# *WHITFIELD COUNTY BOARD OF EDUCATION*
## *DALTON, GEORGIA*

## *REPORT ON AUDIT*
## *OF THE FINANCIAL STATEMENTS*
## *FOR THE FISCAL YEAR ENDED JUNE 30, 2008*

**STATE OF GEORGIA**

# DEPARTMENT OF AUDITS AND ACCOUNTS

**Russell W. Hinton**
**State Auditor**

WHITFIELD COUNTY BOARD OF EDUCATION

- TABLE OF CONTENTS -


| | | Page |
|---|---|---|
| | SECTION I | |
| | FINANCIAL | |
| | INDEPENDENT AUDITOR'S COMBINED REPORT ON BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS | |
| | REQUIRED SUPPLEMENTARY INFORMATION | |
| | MANAGEMENT'S DISCUSSION AND ANALYSIS | i |
| | EXHIBITS | |
| | BASIC FINANCIAL STATEMENTS | |
| | DISTRICT-WIDE FINANCIAL STATEMENTS | |
| A | STATEMENT OF NET ASSETS | 1 |
| B | STATEMENT OF ACTIVITIES | 2 |
| | FUND FINANCIAL STATEMENTS | |
| C | BALANCE SHEET GOVERNMENTAL FUNDS | 4 |
| D | RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS | 5 |
| E | STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS | 6 |
| F | RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES | 7 |
| G | STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUNDS | 8 |
| H | NOTES TO THE BASIC FINANCIAL STATEMENTS | 9 |
| | SCHEDULES | |
| | REQUIRED SUPPLEMENTARY INFORMATION | |
| 1 | SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL GENERAL FUND | 27 |

WHITFIELD COUNTY BOARD OF EDUCATION

- TABLE OF CONTENTS -


| | | Page |
|---|---|---|
| | SECTION I | |
| | FINANCIAL | |
| | SCHEDULES | |
| | SUPPLEMENTARY INFORMATION | |
| 2 | SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS | 28 |
| 3 | SCHEDULE OF STATE REVENUE | 29 |
| 4 | SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS | 30 |
| 5 | ALLOTMENTS AND EXPENDITURES GENERAL FUND - QUALITY BASIC EDUCATION PROGRAMS (QBE) BY PROGRAM | 31 |
| | SECTION II | |
| | COMPLIANCE AND INTERNAL CONTROL REPORTS | |
| | 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* | |
| | REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 | |
| | SECTION III | |
| | AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS | |
| | SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS | |
| | SECTION IV | |
| | FINDINGS AND QUESTIONED COSTS | |
| | SCHEDULE OF FINDINGS AND QUESTIONED COSTS | |

WHITFIELD COUNTY BOARD OF EDUCATION

- TABLE OF CONTENTS -

SECTION V

MANAGEMENT'S RESPONSES

SCHEDULE OF MANAGEMENT'S RESPONSES

SECTION I

FINANCIAL

# 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


July 14, 2009

Honorable Sonny Perdue, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
Whitfield 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 H) of the Whitfield County Board of Education, as of and for the year ended June 30, 2008, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Whitfield 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 Whitfield 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 previously 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 Whitfield County Board of Education, as of June 30, 2008, 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.

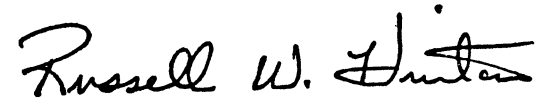
In accordance with *Government Auditing Standards*, we have also issued our report dated July 14, 2009, on our consideration of the Whitfield County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts 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 ix and page 27 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 Whitfield 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:mb
2008ARL-11

# WHITFIELD COUNTY BOARD OF EDUCATION
# MANAGEMENT'S DISCUSSION AND ANALYSIS
# FOR THE FISCAL YEAR ENDED JUNE 30, 2008

## INTRODUCTION

Our discussion and analysis of the Whitfield County Board of Education's financial performance provides an overview of the School District's financial activities for the fiscal years ended June 30, 2008, and 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 the fiscal years 2008 and 2007 are as follows:

- On the District-wide financial statements, the assets of the School District exceeded liabilities by $174.3 million and $161.8 million, respectively, for the fiscal years ended June 30, 2008, and 2007. Of these amounts $13.9 million and $10.5 million, respectively, for fiscal years 2008 and 2007 are available for spending at the School District's discretion.

