

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2007

Prepared by:
Division of Budgets and Finance
Theresa P. McDugald, Chief Financial Officer

1058 Fifth Avenue • Jonesboro, Georgia 30236

Clayton County Board of Education Comprehensive Annual Financial Report Table of Contents

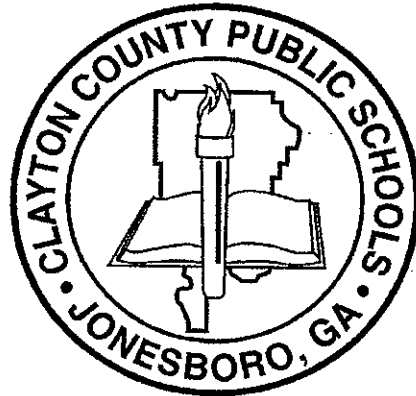
<u>INTRODUCTORY SECTION</u>	<u>PAGE</u>
Letter of Transmittal	iii
Clayton County Board of Education Function and Composition	viii
Clayton County Board of Education Elected Officials and Interim Superintendent of Schools	ix
Clayton County Public Schools Executive Staff	x
Clayton County Public Schools Organizational Chart	xi
 <u>FINANCIAL SECTION</u> 	
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Assets	15
Statement of Activities	16
Balance Sheet – Governmental Funds	18
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	19
Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds	20
Reconciliation of the Statement Revenues, Expenditures, and Changes in Fund Balances of Government Funds to the Statement of Activities	21
Statement of Revenues, Expenditures and Changes in Fund Balances Budget (Non-GAAP) and Actual-General Fund	22
Statement of Net Assets-Proprietary Funds	23
Statement of Revenues, Expenses, and Changes in Fund Net Assets-Proprietary Funds	24
Statement of Cash Flows-Proprietary Funds	25
Statement of Fiduciary Assets and Liabilities – Agency Fund	26
Notes to the Basic Financial Statements	27
Supplemental Information:	
Combining Balance Sheet – Nonmajor Governmental Funds	48
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	52
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP) and Actual Non-Major Governmental Funds	56
Statement of Changes in Assets and Liabilities Student Activities Agency Fund	69

STATISTICAL SECTION

Financial Trends:	
Net Assets by Component – Last Four Fiscal Years	72
Changes in Net Assets – Last Four Fiscal Years	73
Fund Balances, Governmental Funds – Last Ten Fiscal Years	75
Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds Last Six Fiscal Years	76
Revenue Capacity:	
Assessed Value and Estimated Actual Value of Taxable Property – Last Ten Tax Years (Unaudited – in Thousands) Maintenance and Operations	77
Direct and Overlapping Property Tax Rates – Last Ten Fiscal Years	78
Principal Property Tax Payers – Current Year and Nine Years Ago	79
Property Tax Levies and Collections - Last Ten Years	80
Schedule of Revenues by Source – Governmental Funds Last Ten Fiscal Years	81
Debt Capacity:	
Ratios of Outstanding Debt by Type	82
Direct and Overlapping Governmental Activities Debt	83
Legal Debt Margin Information – Last Ten Fiscal Years	84
Demographic and Economic Information:	
Demographic and Economic Statistics – Last Ten Calendar Years	86
Principal Employers – Current Year and Nine Years Ago	87
Student Ethnicity Statistics – Last Ten Years	88
Operating Information:	
Student Enrollment Statistics – Last Ten Years	89
Teachers' Base Salaries – Last Ten Fiscal Years	90
History of High School Graduates – Last Ten School Years	91
Nutrition Services – Facts and Figures – Last Nine Fiscal Years	92
School Building Information – Last Ten Fiscal Years	93

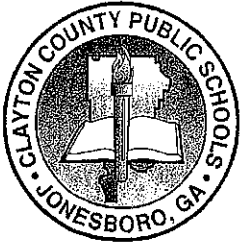
SINGLE AUDIT REPORTS SECTION

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 <i>Government Auditing Standards</i>	99
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A – 133	101
Schedule of Expenditures of Federal Awards	104
Schedule of Findings and Questioned Costs For The Fiscal Year Ended June 30, 2007	107



Introductory Section

**Clayton County
Public Schools**



Clayton County Public Schools

Office of the Chief Financial Officer

1058 Fifth Avenue • Jonesboro, Georgia 30236 (770) 473-2700 • FAX (770) 473-2722

DR. GLORIA R. DUNCAN
Interim Superintendent of Schools

THERESA P. McDUGALD
Chief Financial Officer

January, 2008

Clayton County Board of Education
Jonesboro, Georgia

The Comprehensive Annual Financial Report (CAFR) of the Clayton County Board of Education (Board) for the fiscal year ended June 30, 2007 is submitted herewith. This report was prepared by the Budget and Finance Department. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education.

We believe the data, as presented, is accurate in all material aspects. We believe that it is presented in a manner designed to fairly set forth the financial position and results of operations of the Board of Education as measured overall and by the financial activity of its various funds. The data includes all disclosures and required supplementary information necessary to enable the reader to gain the maximum understanding of the Board's financial activity.

Readers of this report are encouraged to consider the information presented here in conjunction with additional information presented in Management's Discussion and Analysis beginning on page 3 of this report.

