WHITE COUNTY BOARD OF EDUCATION
CLEVELAND, GEORGIA

REPORT ON AUDIT
OF THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

STATE OF GEORGIA

DEPARTMENT OF AUDITS AND ACCOUNTS

Russell W. Hinton
State Auditor

WHITE COUNTY BOARD OF EDUCATION

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FINANCIAL

DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 1-156
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Russell W. Hinton
STATE AUDITOR
(404) 656-2174

May 11, 2008

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, 2007, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the White County Board of Education's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the White County Board of Education, as of June 30, 2007, 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.

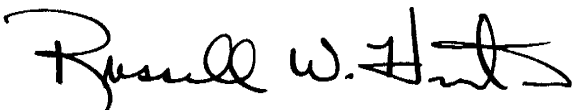
In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2008, on our consideration of the White County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 vii and page 25 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, CPA, CGFM
State Auditor

RWH:gp
2007ARL-11

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

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, 2007. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the 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 2007 are as follows:

- On the District-wide financial statements, the assets of the School District exceeded liabilities by $37.41 million. Of this amount, $0.761 million is unrestricted and is available for spending at the School District's discretion.

- The School District had $38.5 million in expenses relating to governmental activities; only $21.7 million of these expenses are offset by program specific charges for services, grants and contributions. General revenues (primarily property and sales taxes) of $17.9 million were adequate to provide for these programs.

- As stated above, general revenues accounted for $17.9 million or 45% of all revenues totaling $39.6 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 scholarship funds, 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. Net asset comparisons to fiscal year 2006 are available and have been included in the following analysis.

Table 1
Net Assets

	Governmental Activities	
	Fiscal Year 2007	Fiscal Year 2006
Assets		
Current and Other Assets	$12,564,705.75	$18,654,144.00
Capital Assets, Net	45,834,894.46	39,591,982.00
Total Assets	$58,399,600.21	$58,246,126.00
Liabilities		
Current and Other Liabilities	$ 4,967,800.36	$ 3,483,007.00
Long-Term Liabilities	16,015,000.00	18,435,000.00
Total Liabilities	$20,982,800.36	$21,918,007.00
Net Assets		
Invested in Capital Assets, Net of Related Debt	$32,172,654.27	$31,140,506.00
Restricted	4,483,128.10	3,235,153.00
Unrestricted	761,017.48	1,952,460.00
Total Net Assets	$37,416,799.85	$36,328,119.00

Table 2 shows the Changes in Net Assets for this fiscal year. Revenue and Expense comparisons to fiscal year 2007 are available and are included in the following analysis.

Table 2
Change in Net Assets

	Governmental Activities	
	Fiscal Year 2007	Fiscal Year 2006
Revenues		
Program Revenues:		
Charges for Services and Sales	$ 1,058,029.68	$ 1,079,194.00
Operating Grants and Contributions	20,439,336.14	17,778,634.00
Capital Grants and Contributions	165,935.00	947,474.00
Total Program Revenues	$21,663,300.82	$19,805,302.00
General Revenues:		
Taxes		
Property Taxes		
For Maintenance and Operations	$11,928,332.09	$10,995,083.00
For Debt Service	334,831.32	313,952.00
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Debt Service	1,905,038.82	2,389,250.00
For Capital Projects	1,386,663.02	800,000.00
Intangible Recording Tax	352,142.54	513,185.00
Real Estate		14,218.00
Grants and Contributions not Restricted to Specific Programs		20,507.00
Investment Earnings	759,020.23	352,987.00
Miscellaneous	1,274,751.28	873,969.00
Special Item		
Donated Building		325,000.00
Total General Revenues and Special Item	$17,940,779.30	$16,598,151.00
Total Revenues	$39,604,080.12	$36,403,453.00
Program Expenses		
Instruction	$25,772,070.60	$21,973,545.00
Support Services		
Pupil Services	1,233,361.88	1,169,982.00
Improvement of Instructional Services	658,722.75	720,631.00
Educational Media Services	807,188.68	708,771.00
General Administration	764,991.57	702,665.00
School Administration	2,097,569.20	1,932,501.00
Business Administration	217,245.56	307,262.00
Maintenance and Operation of Plant	2,256,437.53	2,138,192.00
Student Transportation Services	1,699,463.38	1,527,441.00
Central Support Services	111,622.73	98,752.00
Other Support Services	196,129.80	182,614.00
Operations of Non-Instructional Services		
Enterprise Operations	298,480.08	254,215.00
Food Services	1,859,161.16	1,766,157.00
Interest on Short-Term and Long-Term Debt	542,954.35	371,133.00
Total Expenses	$38,515,399.27	$33,853,861.00
Increase in Net Assets	$ 1,088,680.85	$ 2,549,592.00

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. Cost of service comparisons to fiscal year 2006 are available and have been included in the following analysis.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	Fiscal Year 2007	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2006
Instruction	$25,772,070.60	$21,973,545.00	$10,920,545.57	$ 8,098,825.00
Support Services				
Pupil Services	1,233,361.88	1,169,982.00	535,671.43	510,772.00
Improvement of Instructional Services	658,722.75	720,631.00	333,707.31	405,834.00
Educational Media Services	807,188.68	708,771.00	335,174.08	328,367.00
General Administration	764,991.57	702,665.00	479,882.75	482,383.00
School Administration	2,097,569.20	1,932,501.00	1,265,164.67	1,313,213.00
Business Administration	217,245.56	307,262.00	142,911.46	255,145.00
Maintenance and Operation of Plant	2,256,437.53	2,138,192.00	1,089,477.62	1,235,856.00
Student Transportation Services	1,699,463.38	1,527,441.00	887,048.58	875,678.00
Central Support Services	111,622.73	98,752.00	73,841.24	71,543.00
Other Support Services	196,129.80	182,614.00	162,647.96	156,691.00
Operations of Non-Instructional Services				
Enterprise Operations	298,480.08	254,215.00	121,479.46	27,253.00
Food Services	1,859,161.16	1,766,157.00	-38,408.03	-84,134.00
Interest on Short-Term and Long-Term Debt	542,954.35	371,133.00	542,954.35	371,133.00
Total Expenses	$38,515,399.27	$33,853,861.00	$16,852,098.45	$14,048,559.00

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 of $39.7 million and total expenditures of $47.2 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 2007, the School District amended its general fund budget as needed.

