

**DOUGLAS COUNTY
BOARD OF EDUCATION**

**ANNUAL FINANCIAL REPORT
FOR THE
FISCAL YEAR ENDED JUNE 30, 2009**

DOUGLAS COUNTY BOARD OF EDUCATION

ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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I. FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

**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, 2009, 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, 2009, and the respective changes in financial position, where applicable, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2010 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 important for assessing the results of our audit.

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
February 8, 2010

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

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, 2009. 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 2009 are as follows:

- ✓ Net assets increased \$24.7 million, which represents a 8.7 percent increase from fiscal year 2008. This total increase was due to governmental activities since the School District has no business-type activities.

- ✓ General revenues accounted for \$129.1 million in revenue or 48.1 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$139.1 million or 51.9 percent of total revenues. Total revenues were \$268.2 million.

- ✓ The School District had \$243.5 million in expenses related to governmental activities; only \$139.1 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily property and sales taxes) of \$129.1 million were adequate to provide for the remaining cost of these programs.

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.

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, District-wide Capital Projects Fund, and Debt Service Fund are the most significant funds.

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

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 2009?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and all liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the 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.

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.

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

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 2009 compared to fiscal year 2008.

**Table 1
Net Assets**

	<u>Governmental Activities</u>	
	<u>Fiscal Year 2009</u>	<u>Fiscal Year 2008</u>
Assets		
Current and Other Assets	\$ 289,744,627	\$ 311,255,858
Capital Assets, Net	<u>280,675,938</u>	<u>243,087,068</u>
Total Assets	<u>570,420,565</u>	<u>554,342,926</u>
Liabilities		
Current and Other Liabilities	41,176,590	41,139,224
Long-Term Liabilities	<u>245,253,729</u>	<u>253,900,664</u>
Total Liabilities	<u>286,430,319</u>	<u>295,039,888</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	41,092,546	160,492,527
Restricted	198,657,714	54,006,949
Unrestricted	<u>44,239,986</u>	<u>44,803,562</u>
Total Net Assets	<u>\$ 283,990,246</u>	<u>\$ 259,303,038</u>

Total net assets increased \$24.7 million.

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

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

**Table 2
Change in Net Assets**

	<u>Governmental Activities</u>	
	<u>Fiscal Year 2009</u>	<u>Fiscal Year 2008</u>
Revenues		
Program Revenues:		
Charges for Services and Sales	\$ 4,508,406	\$ 4,273,422
Operating Grants and Contributions	120,577,898	129,041,859
Capital Grants and Contributions	<u>14,000,469</u>	<u>3,997,948</u>
Total Program Revenues	<u>139,086,773</u>	<u>137,313,229</u>
General Revenues:		
Taxes		
Property Taxes		
For Maintenance and Operations	77,871,555	76,850,266
For Debt Service	5,709,226	4,074,499
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Debt Service	15,476,247	6,294,971
For Capital Projects	4,771,347	17,231,711
Other Taxes	215,008	445,620
Grants and Contributions not Restricted to		
Specific Programs	12,394,531	7,385,208
Investment Earnings	7,260,623	13,341,402
Miscellaneous	<u>5,391,421</u>	<u>6,189,658</u>
Total General Revenues	<u>129,089,958</u>	<u>131,813,335</u>
Total Revenues	<u>268,176,731</u>	<u>269,126,564</u>
Program Expenses		
Instruction	151,816,245	146,699,661
Support Services		
Pupil Services	6,116,776	5,532,913
Improvement of Instructional Services	5,880,958	6,249,355
Educational Media Services	4,059,697	4,110,761
General Administration	3,266,305	2,367,992
School Administration	13,925,344	13,327,173
Business Administration	2,101,272	2,105,560
Maintenance and Operations of Plant	16,169,333	17,059,866
Student Transportation Services	9,940,846	11,141,405
Central Support Services	3,504,114	4,007,162
Other Support Services	2,022,526	1,618,071
Operations of Non-Instructional Services		
Miscellaneous Non-Instructional Services	970,118	962,043
Food Services	12,679,819	11,641,910
Interest on Long-Term Debt	<u>11,036,170</u>	<u>11,217,157</u>
Total Expenses	<u>243,489,523</u>	<u>238,041,029</u>
Change in Net Assets	24,687,208	31,085,535
Net Assets, Beginning of Year	<u>259,303,038</u>	<u>228,217,503</u>
Net Assets, End of Year	<u><u>\$ 283,990,246</u></u>	<u><u>\$ 259,303,038</u></u>

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

Governmental Activities

Instruction comprises 62.4 percent of governmental program expenses. Interest expense comprises 4.5 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 Year 2009</u>	<u>Fiscal Year 2008</u>	<u>Fiscal Year 2009</u>	<u>Fiscal Year 2008</u>
Instruction	\$ 151,816,245	\$ 146,699,661	\$ 57,372,007	\$ 49,944,100
Support Services				
Pupil Services	6,116,776	5,532,913	4,469,594	3,810,838
Improvement of Instructional Services	5,880,958	6,249,355	2,336,763	2,515,247
Educational Media Services	4,059,697	4,110,761	895,953	1,016,603
General Administration	3,266,305	2,367,992	705,904	653,921
School Administration	13,925,344	13,327,173	7,996,562	7,099,329
Business Administration	2,101,272	2,105,560	1,822,159	1,771,126
Maintenance and Operation of Plant	16,169,333	17,059,866	8,304,371	9,028,058
Student Transportation Services	9,940,846	11,141,405	5,461,884	7,886,616
Central Support Services	3,504,114	4,007,162	2,775,713	3,129,628
Other Support Services	2,022,526	1,618,071	1,647,185	1,183,456
Operations of Non-Instructional Services				
Miscellaneous Non-Instructional Services	970,118	962,043	78,257	181,941
Food Services	12,679,819	11,641,910	(499,772)	1,289,780
Interest on Long-Term Debt	<u>11,036,170</u>	<u>11,217,157</u>	<u>11,036,170</u>	<u>11,217,157</u>
 Total Expenses	 <u>\$ 243,489,523</u>	 <u>\$ 238,041,029</u>	 <u>\$ 104,402,750</u>	 <u>\$ 100,727,800</u>

Although program revenues make up a majority of the revenues, the District is still dependent upon tax revenues for governmental activities. Over 37 percent of instruction activities are supported through taxes and other general revenues; for all governmental activities general revenue support is 42.3 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 \$283 million and expenditures and other financing uses of \$309 million. Included in the expenditures were \$48 million of capital outlay expenditures and \$12 million of principal retirement. The School System's General Fund has a positive financial position with a year-end fund balance of \$45.5 million.