The report is divided into sections as described below:

Introductory Section- The introductory section includes this transmittal letter, the Board of Education composition, the organizational chart of the school district, as well as a list of the administrative staff.

Financial Section- The financial section includes the Independent Auditor's Report, Management's Discussion and Analysis, the Basic Financial Statements, Notes to the Basic Financial Statements, and Supplemental Information. The Basic Financial Statements together with the Independent Auditor's Report, Management's Discussion and Analysis and the Notes to the Basic Financial Statements are designed to provide a financial overview; the Supplemental Information provides more detailed information on a fund by fund basis.

The Board's History and Services

Clayton County, Georgia was created by an act of the State Legislature on November 30, 1858. It was named for the Honorable Augustin S. Clayton (1783-1839), a judge of the Western Circuit of Georgia, a member of the legislature and of Congress. The City of Jonesboro is the county seat and was originally called "Leaksville". The State of Georgia granted a charter for the Leaksville Academy on December 22, 1823 and Mr. Allen D. Candler organized the Clayton High School around the year 1858.

Georgia had no regularly organized system of common schools supported by public taxation before the War Between the States, although unsuccessful efforts were made in 1845 and again in 1856 to inaugurate such a program. The first real school organization came about as a result of an act on October 13, 1870.

The Clayton County School System operated from 1870-1890 under the supervision of a County Commission of Education. Data indicate that the Clayton County School System as it is known today was formally established by an act of the State Legislature at Jonesboro on September 21, 1891. A tax was levied on taxable property in the amount of 7 ½ mills. A Board of Education composed of nine members was authorized and provision was made to receive a pro-rata share of county funds for schools.

Today the nine-member elected Board of Education has full authority to control and manage the schools within Clayton County. Clayton County Public Schools is the fifth largest school system in the State of Georgia with approximately 52,000 students currently enrolled in 35 elementary schools, 14 middle schools, 8 high schools and 2 special entity facilities for the current budget year of 2007-08. The district has also approved two charter schools within the county, The Lewis Academy of Excellence serving students in kindergarten through fifth grade and the Unidos Dual Language Charter School serving students in grades kindergarten through second grade.

The Board provides all basic services required by state law and policies of the State Board of Education and State Department of Education. These services include: preschool for three and four-year old handicapped students, regular preschool for four-year olds students, regular and special education instructional programs at the elementary (kindergarten through 5th grade), middle (6th through 8th grade), and secondary (9th through 12th grade) levels. Additional services include programs for Career Technical Education in partnership with post-secondary institutions in the area as well as joint enrollment opportunities for high school students with Clayton State University.

Economic Condition and Outlook

Clayton County is part of the Metropolitan Atlanta Area. The County is south of the City of Atlanta and Hartsfield-Jackson Atlanta International Airport is within the boundaries of Clayton County. Because of this location, the school district is impacted by the economy of the airport and the airline industry. The recent bankruptcy of Delta Airlines had a major impact on the school district. Delta Airlines is the largest taxpayer in the county and because of their bankruptcy, the school district was negatively impacted to the amount of \$13 million during the FY2007 fiscal year. There is hope that this money will eventually be collected, but to date only a small portion has been realized. In addition to

the airport and airline industry, the downturn in the American automobile industry also hit Clayton County with the closing of a Ford plant which employed many residents of Clayton County last year.

In addition to private industry, the county is also home to a military facility that is scheduled to be closed in 2011. Plans for the revitalization of the Fort Gillem property are underway with the hope that this will bring new economic opportunities to the county.

Several cities within the county are pursuing livable communities grants and access to funding through the formation of tax allocation districts in an attempt to breathe new life into certain areas of the county, especially on the northern end that abuts Fulton County and the City of Atlanta. A new president for the County Chamber of Commerce was just named. The experience she brings is related to helping counties such as Clayton with revitalization efforts.

Major Initiatives

During fiscal year 2007, the Board revised its vision, mission and beliefs of the school system. The process involved principals, central office administrators, the superintendent's cabinet and the community. After several months of discussion and review, the Board adopted the revised Mission, Vision and Beliefs in July, 2007.

Mission

To provide a safe and supportive environment that promotes the highest quality education for each child.

Vision

Clayton County Public Schools aspires to be the highest performing school district in the Metropolitan Atlanta area.

Beliefs

- Learning is most productive when the needs of each child are met through instruction provided by competent teachers.
- Children must be provided the opportunity to reach their full potential in their educational setting.
- Education is the shared responsibility of the home, the school and the community.
- A learning environment where children experience security, care, dignity and respect is essential.
- Fostering a love of learning is necessary for children to become lifelong learners.
- Communication and understanding among all stakeholders of our diverse community are essential to achieving the goals of education.
- Children must accept responsibility for their learning and improvement of their future.
- An involved parent will enhance the educational experience of every child.

In July, 2007 Superintendent Dr. Barbara Pulliam resigned after serving just over three years. Dr. Gloria Duncan, principal of Riverdale High School was selected to serve as

interim superintendent until June, 2008. A search team made up of community members, teachers and students is in the process of working with a search firm for the next superintendent of Clayton County Public Schools. The goal is to have the new leader in place for the beginning of the FY08-09 school year.