For the General Fund, the final actual revenues and other financing sources of $35.5 million exceeded the original budgeted amounts of $34.3 million by $1.2 million. The significant change (final actual vs. original budget) was the State accounts receivable for State on Behalf payments of $0.77 million. The remainder is associated with salaries and benefits receivables.

The actual revenues of $35.5 million exceeded the final budgeted amounts of $34.0 million by $1.5 million. The difference is as stated above.

The final actual expenditures of $36.2 million were $0.6 million more than the original budgeted amount of $35.6 million. The State on Behalf payments was not budgeted and accounts for the majority of this difference.

The final actual expenditures of $36.2 million were $0.5 million more than the final budgeted amount of $35.7 million for the same reason as stated above.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At fiscal year ended June 30, 2007 the School District had $45.83 million invested in capital assets, all in governmental activities. Table 4 reflects a summary of these balances by category and accumulated depreciation. Capital assets comparisons to fiscal year 2006 are available and have been included in the following analysis.

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities	
	Fiscal Year 2007	Fiscal Year 2006
Land	$ 2,021,886.00	$ 2,021,886.00
Construction in Progress	6,278,795.30	191,295.00
Buildings and Improvements	33,883,974.16	34,168,041.00
Equipment	3,016,861.06	2,386,797.00
Land Improvements	633,377.94	823,963.00
Total	$45,834,894.46	$39,591,982.00

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, 2007, the School District had $16.015 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 2007	Fiscal Year 2006
Bonds Payable	$16,015,000.00	$18,435,000.00

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 at tmclean@white.k12.ga.us.

WHITE COUNTY BOARD OF EDUCATION

WHITE COUNTY BOARD OF EDUCATION
STATEMENT OF NET ASSETS
JUNE 30, 2007

EXHIBIT "A"

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and Cash Equivalents	$ 8,833,606.77
Accounts Receivable, Net	
Taxes	1,049,830.86
State Government	2,271,862.83
Federal Government	350,521.49
Other	7,524.50
Inventories	51,359.30
Capital Assets	
Land	2,021,886.00
Construction in Progress	6,278,795.30
Land Improvements	2,594,373.00
Buildings	38,955,471.00
Equipment	6,070,331.00
Less: Accumulated Depreciation	-10,085,961.84
Total Assets	$ 58,399,600.21
LIABILITIES	
Salaries and Benefits Payable	$ 3,824,450.06
Contracts Payable	626,910.30
Retainages Payable	516,440.00
Long-Term Liabilities	
Due Within One Year	2,515,000.00
Due in More Than One Year	13,500,000.00
Total Liabilities	$ 20,982,800.36
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	$ 32,172,654.27
Restricted for	
Continuation of Federal Programs	633,083.07
Debt Service	1,969,154.73
Capital Projects	1,880,890.30
Unrestricted	761,017.48
Total Net Assets	$ 37,416,799.85
Total Liabilities and Net Assets	$ 58,399,600.21

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, 2007

	EXPENSES	CHARGES FOR SERVICES
GOVERNMENTAL ACTIVITIES		
Instruction	$ 25,772,070.60	$ 4,448.82
Support Services		
Pupil Services	1,233,361.88	
Improvement of Instructional Services	658,722.75	
Educational Media Services	807,188.68	
General Administration	764,991.57	
School Administration	2,097,569.20	
Business Administration	217,245.56	
Maintenance and Operation of Plant	2,256,437.53	
Student Transportation Services	1,699,463.38	
Central Support Services	111,622.73	
Other Support Services	196,129.80	
Operations of Non-Instructional Services		
Enterprise Operations	298,480.08	177,000.62
Food Services	1,859,161.16	876,580.24
Interest on Short-Term and Long-Term Debt	542,954.35	
Total Governmental Activities	$ 38,515,399.27	$ 1,058,029.68
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		
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.

PROGRAM REVENUES		NET (EXPENSES)
OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	REVENUES AND CHANGES IN NET ASSETS
$ 14,847,076.21		$ -10,920,545.57
697,690.45		-535,671.43
325,015.44		-333,707.31
472,014.60		-335,174.08
285,108.82		-479,882.75
832,404.53		-1,265,164.67
74,334.10		-142,911.46
1,166,959.91		-1,089,477.62
646,479.80	$ 165,935.00	-887,048.58
37,781.49		-73,841.24
33,481.84		-162,647.96
		-121,479.46
1,020,988.95		38,408.03
		-542,954.35
$ 20,439,336.14	$ 165,935.00	$ -16,852,098.45

	$ 11,928,332.09
	334,831.32
	1,905,038.82
	1,386,663.02
	352,142.54
	759,020.23
	1,274,751.28
	$ 17,940,779.30
	$ 1,088,680.85
	36,328,119.00
	$ 37,416,799.85

WHITE COUNTY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

EXHIBIT "C"

