WHITE COUNTY BOARD OF EDUCATION
CLEVELAND, GEORGIA

REPORT ON AUDIT
OF THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

STATE OF GEORGIA

DEPARTMENT OF AUDITS AND ACCOUNTS

Russell W. Hinton
State Auditor

WHITE COUNTY BOARD OF EDUCATION

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SECTION I

FINANCIAL

DEPARTMENT OF AUDITS AND ACCOUNTS

254 Washington Street, S.W. Suite 214
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RUSSELL W. HINTON
STATE AUDITOR
(404) 656-2174

August 17, 2004

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

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

Ladies and Gentlemen:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information (Exhibits A through I) of the White County Board of Education, as of and for the year ended June 30, 2003, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the White 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 position of the governmental activities, each major fund, and the aggregate remaining fund information of the White County Board of Education, as of June 30, 2003, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the basic financial statements, during fiscal year 2003, the Board completed a comprehensive inventory of its capital assets for inclusion in the basic financial statements and consolidated its individual school activity accounts for inclusion in the basic financial statements. These changes are in accordance with generally accepted accounting principles.

As described in Note 2, the White County Board of Education has implemented a new financial reporting model as required by provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of June 30, 2003.

In accordance with Government Auditing Standards, we have also issued our report dated August 17, 2004, on our consideration of the White County Board of Education's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and the Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual, as presented on pages i through ix and page 31 respectively, are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

Respectfully submitted,

Russell W. Hinton
State Auditor

RWH:gp
2003-34ARL-11

WHITE COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

INTRODUCTION

Our discussion and analysis of the White County School District's financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2003. 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 notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2003 are as follows:

- The School District implemented GASB 34 for fiscal year 2003. Due to this being the implementation year, many comparisons are not available that will be available in fiscal year 2004.

- On the district-wide financial statements, the assets of the School District exceeded liabilities by $28 million. Of this amount, $2 million is unrestricted and is available for spending at the School District's discretion.

- The School District had $30.2 million in expenses relating to governmental activities; only $20 million of these expenses are offset by program specific charges for services, grants and contributions. General revenues (primarily property and sales taxes) of $13.9 million were adequate to provide for these programs.

- As stated above, general revenues accounted for $13.9 million or 41% of all revenues totaling $33.8 million. Program specific revenues in the form of charges for services, grants and contributions accounted for the rest.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts; management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two levels of statements that present different views of the School District. These include the district-wide and fund financial statements.

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 short-term and long-term information about the School District's overall financial status.

The fund financial statements focus on individual parts of the School District, reporting the School District's operation in more detail. The Governmental Funds statements disclose how basic services are financed in the short-term as well as what remains for future spending. The Fiduciary Funds statements provide information about the financial relationships in which the School District acts solely as a trustee or agent for the benefit of others. The fund financial statements reflect the School District's most significant funds. In the case of the White County School District, the General Fund, District-wide Capital Projects Fund, and Debt Service Fund are the most significant funds.

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. Additionally, other supplementary information (not required) is also presented that further supplements understanding of the financial statements.

District-wide Statements

The district-wide financial statements are basically a consolidation of all of the School District's operating funds into one column called governmental activities. In reviewing the district-wide financial statements, a reader might ask the question, are we in a better financial position than last year? The Statement of Net Assets and the Statement of Activities provides the basis for answering this question. These financial statements include all School District's assets and liabilities and uses 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 School District's net assets and any changes in those assets. The change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the results of many factors, including those not under the School District's control, such as the property tax base, facility conditions, required educational programs and other factors.

The Statement of Net Assets and the Statement of Activities reflects the School District's governmental activities.

Fund Financial Statements

The School District uses many funds to account for a multitude of financial transactions during the fiscal year. However, the fund financial statements presented in this report provide detail information about only the School District's significant or major funds.

Governmental Funds: Most of the School 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 the **modified accrual method of 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 School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds are reconciled to the financial statements.

Fiduciary Funds: The School District is the trustee, or fiduciary, for assets that belong to others, such as school clubs and organizations within the principals' accounts. The School 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 School 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

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for this fiscal year. Since this is the first year the School District has prepared financial statements following GASB Statement 34, net asset comparisons to fiscal year 2002 are not available.

Table 1
Net Assets

	Governmental Activities Fiscal Year 2003
Assets	
Current and Other Assets	$15,010,586
Capital Assets, Net	33,181,410
Total Assets	$48,191,996
Liabilities	
Current and Other Liabilities	$ 3,577,609
Long-Term Liabilities	16,540,000
Total Liabilities	$20,117,609
Net Assets	
Invested in Capital Assets, Net of Related Debt	$21,766,520
Restricted	4,358,804
Unrestricted	1,949,063
Total Net Assets	$28,074,387

Table 2 shows the Changes in Net Assets for this fiscal year. Since this is the first year the School District has prepared financial statements following GASB Statement 34, revenue and expense comparisons to fiscal year 2002 are not available.

Table 2
Change in Net Assets

	Governmental Activities Fiscal Year 2003
Revenues	
Program Revenues:	
Charges for Services and Sales	$ 838,594
Operating Grants and Contributions	16,730,193
Capital Grants and Contributions	2,399,262
Total Program Revenues	$19,968,049
General Revenues:	
Taxes	
Property Taxes	
For Maintenance and Operations	$ 8,952,697
For Debt Service	290,032
Sales Taxes	
Special Purpose Local Option Sales Tax	
For Debt Service	2,311,034
For Capital Projects	210,411
Intangible Recording Tax	452,736
Real Estate	76,344
Grants and Contributions	196,869
Investment Earnings	351,798
Miscellaneous	1,044,756
Total General Revenues	$13,886,677
Total Revenues	$33,854,726
Program Expenses	
Instruction	$19,392,116
Support Services	
Pupil Services	1,042,641
Improvement of Instructional Services	720,890
Educational Media Services	657,891
General Administration	385,897
School Administration	1,618,026
Business Administration	196,493
Maintenance and Operation of Plant	1,832,660
Student Transportation Services	1,251,955
Central Support Services	161,370
Other Support Services	190,055
Operations of Non-Instructional Services	
Enterprise Operations	97,365
Food Services	1,559,414
Interest on Short-Term and Long-Term Debt	1,100,123
Total Expenses	$30,206,896
Increase in Net Assets	$ 3,647,830

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting these services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. Net cost of services can be defined as the total cost less fees generated by the activities and intergovernmental revenue provided for specific programs. The net cost reflects the financial burden on the School District's taxpayers by each activity. Since this is the first year the School District has prepared financial statements following GASB Statement 34, cost of service comparisons to fiscal year 2002 are not available.