Accounting System

Internal Controls

In developing and evaluating the Board of Education's accounting system, consideration is given to the adequacy of internal controls. Internal accounting controls are designed to provide assurance within reasonable constraints:

- the safeguarding of assets and gains and loss from unauthorized use and/or disposition
- the reliability of financial records for preparing financial statements and maintaining accountability for assets.

Budgetary Controls

An annual budget is prepared in accordance with state law. Budgetary control is maintained at the fund level by encumbrance accounting.

The budget process is comprised of five phases – planning, preparation, adoption, implementation and evaluation. These phases ensure adequate administration and control of all Board funds. To maintain compliance with Board budget policies and State of Georgia law, a budget development calendar is adopted by the Board of Education in September of each year. The calendar outlines the budget development process for the next fiscal year.

The budget process is inclusion of central level and school level staff as well as a citizen's budget committee. Work sessions with the Board and public hearings are held prior to the adoption of the budget in June of each year.

Single Audit

As a recipient of federal financial assistance, the Board is responsible for ensuring that adequate internal controls are in place to ensure compliance with applicable laws and regulations related to these programs. These internal controls are subject to periodic evaluation by the Board's management.

Cash Management

The Board is authorized by state statutes to invest in obligations of the U.S. Treasury agencies and instrumentalities, repurchase agreements, bank certificates of deposit, and the Georgia Fund 1 administered by the State of Georgia. Board policies and procedures with regard to cash and investments provide guidelines for the daily operations in the

cash and investment area. The Chief Financial Officer acts as the investment officer for the Board.

Independent Audit

The Clayton County Board of Education and the State of Georgia requires an annual audit of its financial statements by independent certified public accountants. The firm of Mauldin and Jenkins is the current accounting firm under contract with the Board to perform this function. The Independent Auditor's Report on the Basic Financial Statements is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the Single Audit section.

Association of School Business Officials Certificate of Excellence

For the first time, the Clayton County Public School System is submitting a comprehensive annual financial report (CAFR) for review by the Association of School Business Officials (ASBO) for consideration in the Certificate of Excellence in Financial Reporting Program. Receipt of this award would confirm that this report substantially conforms to the principles and standards of financial reporting as recommended and adopted by the Association of School Business Officials International. The award is granted only after an extensive review of financial reports by an expert panel of certified public accountants and practicing school business officials. We believe that the CAFR for the year ended June 30, 2007 conforms to their principles and standards.

Acknowledgements

We wish to express our appreciation to the Department of Budgets and Finance staff members whose dedicated efforts have enabled this report to be prepared on a timely basis.

Respectfully submitted,



Dr. Gloria Duncan
Interim Superintendent



Theresa P. McDugald
Chief Financial Officer

Clayton County Board of Education Function and Composition

All matters relating to education and operation of the Clayton County Board of Education schools are governed and controlled by the Board of Education (Board), as provided by Georgia Law.

The Board has the responsibility to maintain a reasonably uniform system of public schools providing quality education for all young people of Clayton County. With the advice of the Superintendent, it must determine the policies and prescribe the rules and regulations for the management of the school system.

The Board holds a work session and a regular public meeting once a month to conduct normal business. Additional called meetings are sometimes necessary for a specific purpose.

The Board is composed of nine members who are elected on a district basis. Each member resides within one of the nine voting districts.

The Board elects a Chairperson for a two year term and a Vice Chairperson for a one year term from its members.

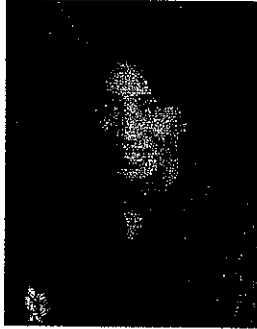
As of January 1, 2007 the members of the Board and years of expiration of their terms are as follows:

TITLE	NAME	TERM EXPIRES
Chairperson	Ms. Ericka Davis	12-31-2010
Vice Chairperson	Mr. Eddie White	12-31-2008
Board Member	Mr. David Ashe	12-31-2008
Board Member	Ms. Yolanda Everett	12-31-2008
Board Member	Mr. Norreese Haynes	12-31-2010
Board Member	Ms. Lois Baines-Hunter	12-31-2008
Board Member	Rev. Rod Johnson	12-31-2008
Board Member	Ms. Sandra Scott	12-31-2010
Board Member	Ms. Michelle Strong	12-31-2010

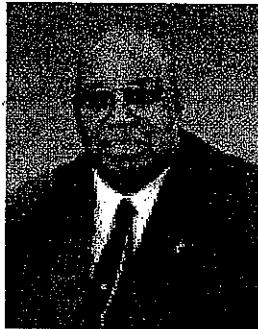
MISSION STATEMENT

To provide a safe and supportive environment that promotes the highest quality education for each child.