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

General Fund Budgeting Highlights

The District's budget is prepared according to Georgia law. The most significant budgeted fund is the General Fund. 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 \$222.2 million exceeded the budgeted amount by \$3.4 million. This excess was related primarily to 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 \$221.6 million for the General Fund were less than the budgeted amount by \$267,000. This was due to reductions and delays in planned expenditures in light of declining revenues and reductions in state funds during the fiscal year.

The District's Board continues to monitor fund balance in anticipation of future needs, continued decline in state funding, and continued student growth. These results are evidence of their work.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2009, the District had \$280.7 million invested in capital assets, all in governmental activities. Table 4 shows fiscal year 2009 balances compared with fiscal year 2008 balances.

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

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

	<u>Governmental Activities</u>	
	Fiscal	Fiscal
	<u>Year 2009</u>	<u>Year 2008</u>
Land	\$ 31,420,624	\$ 30,690,598
Construction in Progress	61,082,291	20,711,529
Buildings Improvements	167,631,345	167,759,395
Equipment	13,874,709	17,614,503
Land Improvements	<u>6,666,969</u>	<u>6,311,043</u>
Total	<u>\$ 280,675,938</u>	<u>\$ 243,087,068</u>

Due to the ongoing growth in the county, the District continues to have numerous construction projects including new buildings, additions and renovations. More detailed information on the District's capital assets can be found in Note 6 of the financial statements.

Debt

At June 30, 2009, the Board had \$226.9 million in bonds outstanding with \$11.4 million due within one year. Table 5 shows fiscal year 2009 balances compared with fiscal year 2008 balances.

**Table 5
Debt at June 30**

	<u>Governmental Activities</u>	
	Fiscal	Fiscal
	<u>Year 2009</u>	<u>Year 2008</u>
General Obligation Bonds	<u>\$ 226,915,000</u>	<u>\$ 238,960,000</u>

More detailed information on the District's long-term debt can be found in Note 10 of the financial statements.

Current Issues

The School System's current operating millage is 18.35, which produces approximately \$4.1 million per mill. The operating millage rate for 2009 remained the same as the rate for 2008, which supported the fiscal year 2009 budget. Douglas County, and the Douglas County School

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

System, continues to suffer economic setbacks in line with a state and national economy that is declining in growth. The State of Georgia has experienced revenue shortfalls that will directly impact funding to the state's school systems. 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.

BASIC FINANCIAL STATEMENTS

DOUGLAS COUNTY BOARD OF EDUCATION

STATEMENT OF NET ASSETS

JUNE 30, 2009

ASSETS	Governmental Activities
Cash and cash equivalents	\$ 78,124,748
Cash with fiscal agent	3,587,995
Investments	180,116,525
Receivables:	
Taxes	6,107,539
Intergovernmental:	
State	13,972,558
Federal	3,403,598
Local	544,233
Other	31,851
Inventory	753,330
Deferred charges	3,102,250
Capital assets (nondepreciable)	92,502,915
Capital assets (net of accumulated depreciation)	188,173,023
Total assets	570,420,565
LIABILITIES	
Accounts payable	2,422,511
Salaries and benefits payable	31,526,477
Contracts payable	5,338,032
Due to other governments	23,655
Accrued interest payable	3,309,501
Claims payable due within one year	842,943
Claims payable due in more than one year	291,142
Retainage payable	1,865,915
Bonds payable due within one year	11,360,000
Bonds payable due in more than one year	228,223,392
Compensated absences, due in less than one year	981,401
Compensated absences, due in more than one year	245,350
Total liabilities	286,430,319
NET ASSETS	
Investment in capital assets, net of related debt	41,092,546
Restricted for:	
Federal programs	1,255,426
Capital projects	195,584,946
Debt service	1,817,342
Unrestricted	44,239,986
Total net assets	\$ 283,990,246

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, 2009**

<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	\$ 151,816,245	\$ -	\$ 84,739,962	\$ 9,704,276	\$ (57,372,007)
Support services:					
Pupil services	6,116,776	-	1,647,182	-	(4,469,594)
Improvement of instructional services	5,880,958	-	3,544,195	-	(2,336,763)
Educational media services	4,059,697	-	2,856,190	307,554	(895,953)
General administration	3,266,305	-	1,454,671	1,105,730	(705,904)
School administration	13,925,344	-	5,928,782	-	(7,996,562)
Business administration	2,101,272	-	279,113	-	(1,822,159)
Maintenance and operation of facilities	16,169,333	-	7,691,738	173,224	(8,304,371)
Student transportation services	9,940,846	-	2,532,993	1,945,969	(5,461,884)
Central support services	3,504,114	-	728,401	-	(2,775,713)
Other support services	2,022,526	-	375,341	-	(1,647,185)
Operations of non-instructional services:					
Miscellaneous non-instructional services	970,118	891,861	-	-	(78,257)
Food services operation	12,679,819	3,616,545	8,799,330	763,716	499,772
Interest on long-term debt	11,036,170	-	-	-	(11,036,170)
Total governmental activities	<u>\$ 243,489,523</u>	<u>\$ 4,508,406</u>	<u>\$ 120,577,898</u>	<u>\$ 14,000,469</u>	<u>(104,402,750)</u>
General revenues:					
Taxes:					
Property taxes, levied for general purposes					77,871,555
Property taxes, levied for debt service					5,709,226
Sales taxes:					
For debt service					15,476,247
For capital projects					4,771,347
Other taxes					215,008
Grants and contributions not restricted to specific programs					12,394,531
Unrestricted investment earnings					7,260,623
Gain on sale of capital assets					35,924
Other					5,355,497
Total general revenues					<u>129,089,958</u>
Change in net assets					24,687,208
Net assets, beginning of year					259,303,038
Net assets, end of year					<u>\$ 283,990,246</u>

