be a significant deficiency in internal control over financial reporting.

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



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Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above as item 2007-1 to be a material weakness.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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*.

We also noted certain matters that we reported to management of the Douglas County Board of Education in a separate letter dated April 21, 2008.

The Douglas County Board of Education's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Douglas County Board of Education's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the members of the Douglas County Board of Education, management of the Douglas County Board of Education and 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.

*Mauldin & Jenkins, LLC*

Atlanta, Georgia  
April 21, 2008

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

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**To the Superintendent and Members of  
the Douglas County Board of Education  
Douglasville, Georgia**

**Compliance**

We have audited the compliance of the 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, 2007. The 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 the Douglas County Board of Education's management. Our responsibility is to express an opinion on the 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 of the Douglas County Board of Education's compliance with those requirements.

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, 2007.

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## **Internal Control Over Compliance**

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

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

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

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

This report is intended solely for the information and use of the members of the Douglas County Board of Education, management of the Douglas County Board of Education and 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.

*Mauldin & Jenkins, LLC*

Atlanta, Georgia  
April 21, 2008

**DOUGLAS COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Total Expenditures</u>
<b>U. S. DEPARTMENT OF AGRICULTURE:</b>		
Passed through Georgia Department of Education:		
USDA-Food Distribution (non-cash)	10.550	\$ 623,969
School Breakfast Program	10.553	1,645,504
National School Lunch Program	10.555	4,519,443
School Snack Program	10.555	86,350
Total Child Nutrition Cluster		<u>6,251,297</u>
Total U. S. Department of Agriculture		<u>6,875,266</u>
<b>U. S. DEPARTMENT OF DEFENSE</b>		
Junior R.O.T.C.	Unknown	154,450
Total U. S. Department of Defense		<u>154,450</u>
<b>U. S. DEPARTMENT OF LABOR</b>		
Passed through Georgia Department of Education:		
Career Development Grant	17.258	14,929
Total U. S. Department of Labor		<u>14,929</u>
<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>		
Passed through Georgia Department of Education:		
Learn and Serve America	94.004	14,756
Total Corporation for National and Community Service		<u>14,756</u>
<b>U. S. DEPARTMENT OF EDUCATION</b>		
Direct Federal Award		
Safe and Drug Free Schools and Communities - National Programs	84.184	200,477
Other Programs		
Passed through Georgia Department of Education:		
Title I Programs - Local Education Agency	84.010	3,132,690
Title I Programs - Distinguished Schools	84.010	6,324
		<u>3,139,014</u>
Title I - Comprehensive School Reform	84.332	337,566
Title II - Improving Teacher Quality	84.367	650,684
Title VI-B Preschool	84.173	114,996
Title VI-B Flowthrough	84.027	4,505,296
		<u>4,620,292</u>
Title II - Ed Tech Formula Grant	84.318	4,085

(Continued)

**DOUGLAS COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Total Expenditures</u>
<b>U. S. DEPARTMENT OF EDUCATION (Continued):</b>		
Passed through Georgia Department of Education (continued): Drug Free Schools and Communities - State Grants	84.186	<u>77,196</u>
Title III - Immigrant	84.365	40,175
Title III - Limited English Proficient	84.365	<u>100,989</u>
		<u>141,164</u>
Vocational Education - Professional Development	84.048	20,736
Vocational Education - Program Improvement	84.048	<u>198,974</u>
		<u>219,710</u>
Title V - Innovative Programs	84.298	<u>30,328</u>
Charter Schools	84.282	<u>235,718</u>
Title IV B - Twenty-first Century Community Learning Centers	84.287	<u>1,063,609</u>
Total U. S. Department of Education		<u>10,719,843</u>
Total Federal Financial Assistance		<u>\$ 17,779,244</u>

Notes to the Schedule of Expenditures of Federal Awards

N/A - No Pass-Through Entity ID Number available.

(1) Expenditures for the School Breakfast Program were not maintained separately and are included in the National School Lunch Program.