**Clayton County Board of Education
Elected Officials
and
Interim Superintendent of Schools**



**Ericka Davis
Chairperson**



**Eddie White
Vice Chairperson**



David Ashe



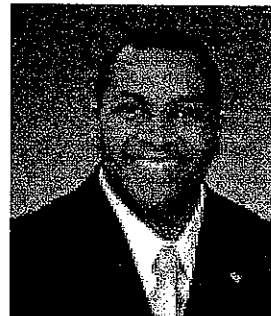
Yolanda Everett



Noreese Haynes



Lois Baines-Hunter



Rod Johnson



Sandra Scott



Michelle Strong



**Dr. Gloria Duncan
Interim Superintendent**

Clayton County Public Schools Executive Staff

Superintendent's Office

Dr. Gloria Duncan
Dr. Valya Lee

Interim Superintendent
Chief of Staff

Assistant Superintendents

Dr. Janice Davis
Dr. Cephus Jackson
Ms. Kay Sledge
Mr. Derrick Manning
Mr. Wayne Rich

Elementary
Elementary
Middle
High
Executive Director Perry Learning Center

Division of Teaching & Learning

Dr. Debbie Bass
Mr. Anthony Smith
Ms. Chandra Johnson
Dr. Margie Dam
Ms. Sharon Brown
Mr. Paul Robbins
Dr. Joe Nail
Ms. Cindy Lee
Dr. Chantel Normel

Chief Academic Officer Elementary
Chief Academic Officer Secondary
Executive Director Research & Evaluation
Executive Director Professional Learning
Executive Director Federal, State, Local Programs
Executive Director Fine Arts, Magnet Schools, Accreditation
Director Research & Evaluation
Director Leadership & Team Development
Director Second Language Learning

Division of Information & Operations

Mr. Steve Holmes
Mr. Ronnie Watts
Mr. Michael Caldwell
Mr. Mark Rettig
Mr. Craig Parsons
Dr. Angie Bacon

Chief Information / Operations Officer
Director Construction
Director Maintenance
Director Information Services
Director Technology
Director Instructional Technology

Division of Human Resources

Ms. Jackie Hubbert
Mr. Derrick Williams
Dr. Doug Hendrix
Mr. Richard Dickson

Assistant Superintendent of Human Resources
Director Secondary Personnel
Director Elementary Personnel
Director Compensation

Division of Budgets & Finance

Ms. Theresa McDugald
Ms. Ramona Thurman
Ms. Lonita Collier
Ms. Nancy Rice

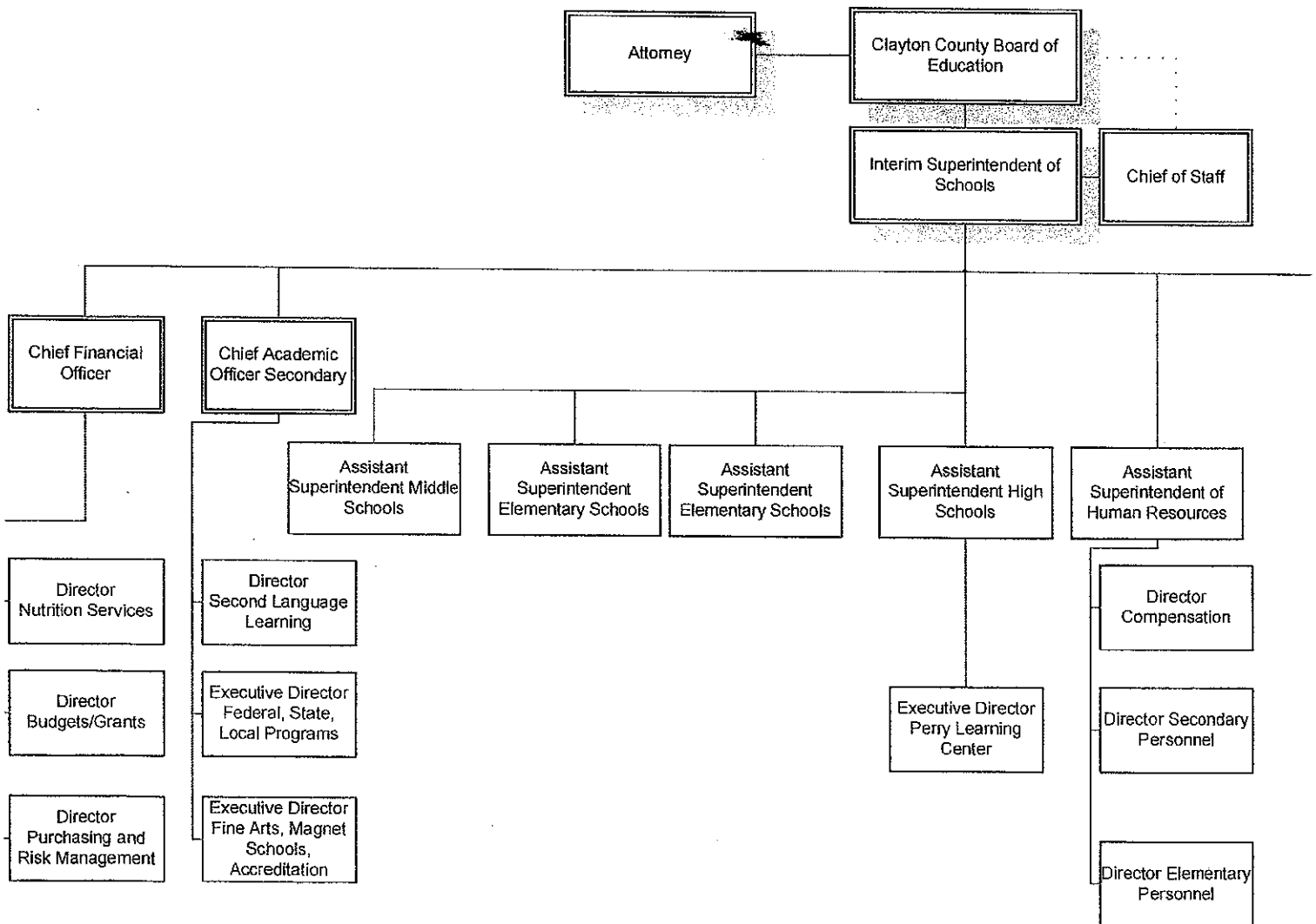
Chief Financial Officer
Director Budgets & Grants
Director Purchasing and Risk Management
Director Nutrition Services