- The School District had $128.2 million and $120.1 million, respectively, in expenses for the fiscal years ended June 30, 2008, and June 30, 2007, relating to governmental activities. Only $82.3 million and $77.1 million of the above mentioned expenses for 2008 and 2007 were offset by program specific charges for services, grants and contributions. General revenues (primarily property and sales taxes) totaling $58.3 million and $54.4 million, respectively, for 2008 and 2007 were adequate to provide for these programs.

- As stated above, general revenues accounted for $58.3 million or 41.5% of all revenues totaling $140.6 million for fiscal year 2008 and $54.4 million or 41.4% of all revenues totaling $131.6 million for fiscal year 2007. Program specific revenues in the form of charges for services, grants and contribution 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 Whitfield County School District, the General Fund, District-wide Capital Projects Fund, and Debt Service Fund are the most significant funds.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements. Additionally, other supplementary information (not required) is also presented that further supplements understanding of the financial statements.

**District-wide Statements**

The District-wide financial statements are basically a consolidation of all of the School District's operating funds into one column called governmental activities. In reviewing the District-wide financial statements, a reader might ask the question, are we in a better financial position than last year? The Statement of Net Assets and the Statement of Activities provides the basis for answering this question. These financial statements include all School District's assets and liabilities and uses the **accrual basis of accounting** similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and any changes in those assets. The change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the results of many factors, including those not under the School District's control, such as the property tax base, facility conditions, required educational programs and other factors.

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

**Fund Financial Statements**

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

Governmental Funds - Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the **modified accrual method of accounting,** which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds are reconciled to the financial statements.

Fiduciary Funds - The School District is the trustee, or fiduciary, for assets that belong to others, such as school clubs and organizations within the principals' accounts. The School District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

## FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for fiscal years 2008 and 2007.

**Table 1**
**Net Assets**

| | Governmental Activities | |
|---|---|---|
| | Fiscal Year 2008 | Fiscal Year 2007 |
| **Assets** | | |
| Current and Other Assets | $ 76,097,170 | $ 79,911,134 |
| Capital Assets, Net | 132,361,350 | 125,503,425 |
| **Total Assets** | $ 208,458,520 | $ 205,414,559 |
| **Liabilities** | | |
| Current and Other Liabilities | $ 18,437,527 | $ 14,764,083 |
| Long-Term Liabilities | 15,748,537 | 28,826,445 |
| **Total Liabilities** | $ 34,186,064 | $ 43,590,528 |
| **Net Assets** | | |
| Invested in Capital Assets, Net of Related Debt | $ 132,906,034 | $ 120,662,865 |
| Restricted | 27,476,490 | 30,625,163 |
| Unrestricted | 13,889,932 | 10,536,003 |
| **Total Net Assets** | $ 174,272,456 | $ 161,824,031 |

Table 2 shows the Changes in Net Assets for fiscal years ending June 30, 2008, and June 30, 2007.