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

DOUGLAS COUNTY BOARD OF EDUCATION

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2009

ASSETS	General	District-Wide Capital Projects	Debt Service	Total Governmental Funds
Cash and cash equivalents	\$ 33,944,303	\$ 42,475,194	\$ 1,705,251	\$ 78,124,748
Cash with fiscal agent	-	3,587,995	-	3,587,995
Investments	24,214,552	155,901,973	-	180,116,525
Receivables:				
Taxes	3,409,424	2,455,150	242,965	6,107,539
Intergovernmental:				
State	13,972,558	-	-	13,972,558
Federal	3,403,598	-	-	3,403,598
Local	544,233	-	-	544,233
Other	31,851	-	-	31,851
Due from other funds	-	46,141	14,876	61,017
Inventory	753,330	-	-	753,330
Total assets	<u>\$ 80,273,849</u>	<u>\$ 204,466,453</u>	<u>\$ 1,963,092</u>	<u>\$ 286,703,394</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 1,096,762	\$ 1,325,749	\$ -	\$ 2,422,511
Contracts payable	-	5,338,032	-	5,338,032
Salaries and benefits payable	31,526,477	-	-	31,526,477
Retainage payable	-	1,865,915	-	1,865,915
Due to other funds	61,017	-	-	61,017
Due to other governments	23,655	-	-	23,655
Deferred revenue	2,050,257	351,811	145,750	2,547,818
Total liabilities	<u>34,758,168</u>	<u>8,881,507</u>	<u>145,750</u>	<u>43,785,425</u>
FUND BALANCES				
Reserved for:				
Inventory	753,330	-	-	753,330
Charter Technical School	200,000	-	-	200,000
Federal programs	1,778,596	-	-	1,778,596
Unreserved:				
Designated for:				
Art & music	4,000,000	-	-	4,000,000
Bus replacement	335,830	-	-	335,830
Attendance	250,000	-	-	250,000
Drivers/monitors	2,000,000	-	-	2,000,000
School clerks	2,000,000	-	-	2,000,000
Utilities	3,000,000	-	-	3,000,000
Insurance	500,000	-	-	500,000
Fuel	1,000,000	-	-	1,000,000
Undesignated reported in:				
General fund	29,697,925	-	-	29,697,925
Capital projects fund	-	195,584,946	-	195,584,946
Debt service fund	-	-	1,817,342	1,817,342
Total fund balances	<u>45,515,681</u>	<u>195,584,946</u>	<u>1,817,342</u>	<u>242,917,969</u>
Total liabilities and fund balances	<u>\$ 80,273,849</u>	<u>\$ 204,466,453</u>	<u>\$ 1,963,092</u>	<u>\$ 286,703,394</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, 2009

Total fund balances - governmental funds	\$	242,917,969
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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	\$	349,585,279	
Less accumulated depreciation		(68,909,341)	280,675,938

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

Property taxes	\$	2,196,007	
Sales taxes		351,811	2,547,818

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

Bonds	\$	(226,915,000)	
Bond premium, net of amortization		(12,668,392)	
Bond issuance costs, net of amortization		3,102,250	
Accrued interest		(3,309,501)	
Compensated absences		(1,226,751)	
Claims liability		(1,134,085)	(242,151,479)

Net assets of governmental activities	\$	283,990,246
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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, 2009

	General	District - Wide Capital Projects	Debt Service	Total Governmental Funds
REVENUES				
Property taxes	\$ 77,461,718	\$ -	\$ 5,652,752	\$ 83,114,470
Sales taxes	-	19,895,783	-	19,895,783
Other taxes	202,492	-	12,516	215,008
State funds	111,615,688	12,914,773	-	124,530,461
Federal funds	22,442,437	-	-	22,442,437
Interest income	606,179	6,634,471	19,973	7,260,623
Charges for services	4,508,406	-	-	4,508,406
Miscellaneous	5,345,248	10,249	-	5,355,497
Total revenues	<u>222,182,168</u>	<u>39,455,276</u>	<u>5,685,241</u>	<u>267,322,685</u>
EXPENDITURES				
Current:				
Instruction	144,096,449	19,871	-	144,116,320
Support services:				
Pupil services	6,116,776	-	-	6,116,776
Improvement of instructional services	5,880,958	-	-	5,880,958
Educational media services	3,849,014	-	-	3,849,014
General administration	2,508,851	-	-	2,508,851
School administration	13,628,606	-	-	13,628,606
Business administration	2,097,822	-	3,450	2,101,272
Maintenance and operation of facilities	16,050,670	-	-	16,050,670
Student transportation services	8,837,858	-	-	8,837,858
Central support services	3,504,114	-	-	3,504,114
Other support services	1,856,410	166,116	-	2,022,526
Miscellaneous non-instructional services	970,118	-	-	970,118
Food services operation	12,156,649	-	-	12,156,649
Capital outlay	-	47,951,364	-	47,951,364
Debt service:				
Principal retirement	-	-	12,045,000	12,045,000
Interest and fees	-	-	11,408,961	11,408,961
Total expenditures	<u>221,554,295</u>	<u>48,137,351</u>	<u>23,457,411</u>	<u>293,149,057</u>
Excess (deficiency) of revenues over (under) expenditures	<u>627,873</u>	<u>(8,682,075)</u>	<u>(17,772,170)</u>	<u>(25,826,372)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	15,626,247	15,626,247
Transfers out	(150,000)	(15,476,247)	-	(15,626,247)
Proceeds on the sale of capital assets	65,941	-	-	65,941
Total other financing sources (uses)	<u>(84,059)</u>	<u>(15,476,247)</u>	<u>15,626,247</u>	<u>65,941</u>
Net change in fund balances	543,814	(24,158,322)	(2,145,923)	(25,760,431)
FUND BALANCE, beginning of year	<u>44,971,867</u>	<u>219,743,268</u>	<u>3,963,265</u>	<u>268,678,400</u>
FUND BALANCE, end of year	<u>\$ 45,515,681</u>	<u>\$ 195,584,946</u>	<u>\$ 1,817,342</u>	<u>\$ 242,917,969</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, 2009**

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

Net change in fund balances - total governmental funds	\$	(25,760,431)
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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 depreciation in the current period.