	GENERAL FUND	DISTRICT-WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
ASSETS				
Cash and Cash Equivalents	$ 2,480,037.19	$ 4,741,655.02	$ 1,611,914.56	$ 8,833,606.77
Accounts Receivable, Net				
Taxes	262,500.00	586,663.02	7,500.00	856,663.02
State Government	2,271,862.83			2,271,862.83
Federal Government	350,521.49			350,521.49
Other	7,524.50			7,524.50
Inventories	51,359.30			51,359.30
Total Assets	$ 5,423,805.31	$ 5,328,318.04	$ 1,619,414.56	$ 12,371,537.91
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Salaries and Benefits Payable	$ 3,824,450.06			$ 3,824,450.06
Contracts Payable		$ 626,910.30		626,910.30
Retainages Payable		516,440.00		516,440.00
Total Liabilities	$ 3,824,450.06	$ 1,143,350.30		$ 4,967,800.36
FUND BALANCES				
Reserved for:				
Continuation of Federal Programs	$ 581,723.77			$ 581,723.77
Debt Service		$ 344,197.30	$ 1,619,414.56	1,963,611.86
Inventories	51,359.30			51,359.30
Capital Projects		3,025,937.44		3,025,937.44
Unreserved				
Designated for Student Activities	284,612.03			284,612.03
Undesignated Reported in:				
General Fund	681,660.15			681,660.15
Capital Projects		814,833.00		814,833.00
Total Fund Balances	$ 1,599,355.25	$ 4,184,967.74	$ 1,619,414.56	$ 7,403,737.55
Total Liabilities and Fund Balances	$ 5,423,805.31	$ 5,328,318.04	$ 1,619,414.56	$ 12,371,537.91

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, 2007

EXHIBIT "D"

Total Fund Balances - Governmental Funds (Exhibit "C")		$ 7,403,737.55
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	$ 2,021,886.00	
Construction in Progress	6,278,795.30	
Land Improvements	2,594,373.00	
Buildings	38,955,471.00	
Equipment	6,070,331.00	
Accumulated Depreciation	-10,085,961.84	
Total Capital Assets		45,834,894.46
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.		193,167.84
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		-16,015,000.00
Net Assets of Governmental Activities (Exhibit "A")		$ 37,416,799.85

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, 2007

EXHIBIT "E"

	GENERAL FUND	DISTRICT-WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
REVENUES				
Property Taxes	$ 12,031,906.12		$ 338,001.45	$ 12,369,907.57
Sales Taxes	352,142.54	$ 1,386,663.02	1,905,038.82	3,643,844.38
State Funds	17,505,256.94			17,505,256.94
Federal Funds	3,100,014.20			3,100,014.20
Charges for Services	1,058,029.68			1,058,029.68
Investment Earnings	205,305.34	470,322.64	83,392.25	759,020.23
Miscellaneous	1,275,838.14	999.26	15,184.54	1,292,021.94
Total Revenues	$ 35,528,492.96	$ 1,857,984.92	$ 2,341,617.06	$ 39,728,094.94
EXPENDITURES				
Current				
Instruction	$ 24,033,714.76	$ 1,431,160.27		$ 25,464,875.03
Support Services				
Pupil Services	1,187,649.63			1,187,649.63
Improvement of Instructional Services	658,722.75			658,722.75
Educational Media Services	771,473.55	39,617.10		811,090.65
General Administration	764,991.57			764,991.57
School Administration	2,095,071.70			2,095,071.70
Business Administration	217,245.56			217,245.56
Maintenance and Operation of Plant	2,279,404.19			2,279,404.19
Student Transportation Services	1,777,595.73	62,014.70		1,839,610.43
Central Support Services	111,622.73			111,622.73
Other Support Services	171,775.23			171,775.23
Enterprise Operations	294,417.58			294,417.58
Food Services Operation	1,877,455.73			1,877,455.73
Capital Outlay		6,458,695.26		6,458,695.26
Debt Services				
Principal			$ 2,420,000.00	2,420,000.00
Dues and Fees		255.49		255.49
Interest		260,441.36	282,257.50	542,698.86
Total Expenditures	$ 36,241,140.71	$ 8,252,184.18	$ 2,702,257.50	$ 47,195,582.39
Net Change in Fund Balances	$ -712,647.75	$ -6,394,199.26	$ -360,640.44	$ -7,467,487.45
Fund Balances - Beginning	2,312,003.00	10,579,167.00	1,980,055.00	14,871,225.00
Fund Balances - Ending	$ 1,599,355.25	$ 4,184,967.74	$ 1,619,414.56	$ 7,403,737.55

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, 2007

EXHIBIT "F"

Total Net Change in Fund Balances - Governmental Funds (Exhibit "E")		$ -7,467,487.45
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	$ 7,509,762.30	
Depreciation Expense	-999,264.43	
Excess of Capital Outlay over Depreciation Expense		6,510,497.87
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.		-106,744.16
In the Statement of Activities, only the gain on the sale of the building/equipment is reported, whereas in the Governmental Funds, the entire proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balances by the cost of the building/equipment sold.		-267,585.41
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		2,420,000.00
Change in Net Assets of Governmental Activities (Exhibit "B")		$ 1,088,680.85

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, 2007

EXHIBIT "G"

	PRIVATE PURPOSE TRUSTS	AGENCY FUNDS
ASSETS		
Cash and Cash Equivalents	$ 15,816.63	$ 107,194.95
Investments		
Certificate of Deposit	29,044.45	
Total Assets	$ 44,861.08	$ 107,194.95
LIABILITIES		
Funds Held for Others		$ 107,194.95
NET ASSETS		
Held in Trust for Private Purposes	$ 44,861.08	
Total Liabilities and Net Assets	$ 44,861.08	$ 107,194.95

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, 2007

EXHIBIT "H"

	PRIVATE PURPOSE TRUSTS
ADDITIONS	
Contributions	
Donors	$ 5,084.00
Investment Earnings	
Interest	1,187.42
Total Additions	$ 6,271.42
DEDUCTIONS	
Scholarships	$ 2,833.34
Change in Net Assets	$ 3,438.08
Net Assets - Beginning	41,423.00
Net Assets - Ending	$ 44,861.08

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 Special Purpose Local Option Sales Tax (SPLOST), grants from Georgia State Financing and Investment Commission and Bond Proceeds to be used for the acquisition, construction or renovation of major capital facilities.