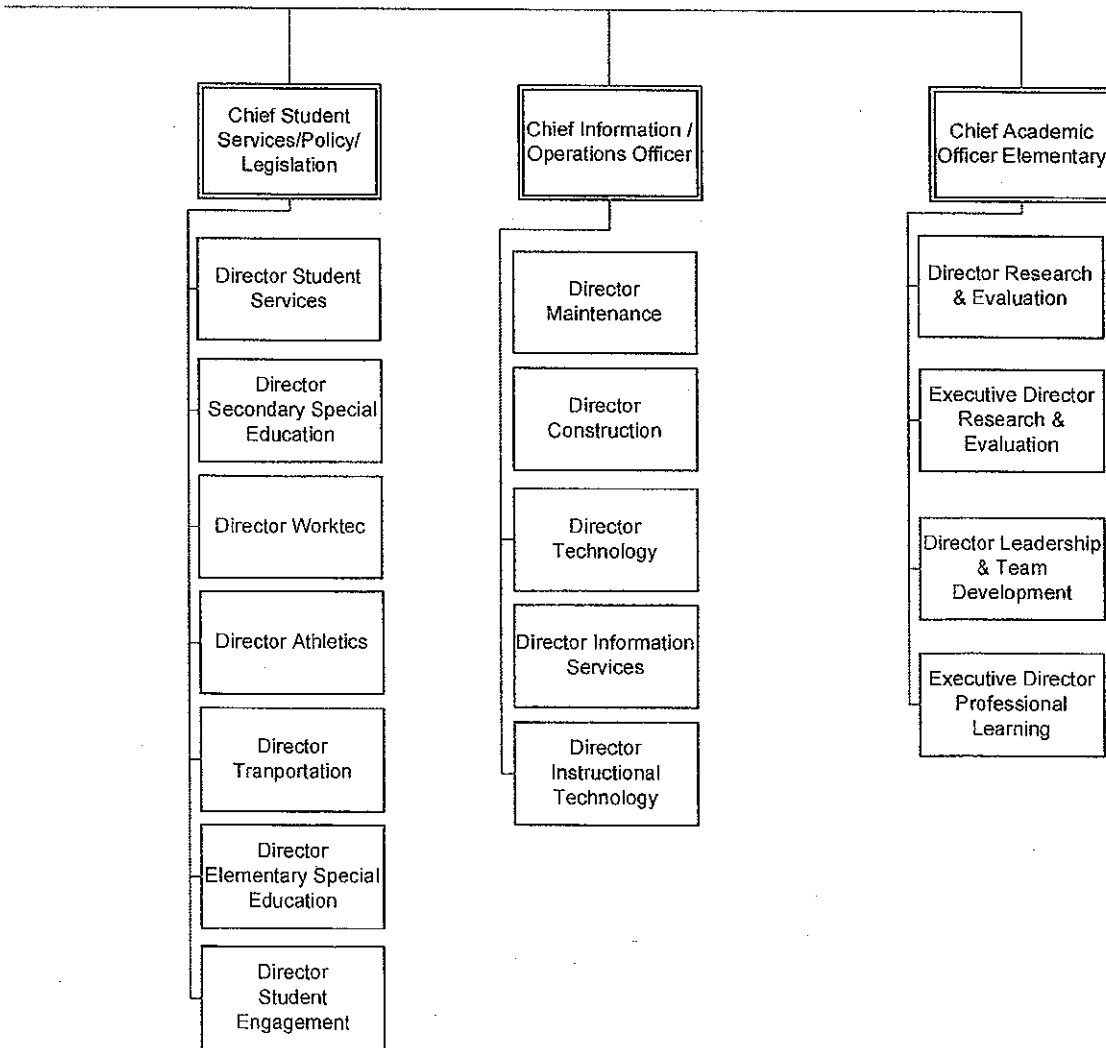
Division of Student Services

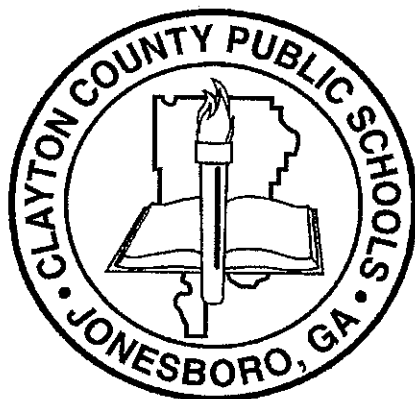
Dr. Luvenia Jackson
Dr. Gwendolyn Jones
Mr. John Walker
Ms. Dorothy Cochran
Mr. Robert Brannon
Ms. Tamera Foley
Ms. Brenda Keegan
Mr. John Lyles