Table 3
Governmental Activities

	Total Cost of Services Fiscal Year 2003	Net Cost of Services Fiscal Year 2003
Instruction	$19,392,116	$ 5,211,647
Support Services		
Pupil Services	1,042,641	650,777
Improvement of Instructional Services	720,890	486,568
Educational Media Services	657,891	348,311
General Administration	385,897	337,691
School Administration	1,618,026	1,068,185
Business Administration	196,493	193,663
Maintenance and Operation of Plant	1,832,660	929,958
Student Transportation Services	1,251,955	114,501
Central Support Services	161,370	-265,296
Other Support Services	190,055	143,946
Operations of Non-Instructional Services		
Enterprise Operations	97,365	-2,841
Food Services	1,559,414	-78,386
Interest on Short-Term and Long-Term Debt	1,100,123	1,100,123
Total Expenses	$30,206,896	$10,238,847

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The governmental funds had total revenues and other financing sources of $40.2 million and total expenditures and other financing uses of $44.5 million.

General Fund Budgeting Highlights

The School District's budget is prepared according to Georgia Law. The most significant budgeted fund is the General Fund. During the course of fiscal year 2003, the School District amended its general fund budget as needed.

For the General Fund, the final actual revenues and other financing sources of $28.3 million exceeded the original budgeted amounts of $28.0 million by $0.3 million. This difference (final actual vs. original budget) was not taking out the tax commissioner collection fee of 2% or $183.3k, underestimating intangible taxes by $200k, and DOE's notification of an austerity reduction of $343.8k after the budget had been submitted.

The actual revenues of $28.3 million exceeded the final budgeted amounts by $1.08 million. This difference is due primarily to the $700k in school activity budgets not budgeted and from the discussion above.

The final actual expenditures of $28.2 million exceeded the original budgeted amount of $27.9 million by $0.3 million. School activity accounts were not included in the original budget. This accounts for the largest part of the expenditure difference.

The final actual expenditures of $28.2 million exceeded the final budgeted amount of $27.7 million by $0.5 million. School activity accounts were not included in the final budget. This accounts for the largest part of the expenditure difference.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At fiscal year ended June 30, 2003, the School District had $33.2 million invested in capital assets, all in governmental activities. Table 4 reflects a summary of these balances by category and accumulated depreciation. Since this is the first year the School District has prepared financial statements following GASB Statement 34, capital assets comparisons to fiscal year 2002 are not available.

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities Fiscal Year 2003
Land	$ 2,260,994
Construction in Progress	6,174,228
Buildings and Improvements	21,418,381
Equipment	2,463,220
Land Improvements	864,587
Total	$33,181,410

Due to the ongoing growth in the county, the School District has construction projects including new buildings, additions and renovations.

Debt

At fiscal year ended June 30, 2003, the School District had $16.5 million in bonds outstanding. Table 5 summarizes the School District's debt for general obligation bonds.

Table 5
Debt at June 30

	Governmental Activities Fiscal Year 2003
Bonds Payable	$16,540,000

Current Issues

Currently known facts, decisions or conditions that are expected to have a significant effect on financial positions or results of operations.

- Economic Slowdown - State funding for education has been stagnant and as a result more pressure is being placed on the local school districts to prioritize its educational programs and provide additional local funding. Additional costs to the School District will be required with the continued implementation of House Bill 1187, which mandates lower teacher to student ratios, requiring additional teachers and additional classrooms. Despite

- these challenges, the White County School District is strong financially and we remain optimistic about the ability of the School District to maximize all of the financial resources to provide a quality education to our students.

- Capital Improvements - The School District plans capital improvements as future capital needs arise due to increased student population and facility repair and maintenance needs. Specific capital expenditure plans are formalized in conjunction with individual general obligation bond issues and anticipated annual receipts of capital outlay funds from the State of Georgia Department of Education. The School District regularly monitors anticipated capital outlay needs.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. Tom McLean, Finance Director at White County School District, 113 North Brooks Street, Cleveland, GA 30528. Mailing address is same as above. You may also email your question to Mr. McLean @ tmclean@white.k12.ga.us.

WHITE COUNTY BOARD OF EDUCATION

WHITE COUNTY BOARD OF EDUCATION
STATEMENT OF NET ASSETS
JUNE 30, 2003

EXHIBIT "A"

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and Cash Equivalents	$ 8,359,760
Investments	3,753,942
Accounts Receivable, Net	
Taxes	765,918
State Government	1,891 452
Federal Government	8,855
Other	193,604
Inventories	37,055
Capital Assets	
Land	2,260,994
Construction in Progress	6,174 228
Land Improvements	2 393,238
Buildings	24,920,768
Equipment	5,905,544
Less: Accumulated Depreciation	-8,473,362
Total Assets	$ 48,191,996
LIABILITIES	
Accounts Payable	$ 669,957
Salaries Payable	2,350 174
Retainages Payable	477,320
Deposits and Deferred Revenues	80,158
Long-Term Liabilities	
Due Within One Year	3,540,000
Due in More Than One Year	13,000,000
Total Liabilities	$ 20,117,609
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	$ 21,766,520
Restricted for	
Continuation of Federal Programs	396,443
Debt Service	3,420,523
Capital Projects	541,838
Unrestricted	1,949,063
Total Net Assets	$ 28,074,387
Total Liabilities and Net Assets	$ 48,191,996

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

WHITE COUNTY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2003

	EXPENSES	CHARGES FOR SERVICES
GOVERNMENTAL ACTIVITIES		
Instruction	$ 19,392,116	$ 5,934
Support Services		
Pupil Services	1,042,641	
Improvement of Instructional Services	720,890	
Educational Media Services	657,891	
General Administration	385,897	
School Administration	1,618,026	
Business Administration	196 493	
Maintenance and Operation of Plant	1,832,660	
Student Transportation Services	1,251,955	
Central Support Services	161,370	
Other Support Services	190,055	
Operations of Non-Instructional Services		
Enterprise Operations	97,365	100,206
Food Services	1,559,414	732,454
Interest on Short-Term and Long-Term Debt	1,100,123	
Total Governmental Activities	$ 30,206,896	$ 838,594
General Revenues		
Taxes		
Property Taxes		
For Maintenance and Operations		
For Debt Services		
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Debt Services		
For Capital Projects		
Intangible Recording Tax		
Real Estate		
Grants and Contributions not Restricted to Specific Programs		
Investment Earnings		
Miscellaneous		
Total General Revenues		
Change in Net Assets		
Net Assets - Beginning of Year		
Net Assets - End of Year		

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

EXHIBIT "B"