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

The School District reports the following fiduciary fund 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.

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 are reported as other financing sources.

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

CASH AND CASH EQUIVALENTS

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

INVESTMENTS

COMPOSITION OF INVESTMENTS
Investments made by the School District in nonparticipating interest-earning contracts (such as certificates of deposit) and repurchase agreements are reported at cost. Participating interest-earning contracts and money market investments with a maturity at purchase of one year or less are reported at amortized cost. Both participating interest-earning contracts and money market investments with a maturity at purchase greater than one year 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,

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(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.

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

RECEIVABLES

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

PROPERTY TAXES

The White County Board of Commissioners fixed the property tax levy for the 2006 tax digest year (calendar year) on September 21, 2006 (levy date). Taxes were due on December 20, 2006 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2006 tax digest are reported as revenue in the governmental funds for fiscal year 2007. The 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, 2007, for maintenance and operations amounted to $12,031,906.12 and for school bonds amounted to $338,001.35.

Tax millage rates levied for the 2006 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	13.431 mills
School Bonds	.363 mills
	13.794 mills

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

SALES TAXES

Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to $3,291,701.84 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 (including ancillary charges). On the District-wide financial statements, all purchased capital assets are valued at cost where historical records are available and at estimated historical cost based on appraisals or deflated current replacement cost where no historical records exist. Donated capital assets are recorded at estimated fair market value on the date donated. Disposals are deleted at depreciated recorded cost. The cost of normal maintenance and repairs that do not add to the value of assets or materially extend the useful lives of the assets is not capitalized. Depreciation is computed using the straight-line method. The School District does not capitalize book collections or works of art. During the fiscal year under review, no events or changes in circumstances affecting a capital asset that may indicate impairment were known to the School District.

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	$5,000.00 or more	20 years
Buildings and Improvements	$5,000.00 or more	up to 80 years
Equipment	$5,000.00 or more	5 to 20 years

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

NET ASSETS

The School District's net assets in the District-wide Statements are classified as follows:

Invested in capital assets, net of related debt - This represents the School District's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted net assets - These represent resources for which the School District is legally or contractually obligated to spend resources for bus replacement, continuation of Federal programs, debt service and capital projects in accordance with restrictions imposed by external third parties.

Unrestricted net assets - Unrestricted net assets represent resources derived from property taxes, sales taxes, grants and contributions not restricted to specific programs, charges for services, and miscellaneous revenues. These resources are used for transactions relating to the educational and general operations of the School District, and may be used at the discretion of the Board to meet current expenses for those purposes.

Note 3: DEPOSITS

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.

Note 3: DEPOSITS

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, 2007, the bank balances were $9,842,898.27. The amounts of the total uninsured bank balances are classified into three categories of custodial credit risk:

Category 1 - Uncollateralized,
Category 2 - Cash collateralized with securities held by the pledging financial institution, or
Category 3 - Cash collateralized with securities held by the pledging financial institution's trust department or agent but not in the School District's name.

The School District's uninsured deposits are classified by custodial credit risk category at June 30, 2007, as follows:

Note 3: DEPOSITS

Custodial Credit Risk Category	Bank Balance
1	$ 0.00
2	0.00
3	9,775,710.33
Total	$ 9,775,710.33

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:

	Balances July 1, 2006	Increases	Decreases	Balances June 30, 2007
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land and Land Improvements	$ 2,021,886.00			$ 2,021,886.00
Construction in Progress	191,295.00	$ 6,278,795.30	$ 191,295.00	6,278,795.30
Total Capital Assets Not Being Depreciated	$ 2,213,181.00	$ 6,278,795.30	$ 191,295.00	$ 8,300,681.30
Capital Assets Being Depreciated				
Buildings and Improvements	$38,793,555.00	$ 262,017.00	$ 100,101.00	$38,955,471.00
Equipment	5,305,057.00	1,027,424.00	262,150.00	6,070,331.00
Land Improvements	2,658,560.00	132,821.00	197,008.00	2,594,373.00
Less Accumulated Depreciation for:				
Buildings and Improvements	4,625,514.00	484,158.24	38,175.40	5,071,496.84
Equipment	2,918,260.00	388,708.13	253,498.19	3,053,469.94
Land Improvements	1,834,597.00	126,398.06		1,960,995.06
Total Capital Assets, Being Depreciated, Net	$37,378,801.00	$ 422,997.57	$ 267,585.41	$37,534,213.16
Governmental Activity Capital Assets - Net	$39,591,982.00	$ 6,701,792.87	$ 458,880.41	$45,834,894.46

Current year depreciation expense by function is as follows:

Note 5: CAPITAL ASSETS

Instruction		$ 705,613.68
Support Services		
Pupil Services	$ 45,907.50	
Educational Media Services	3,387.70	
School Administration	2,497.50	
Maintenance and Operation of Plant	412.50	
Student Transportation Services	195,739.70	247,944.90
Enterprise Operations		4,062.50
Food Services		41,643.35
		$ 999,264.43

Note 6: RESTRICTED ASSETS

Special Purpose Local Option Sales Tax (SPLOST), general obligation bond proceeds, property tax levied specifically for retirement of outstanding bond principal, interest and paying agent's fees (Debt Service Funds) are 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, 2007, were as follows:

	District-wide Capital Projects		
	SPLOST	Bond Proceeds	Debt Service Funds
Restricted Cash and Cash Equivalents:			
Debt Services		$ 344,197.30	$ 1,611,914.56
Capital Acquisitions	$ 800,000.00	$ 2,782,624.72	

Note 7: 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 administer one or more groups of self-insurance funds, including the processing and defense of

Note 7: RISK MANAGEMENT

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

The School District 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.