Chief Student Services, Policy, Legislation Officer
Director Student Services
Director Student Engagement
Director Worktec
Director Athletics
Director Secondary Special Education
Director Elementary Special Education
Director Transportation

Clayton County Public Schools Organizational Chart

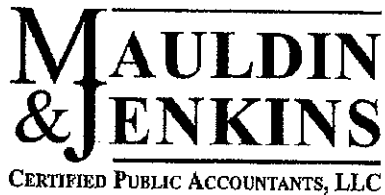






Financial Section

**Clayton County
Public Schools**



INDEPENDENT AUDITOR'S REPORT

To the Superintendent and Members of the Clayton County Board of Education

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **Clayton County Board of Education** as of and for the year ended June 30, 2007, which collectively comprise Clayton County Board of Education's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Clayton County Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Clayton County Board of Education as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective 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, 2008 on our consideration of the Clayton 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis (on pages 3 through 14) 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 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 Clayton County Board of Education's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Clayton County Board of Education. 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 (OMB) 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 Clayton County Board of Education. The combining and individual nonmajor fund financial statements and schedules 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 presented in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Mauldin & Jenkins, LLC

Macon, Georgia
February 8, 2008

Management's Discussion and Analysis

This section of Clayton County Board of Education's (the Board's) annual financial report presents its discussion and analysis of the Board's financial performance during the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to examine the Board's financial performance as a whole. Readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the Board's financial condition.

The reporting model is a combination of both government-wide financial statements and fund financial statements. The basic financial statements contain three components:

1. Government-wide financial statements including the Statement of Net Assets and the Statement of Activities which provide a broad, long-term view of the Board's finances.
2. Fund financial statements including the balance sheets that provide a greater level of detail and focus on how well the Board has performed in the short term in the most significant or major funds.
3. Notes to the financial statements.

This report presents the financial highlights for the year ended June 30, 2007 and other supplementary information.

As with other sections of this financial report, the information contained with this MD&A should be considered only a part of a greater whole. The reader of this analysis should take the time to read and evaluate all sections of the report, including the notes to the financial statements.

Financial Highlights

Key financial highlights for fiscal year 2007 are as follows:

- ❖ On the government-wide financial statements:
 - The assets of the Clayton County Board of Education (Board) exceeded its liabilities at the fiscal year ended June 30, 2007 by \$509.6 million. Of this amount, \$64 million was unrestricted net assets and available to meet the Board's ongoing obligations.
 - The Board's net assets of its governmental activities increased by \$78.1 million. This increase is primarily the result of a net increase in capital assets. The Board experienced an increase of \$51.1 million in net capital assets in its governmental activities. This is the amount by which capital outlays exceeded depreciation in the current period. In addition, the fund balance amount of the total governmental funds increased \$26.0 million.

- Program revenues of the governmental activities accounted for \$276 million, or 53.7 % of the \$513.6 million in total revenues of the governmental activities. General revenues of the governmental activities accounted for \$237.6 million, or 46.3 % of the total.
- The Board reported \$435.6 million in expenses for the governmental activities. \$276.0 million were offset by program specific grants, charges for services or contributions. General revenues, primarily property taxes and sales taxes were used to provide for the remaining expenses of these programs.
- The net assets of the Board's business-type activities increased \$40,585. The Board has two business-type funds reported. The first is the school nutrition program and the second is the Performing Arts Center. Total expenses for food service activities were \$25.0 million, while expenses of the Performing Arts Center were \$328,682. Program revenues, operating grants and contributions, and capital contributions for these business type activities totaled \$24.9 million. This revenue, along with general revenues of interest earnings in the amount of \$526,739 resulted in the positive change in net assets referenced above of \$40,585.
- The General Fund (the primary operating fund), presented on a current financial resources basis, ended the year with a fund balance of \$47,158,860, an increase of \$33.1 million from June 30, 2006.
- The Capital Projects Fund ended the year with a fund balance of \$73,348,770, a decrease of \$(7,581,289).
- The Board reduced its outstanding long-term indebtedness by \$505,590.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Board:

- The first two statements are government-wide financial statements that provide both short-term and long-term information about the Board's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Board, reporting the Board's operations in more detail than the government-wide statements.
 - ❖ The governmental funds statements tell how basic services such as instruction and instructional support services were financed in the short term as well as what remains for future spending.
 - ❖ Proprietary fund statements offer short and long-term financial information about the activities the Board operates like businesses, specifically the school nutrition program and the Performing Arts Center.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Board's budget for the year.

Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

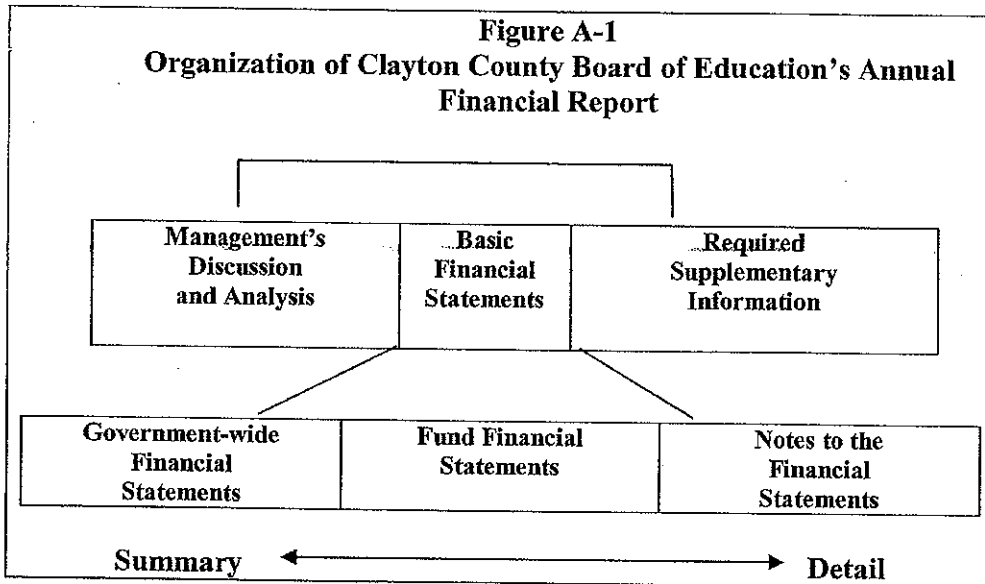


Figure A-2 summarizes the major features of the Board's financial statements, including the portion of the Board's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

	Government-wide Statements	Governmental Funds	Proprietary Funds
Scope	Entire Board (except fiduciary funds)	The activities of the Board that are not proprietary or fiduciary, such as instruction, school administration, and building maintenance	Activities the Board operates similar to private businesses: food services.
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balance 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses, and changes in fund net assets • Statement of cash flows
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid

Government-wide Statements

The government-wide statements report information about the Board as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Board's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Board's net assets and how they have changed. Net assets, the difference between the Board's assets and liabilities, are one way to measure the Board's financial health or position.

Over time, increases or decreases in the Board's net assets are an indication of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the Board, additional non-financial factors, such as changes in the property tax base, community support for education and student achievement should be considered.

The government-wide financial statements of the Board are divided into two categories:

- **Governmental activities** – All of the Board's basic services are included here, such as instruction and instructional support, administration, student transportation and maintenance and operation of facilities.
- **Business type activities** – The Board operates a food service operation and charges fees to staff, students and visitors to help cover the cost of the food service operation. The Board also operates a performing arts center that is accounted for as a business-type activity.

Fund Financial Statements

The Board's fund financial statements, which begin on page 15, provide detailed information about the most significant funds, not the Board as a whole.

Governmental funds – Most of the Board's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Board's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the Board's 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.

Proprietary funds – Services for which the Board charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements. The Board's *enterprise fund* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The Board uses *internal service funds* (the other kind of proprietary fund) to report activities that provide supplies and services for its other programs and activities. The Board currently has an internal service fund for the employee dental benefit program.

Financial Analysis of the Board as a Whole

Table 1, below, provides a summary of the Board's net assets for the year ended June 30, 2007 compared to June 30, 2006

	Governmental Activities		Business- type Activities		Total		Percentage Change 2006-2007
	2007	2006	2007	2006	2007	2006	
Current and other assets	\$ 190.5	153.3	12.4	12.1	202.9	165.4	22.7%
Net capital assets	364.9	313.7	7.4	7.5	372.3	321.2	15.9%
Total assets	555.4	467.0	19.8	19.6	575.2	486.6	18.2%
Current and other liabilities	58.6	47.8	1.6	-	60.2	49.2	22.3%
Long-term liabilities	5.2	5.8	-	-	5.2	5.8	-.1%
Total Liabilities	63.8	53.6	1.6	-	65.4	55.0	18.9%
Net Assets							
Invested in capital assets, net of related debt	364.8	312.3	7.4	7.5	372.3	319.8	16.4%
Restricted for capital projects	73.3	80.9	-	-	73.3	80.9	-.9%
Unrestricted	53.4	20.2	10.7	10.6	64.0	30.8	108.4%
Total net assets	\$ 491.5	413.4	18.1	18.1	509.6	431.5	18.1%

The Board's combined net assets increased by 18.1% to \$509.6 million. Most of this improvement in the financial position came from governmental activities, the net assets of which grew by \$78.1 million. The net assets of the Board's business-type activities increased \$40,585 or .2%. The reasons for the increase in governmental activities is the result of the large capital program underway funded without debt through a Special Purpose Local Option Sales Tax (SPLOST) and capital outlay grants from the state of Georgia. The increase in the business-type activities is attributed to the financially sound school nutrition cafeteria operations and the fact that participation rates are high and a large percentage of the student population is eligible for free or reduced price meals.

The Board reported a restricted net asset amount of \$73.3 million. This is a decrease of (.9)% from the restricted amount reported as of June 30, 2006. The decrease is due to the increased activity in the capital projects fund and cash reserves being drawn down for the projects under way. The amount set aside as restricted in the governmental activities is related to net assets required by a third party or state law to be spent for a specific purpose.