PROGRAM REVENUES		NET (EXPENSES)
OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	REVENUES AND CHANGES IN NET ASSETS
$ 12 359,481	$ 1,815,054	$ -5,211,647
391,864		-650,777
234,322		-486,568
309,580		-348,311
46,764	1,442	-337,691
549,841		-1,068,185
2,830		-193 663
898,072	4,630	-929,958
669,952	467,502	-114,501
426,666		265,296
46,109		-143,946
		2,841
794,712	110,634	78.386
		-1,100,123
$ 16,730,193	$ 2,399,262	$ -10,238,847
		$ 8,952,697
		290,032
		2,311,034
		210,411
		452,736
		76,344
		196,869
		351,798
		1,044,756
		$ 13,886,677
		$ 3,647,830
		24,426,557
		$ 28,074,387

WHITE COUNTY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2003

EXHIBIT "C"

	GENERAL FUND	DISTRICT-WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
ASSETS				
Cash and Cash Equivalents	$ 4,119,375	$ 3,462,813	$ 777,572	$ 8,359,760
Investments		1,600,000	2,153,942	3,753,942
Accounts Receivable, Net				
Taxes	276,909		439,330	716,239
State Government	1,891,452			1,891,452
Federal Government	8,855			8,855
Other	39,513	154,091		193,604
Inventories	37,055			37,055
Total Assets	$ 6,373,159	$ 5,216,904	$ 3,370,844	$ 14,960,907
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	$ 669,957			$ 669,957
Salaries Payable	2,350,174			2,350 174
Retainages Payable		$ 477,320		477,320
Deposits and Deferred Revenue	80,158			80,158
Total Liabilities	$ 3,100,289	$ 477,320		$ 3,577,609
FUND BALANCES				
Reserved for:				
Continuation of Federal Programs	$ 359,388			$ 359,388
Debt Service			$ 3,370,844	3,370,844
Inventories	37,055			37,055
Capital Projects		$ 3,802,879		3,802,879
Unreserved				
Undesignated Reported in:				
General Fund	2,876,427			2,876,427
Capital Projects		936,705		936,705
Total Fund Balances	$ 3,272,870	$ 4,739,584	$ 3,370,844	$ 11,383,298
Total Liabilities and Fund Balances	$ 6,373,159	$ 5,216,904	$ 3,370,844	$ 14,960,907

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

WHITE COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2003

EXHIBIT "D"

Total Fund Balances - Governmental Funds (Exhibit "C")		$ 11,383,298
Amounts reported for Governmental Activities in the Statement of Net Assets are different because:		
Capital Assets used in Governmental Activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Land	$ 2 260,994	
Construction in Progress	6,174,228	
Land Improvements	2,393,238	
Buildings	24,920,768	
Equipment	5,905,544	
Accumulated Depreciation	-8,473,362	
Total Capital Assets		33 181,410
Some of the School District's property tax revenues will be collected after year end but are not available soon enough to pay for the current period's expenditures		49,679
Long-Term Liabilities, including Bonds Payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds Long-Term Liabilities at year-end consist of:		
Bonds Payable		-16,540,000
Net Assets of Governmental Activities (Exhibit "A")		$ 28,074,387

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

WHITE COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2003

EXHIBIT "E"

	GENERAL FUND	DISTRICT-WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
REVENUES				
Property Taxes	$ 8,957,400		$ 290,806	$ 9,248,206
Sales Taxes	509,043	$ 210,411	2 331,071	3,050,525
State Funds	14,903,293	2,399 262		17,302,555
Federal Funds	2,023,769			2,023,769
Charges for Services	738,388			738,388
Investment Earnings	72,642	249,046	30,110	351,798
Miscellaneous	1,144,152		809	1,144,961
Total Revenues	$ 28,348,687	$ 2,858,719	$ 2,652,796	$ 33,860,202
EXPENDITURES				
Current				
Instruction	$ 18,492,291			$ 18,492,291
Support Services				
Pupil Services	1,042,641			1,042,641
Improvement of Instructional Services	733,490			733 490
Educational Media Services	657,891			657,891
General Administration	385,113			385,113
School Administration	1,623,162			1,623,162
Business Administration	184,671		$ 11 822	196,493
Maintenance and Operation of Plant	1,847,012			1,847,012
Student Transportation Services	1,226 186			1,226,186
Central Support Services	161,370			161,370
Other Support Services	190,055			190,055
Enterprise Operations	97,365			97,365
Food Services Operation	1,527,802			1,527,802
Capital Outlay		$ 6,690,703		6,690,703
Debt Services				
Principal			2,495,000	2,495,000
Interest			775,123	775,123
Total Expenditures	$ 28,169,049	$ 6,690,703	$ 3,281,945	$ 38,141,697
Excess of Revenues over (under) Expenditures	$ 179,638	$ -3,831,984	$ -629,149	$ -4,281,495
OTHER FINANCING SOURCES (USES)				
Proceeds of Refunding Bonds - Par Value			$ 5,540,000	$ 5,540,000
Payment to Bond Refunding Escrow Agent			-5,448,373	-5,448,373
Refunding Bond Issuance Cost			-91,627	-91,627
Transfers In		$ 432,589	373,815	806,404
Transfers Out	$ -432,589	-373,815		-806,404
Total Other Financing Sources (Uses)	$ -432,589	$ 58,774	$ 373,815	$ 0
Net Change in Fund Balances	$ -252 951	$ -3,773,210	$ -255,334	$ -4 281,495
Fund Balances - Beginning	3,525,821	8,512,794	3,626,178	15,664,793
Fund Balances - Ending	$ 3,272,870	$ 4,739,584	$ 3,370,844	$ 11,383,298

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

WHITE COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2003

EXHIBIT "F"

Total Net Change in Fund Balances - Governmental Funds (Exhibit "E")		$ -4,281,495
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Capital Outlays are reported as expenditures in Governmental Funds. However, in the Statement of Activities, the cost of Capital Assets is allocated over their estimated useful lives as depreciation expense. In the current period these amounts are:		
Capital Outlay	$ 6,222,396	
Depreciation Expense	-457,595	
Excess of Capital Outlay over Depreciation Expense		5,764,801
Because some property taxes will not be collected for several months after the School District's fiscal year ends, they are not considered "available" revenues.		-5,476
Bond proceeds provide current financial resources to Governmental Funds; however, issuing debt increases Long-Term Liabilities in the Statement of Net Assets. In the current period, proceeds were received from:		
Refunding Bonds issued		-5,540,000
Repayment of Long-Term Debt is reported as an expenditure in Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Assets. In the current year, these amounts consist of:		
Bond Principal Retirements		7,710,000
Change in Net Assets of Governmental Activities (Exhibit "B")		$ 3,647,830

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

WHITE COUNTY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2003

EXHIBIT "G"

	PRIVATE PURPOSE TRUSTS	AGENCY FUNDS
ASSETS		
Cash and Cash Equivalents	$ 8,809	$ 62,049
Investments		
Certificate of Deposit	23,509	
Total Assets	$ 32,318	$ 62,049
LIABILITIES		
Funds Held for Others		$ 62,049
NET ASSETS		
Held in Trust for Private Purposes	$ 32,318	
Total Liabilities and Net Assets	$ 32,318	$ 62,049