Capital outlay	\$ 46,979,530		
Depreciation expense	<u>(9,360,643)</u>		37,618,887

The net effect of the sale of fixed assets is to decrease net assets		(30,017)
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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	\$ 466,311		
Sales taxes	<u>351,811</u>		818,122

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	\$ 12,045,000		
Bond premium amortization expense	1,342,259		
Bond issuance costs amortization expense	<u>(300,002)</u>		13,087,257

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	\$ (296,738)		
Change in claims payable	(80,406)		
Change in accrued interest	<u>(669,466)</u>		<u>(1,046,610)</u>

Change in net assets of governmental activities	\$	<u><u>24,687,208</u></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, 2009

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 74,000,000	\$ 74,000,000	\$ 77,664,210	\$ 3,664,210
State funds	119,572,282	121,598,294	111,615,688	(9,982,606)
Federal funds	13,923,005	25,779,398	22,442,437	(3,336,961)
Charges for services	3,975,271	3,975,271	4,508,406	533,135
Interest income	1,534,000	1,534,000	606,179	(927,821)
Miscellaneous	222,684	4,197,955	5,345,248	1,147,293
	<u>213,227,242</u>	<u>231,084,918</u>	<u>222,182,168</u>	<u>(8,902,750)</u>
EXPENDITURES				
Current:				
Instruction	152,467,641	151,071,881	144,096,449	6,975,432
Support services:				
Pupil services	5,953,235	5,972,233	6,116,776	(144,543)
Improvement of instructional services	4,670,547	6,626,235	5,880,958	745,277
Educational media services	4,128,275	4,062,177	3,849,014	213,163
General administration	2,130,038	2,655,004	2,508,851	146,153
School administration	13,340,502	13,104,718	13,628,606	(523,888)
Business administration	2,260,882	2,260,882	2,097,822	163,060
Maintenance and operation of plant	16,955,249	16,777,763	16,050,670	727,093
Student transportation services	10,179,579	10,460,200	8,837,858	1,622,342
Central support services	8,102,885	8,102,885	3,504,114	4,598,771
Other support services	874,230	727,785	1,856,410	(1,128,625)
Miscellaneous non-instructional services	-	-	970,118	(970,118)
Food services operation	12,015,359	12,015,359	12,156,649	(141,290)
Total expenditures	<u>233,078,422</u>	<u>233,837,122</u>	<u>221,554,295</u>	<u>12,282,827</u>
Excess of revenues over expenditures	<u>(19,851,180)</u>	<u>(2,752,204)</u>	<u>627,873</u>	<u>3,380,077</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from the sale of capital assets	-	-	65,941	65,941
Transfers out	-	-	(150,000)	(150,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(84,059)</u>	<u>(84,059)</u>
Net change in fund balances	<u>(19,851,180)</u>	<u>(2,752,204)</u>	<u>543,814</u>	<u>3,296,018</u>
FUND BALANCE, beginning of year	<u>44,971,867</u>	<u>44,971,867</u>	<u>44,971,867</u>	<u>-</u>
FUND BALANCE, end of year	<u>\$ 25,120,687</u>	<u>\$ 42,219,663</u>	<u>\$ 45,515,681</u>	<u>\$ 3,296,018</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, 2009

	<u>Agency Fund</u>	<u>Private Purpose Trust Fund</u>
	<u>Club and Athletics Fund</u>	<u>Winston Ruritan Club Trust Fund</u>
ASSETS		
Cash	\$ 313,126	\$ 65,042
Total assets	<u>\$ 313,126</u>	<u>65,042</u>
LIABILITIES		
Funds held for others	<u>\$ 313,126</u>	<u>-</u>
Total liabilities	<u>\$ 313,126</u>	<u>-</u>
Net Assets		
Held in trust for private purposes		<u>\$ 65,042</u>

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

DOUGLAS COUNTY BOARD OF EDUCATION

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

WINSTON RURITAN CLUB

PRIVATE PURPOSE TRUST FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Additions	
Investment income	\$ 3,254
	<hr/>
Total additions	3,254
	<hr/>
Deductions	
Administrative expense	4,497
	<hr/>
Total deductions	4,497
	<hr/>
Decrease in net assets	(1,243)
Net assets, beginning of year	66,285
	<hr/>
Net assets, end of year	\$ 65,042
	<hr/> <hr/>

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

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

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, 2009**

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. Agency funds are custodial in nature and do not present results of operations or have a measurement focus. 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, 2009**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

available if they are collected within sixty days after year-end. Property taxes, sales taxes, intergovernmental revenue, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and 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, 2009

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 include an allowance for uncollectible receivables when necessary.

Property Taxes

The Douglas County Tax Commissioner fixed the property tax levy for the 2008 tax digest year (calendar year) on September 17, 2008 (levy date). Taxes were due on November 17, 2008 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2008 tax digest are reported as revenue in the governmental funds for fiscal year 2009. The 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, 2009, for maintenance and operations amounted to \$77,461,718 and for debt service amounted to \$5,652,752.

The Georgia Constitution, Article VIII, Section VI, Paragraph I requires the board of education of each school system to annually certify to its fiscal authority or authorities a school tax not greater than 20 mills per dollar for the support and maintenance of education. The Douglas County Board of Education is in compliance with this law. Tax millage rates levied for the 2008 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	18.35 mills
School Bonds	<u>1.35</u> mills
	<u>19.70</u> mills

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Sales Taxes

Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to \$19,895,783 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

Inventories

CONSUMABLE SUPPLIES

On the basic financial statements, consumable supplies are reported at cost (first-in, first-out). The School District uses the consumption method to account for the consumable supplies inventory whereby an asset is recorded when supplies are purchased and expenses/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, 2009, are recorded as prepaid items.