## Table 2
## Change in Net Assets

| | Governmental Activities | |
|---|---|---|
| | Fiscal Year 2008 | Fiscal Year 2007 |
| **Revenues** | | |
| Program Revenues: | | |
| Charges for Services and Sales | $ 2,296,911 | $ 2,187,705 |
| Operating Grants and Contributions | 78,937,048 | 74,394,286 |
| Capital Grants and Contributions | 1,105,795 | 557,612 |
| Total Program Revenues | $ 82,339,754 | $ 77,139,603 |
| General Revenues: | | |
| Taxes | | |
| Property Taxes | | |
| For Maintenance and Operations | $ 28,025,637 | $ 25,766,816 |
| Railroad Cars | 30,215 | |
| Sales Taxes | | |
| Special Purpose Local Option Sales Tax For Capital Projects | 13,076,769 | 13,237,194 |
| Intangible Recording Tax | 619,710 | 580,562 |
| Real Estate | 122,656 | 345,548 |
| Grants and Contributions not Restricted to Specific Programs | 10,284,235 | 8,273,440 |
| Investment Earnings | 2,401,203 | 2,420,906 |
| Miscellaneous | 3,706,665 | 3,800,931 |
| Total General Revenues | $ 58,267,090 | $ 54,425,397 |
| Total Revenues | $ 140,606,844 | $ 131,565,000 |
| **Program Expenses** | | |
| Instruction | $ 83,903,126 | $ 78,245,225 |
| Support Services | | |
| Pupil Services | 4,380,261 | 4,213,414 |
| Improvement of Instructional Services | 2,768,531 | 2,713,874 |
| Educational Media Services | 2,779,678 | 2,750,380 |
| General Administration | 644,696 | 586,632 |
| School Administration | 7,730,603 | 7,269,339 |
| Business Administration | 448,908 | 775,140 |
| Maintenance and Operation of Plant | 8,091,488 | 7,621,139 |
| Student Transportation Services | 5,680,419 | 5,198,278 |
| Central Support Services | 2,146,907 | 1,873,060 |
| Other Support Services | 889,112 | 936,323 |
| Operations of Non-Instructional Services | | |
| Community Services | 560,706 | 584,318 |
| Food Services | 6,942,898 | 7,024,875 |
| Interest on Short-Term and Long-Term Debt | 1,191,085 | 273,300 |
| Total Expenses | $ 128,158,418 | $ 120,065,297 |
| Increase in Net Assets | $ 12,448,426 | $ 11,499,703 |

## 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.

**Table 3**
**Governmental Activities**

| | Total Cost of Services | | Net Cost of Services | |
|---|---|---|---|---|
| | Fiscal Year 2008 | Fiscal Year 2007 | Fiscal Year 2008 | Fiscal Year 2007 |
| Instruction | $ 83,903,126 | $ 78,245,225 | $ 25,265,297 | $ 25,003,681 |
| Support Services | | | | |
| Pupil Services | 4,380,261 | 4,213,414 | 3,417,337 | 2,715,158 |
| Improvement of Instructional Services | 2,768,531 | 2,713,874 | 1,654,541 | 1,458,384 |
| Educational Media Services | 2,779,678 | 2,750,380 | 968,844 | 1,070,937 |
| General Administration | 644,696 | 586,632 | -1,507,144 | -1,463,146 |
| School Administration | 7,730,603 | 7,269,339 | 3,866,895 | 3,562,433 |
| Business Administration | 448,908 | 775,140 | 425,744 | 746,722 |
| Maintenance and Operation of Plant | 8,091,488 | 7,621,139 | 3,575,550 | 3,209,210 |
| Student Transportation Services | 5,680,419 | 5,198,278 | 3,749,145 | 2,922,980 |
| Central Support Services | 2,146,907 | 1,873,060 | 2,043,613 | 1,762,326 |
| Other Support Services | 889,112 | 936,323 | 752,180 | 828,651 |
| Operations of Non-Instructional Services | | | | |
| Community Services | 560,706 | 584,318 | 560,676 | 581,271 |
| Food Services | 6,942,898 | 7,024,875 | -145,099 | 253,786 |
| Interest on Short-Term and Long-Term Debt | 1,191,085 | 273,300 | 1,191,085 | 273,300 |
| Total Expenses | $128,158,418 | $120,065,297 | $ 45,818,664 | $ 42,925,693 |

## 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 $139.5 million and total expenditures of $147.6 million for fiscal year 2008 and total revenues of $132.3 million and total expenditures of $123.2 million for fiscal year 2007. The increase in expenditures is due to an increase in ESPLOST activity.

## 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 years 2008 and 2007, the School District amended its general fund budget as needed.