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

WHITE COUNTY BOARD OF EDUCATION
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2003

EXHIBIT "H"

	PRIVATE PURPOSE TRUSTS
REVENUES	
Contributions	
Donors	$ 2,548
Investment Earnings	
Interest	$ 615
Total Additions	$ 3,163
EXPENSES	
Scholarships	$ 2,500
Administrative Expenses	660
Total Deductions	$ 3,160
Change in Net Assets	$ 3
Net Assets - Beginning	32,315
Net Assets - Ending	$ 32,318

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

Note 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

REPORTING ENTITY

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

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

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

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

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

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

Fund Financial Statements:
The fund financial statements provide information about the School District's funds, including fiduciary funds. Eliminations have been made to minimize the double counting of internal activities. Separate statements for each category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The School District reports the following major governmental funds:

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

- District-wide Capital Projects Fund accounts for financial resources including Bond Proceeds and grants from Georgia State Financing and Investment Commission and Special Purpose Local Option Sales Tax proceeds to be used for the acquisition, construction or renovation of major capital facilities.

- Debt Service Fund accounts for taxes (property and sales) legally restricted for the payment of general long-term principal, interest and paying agent's fees.

The School District reports the following fiduciary fund types:

- Private Purpose Trust fund reports trust arrangements under which principal is to be invested and preserved intact with the resultant income to be used to provide awards or scholarships

- Agency funds account for assets held by the School District as an agent for various funds, governments or individuals.

BASIS OF ACCOUNTING

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

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. Property taxes, sales taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

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

A substantial number of personnel of the School District were employed for a one hundred and ninety day period beginning in August 2002 and ending in early June 2003. Employment contracts for these employment periods typically specify that compensation be paid in twelve equal monthly payments beginning in September 2002 and ending in August 2003. State grants to fund the State's share of these contracts are disbursed to the School District in the same twelve month period. In accordance with generally accepted accounting principles, salary and fringe benefit costs and the related revenue from the State to fund these contracts are recorded in the fiscal period covered by these financial statements.

RESTATEMENT OF PRIOR YEAR FUND BALANCE - GENERAL FUND

In prior years, the financial activities of the School District's School Food Services Fund, Lottery Programs and Federal Programs were reported as Special Revenue Funds. These funds had a combined fund balance of $390,129 at July 1, 2002. For fiscal year 2003, these funds have been reported as part of the General Fund. The financial activities of the School District's Expendable Trust Funds in prior years were reported as Fiduciary Funds. These funds had a combined fund balance of $2,271 at July 1, 2002. For fiscal year 2003, these funds have been reported as part of the General Fund. In addition, governmental fund activity from the various school activity accounts, which were not reported in the prior year's financial statements, have been reported within the General Fund for fiscal year ended June 30, 2003. The governmental fund activity of the various school activity accounts had a fund balance of $134,934 at July 1, 2002. This change is in accordance with generally accepted accounting principles.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Fund Balance July 1, 2002	$ 2,998,487
Add Funds Consolidated with General Fund:	
School Food Services Fund	390,129
Expendable Trust Funds	2,271
School Activity Account - Governmental Activity	134,934
General Fund Balance July 1, 2002 (Restated)	$ 3,525,821

CHANGES IN ACCOUNTING PRINCIPLES

The White County Board of Education has implemented a new financial reporting model as required by provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of June 30, 2003.

The provisions of GASB Statement No. 34 require the inclusion of a Statement of Net Assets. The elements comprising Net Assets - Beginning include the following:

General Fund (Restated) July 1, 2002	$ 3,525,821
Capital Projects Fund	8,512,794
Debt Service Fund	3,626,178
Governmental Funds (Restated) July 1, 2002	$ 15,664,793
Capital Assets	35,432,376
Accumulated Depreciation	-8,015,767
Property Tax Revenue Timing Differences	55,156
Bonds Payable	-18,710,000
Net Assets Beginning (See Exhibit "B")	$ 24,426,558

CASH AND CASH EQUIVALENTS

COMPOSITION OF DEPOSITS

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INVESTMENTS

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

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

(2) Obligations issued by the United States government,

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

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

(5) Prime banker's acceptances,

(6) The 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.

RECEIVABLES

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PROPERTY TAXES

The White County Board of Commissioners fixed the property tax levy for the 2002 tax digest year (calendar year) on October 20, 2002 (levy date). Taxes were due on December 20, 2002 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2002 tax digest are reported as revenue in the governmental funds for fiscal year 2003. The White County Tax Commissioner bills and collects the property taxes for the School District, withholds 2.5% of taxes collected as a fee for tax collection and remits the balance of taxes collected to the School District. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2003, for maintenance and operations amounted to $8,957,400 and for school bonds amounted to $290,806.

Tax millage rates levied for the 2002 tax year (calendar year) for the White County Board of Education were as follows (a mill equals $1 per thousand dollars of assessed value):

School Operations	14.415 mills
School Bonds	.450 mills
	14.865 mills

SALES TAXES

Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to $2,521,445 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

INVENTORIES

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

CAPITAL ASSETS

Capital assets purchased, including capital outlay costs, are recorded as expenditures in the fund financial statements at the time of purchase. 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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

capital assets are recorded at fair market value on the date donated. Disposals are deleted at depreciated recorded cost. The cost of normal maintenance and repairs that do not add to the value of assets or materially extend the useful lives of the assets is not capitalized. Depreciation is computed using the straight-line method. The School District does not capitalize book collections or works of art.

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

	Capitalization Policy	Estimated Useful Life
Land	Any Amount	N/A
Land Improvements	$5,000 or more	20 years
Buildings and Improvements	$5,000 or more	Up to 80 years
Equipment	$5,000 or more	5 to 20 years

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

GENERAL OBLIGATION BONDS

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

Note 3: DEPOSITS AND INVESTMENTS

COLLATERALIZATION OF DEPOSITS

Official Code of Georgia Annotated (OCGA) Section 45-8-12 provides that there shall not be on deposit at any time in any depository for a time longer than ten days a sum of money which has not been secured by surety bond, by guarantee of insurance, or by collateral. The aggregate of the face value of such surety bond and the market value of securities pledged shall be equal to not less than 110 percent of the public funds being secured after the deduction of the amount of deposit insurance. If a depository elects the pooled method (OCGA 45-8-13.1) the aggregate of the market value of the securities pledged to secure a pool of public funds shall be not less than 110 percent of the daily pool balance. OCGA Section 45-8-11(b) provides an officer holding public funds may, in his discretion, waive the requirement for security in the case of operating funds placed in demand deposit checking accounts.