Capital Assets

Capital assets purchased, including capital outlay costs, are recorded as expenditures in the fund financial statements at the time of purchase (including ancillary charges). On the District-wide financial statements, all purchased capital assets are valued at cost where historical records are available and at estimated historical cost based on appraisals or deflated current replacement cost where no historical records exist. Donated capital assets are recorded at estimated fair market value on the date donated. Disposals are deleted at depreciated recorded cost. The cost of normal maintenance and repairs that do not add to the value of assets or materially extend the useful lives of the assets is not capitalized. Depreciation is computed using the straight-line method. The School District does not capitalize book collections or works of art. 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, 2009**

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 premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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.

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

Note 3: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The School System adopts an annual budget for the General Fund and Debt Service Fund. The budget is prepared in accordance with provisions of the Quality Basic Education Act, OCGA Section 20-2-167 and in accordance with U.S. generally accepted accounting principles. 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.

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, 2009, 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, 2009, 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

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

Note 4: DEPOSITS AND INVESTMENTS (Continued)

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

CATEGORIZATION OF INVESTMENTS

At June 30, 2009, the carrying value of the School District's total investments was \$180,116,525, which is materially the same as fair value. This investment consisted of funds invested in the Local Government Investment Pool administered by the State of Georgia, Office of Treasury and Fiscal Services which is not required to be categorized since the School District did not own any specific identifiable securities in the pool. The investment policy of the State of Georgia, Office of Treasury and Fiscal Services for the Local Government Investment Pool 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, 2009, was 41 days.

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Georgia Fund 1	41 days	\$ 180,116,525
Total		\$ 180,116,525

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. For the year ended June 30, 2009, the commodities inventory and usage is recorded at their federally assigned value of \$310,628 and \$711,402, respectively.

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

Note 6: CAPITAL ASSETS

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

	Balances July 1, 2008	Increases	Decreases	Balances June 30, 2009
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 30,690,598	\$ 730,026	\$ -	\$ 31,420,624
Construction in progress	20,711,529	44,954,118	(4,583,356)	61,082,291
Total	<u>51,402,127</u>	<u>45,684,144</u>	<u>(4,583,356)</u>	<u>92,502,915</u>
Capital assets, being depreciated:				
Building improvements	210,671,748	4,831,620	(64,453)	215,438,915
Equipment	37,418,943	307,950	(4,117,944)	33,608,949
Land improvements	7,295,328	739,172	-	8,034,500
Total	<u>255,386,019</u>	<u>5,878,742</u>	<u>(4,182,397)</u>	<u>257,082,364</u>
Less accumulated depreciation for:				
Building improvements	(42,912,353)	(4,944,201)	48,984	(47,807,570)
Equipment	(19,804,440)	(4,033,196)	4,103,396	(19,734,240)
Land improvements	(984,285)	(383,246)	-	(1,367,531)
Total	<u>(63,701,078)</u>	<u>(9,360,643)</u>	<u>4,152,380</u>	<u>(68,909,341)</u>
Total capital assets, being depreciated, net	<u>191,684,941</u>	<u>(3,481,901)</u>	<u>(30,017)</u>	<u>188,173,023</u>
Governmental activities capital assets, net	<u>\$ 243,087,068</u>	<u>\$ 42,202,243</u>	<u>\$ (4,613,373)</u>	<u>\$ 280,675,938</u>

Depreciation expense was charged to functions as follows:

Instruction	\$ 6,647,685
Support services:	
Educational media services	210,683
General administration	757,454
Maintenance and operation of facilities	118,663
Student transportation services	1,102,988
Operations of non-instructional services:	
Food services	523,170
	<u>\$ 9,360,643</u>

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

Note 7: INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. The composition of interfund balances as of June 30, 2009 is as follows:

<u>Funds</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Debt Service Fund	\$ 14,876	\$ -
General Fund	-	61,017
District-Wide Capital Projects Fund	46,141	-
Total governmental funds	<u>\$ 61,017</u>	<u>\$ 61,017</u>

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

<u>Transfers To</u>	<u>Transfers From</u>		<u>Totals</u>
	<u>General</u>	<u>District-Wide Capital Projects</u>	
Debt Service	\$ 150,000	\$ 15,476,247	\$ 15,626,247
Total governmental funds	<u>\$ 150,000</u>	<u>\$ 15,476,247</u>	<u>\$ 15,626,247</u>

Transfers are used to move SPLOST proceeds from District-Wide Capital Projects Fund to Debt Service Fund to fund debt service as allowed in referendum. A transfer was also used to move funds from the General Fund to District-Wide Capital Projects Fund to provide additional funds for the construction of a building.

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

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

Note 8: RISK MANAGEMENT (Continued)

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, 2009, the School District's third party administrator computed the reserve liability based on the estimated cost of each outstanding claim from claims experience of similar claims.

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

	<u>Beginning of Year</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Paid</u>	<u>End of Year</u>	<u>Due Within One Year</u>
2008	\$ 867,030	\$ 820,860	\$ 634,211	\$ 1,053,679	\$ 790,259
2009	\$ 1,053,679	\$ 1,191,675	\$ 1,111,269	\$ 1,134,085	\$ 842,943

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

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

	<u>Beginning of Year</u>	<u>Changes in Estimates</u>	<u>Claims Paid</u>	<u>End of Year</u>
2008	\$ -	\$ 38,258	\$ 38,258	\$ -
2009	\$ -	\$ 20,034	\$ 20,034	\$ -

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

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 \$495,647. Future minimum lease payments on these leases are as follows:

Year ending June 30,

2010	\$ 330,983
2011	330,983
2012	330,983
2013	<u>330,983</u>
Total	<u>\$ 1,323,932</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.