The School District has not incurred any liabilities for unemployment compensation during the past two fiscal years.

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 Safety National Casualty Corporation to provide coverage for potential losses sustained by the Fund in excess of $400,000.00 loss per occurrence, up to $1,000,000.00.

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

Position Covered	Amount
All Employees	$ 100,000.00
Superintendent	$ 50,000.00

Note 8: SHORT-TERM DEBT

The School District obtains temporary loans in advance of property tax collections, depositing the proceeds in its General Fund. This short-term debt is to provide cash for operations until property tax collections are received by the School District. Article IX, Section V, Paragraph V of the Constitution of the State of Georgia limits the aggregate amount of short-term debt to 75 percent of the total gross income from taxes collected in the preceding year and requires all short-term debt to be repaid no later than December 31 of the calendar year in which the debt was incurred.

Note 8: SHORT-TERM DEBT

Short-term debt activity for the fiscal year is as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance
Temporary Loans	$ 0.00	$560,000.00	$560,000.00	$ 0.00

Note 9: LONG-TERM DEBT

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

Purpose	Interest Rates	Amount
General Government - Series 2001	4.05%	$ 1,995,000.00
General Government - Refunding - Series 2003	2.90%	4,020,000.00
General Government - Series 2006	3.60% - 3.73%	10,000,000.00
		$16,015,000.00

Voters have authorized $2,500,000.00 in general obligation debt for capital outlay and debt service payments which was not issued as of June 30, 2007.

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

	Governmental Funds General Obligation Bonds
Balance July 1, 2006	$18,435,000.00
Deductions	
Debt Retired	2,420,000.00
Balance June 30, 2007	$16,015,000.00
Portion of Long-Term Debt Due within One Year	$ 2,515,000.00

Note 9: LONG-TERM DEBT

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

Fiscal Year Ended June 30	General Obligation Debt	
	Principal	Interest
2008	$ 2,515,000.00	$ 560,426.00
2009	2,390,000.00	464,331.00
2010	2,485,000.00	381,673.50
2011	2,570,000.00	293,413.50
2012	2,665,000.00	202,107.50
2013 - 2014	3,390,000.00	116,445.00
Total Principal and Interest	$16,015,000.00	$ 2,018,396.50

Note 10: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of $773,078.22 for health insurance and retirement contributions paid on the School District's behalf by the following State Agencies.

Georgia Department of Education
Paid to the Georgia Department of Community Health
For Health Insurance of Non-Certified Personnel
In the amount of $745,822.56

Paid to the Teachers Retirement System of Georgia
For Teachers Retirement System (TRS) Employer's Cost
In the amount of $23,131.94

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 $4,123.72

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, 2007, together with funding available:

Note 11: SIGNIFICANT COMMITMENTS

Project	Unearned Executed Contracts	Funding Available From State
08G-754-035/08-754-057	$ 5,312,142.22	$ 2,599,713.00
Agricultural Facility	718,002.71	
	$ 6,030,144.93	$ 2,599,713.00

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: SUBSEQUENT EVENTS

In the subsequent fiscal year, the School District issued general obligation bonds in the amount of $2,500,000.00. The proceeds from these bonds will be used to pay a portion of the costs of (i) acquiring, constructing and equipping one new elementary school, (ii) acquiring, constructing and equipping a new gymnasium at the existing middle school, (iii) acquiring computers and computer technology equipment, (iv) acquiring, constructing and equipping a new agriculture exhibition facility, (v) adding to, constructing, renovating, repairing, improving, and equipping school system buildings and facilities, including but not limited to, athletic and fine arts facilities, security improvements and equipment, (vi) acquiring heating, air conditioning and energy efficiency equipment, (vii) acquiring textbooks and other instructional materials and transportation equipment, and (viii) paying the expenses incident to accomplishing the foregoing.

Note 14: RETIREMENT PLANS

TEACHERS RETIREMENT SYSTEM OF GEORGIA (TRS)

TRS PLAN DESCRIPTION
Substantially all teachers, administrative and clerical personnel employed by local school systems are covered by the Teachers Retirement System of Georgia (TRS), which is a cost-sharing multiple employer defined benefit pension plan. TRS provides service retirement, disability retirement and

Note 14: RETIREMENT PLANS

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

Fiscal Year	Percentage Contributed	Required Contribution
2007	100%	$ 1,824,388.65
2006	100%	$ 1,652,852.00
2005	100%	$ 1,571,871.00

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WHITE COUNTY BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2007

SCHEDULE "1"