(2) The amounts shown for the Food Distribution Program represents the Federally assigned value of nonmonetary assistance for donated commodities received and/or consumed by the system during the current fiscal year.

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

The 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.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of State and Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

DOUGLAS COUNTY BOARD OF EDUCATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2007

SECTION I  
SUMMARY OF AUDITOR'S RESULTS

**Financial Statements**

Type of auditor's report issued Unqualified

Internal control over financial reporting:  
Material weaknesses identified?  yes  no

Significant deficiencies identified not considered  
to be material weaknesses?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

**Federal Awards**

Internal Control over major programs:  
Material weaknesses identified?  yes  no

Significant deficiencies identified not considered  
to be material weaknesses?  yes  none reported

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

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

Identification of major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	Child Nutrition Cluster
10.550	Food Distribution (Commodities)
84.010	Title I, Part A; Distinguished Schools and Local Education Agency

Dollar threshold used to distinguish between  
Type A and Type B programs: \$533,377

Auditee qualified as low-risk auditee?  yes  no

**DOUGLAS COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

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**SECTION II**  
**FINANCIAL STATEMENT FINDINGS**

**2007-1. Government-wide Accrual Conversion.**

**Criteria:** The School District is ultimately responsible for preparing the financial statements in accordance with generally accepted accounting principles.

**Condition:** The School District should have a process in place to accurately accumulate the information at year end for the conversion of modified accrual basis accounting data to the accrual basis of accounting under generally accepted accounting principles.

**Context/Cause:** We addressed this matter with School District officials, who agreed that the following restatements were necessary to properly state the beginning of the year net assets.

**Effect:** The School District has determined that a restatement of the net assets of the governmental activities is required to reflect corrections to beginning balances of capital assets, claims payable, taxes receivable, accrued interest, bond issuance premium costs and compensated absences. The School District classified a trust fund as a governmental fund in the prior year in the amount of \$55,663, omitted various projects in construction in progress in prior year amounting to \$6,349,197, omission of \$798,873 in claims payable (including IBNRs), omission of \$810,634 in bond issuance costs, omission of \$717,180 in compensated absences, omission of \$1,608,622 in accrued interest on long term debt, the improper recognition of property taxes of \$1,656,983 and the improper amortization of bond premium of \$614,603 in the June 30, 2006 financial statements in error, resulting in an overall understatement of net assets.

**DOUGLAS COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

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**SECTION II**  
**FINANCIAL STATEMENT FINDINGS**

**2007-1. Government-wide Accrual Conversion(Continued).**

Fund Balance, Governmental Funds, June 30, 2006, as previously reported	\$ 128,327,237
Adjstment for change in fund type	(55,663)
Adjustment for proper recognition of property taxes	1,656,983
	<u>1,656,983</u>
Fund Balance, Governmental Funds, June 30, 2006, as restated	\$ 129,928,557
	<u>129,928,557</u>
Net assets June 30, 2006, as previously reported	\$ 171,338,831
Adjstment for change in fund type	(55,663)
Adjustment for capital assets, net of accumulated depreciation	6,349,197
Adjustment for claims payable, including IBNRs	(798,873)
Adjustment for bond issuance costs, net of amortization	810,634
Adjustment for compensated absences	(717,180)
Adjustment for accrued interest on long term debt	(1,608,622)
Adjustment for proper recognition of property taxes	1,656,983
Adjustment for proper recognition of premium amortization	(614,603)
	<u>(614,603)</u>
Net assets June 30, 2006, as restated	\$ 176,360,704
	<u>176,360,704</u>

**Recommendation:** We recommend that the School District devote the resources necessary to ensure that the all information at year end is accurately accumulated for the conversion of modified accrual basis accounting data to accrual basis of accounting under generally accepted accounting principles.

**Auditee's Response:** The School District will devote the necessary resources to ensure that the information at year end is accurately accumulated for the conversion of modified accrual basis accounting data to accrual basis of accounting under generally accepted accounting principles.



**DOUGLAS COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

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**SECTION III**  
**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

None reported.