Note 3: DEPOSITS AND INVESTMENTS

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

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

(2) Insurance on accounts provided by the Federal Deposit Insurance Corporation,

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

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

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

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

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

CATEGORIZATION OF DEPOSITS
At June 30, 2003, the bank balances were $10,836,148. The amounts of the total bank balances are classified into three categories of credit risk:

Category 1 - Cash that is insured (e.g., Federal depository insurance) or collateralized with securities held by the School District or by the School District's agent in the School District's name.
Category 2 - Cash collateralized with securities held by the pledging financial institution's trust department or agent in the School District's name.
Category 3 - Uncollateralized deposits. (This includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the School District's name.)

The School District's deposits are classified by risk category at June 30, 2003, as follows:

Note 3: DEPOSITS AND INVESTMENTS

Risk Category	Bank Balance
1	$ 1,000,067
2	1,500,000
3	8,336,081
Total	$ 10,836,148

CATEGORIZATION OF INVESTMENTS
Investments are classified as to risk by the three categories described below:

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

At June 30, 2003, the carrying value of the School District's total investments was $2,153,942 which is materially the same as fair value. The investments are classified as to risk categories as follows:

Type of Investment	Carrying Amount	Fair Value
Local Government Investment Pools	$ 1,998,861	$ 1,998,861
Mutual Funds - Money Market Account	155,081	155,081
Total Investments	$ 2,153,942	$ 2,153,942

The carrying amounts shown above includes amounts maintained in an investment pool by the State of Georgia, Office of Treasury and Fiscal Services in which the School District owns no identifiable securities. The investment policy of the State of Georgia, Office of Treasury and Fiscal Services for the Local Government Investment Pool (Primary Liquidity Portfolio) does not provide for investment in derivatives or similar investments. A description of the Primary Liquidity Portfolio is as follows:

The Primary Liquidity Portfolio consists of Georgia Fund 1, which is a combination local and state government investment pool, and Fund 6. Georgia Fund 1 is a stable net asset value investment pool which follows Standard and Poor's criteria for AAAm rated money market funds. The pool is not

Note 3: DEPOSITS AND INVESTMENTS

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

Investments in Georgia Fund 1 and Fund 6 are directed toward short-term instruments such as U. S. Treasury obligations, securities issued or guaranteed as to principal and interest by the U. S. Government or any of its agencies or instrumentalities, banker's acceptances and repurchase agreements. The weighted average maturity of Georgia Fund 1 may not exceed 60 days. The weighted average maturity for Georgia Fund 1 on June 30, 2003, was 30 days. The average investment duration for Fund 6 on June 30, 2003, was 0.39 years.

Note 4: NON-MONETARY TRANSACTIONS

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

Note 5: CAPITAL ASSETS

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

Note 5: CAPITAL ASSETS

	Balances July 1, 2002	Increases	Decreases	Balances June 30, 2003
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	$ 2,260,994		$ 0	$ 2,260,994
Construction in Progress	329,999	$ 5,844,229		6,174,228
Total Capital Assets Not Being Depreciated	$ 2,590,993	$ 5,844,229	$ 0	$ 8,435,222
Capital Assets Being Depreciated				
Buildings and Improvements	$ 24,914,000	$ 6,768	$ 0	$ 24,920,768
Equipment	5,544,245	361,299		5,905,544
Land Improvements	2,383,138	10,100		2,393,238
Less Accumulated Depreciation for:				
Buildings and Improvements	3,347,860	154,527		3,502,387
Equipment	3,198,834	243,490		3,442,324
Land Improvements	1,469,073	59,578		1,528,651
Total Capital Assets, Being Depreciated, Net	$ 24,825,616	$ -79,428	$ 0	$ 24,746,188
Governmental Activity Capital Assets - Net	$ 27,416,609	$ 5,764,801	$ 0	$ 33,181,410

Current year depreciation expense by function is as follows:

Instruction		$ 346,173
Support Services		
General Administration	$ 275	
Maintenance and Operation of Plant	883	
Student Transportation Services	89,164	90,322
Food Services		21,100
		$ 457,595

Note 6: RESTRICTED ASSETS

Special Purpose Local Option Sales Tax (SPLOST), general obligation bond proceeds and property tax levied specifically for retirement of outstanding bond principal, interest and paying agent's fees (Debt Service Funds) are reported as restricted assets in the Statement of Net Assets because their use is limited by applicable bond covenants or statutory provisions. Restricted assets at June 30, 2003, were as follows:

Note 6: RESTRICTED ASSETS

	District-wide Capital Projects Bond Proceeds	Debt Service Funds
Restricted Cash and Cash Equivalents:		
Debt Services		$ 777,572
Capital Acquisitions	$ 2,526,108	
Restricted Investments:		
Debt Services		$ 2,153,942
Capital Acquisitions	$ 1,600,000	

Note 7: INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2003, consisted of the following:

	Transfers From	
Transfer to	General Fund	District-wide Capital Projects
District-wide Capital Projects	$ 432,589	
Debt Service Funds		$ 373,815
Total	$ 432,589	$ 373,815

Transfers are used to move property tax revenues collected by the General Fund to (1) the District-wide Capital Projects Fund as required match or supplemental funding source for capital construction projects and (2) to move SPLOST proceeds to Debt Service Fund for payment of bond interest.

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.

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

Note 8: RISK MANAGEMENT

administer one or more groups of self-insurance funds, including the processing and defense of claims brought against members of the system. The School District pays an annual premium to the system for its general insurance coverage. Additional coverage is provided through agreements by the system with other companies according to their specialty for property, boiler and machinery (including coverage for flood and earthquake), general liability (including coverage for sexual harassment, molestation and abuse) and automobile risks. Payment of excess insurance for the system varies by line of coverage.

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

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

	Beginning of Year Liability	Claims and Changes in Estimates	Claims Paid	End of Year Liability
2002	$ 0	$ 0	$ 0	$ 0
2003	$ 0	$ 4,676	$ 4,676	$ 0

The School District participates in the Georgia School Boards Association Workers' Compensation Fund, a public entity risk pool organized on July 1, 1992, to develop, implement, and administer a program of workers' compensation self-insurance for its member organizations. The School District pays an annual premium to the Fund for its general insurance coverage. Additional insurance coverage is provided through an agreement by the Fund with the United States Fidelity and Guaranty Company to provide coverage for potential losses sustained by the Fund in excess of $350,000 loss per occurrence, up to $1,000,000.

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

Position Covered	Amount
Superintendent	$ 50,000
Employee Blanket Bond	$ 100,000

Note 9: LONG-TERM DEBT

ADVANCE REFUNDING
During fiscal year 2003, the White County Board of Education issued $5,540,000 in General Obligation Refunding Bonds to advance refund $5,215,000 of outstanding bonds. The bond issue of $5,540,000 less underwriters and bond issue cost of $91,627 provided net proceeds of $5,448,373.