	NONAPPROPRIATED BUDGETS		ACTUAL
	ORIGINAL	FINAL	AMOUNTS
REVENUES			
Property Taxes	$ 11,657,785.00	$ 11,657,785.00	$ 12,031,906.12
Sales Taxes			352,142.54
State Funds	16,488,867.53	16,323,403.53	17,505,256.94
Federal Funds	3,309,179.45	3,540,659.00	3,100,014.20
Charges for Services	862,000.00	862,000.00	1,058,029.68
Investment Earnings	167,600.00	167,600.00	205,305.34
Miscellaneous	1,331,700.00	1,356,700.00	1,275,838.14
Total Revenues	$ 33,817,131.98	$ 33,908,147.53	$ 35,528,492.96
EXPENDITURES			
Current			
Instruction	$ 23,149,495.75	$ 23,208,867.54	$ 24,033,714.76
Support Services			
Pupil Services	1,112,336.72	1,271,043.26	1,187,649.63
Improvement of Instructional Services	823,921.96	745,800.34	658,722.75
Educational Media Services	784,344.17	780,593.98	771,473.55
General Administration	759,860.00	788,125.40	764,991.57
School Administration	2,097,292.68	2,106,542.97	2,095,071.70
Business Administration	217,050.00	217,045.00	217,245.56
Maintenance and Operation of Plant	2,274,485.51	2,283,483.00	2,279,404.19
Student Transportation Services	1,665,747.00	1,679,942.66	1,777,595.73
Central Support Services	107,580.00	107,100.00	111,622.73
Other Support Services	235,726.00	182,982.38	171,775.23
Enterprise Operations	282,000.00	282,000.00	294,417.58
Food Services Operation	1,930,819.19	1,930,090.00	1,877,455.73
Total Expenditures	$ 35,440,658.98	$ 35,583,616.53	$ 36,241,140.71
Excess of Revenues over (under) Expenditures	$ -1,623,527.00	$ -1,675,469.00	$ -712,647.75
OTHER FINANCING SOURCES (USES)			
Other Sources	$ 444,790.00	$ 99,665.00	
Other Uses	-144,790.00	-90,465.00	
Total Other Financing Sources (Uses)	$ 300,000.00	$ 9,200.00	
Net Change in Fund Balances	$ -1,323,527.00	$ -1,666,269.00	$ -712,647.75
Fund Balances - Beginning	2,303,506.21	2,303,506.21	2,312,003.00
Inventory - Net Change in Period		10,981.42	
Fund Balances - Ending	$ 979,979.21	$ 648,218.63	$ 1,599,355.25

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

The accompanying schedule of revenues, expenditures and changes in fund balances budget and actual is presented on the modified accrual basis of accounting which is the basis of accounting used in the presentation of the fund financial statements.

See notes to the basic financial statements.

WHITE COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007

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 Services				
School Breakfast Program	*	10.553	N/A	(2)
National School Lunch Program	*	10.555	N/A	$ 1,691,726.52
Total Child Nutrition Cluster				$ 1,691,726.52
Other Programs				
Pass-Through From Georgia Department of Education				
Food Donation (1)		10.550	N/A	83,665.21
Total U. S. Department of Agriculture				$ 1,775,391.73
Corporation for National and Community Service				
Pass-Through From Georgia Department of Education				
Learn and Serve America				
School and Community Based Programs		94.004	N/A	$ 18,537.48
Education, U. S. Department of				
Special Education Cluster				
Pass-Through From Georgia Department of Education				
Special Education				
Grants to States		84.027	N/A	$ 672,851.48
Preschool Grants		84.173	N/A	19,623.21
Total Special Education Cluster				$ 692,474.69
Other Programs				
Pass-Through From Georgia Department of Education				
Enhancing Education Through Technology Program		84.318	N/A	34.00
Hurricane Education Recovery Act		84.938	N/A	(3)
Improving Teacher Quality State Grants		84.367	N/A	126,248.18
Migrant Education		84.011	N/A	2,656.91
State Grants for Innovative Programs		84.298	N/A	5,332.03
Title I Grants to Local Educational Agencies		84.010	N/A	846,651.00
Twenty-First Century Community Learning Centers	*	84.287	N/A	343,631.90
Vocational Education - Basic Grants to States		84.048	N/A	40,852.15
Total U. S. Department of Education				$ 2,057,880.86
Heath and Human Services, U. S. Department of				
Pass-Through From Ninth District Opportunity, Incorporated				
Head Start		93.600	N/A	$ 67,126.06
Defense, U. S. Department of				
Direct				
Department of the Army				
R.O.T.C. Program				$ 147,196.08
Total Federal Financial Assistance				$ 4,066,132.21

N/A = Not Available

WHITE COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007

SCHEDULE "2"

Notes to the Schedule of Expenditures of Federal Awards

(1) The amount shown for the Food Donation Program represents the Federally assigned value of nonmonetary assistance for donated commodities received and/or consumed by the School District during the current fiscal year.
(2) Expenditures for the funds earned on the School Breakfast Program ($203,925.62) were not maintained separately and are included in the 2007 National School Lunch Program.
(3) Funds earned and expended in the prior period on the Hurricane Education Recovery Act, in the amount of $2,495.00, do not require reporting of expenditures.

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

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

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the 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, 2007

SCHEDULE "3"

AGENCY/FUNDING	GOVERNMENTAL FUND TYPE GENERAL FUND
GRANTS	
Bright From the Start:	
Georgia Department of Early Care and Learning	
Pre-Kindergarten Program	$ 229,764.86
Education, Georgia Department of	
Quality Basic Education	
Direct Instructional Cost	
Kindergarten Program	1,175,203.00
Kindergarten Program - Early Intervention Program	93,673.00
Primary Grades (1-3) Program	2,618,644.98
Primary Grades - Early Intervention (1-3) Program	196,864.00
Upper Elementary Grades (4-5) Program	1,205,814.00
Upper Elementary Grades - Early Intervention (4-5) Program	229,670.00
Middle Grades (6-8) Program	2,205,995.00
High School General Education (9-12) Program	1,547,165.00
Vocational Laboratory (9-12) Program	720,290.00
Students with Disabilities	
Category I	120,576.00
Category II	127,499.00
Category III	1,175,744.00
Category IV	360,646.00
Category V	231,206.00
Gifted Student - Category VI	491,761.00
Remedial Education Program	87,064.00
Alternative Education Program	164,518.00
English Speakers of Other Languages (ESOL)	56,369.00
Media Center Program	362,994.00
20 Days Additional Instruction	112,448.00
Staff and Professional Development	67,731.00
Indirect Cost	
Central Administration	480,583.00
School Administration	754,092.00
Facility Maintenance and Operations	906,104.00
Categorical Grants	
Pupil Transportation	
Regular	570,361.00
Bus Replacement	65,935.00
Sparsity Alternative Program	20,000.00
Nursing Services	82,480.00
Principal Supplements	12,713.00
Vocational Supervisors	18,859.00
Food Services	102,064.00
Vocational Education	101,959.00
Amended Formula Adjustment	-364,377.00
Other State Programs	
Graduation Coaches	80,150.00
Health Insurance	745,822.56
K-8 Statewide Reading and Math Grants	40,975.67
Middle School Summer Remedial Program	2,501.00
National Teacher Certification	46,449.00
Preschool Handicapped Program	47,269.21
Pupil Transportation - State Bonds	100,000.00
Teachers' Retirement	23,131.94
Office of Treasury and Fiscal Services	
Public School Employees Retirement	4,123.72