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

Note 10: LONG – TERM DEBT (Continued)

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%	\$ 10,765,000
General Government - Refunding - Series 2002A	2.50% - 5.00%	4,790,000
General Government - Series 2005	3.00% - 5.00%	61,185,000
General Government - Series 2007	4.00% - 5.00%	<u>150,175,000</u>
		<u>\$ 226,915,000</u>

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

	<u>Governmental Funds</u>			
	<u>Compensated Absences</u>	<u>General Obligation Bonds</u>	<u>Unamortized Bond Premium</u>	<u>Total</u>
Balance July 1, 2008	\$ 930,013	\$ 238,960,000	\$ 14,010,651	\$ 253,900,664
Annual Leave Earned	1,266,682	-	-	1,266,682
Deductions				
Annual Leave Utilized	969,944	-	-	969,944
Bond Premium Amortized	-	-	1,342,259	1,342,259
Debt Retired	-	<u>12,045,000</u>	-	<u>12,045,000</u>
Balance June 30, 2009	<u>\$ 1,226,751</u>	<u>\$ 226,915,000</u>	<u>\$ 12,668,392</u>	<u>\$ 240,810,143</u>
Due within One Year	<u>\$ 981,401</u>	<u>\$ 11,360,000</u>	<u>\$ -</u>	<u>\$ 12,341,401</u>

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

Note 10: LONG – TERM DEBT (Continued)

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

<u>Fiscal Year Ended June 30</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 11,360,000	\$ 11,038,580
2011	11,870,000	10,583,238
2012	12,465,000	10,032,494
2013	8,645,000	9,442,956
2014	10,030,000	9,051,656
2015-2019	61,195,000	37,148,856
2020-2024	62,855,000	21,405,500
2025-2027	<u>48,495,000</u>	<u>4,991,500</u>
Total Principal and Interest	<u>\$ 226,915,000</u>	<u>\$ 113,694,780</u>

Note 11: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of \$1,731,604 for health insurance and retirement contributions paid on the School District's behalf by the following State Agencies.

- Georgia Department of Education
 - Paid to the Georgia Department of Community Health
 - For Health Insurance of Non-Certified Personnel
 - In the amount of \$1,532,165

- Georgia Department of Education
 - Paid the Teachers Retirement District
 - For Teachers Retirement (TRS)
 - In the amount of \$73,855

- 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 \$125,584

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

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, 2009:

Project	Unearned Executed Contracts
Beulah Renovation Phase 2 & Sewer	\$ 1,099,932
Beulah Renovation Phase 2	1,051,749
Douglas County High New Roof	214,034
Stewart Middle New Roof	399,725
New Manchester High School	49,229,705
	\$ 51,995,145

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

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)

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

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

Note 14: RETIREMENT PLANS (Continued)

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

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

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

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

<u>Fiscal Year</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>
2009	100%	\$ 11,629,926
2008	100%	\$ 10,768,785
2007	100%	\$ 9,709,691

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

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.

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 School District makes no contribution to PSERS. Total contributions from employees of the School District were \$24,876, \$24,528, and \$10,872 for the fiscal years ended June 30, 2009, 2008, and 2007, respectively.

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 School District employees was \$125,584, \$24,247, and \$23,199 for the fiscal years ended June 30, 2009, 2008, and 2007, respectively.

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 730, 763, and 702 employees (members) covered under PSERS for the fiscal years ended June 30, 2009, 2008, and 2007, respectively.

Note 15: POSTEMPLOYMENT BENEFITS

GEORGIA RETIREE HEALTH BENEFIT FUND

Plan Description. The School District contributes to the Georgia Retiree Health Benefit Fund ("GRHBF"), a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the Department of Community Health. GRHBF provides health insurance benefits to eligible retirees and their qualified beneficiaries. Pursuant to Title 45, Chapter 18 of the Official Code of Georgia Annotated, the authority to establish and amend the benefit provisions of the plan is assigned to the Board of Community Health. The Department of Community Health issues a publicly available financial report that includes financial statements and required supplementary information for GRHBF. That report may be obtained from the Department of Community Health at 2 Peachtree Street, Atlanta, Georgia 30303.

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

Note 15: POSTEMPLOYMENT BENEFITS (Continued)

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

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

Certified employees

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

Non-Certificated Employees

\$162.72 per month

No additional contribution was required by the Board of Community Health for fiscal year 2009 nor contributed to GRBHF to prefund retire benefits. Such additional contribution amounts are determined annually by the Board of Community Health in accordance with the State plan for other post-employment benefits and are subject to appropriation.

The School District's contribution to the health insurance plans for the fiscal years ended June 30, 2009, 2008, and 2007, respectively was \$13,455,510, \$18,235,585, and \$15,879,843 which equaled the required contribution.

II. OTHER SUPPLEMENTARY INFORMATION

DOUGLAS COUNTY BOARD OF EDUCATION

SCHEDULE OF STATE REVENUE FOR THE FISCAL YEAR ENDED JUNE 30, 2009

<u>Agency/Funding</u>	Governmental Fund Types		<u>Total</u>
	General Fund	Capital Projects Fund	
Grants			
Education, Georgia Department of			
Quality Basic Education			
Direct Instructional Cost			
Kindergarten Program	\$ 6,463,368	\$ -	\$ 6,463,368
Kindergarten Program - Early Intervention Program	688,869	-	688,869
Primary Grades (1-3) Program	15,821,522	-	15,821,522
Primary Grades - Early Intervention (1-3) Program	1,652,361	-	1,652,361
Primary Grades - Early Intervention (4-5) Program	7,370,837	-	7,370,837
Upper Elementary Grades (4-5) Program	1,788,193	-	1,788,193
Middle Grades (6-8) Program	293,039	-	293,039
Middle School (6-8) Program	12,740,427	-	12,740,427
High School General Education (9-12) Program	12,562,005	-	12,562,005
Vocational Laboratory (9-12) Program	4,145,588	-	4,145,588
Special Education Programs	12,191,862	-	12,191,862
Program for Intellectually Gifted Students - Category VI	3,984,133	-	3,984,133
Remedial Education Program	508,184	-	508,184
Alternative Education Program	1,105,815	-	1,105,815
English Speakers of Other Languages (ESOL)	930,925	-	930,925
Media Center Program	2,331,665	-	2,331,665
20 Days Additional Instruction	719,451	-	719,451
Staff and Professional Development	486,262	-	486,262
Indirect Cost			
Central Administration	2,258,171	-	2,258,171
School Administration	4,555,327	-	4,555,327
Facility Maintenance and Operations	6,165,799	-	6,165,799
Categorical Grants			
Pupil Transportation			
Regular	1,747,066	-	1,747,066
Bus Replacement	335,830	-	335,830
Nursing Services	411,449	-	411,449
Vocational Supervisors	33,898	-	33,898
Education Equalization Funding Grant	12,394,531	-	12,394,531