Note 9: LONG-TERM DEBT

The total net proceeds of $5,448,373 were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the 1993 Bond issue. As a result, the 1993 Series Bonds are considered defeased, and the liability for these bonds has been removed from the District-wide Statement of Net Assets. The White County Board of Education refunded the aforementioned bonds to reduce its total Debt Service payments over 10 years beginning subsequent to fiscal year 2004 by $398,339 and to obtain an economic gain (difference between the present values of total debt service payments and the old and new debt) of $419,575.

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

Purpose	Interest Rates	Amount
General Government - Series 1997	3.80% - 4.30%	$ 1,770,000
General Government - Series 2001	4.05%	9,230,000
General Government - Refunding - Series 2003	2.90%	5,540,000
		$ 16,540,000

The changes in Long-Term Debt during the fiscal year ended June 30, 2003, were as follows:

	Governmental Funds General Obligation Bonds
Balance July 1, 2002	$ 18,710,000
Additions	
G.O. Bonds	5,540,000
Deductions	
Debt Retired	-7,710,000
Balance June 30, 2003	$ 16,540,000
Portion of Long-Term Debt Due within One Year	$ 3,540,000

Note 9: LONG-TERM DEBT

At June 30, 2003, payments due by fiscal year which includes principal and interest for these items are as follows:

Fiscal Year Ended June 30	General Obligation Debt	
	Principal	Interest
2004	$ 3,540,000	$ 529,264
2005	2,240,000	456,665
2006	2,325,000	371,133
2007	2,420,000	282,258
2008	2,515,000	149,838
2009 - 2013	2,870,000	304,645
2014 - 2017	630,000	9,135
Total Principal and Interest	$ 16,540,000	$ 2,102,938

Note 10: ON-BEHALF PAYMENTS

The Board has recognized revenues and costs in the amount of $306,583 for health insurance and retirement contributions paid on the Board'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 $269,413

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 $37,170

Note 11: SIGNIFICANT COMMITMENTS

The following is an analysis of significant outstanding construction or renovation contracts executed by the School District as of June 30, 2003, together with funding available:

Note 11: SIGNIFICANT COMMITMENTS

Project	Unearned Executed Contracts	Funding Available From State
Mount Yonah Elementary School	$ 1,916,119	$ 266,551
White County Intermediate School Additions	398,215	
	$ 2,314,334	$ 266,551

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

Note 12: 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 13: RETIREMENT PLANS

TEACHERS RETIREMENT SYSTEM OF GEORGIA (TRS)

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

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

Note 13: RETIREMENT PLANS

Fiscal Year	Percentage Contributed	Required Contribution
2003	100%	$ 1,444,790
2002	100%	$ 1,304,224
2001	100%	$ 1,429,726

WHITE COUNTY BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2003

SCHEDULE "1"

	NONAPPROPRIATED BUDGETS		ACTUAL
	ORIGINAL (1)	FINAL (1)	AMOUNTS
REVENUES			
Property Taxes	$ 9,164,815	$ 9,164,815	$ 8,957 400
Sales Taxes	323,000	323,000	509,043
State Funds	15,284,103	14,551,173	14,903,293
Federal Funds	2 087,120	2,087,314	2,023,769
Charges for Services	698,435	698 435	738,388
Investment Earnings	85,375	85,375	72,642
Miscellaneous	400,486	355,371	1,144,152
Total Revenues	$ 28,043,334	$ 27,265,483	$ 28,348,687
EXPENDITURES			
Current			
Instruction	$ 18,631,406	$ 18,468,557	$ 18,492,291
Support Services			
Pupil Services	775,226	763,180	1,042,641
Improvement of Instructional Services	872,593	834,162	733,490
Educational Media Services	670,707	659,643	657,891
General Administration	446 846	445,205	385 113
School Administration	1,647,856	1,604,409	1,623,162
Business Administration	192,480	191 675	184,671
Maintenance and Operation of Plant	1,767,136	1,819,941	1,847,012
Student Transportation Services	1,134,413	1,200,025	1,226,186
Central Support Services	183,445	185,730	161,370
Other Support Services	38 055	48,552	190,055
Enterprise Operations			97,365
Food Services Operation	1,535,021	1,524,451	1,527,802
Total Expenditures	$ 27,895,184	$ 27,745,530	$ 28,169,049
Excess of Revenues over (under) Expenditures	$ 148,150	$ -480,047	$ 179,638
OTHER FINANCING SOURCES (USES)			
Other Sources	$ 80,000	$ 72,378	
Other Uses	-500,000	-500,000	$ -432,589
Total Other Financing Sources (Uses)	$ -420,000	$ -427,622	$ -432,589
Net Change in Fund Balances	$ -271,850	$ -907,669	$ -252,951
Fund Balances - Beginning	3,860,733	3,987,983	3,525,821
Adjustments		582,433	
Fund Balances - Ending	$ 3,588,883	$ 3,662,747	$ 3,272,870

Notes to the Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual

(1) Original and Final Budget amounts do not include budgeted revenues or expenditures of the various principal accounts

See notes to the basic financial statements

WHITE COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2003

SCHEDULE "2"

FUNDING AGENCY PROGRAM/GRANT		CFDA NUMBER	PASS-THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD
Agriculture, U S Department of				
Child Nutrition Cluster				
Pass-Through From Georgia Department of Education				
Food and Nutrition Program				
Food Services				
School Breakfast Program		10.553	N/A	(2)
National School Lunch Program		10.555	N/A	$ 1,458,895
Total Child Nutrition Cluster				$ 1,458,895
Other Programs				
Pass-Through From Georgia Department of Education				
Food and Nutrition Program				
Food Distribution Program (1)		10.550	N/A	68,907
Pass-Through From Office of Treasury and Fiscal Services				
National Forest Reserve Funds		10.665	N/A	19,554
Total U S Department of Agriculture				$ 1,547,356
Education, U S Department of				
Special Education Cluster				
Pass-Through From Georgia Department of Education				
Individuals with Disabilities Education Act				
Part B - Special Education				
Capacity Building Improvement	*	84.027	N/A	$ 15,682
Flow Through	*	84.027	N/A	360,695
Preschool	*	84.173	N/A	27,600
Total Special Education Cluster				$ 403,977
Other Programs				
Pass-Through From Georgia Department of Education				
Elementary and Secondary Education Act				
Title I				
Delinquent Program	*	84.010	N/A	62,317
Grants to Local Educational Agencies	*	84.010	N/A	501,117
School Improvement	*	84.010	N/A	14,978
Title II				
Enhancing Education Through Technology		84.318	N/A	16,242
Improving Teacher Quality		84.367	N/A	123,240
Title IV				
Safe and Drug-Free Schools and Communities		84.186	N/A	21,470
Title V				
Innovative Education Program Strategies		84.298	N/A	19,640
Vocational Education - Basic Grants to States				
High School Program				
Basic Grant		84.048	N/A	38,682
Total U. S. Department of Education				$ 1,201,663