WHITE COUNTY BOARD OF EDUCATION
SCHEDULE OF STATE REVENUE
YEAR ENDED JUNE 30, 2007

SCHEDULE "3"

AGENCY/FUNDING	GOVERNMENTAL FUND TYPE GENERAL FUND
CONTRACT	
Human Resources, Georgia Department of Family Connection	$ 82,421.00
	$ 17,505,256.94

See notes to the basic financial statements.

WHITE COUNTY BOARD OF EDUCATION
SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS
YEAR ENDED JUNE 30, 2007

SCHEDULE "4"

PROJECT	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3) (4)	AMOUNT EXPENDED IN PRIOR YEARS (3) (4)	PROJECT STATUS
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	$ 16,750,000.00	$ 20,663,324.00	$ 158,355.00	$ 11,483,436.00	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	2,250,000.00	2,250,000.00	628,903.00	854,823.00	Ongoing
Acquiring, constructing and equipping one new elementary school; acquiring, constructing and equipping a new gymnasium at the existing middle school; acquiring computers and computer technology equipment; acquiring, constructing and equipping a new agriculture exhibition facility; adding to, constructing, renovating, repairing, improving, and equipping school system buildings and facilities; including but not limited to athletic and fine arts facilities and security improvements and equipment; acquiring heating, air conditioning and energy efficiency equipment; acquiring textbooks and other instructional materials and transportation equipment; paying a portion of the principal and interest due on the School District's Series 2003 General Obligation Bonds from August 1, 2008 through and including February 1, 2013 (the maximum amount of such payments not to exceed $1,600,000.00)	19,000,000.00	19,000,000.00	7,937,305.00	313,263.00	Ongoing
	$ 38,000,000.00	$ 41,913,324.00	$ 8,724,563.00	$ 12,651,522.00	

(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, 2007

SCHEDULE "5"

DESCRIPTION	ALLOTMENTS FROM GEORGIA DEPARTMENT OF EDUCATION (1) (2)	ELIGIBLE QBE PROGRAM COSTS SALARIES	OPERATIONS	TOTAL
Direct Instructional Programs				
Kindergarten Program	$ 1,439,015.00	$ 1,522,141.32	$ 23,105.40	$ 1,545,246.72
Kindergarten Program-Early Intervention Program	123,499.00	101,789.23	8,011.65	109,800.88
Primary Grades (1-3) Program	3,231,704.00	3,478,107.45	57,775.21	3,535,882.66
Primary Grades-Early Intervention (1-3) Program	261,282.00	280,109.78	5,796.52	285,906.30
Upper Elementary Grades (4-5) Program	1,500,447.00	1,816,727.45	50,131.15	1,866,858.60
Upper Elementary Grades-Early Intervention (4-5) Program	284,291.00	313,527.15		313,527.15
Middle School (6-8) Program	2,735,472.00	3,029,992.47	122,993.12	3,152,985.59
High School General Education (9-12) Program	1,918,217.00	3,226,909.09	119,010.26	3,345,919.35
Vocational Laboratory (9-12) Program	911,626.00	914,483.03	109,059.23	1,023,542.26
Students with Disabilities	2,512,263.00			
Category I		178,628.39		178,628.39
Category II		435,546.41	1,539.19	437,085.60
Category III		1,831,221.39	92,664.27	1,923,885.66
Category IV		426,471.46	3,167.38	429,638.84
Gifted Student - Category VI	601,822.00	592,057.60	11,778.20	603,835.80
Remedial Education Program	95,107.00	122,121.72	980.27	123,101.99
Alternative Education Program	204,317.00	206,645.49	15,000.00	221,645.49
English Speakers of Other Languages (ESOL)	70,001.00	143,949.18	781.71	144,730.89
TOTAL DIRECT INSTRUCTIONAL PROGRAMS	$ 15,889,063.00	$ 18,620,428.61	$ 621,793.56	$ 19,242,222.17
Media Center Program	450,308.00	537,056.99	153,245.89	690,302.88
Staff and Professional Development	84,892.00			90,337.96
TOTAL QBE FORMULA FUNDS	$ 16,424,263.00	$ 19,157,485.60	$ 775,039.45	$ 20,022,863.01

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

(2) Allotments do not include the impact of the State amended formula adjustment.

See notes to the basic financial statements.

SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS

DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 1-156
Atlanta, Georgia 30334-8400

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

May 11, 2008

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

Ladies and Gentlemen:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of White County Board of Education as of and for the year ended June 30, 2007, which collectively comprise White County Board of Education's basic financial statements and have issued our report thereon dated May 11, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the White County Board of Education's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the White County Board of Education's financial statements that is more than inconsequential will not be prevented or detected by the White County Board of Education's internal control. We consider items FS-7541-07-01 and FS-7541-07-02 in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily disclose all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. The significant deficiencies described above are considered to be material weaknesses.