Table A-2
Changes in Net Assets
Fiscal Year Ended June 30, 2007

Table A-2 takes the information from the Statement of Activities and presents it in a format that shows total revenues first and then expenses and the resulting increase in net assets.

Table A-2 Changes in Net Assets from Operating Results (in millions of dollars)							
	Governmental		Business		Total		Percentage Change 2006-2007
	Activities	Activities	Type	Activities	2007	2006	
	2007	2006	2007	2006	2007	2006	
Revenues:							
Program revenues:							
Charges for services	\$ 19.1	19.1	3.3	3.9	22.4	23.0	-2.6%
Operating grants and contributions	249.6	227.0	21.5	21.0	271.1	248.0	9.3%
Capital grants and contributions	7.4	7.1	-	-	7.4	7.1	4.2%
General revenues:							
Property taxes	148.5	122.9	-	-	148.5	122.9	20.8%
Sales taxes	53.5	54.4	-	-	53.5	54.4	-1.6%
Other taxes	7.1	7.0	-	-	7.1	7.0	1.4%
Non-program specific							
state and federal aid	17.4	16.9	-	-	17.4	16.9	3.0%
Local school activity	4.0	2.6	-	-	4.0	2.6	53.8%
Interest and investment earnings	7.0	3.7	.5	.4	7.5	4.1	82.9%
Total Revenues	513.6	460.7	25.3	25.3	538.9	486.0	10.9%
Expenses:							
Instruction	284.6	280.5	-	-	284.6	280.5	1.5%
Pupil services	12.3	9.6	-	-	12.3	9.6	28.1%
Instructional staff	22.7	16.4	-	-	22.7	16.4	38.4%
Educational media services	6.9	6.6	-	-	6.9	6.6	4.5%
General administration	4.8	3.7	-	-	4.8	3.7	29.7%
School administration	21.4	21.1	-	-	21.4	21.1	1.9%
Business administration	2.7	2.0	-	-	2.7	2.0	35.0%
Maintenance and operations	28.6	27.5	-	-	28.6	27.5	.4%
Pupil transportation	22.2	17.8	-	-	22.2	17.8	24.7%
Support services - central	15.1	8.5	-	-	15.1	8.5	77.6%
Other support services	2.7	2.5	-	-	2.7	2.5	8.0%
Non-instructional services	1.2	1.3	-	-	1.2	1.3	-
Community services	10.3	10.6	0.3	0.3	10.6	10.9	-2.8%
Interest	-	0.1	-	-	-	0.1	-
Food services	-	-	25.0	23.8	25.0	23.8	5.0%
Total Expenses	435.5	408.1	25.3	24.1	460.8	432.2	6.6%
Increase in net assets	\$ 78.1	52.7	-	1.2	78.1	53.9	45.2%

Table A-2 on the previous page shows that revenues from governmental activities for 2007 were \$513.6 million, while total expenses were \$435.5 million. Governmental activities contributed \$78.1 million to the total increase in net assets, while business-type net assets did not change.

Program revenues, in the form of charges for services, operating grants and contributions and capital grants and contributions increased \$22.8 million. This increase was primarily the result of an increase in state and federal grants received for instructional programs.

Property taxes comprise the largest percentage of the general revenues for the Board with 28.9% of total revenues coming from this source. The increase of 20.8% from the previous year is the result of a combination of growth in the digest, a county-wide property reassessment and an increase in the tax millage rate to 20.00. Sales tax revenues generated by the Special Purpose Local Option Sales Tax (SPLOST) decreased slightly \$0.9 million to a total of \$53.5 million. Interest and investment earnings increased significantly by 82.9% as interest rates continued to rise over the course of the year and better collections from tax revenues provided more cash throughout the year for investment earnings.

Table A-3 summarizes the cost of the Board's activities into nine functional categories—Instruction; Pupil services, Instructional staff and Media services; General and Business Administration; School administration; Maintenance and operations; Pupil transportation; Central support; Interest expense; and Other. The table also shows each activity's *net cost* (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the Board's local taxpayers by each of these functions.

Table A-3
Net Cost of Governmental Activities
(in millions of dollars)

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2007	2006	2006-2007	2007	2006	2006-2007
Instruction	\$284.6	280.5	1.5%	71.9	87.2	-17.5%
Pupil, Instructional and Media Services	41.9	32.6	28.5%	21.3	13.6	56.6%
General and Business Administration	7.5	5.7	31.6%	4.7	3.0	56.7%
School Administration	21.4	21.1	1.4%	12.6	12.8	-.2%
Maintenance and Operations	28.6	27.5	4.0%	15.4	14.6	5.5%
Pupil Transportation	22.2	17.8	24.7%	18.1	14.8	22.3%
Central Support and other support	17.8	11.0	61.8%	15.5	7.8	98.7%
Community Services and non-instructional	11.5	11.8	-3.4%	-	1.0	-%
Interest Expense	-	0.1	-%	-	0.1	-%
Total Governmental Activities	\$435.5	408.1	6.7%	159.5	154.9	3.0%
Less: Unrestricted federal and state aid:				17.4	16.9	3.0%
Total needs from local taxes and other revenues:				\$ 171.8	138.0	24.5%