WHITE COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2003

SCHEDULE "2"

FUNDING AGENCY PROGRAM/GRANT	CFDA NUMBER	PASS-THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD
Health and Human Services, U S Department of			
Pass-Through From Ninth District Opportunity, Incorporated			
Head Start	93 600	N/A	$ 104,931
Total Federal Financial Assistance			$ 2,853,950

N/A = Not Available

Notes to the Schedule of Expenditures of Federal Awards

(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 School District during the current fiscal year
(2) Expenditures for the funds earned on the School Breakfast Program ($482,978) were not maintained separately and are included in the 2003 National School Lunch Program

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

The School District did not provide Federal Assistance to any Subrecipient

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the White County Board of Education and is presented on the modified accrual basis of accounting which is the basis of accounting used in the presentation of the fund financial statements

See notes to the basic financial statements

WHITE COUNTY BOARD OF EDUCATION
SCHEDULE OF STATE REVENUE
YEAR ENDED JUNE 30, 2003

SCHEDULE 3'

AGENCY/FUNDING	GOVERNMENTAL FUND TYPES: GENERAL FUND	GOVERNMENTAL FUND TYPES: CAPITAL PROJECTS FUND	TOTAL
GRANTS			
Education, Georgia Department of			
Quality Basic Education			
Direct Instructional Cost			
Kindergarten Program	$ 810 614		$ 810 614
Kindergarten Program - Early Intervention Program	292 356		292 356
Primary Grades (1-3) Program	1 898 222		1 898 222
Primary Grades - Early Intervention (1-3) Program	632 826		632 826
Upper Elementary Grades (4-5) Program	996,818		996 818
Upper Elementary Grades - Early Intervention (4-5) Program	292 590		292 590
Middle Grades (6-8) Program	1 934 007		1 934 007
High School General Education (9-12) Program	1 424 073		1 424 073
Vocational Laboratory (9-12) Program	583 917		583 917
Students with Disabilities			
Category I	130 265		130 265
Category II	153 942		153 942
Category III	1 045 748		1 045,748
Category IV	284 250		284 250
Category V	5 841		5 841
Gifted Student - Category VI	416 851		416 851
Remedial Education Program	38 036		38 036
Media Center Program	303 412		303 412
20 Days Additional Instruction	101 053		101 053
Staff and Professional Development	62 488		62 488
Indirect Cost			
Central Administration	419 357		419 357
School Administration	616 279		616 279
Facility Maintenance and Operations	892 410		892 410
Categorical Grants			
Pupil Transportation			
Regular	529,794		529 794
Bus Replacement	121 533		121 533
Sparsity	19 000		19,000
Nursing Services	84 225		84 225
Principal Supplements	14 341		14 341
Vocational Supervisors	25 157		25 157
Education Equalization Funding Grant	196 869		196 869
Food Services	96 170		96 170
Vocational Education	156 613		156,613
Austerity Reduction	-400 771		-400 771
Other State Programs			
Alternative Program	145 950		145,950
Apprenticeship Program	33 250		33 250
At-Risk Summer School Program	26 034		26 034
Environmental Science Program	1 000		1 000
Health Insurance	269 413		269 413
Mentor Teachers	3 818		3 818
National Teacher Certification	9 531		9 531
Post Secondary Options	8 356		8 356
Preschool Handicapped Program	47 356		47 356
Statewide Local Education Improvement	37,582		37 582
Student Information System Upgrade	17,030		17,030
Lottery Programs			
Computers in the Classroom	82 117		82 117
Georgia State Financing and Investment Commission			
Reimbursement on Construction Projects		$ 2 399,262	2,399 262
Office of Treasury and Fiscal Services			
Public School Employees Retirement	37 170		37 170
OTHER			
Natural Resources Georgia Department of			
Nature Trail	6,400		6,400
	$ 14,903,293	$ 2,399,262	$ 17,302,555

See notes to the basic financial statements

WHITE COUNTY BOARD OF EDUCATION
SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS
YEAR ENDED JUNE 30, 2003

SCHEDULE "4

PROJECT	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COST (2)	AMOUNT EXPENDED IN CURRENT YEAR (3) (4)	AMOUNT EXPENDED IN PRIOR YEARS (3)	PROJECT STATUS
Payments of principal and interest on the 1993 Bonds from February 1 1999 to August 1 2003	$ 3,160,000	$ 3,160,000	$ 625,049	$ 2,032,309	Ongoing
Acquisition, construction and equipping of a new elementary school and necessary furnishings and equipment including the acquisition of all necessary real or personal property and equipment including computers and related technology adding to, renovating repairing improving and equipping existing educational buildings, properties and facilities of the School District and expenses incident thereto	14,040,000	12,500,000	121,260	12,243,114	Ongoing
Acquisition, construction and equipping one new elementary school; adding to renovating repairing improving and equipping existing school buildings; acquiring computers and computer technology equipment for the school system and acquisition of land for additional schools	16,750,000	16,750,000	2,941,911	579,967	Ongoing
Paying a portion of the principal and interest due on the White County School District's Series 1993 General Obligation Bonds from August 1 2003 through and including February 1, 2008	2,250,000	2,250,000			Ongoing
	$ 36,200,000	$ 34,660,000	$ 3,688,220	$ 14,855,390	

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

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

(3) The voters of White 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) During fiscal year 2003, the White County Board of Education issued General Obligation Refunding Bond Issue 2003 to refund portions of the 1993 Bond Issue The amount expended in the Current Year includes debt service on the replacement refunding issues.

See notes to the basic financial statements

WHITE COUNTY BOARD OF EDUCATION
GENERAL FUND - QUALITY BASIC EDUCATION PROGRAM (QBE)
ALLOTMENTS AND EXPENDITURES - BY PROGRAM
YEAR ENDED JUNE 30, 2003

SCHEDULE '5'