(continued)

DOUGLAS COUNTY BOARD OF EDUCATION

SCHEDULE OF STATE REVENUE FOR THE FISCAL YEAR ENDED JUNE 30, 2009

<u>Agency/Funding</u>	<u>Governmental Fund Types</u>		<u>Total</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>	
Food Services	554,086	-	554,086
Vocational Education	117,133	-	117,133
Austerity Reduction	(8,263,041)	-	(8,263,041)
Other State Programs			
Communities in Schools Dropout Prevention	18,108	-	18,108
Charter Schools - Facilities Funding	130,000	-	130,000
Graduation Coaches - High School	407,856	-	407,856
Graduation Coaches - Middle School	286,921	-	286,921
Health Insurance	1,532,165	-	1,532,165
National Teacher Certification	99,399	-	99,399
Other State Grant	992,677	-	992,677
Preschool Handicapped Program	385,818	-	385,818
Residential Treatment Center	717,684	-	717,684
Teachers' Retirement	73,855	-	73,855
Virtual Schools Grant	1,000	-	1,000
Georgia State Financing and Investment Commission			
Capital Outlay	749,866	12,914,773	13,664,639
Office of Treasury and Fiscal Services			
Public School Employees Retirement	125,584	-	125,584
	<u>\$ 111,615,688</u>	<u>\$ 12,914,773</u>	<u>\$ 124,530,461</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, 2009

Description	Allotments From Georgia Department of Education (1)(2)	Eligible QBE Program Costs		
		Salaries	Operations	Total
Direct Instructional Funds:				
Kindergarten Program	\$ 7,734,924	\$ 8,308,889	\$ 286,715	\$ 8,595,604
Kindergarten Program - Early Intervention Program	938,439	1,510,696	22,654	1,533,350
Primary Grades (1-3) Program	18,973,391	19,350,504	1,005,708	20,356,212
Primary Grades - Early Intervention (1-3) Program	2,250,806	4,262,272	56,875	4,319,147
Upper Elementary Grades (4-5) Program	8,862,529	10,993,384	524,744	11,518,128
Upper Elementary Grades-Early Intervention (4-5) Program	2,210,523	2,487,890	44,185	2,532,075
Middle Grades (6-8) Program	336,633	-	381,435	381,435
Middle School (6-8) Program	15,519,935	19,047,573	502,409	19,549,982
High School General Education (9-12) Program	15,160,431	17,273,272	1,847,628	19,120,900
Vocational Laboratory (9-12) Program	5,028,239	4,713,907	302,876	5,016,783
Students with Disabilities	14,701,356	-	-	-
Category I	-	252,886	66,512	319,398
Category II	-	1,710,356	8,383	1,718,739
Category III	-	12,906,055	802,108	13,708,163
Category IV	-	1,141,677	75,021	1,216,698
Category V	-	51,673	19,939	71,612
Gifted Student - Category VI	4,732,433	4,934,656	352,381	5,287,037
Remedial Education Program	608,604	373,600	-	373,600
Alternative Education Program	1,339,337	478,126	1,166,785	1,644,911
English Speakers of Other Languages (ESOL)	1,127,680	1,442,895	19,456	1,462,351
TOTAL DIRECT INSTRUCTIONAL PROGRAMS	99,525,260	111,240,311	7,485,814	118,726,125
Media Center Program	2,817,761	3,557,082	254,165	3,811,247
Staff and Professional Development	586,037	-	-	303,512
TOTAL QBE FORMULA FUNDS	\$ 102,929,058	\$ 114,797,393	\$ 7,739,979	\$ 122,840,884

(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 PROCEEDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Project	Original Estimated Cost(1)	Current Estimated Costs(2)	Expended In Current Year (3) (4)	Expended In Prior Years (3) (4)	Project Status
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	4,260,131	87,225,039	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	3,425,336	7,673,925	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.	107,400,000	107,400,000	1,603,617	43,593,143	(5) Ongoing
	<u>\$ 199,000,000</u>	<u>\$ 206,254,893</u>	<u>\$ 9,289,084</u>	<u>\$ 138,492,107</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.
- (5) The balance was restated to properly reflect expenditures in prior years.

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***

**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 30, 2009, which collectively comprise the Douglas County Board of Education's basic financial statements and have issued our report thereon dated February 8, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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.

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 Douglas County Board of Education's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the Douglas County Board of Education's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 February 8, 2010.

This report is intended solely for the information and use of management, the members of the Douglas County Board of Education, others within the entity, 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
February 8, 2010



**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**

**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, 2009. 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, 2009. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2009-1.

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.

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

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2009-1 to be a significant deficiency.

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. We do not consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness.

Douglas County Board of Education's response to the finding identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit 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 management, the members of the Douglas County Board of Education, others within the entity, 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.