Compliance and Other Matters

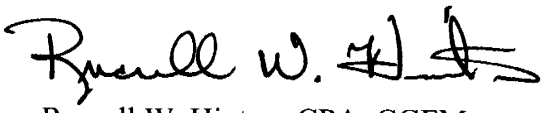
As part of obtaining reasonable assurance about whether White County Board of Education's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct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

We noted certain matters that we have reported to management of White County Board of Education in a separate letter dated May 11, 2008.

White County Board of Education's response to the findings identified in our audit is described in the accompanying Schedule of Management's Responses. We did not audit White County Board of Education's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the 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, CPA, CGFM
State Auditor

RWH:gp
2007YB-40

DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 1-156
Atlanta, Georgia 30334-8400

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

May 11, 2008

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, 2007. 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, 2007.

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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the White County Board of Education's internal control over compliance.

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

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

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

This report is intended solely for the information and use of the 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, CPA, CGFM
State Auditor

RWH:gp
2007SA-10

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, 2007

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FINDING CONTROL NUMBER AND STATUS

FS-7541-06-01 Unresolved - See Corrective Action/Responses

CORRECTIVE ACTION/RESPONSES

CAPITAL ASSETS
Failure to Adequately Maintain Capital Assets
Finding Control Number: FS-7541-06-01

We concur with this finding. Central Office personnel will closely review all data before it is submitted to the auditors. The system does not anticipate a finding in this area again.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV

FINDINGS AND QUESTIONED COSTS

WHITE COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007

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. Significant Deficiencies in Internal Control Disclosed by the Audit of the Financial Statements

   The audit report for the White County Board of Education disclosed financial statement significant deficiencies related to the following control categories.

   Capital Assets

   Financial Reporting

   All of the significant deficiencies described above are considered to be material weaknesses.

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. Significant Deficiencies in Internal Control Over Major Programs

   The audit report for the White County Board of Education did not disclose any significant deficiencies in internal control over major programs.

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 did not disclose audit findings required to be reported by section .510(a) of OMB Circular A-133.

7. Major Programs

   Federal awards audited as major programs are as follows:

   10.553 Food Services - School Breakfast Program
   10.555 Food Services - National School Lunch Program
   84.287 Twenty-First Century Community Learning Centers

8. Type "A" Program Dollar Threshold

   The dollar threshold for type "A" programs was $300,000.00.

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

CAPITAL ASSETS
Failure to Adequately Maintain Capital Assets
Material Weakness
Finding Control Number: FS-7541-07-01

Condition: The School District failed to adequately maintain and record capital assets.

Criteria: Chapter 37 *Fixed Assets* of the Financial Management for Local Units of Administration indicates that School Districts must establish fixed asset policies, define system requirements, implement a fixed asset system and maintain fixed asset inventory records.

Questioned Cost: N/A

Information: The net change in capital assets was calculated for posting to the accounting records using inaccurate capital asset depreciation registers. This resulted in current year depreciation expense being understated by $799,706.43, and accumulated depreciation being understated by $508,031.84. Correcting entries to the financial statements were proposed and accepted by the School District and are reflected in the audited financial statements.

Cause: The School District did not implement an adequate system of internal control over the maintenance and recording of capital asset records.

Effect: The failure of the School District to maintain an accurate capital assets listing could lead to inaccurate internal and external reporting.

Recommendation: The School District should implement procedures to ensure that the fixed asset module is producing accurate and reliable information and that accurate postings are made to the general ledger.

FINANCIAL REPORTING
Inadequate Controls over Financial Reporting
Material Weakness
Finding Control Number: FS-7541-07-02

Condition: The School District did not have adequate controls in place over the financial statement reporting process.

WHITE COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FINANCIAL REPORTING
Inadequate Controls over Financial Reporting
Material Weakness
Finding Control Number: FS-7541-07-02

Criteria: Management is responsible for having adequate controls over the financial reporting process, which not only includes proper recording of transactions to the general ledger, but extends to accurate preparation and presentation of the financial statements, including note disclosures.

Questioned Cost: N/A

Information: The Governmental Accounting Standards Board (GASB) Statement 34 reporting model requires the presentation of both fund level and entity-wide level statements in the School District's financial statements. During the audit, several correcting entries were proposed by the auditor and accepted by the client to properly present the entity's fund level and entity-wide level financial statements.

Cause: The School District did not implement an adequate system of internal control over the financial statement reporting process.

Effect: The School District does not have adequate controls in place to ensure that the financial statements were properly prepared in accordance with generally accepted accounting principles.

Recommendation: The School District should develop and implement internal controls over the financial statement reporting process to ensure that activity is properly recorded in the general ledger; to verify that financial statements (including note disclosures) properly reflect activity reported in the general ledger; and to include a monitoring process to evaluate the accuracy of the financials presented for audit.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION V

MANAGEMENT'S RESPONSES

WHITE COUNTY BOARD OF EDUCATION
SCHEDULE OF MANAGEMENT'S RESPONSES
YEAR ENDED JUNE 30, 2007

Finding Control Number: FS-7541-07-01

We concur with this finding. There was a software glitch that caused the depreciation to be calculated at the half year life instead of full year life. The Finance Director did not pick up on this and the financials were transmitted to Financial Review with the error. Once the error was pointed out during the audit, the Finance Director met with the software vendor to determine the root cause. A root cause could not be determined by the vendor, but the assets were corrected in the software system capital asset module. The Board of Education has hired a Staff Accountant that is a Certified Public Accountant who started in April 2008. With this additional resource, a thorough review will be done of the capital assets prior to transmitting to Financial Review.

Finding Control Number: FS-7541-07-02

We concur with this finding. The Board of Education has hired a Staff Accountant that is a Certified Public Accountant who started in April 2008. Trish Harris is very knowledgeable in GASB Statement 34 reporting requirements. With the continued training from Financial Review and the Department of Audits, we do not foresee any problems preparing the GASB 34 Financial Statements.

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