DESCRIPTION	ALLOTMENTS FROM GEORGIA DEPARTMENT OF EDUCATION (1) (2)	ELIGIBLE QBE PROGRAM COSTS SALARIES	OPERATIONS	TOTAL
Direct Instructional Programs				
Kindergarten Program	$ 969 230	$ 1,025 016	$ 19,034	$ 1 044,050
Kindergarten Program-Early Intervention Program	333 684	289 054	2 783	291 837
Primary Grades (1-3) Program	2 241 442	2,193 471	61,349	2,254 820
Primary Grades-Early Intervention (1-3) Program	751,210	654,409	3 842	658,251
Upper Elementary Grades (4-5) Program	1,197 614	1,538 119	48 238	1 586 357
Upper Elementary Grades-Early Intervention (4-5) Program	348 826	259 590		259 590
Middle School (6-8) Program	2 297,827	2 512,627	187 738	2 700 365
High School General Education (9-12) Program	1,685,518	2 352 145	165 511	2,517,656
Vocational Laboratory (9-12) Program	699 765	520 353	80 922	601 275
Students with Disabilities	1 943,617			
Category I		140 461	1 027	141,488
Category II		299,956	5 237	305 193
Category III		1,427 477	24 570	1 452 047
Category IV		358,088	4,773	362 861
Category V		5 463		5 463
Gifted Student - Category VI	512 842	756 325	10 574	766,899
Remedial Education Program	53,730	27 371	624	27,995
Alternative Education Program	172,902	126,941	19,901	146,842
TOTAL DIRECT INSTRUCTIONAL PROGRAMS	$ 13,208 207	$ 14,486 866	$ 636 123	$ 15,122 989
Media Center Program	361,631	472,446	122 193	594 639
Staff and Professional Development	75,223	13,076	113,309	126,385
TOTAL QBE FORMULA FUNDS	$ 13,645,061	$ 14,972,388	$ 871,625	$ 15,844,013

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

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

See notes to the basic financial statements

SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS

DEPARTMENT OF AUDITS AND ACCOUNTS

254 Washington Street, S.W., Suite 214
Atlanta, Georgia 30334-8400

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

August 17, 2004

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

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

Ladies and Gentlemen:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of White County Board of Education as of and for the year ended June 30, 2003, which collectively comprise White County Board of Education's basic financial statements and have issued our report thereon dated August 17, 2004. 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.

Compliance

As part of obtaining reasonable assurance about whether White 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 grants, 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 that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered White County Board of Education's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal

control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect White County Board of Education's ability to record, process, summarize and report financial data consistent with assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item FS-7541-03-01.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

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

Respectfully submitted,

Russell W. Hinton
State Auditor

RWH:gp
2003-34YB-30

DEPARTMENT OF AUDITS AND ACCOUNTS

254 Washington Street, S W Suite 214
Atlanta, Georgia 30334-8400

RUSSELL W. HINTON
STATE AUDITOR
(404) 656-2174

August 17, 2004

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

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

Ladies and Gentlemen:

Compliance

We have audited the compliance of White 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, 2003. White 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 White County Board of Education's management. Our responsibility is to express an opinion on White 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 White County Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on White County Board of Education's compliance with those requirements.

In our opinion, the White 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, 2003.

Internal Control Over Compliance

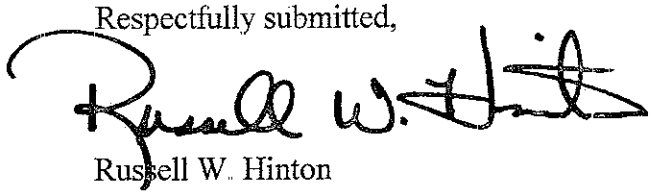
The management of White County Board of Education is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered White County Board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

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the White County Board of Education's ability to administer a major Federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item FA-7541-03-01.

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

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

Respectfully submitted,



Russell W. Hinton
State Auditor

RWH:gp
2003SA-30

SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

WHITE COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2003

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FINDING CONTROL NUMBER AND STATUS

FS-7541-01-01	Further Action Not Warranted
FS-7541-02-01	Previously Reported Corrective Action Implemented

WHITE COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2003

I SUMMARY OF AUDITOR'S RESULTS

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

2. Reportable Conditions in Internal Control Disclosed by the Audit of the Financial Statements
   The audit report for the White County Board of Education disclosed a financial statement reportable condition related to the following control categories.

   Cash and Cash Equivalents
   Expenditures/Liabilities/Disbursements
   Revenues/Receivables/Receipts

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

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

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

   Cash Management

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

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

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

WHITE COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2003

I SUMMARY OF AUDITOR'S RESULTS

7. Major Programs

Federal awards audited as major programs are as follows:

- 84.027 Individuals with Disabilities Education Act - Part B - Special Education - Capacity Building Improvement
- 84.027 Individuals with Disabilities Education Act - Part B - Special Education - Flow Through
- 84.173 Individuals with Disabilities Education Act - Part B - Special Education - Preschool
- 84.010 Elementary and Secondary Education Act - Title I - Delinquent Program
- 84.010 Elementary and Secondary Education Act - Title I - Grants to Local Educational Agencies
- 84.010 Elementary and Secondary Education Act - Title I - School Improvement

8. Type "A" Program Dollar Threshold

The dollar threshold for type "A" programs was $300,000.

9. Low Risk Auditee

The White County Board of Education qualified as a low risk auditee as defined by Section .530 of OMB Circular A-133.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

CASH AND CASH EQUIVALENTS
REVENUES/RECEIVABLES/RECEIPTS
EXPENDITURES/LIABILITIES/DISBURSEMENTS
Inadequate Separation of Duties
Reportable Condition
Finding Control Number: FS-7541-03-01

Our examination of the Principal's accounts disclosed weaknesses in internal controls as discussed below:

Cash and Cash Equivalents

The bank reconciliation function was not separated from the record keeping and voucher payment function.

Revenues/Receivables/Receipts

Deposit preparation was not separated from the record keeping and cash custody functions. Pre-numbered tickets for athletic events are not issued so that cash collections can be reconciled to monies taken in.

WHITE COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2003

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

CASH AND CASH EQUIVALENTS
REVENUES/RECEIVABLES/RECEIPTS
EXPENDITURES/LIABILITIES/DISBURSEMENTS
Inadequate Separation of Duties
Reportable Condition
Finding Control Number: FS-7541-03-01

Expenditures/Liabilities/Disbursements

The check writing function was not separated from record keeping or processing of signed checks.

These deficiencies were a result of management's decision to limit the number of administrative staff made responsible, at the various principal's account sites, for accounting functions. Management should implement procedures to ensure that the key accounting functions of custody, record keeping and authorization be segregated. Additionally, controls should be established and implemented to ensure that athletic event tickets sold are reconciled with cash collections.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

CASH MANAGEMENT
Excessive Cash Balances
Reportable Condition
U. S. Department of Education
Through Georgia Department of Education
Finding Control Number: FA-7541-03-01

A review of cash management procedures for the Title I - Grants to Local Educational Agencies (CFDA 84.010) and Special Education Cluster (CFDA 84.027, 84.173) programs disclosed that cash draws were made in advance of immediate cash needs, resulting in the accumulation of excessive cash balances. During fiscal year 2003, the programs had an average cash balance of $36,805 and $45,876, respectively, and had excessive ending monthly cash balances in seven and eight months, respectively. The excessive cash balances are a result of management's failure to accurately forecast the cash needs of this program. Procedures should be implemented to minimize the time elapsing between the transfer of funds from the Georgia Department of Education and disbursement of such funds by the Board.