Atlanta, Georgia
February 8, 2010

DOUGLAS COUNTY BOARD OF EDUCATION

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Total Expenditures
U. S. DEPARTMENT OF AGRICULTURE:		
Passed through Georgia Department of Education:		
Fresh Fruit and Vegetable Program - Cash Assistance	10.582	\$ 24,643
Child Nutrition Cluster:		
School Breakfast Program - Cash Assistance	10.553	2,076,614
National School Lunch Program:		
Non-Cash Assistance - Commodities (1)	10.555	711,402
Cash Assistance	10.555	5,301,818
School Snack Program	10.555	121,440
Total Child Nutrition Cluster		<u>8,211,274</u>
 Total U. S. Department of Agriculture		<u>8,235,917</u>
U. S. DEPARTMENT OF DEFENSE		
Junior R.O.T.C.	12.unknown	173,248
Total U. S. Department of Defense		<u>173,248</u>
U. S. DEPARTMENT OF LABOR		
Passed through Georgia Department of Education:		
WIA Youth Activities	17.259	19,741
Total U. S. Department of Labor		<u>19,741</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Adolescent Family Life - Demonstration Projects	93.995	37,468
Total U.S. Department of Health and Human Services		<u>37,468</u>
U. S. DEPARTMENT OF EDUCATION		
Direct Federal Award		
Safe and Drug Free Schools and Communities - National Programs	84.184	45,335
Fund for the Improvement of Education	84.215	793,427
Total Direct Federal Awards		<u>838,762</u>
Other Programs		
Passed through Georgia Department of Education:		
American Recovery and Reinvestment Act (ARRA) - State Fiscal Stabilization Funds	84.394A	2,409,775
Title I Programs - School Improvement Federal - G Funds	84.377	59,251
Title I Programs - Local Education Agency	84.010	3,849,190
Title I Programs - Distinguished District Awards	84.010	5,123
Title I Programs - School Improvement	84.010	59,977
Total Program		<u>3,914,290</u>

(Continued)

DOUGLAS COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Total Expenditures</u>
U. S. DEPARTMENT OF EDUCATION (Continued):		
Passed through Georgia Department of Education (continued):		
Title II - Improving Teacher Quality	84.367	610,350
Title II - Advanced Placement Teacher Training	84.367	5,990
Total Program		<u>616,340</u>
Title VI-B Preschool	84.173	108,128
Title VI-B Flowthrough	84.027	3,913,425
Total Cluster		<u>4,021,553</u>
Drug Free Schools and Communities - State Grants	84.186	<u>64,782</u>
Title III - Immigrant	84.365	19,806
Title III - Limited English Proficient	84.365	136,073
Total Program		<u>155,879</u>
Vocational Education - Professional Development	84.048	19,467
Vocational Education - Program Improvement	84.048	155,884
Vocational Education - Education Career Partnerships	84.048	15,616
Total Program		<u>190,967</u>
Title V - Innovative Programs	84.298	<u>50</u>
Title IV B - Twenty-first Century Community Learning Centers	84.287	<u>1,332,561</u>
Total U. S. Department of Education		<u>13,544,959</u>
Total Federal Financial Assistance		<u>\$ 22,070,584</u>

Notes to the Schedule of Expenditures of Federal Awards

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

(1) 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, 2009

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 X no

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

Noncompliance material to financial statements noted? ___ yes X no

Federal Awards

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

Significant deficiencies identified not considered
 to be material weaknesses? X 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)? X yes ___ no

Identification of major program:

CFDA Number	Name of Federal Program or Cluster
84.215	Fund for the Improvement of Education
84.027, 84.173	Special Education Cluster
84.010	Title I, Part A; Local Education Agency, Distinguished District Awards, and School Improvement
84.394A	American Recovery and Reinvestment Act – State Fiscal Stabilization

Dollar threshold used to distinguish between
 Type A and Type B programs: \$662,118

Auditee qualified as low-risk auditee? ___ yes X no

DOUGLAS COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

SECTION II
FINANCIAL STATEMENT FINDINGS

None reported

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

2009-1. Semi – Annual Certification of Time and Efforts Sheets – Exceptional Student Services Cluster:
U.S. Department of Education, Flow Through, CFDA #84.027
U.S. Department of Education, Preschool, CFDA #84.173

Criteria: Per OMB A-87, Cost Principles, an employee who works solely on a single cost objective (i.e., a single Federal program whose administrative funds have not been consolidated) must furnish a semi-annual certification that he/she has been engaged solely in activities supported by the applicable source in accordance with OMB Circular A-87, Attachment B, paragraph 8.h.(3). An employee who works in part on a single cost objective (i.e., a single Federal program whose administrative funds have not been consolidated), and in part on consolidated Federal administrative activities or activities funded from other revenue sources, must maintain time and effort distribution records in accordance with OMB Circular A-87, Attachment B, paragraph 8.h.

Condition and Context: For the year ended June 30, 2009, we reviewed forty-six (46) of teachers paid out of Exceptional Student Services funds to determine if the School System was properly maintaining semi-annual certification of time and effort sheets. We found three (3) teachers paid out of Exceptional Student Services funds that were not properly maintaining semi-annual certification of time and effort sheets.

Questioned Costs: \$29,633.

Effects or possible effects: Personnel salaries unrelated to Exceptional Student Services could be funded with Exceptional Student Services funds. Therefore, unallowable costs could be charged to the grant.

Cause: There was a lack of oversight of management in relation to required reports.

Recommendation: We recommend the School System maintain semi-annual certification of time and effort sheets on all employees whose salaries are funded out of Exceptional Student Services funds.

Views of Responsible Officials: We concur with the recommendation. Corrective action has already been taken to ensure that all the School System comply with the semi-annual certification requirement.

DOUGLAS COUNTY BOARD OF EDUCATION
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

SECTION IV
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

2008-1. – Annual Certification of Time and Efforts Sheets – Exceptional Student Services Cluster:

U.S. Department of Education, Flow Through, CFDA #84.027

U.S. Department of Education, Preschool, CFDA #84.173

Criteria: In accordance with the terms of the Special Education Cluster (CFDA 84.027 and 84.173), semi-annual certification of time and effort sheets should be maintained for employees who work solely on a single cost objective (i.e. special education services).

Condition and Context: For the year ended June 30, 2008, the School System was not properly maintaining semi-annual certification of time and effort sheets for any teachers and any other staff being paid out of Exceptional Student Services funds.

Status: This was a repeat finding for the current year. See 2009-1.