During fiscal year 2008 the General Fund had final actual revenues totaling $123.6 million, which exceeded the final budgeted amounts of $113.8 million by $9.8 million. This difference (final actual vs. final budget) was primarily due to conservative budgeting principles relative to local, state and Federal revenues. Property taxes exceeded budgeted revenues $0.83 million due to growth in the tax digest. State revenues exceeded budgeted revenues $4.6 million due to state supplemental budget adjustments relative to enrollment growth and increases in state grants. Federal revenue budget exceeded actual revenues $0.69 million due to decrease in Federal grants. Miscellaneous revenues exceeded budgeted revenues $3.8 million due to unbudgeted revenues from school activity accounts of $3.7 million. Investment revenue is primarily derived from our investment of cash in the State's Local Government Investment Pool (LGIP). The rate of return was better than anticipated and interest was maximized through better than expected cash flow.

During fiscal year 2007 the General Fund had final actual revenues totaling $117.2 million, which exceeded the final budgeted amounts of $103.1 million by $14.1 million. This difference (final actual vs. final budget) was primarily due to conservative budgeting principles relative to local, state and Federal revenues. Local taxes exceeded budgeted revenues $1.2 million due to growth in the tax digest. State revenues exceeded budgeted revenues $3.4 million due to state supplemental budget adjustments relative to enrollment growth and increases in state grants. Federal revenue exceeded budgeted revenues $4.5 million due to conservative budgeting. Miscellaneous revenues exceeded budgeted revenues $3.8 million due to unbudgeted revenues from school activity accounts of $3.8 million. Investment revenue is primarily derived from our investment of cash in the State's Local Government Investment Pool (LGIP). The rate of return was better than anticipated and interest was maximized through better than expected cash flow.

During the fiscal year 2008, the General Fund had final actual expenditures totaling $120.5 million, which exceeded the final budgeted amount of $116.9 million by $3.6 million. The total expenditures include unbudgeted expenditures from school activity accounts of $3.6 million.

During the fiscal year 2007, the General Fund had final actual expenditures totaling $116.0 million, which exceeded the final budgeted amount of $106.5 million by $9.5 million. The instructional budgeted expenditures exceeded actual expenditures $6.2 million due to increase services funded through Federal and state grants. The total expenditures include unbudgeted in last years expenditures from school activity accounts of $2.2 million.

General Fund revenues exceeded expenditures and other financing uses resulting in a surplus of $3,097,493 for the fiscal year 2008. General Fund revenues and other financing uses exceeded expenditures resulting in a surplus of $1,176,450 that was funded with reserves in the fiscal year 2007.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the fiscal years ended June 30, 2008, and June 30, 2007, the School District had $132.4 million and $125.5 million, respectively, invested in capital assets, all in governmental activities. Table 4 reflects a summary of these balances net of accumulated depreciation.

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

| | Governmental Activities | |
|---|---|---|
| | Fiscal Year 2008 | Fiscal Year 2007 |
| Land | $ 7,416,174 | $ 5,648,417 |
| Construction in Progress | 7,600,428 | 533,156 |
| Buildings and Improvements | 106,113,782 | 107,321,221 |
| Equipment | 5,780,673 | 6,170,953 |
| Land Improvements | 5,450,293 | 5,829,678 |
| Total | $ 132,361,350 | $ 125,503,425 |

In accordance with the 2006 referendum pass by 2/3's of the voters, the School District has numerous construction projects in progress including a new elementary and high school, additions and renovations.

### Debt

At the fiscal years ending June 30, 2008, and June 30, 2007, the School District had $15.7 million and $28.8 million, respectively, in bonds outstanding. The School District issued no bonds during the fiscal year 2008. Table 5 summarizes the School District's long-term debt.

**Table 5**
**Debt at June 30**

| | Governmental Activities | |
|---|---|---|
| | Fiscal Year 2008 | Fiscal Year 2007 |
| Compensated Absences | $ 283,537 | $ 256,446 |
| Bonds Payable | 15,465,000 | 28,570,000 |
| Total | $ 15,748,537 | $ 28,826,446 |

At June 30, 2008, and June 30, 2007, the School District's assigned bond rating was "Aa2" as determined by Moody's Investors Services, Inc.

**Current Issues**

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

- Economic Recession - Decreases in total State funding for education have been forecasted as a result of slowing state tax revenues. Whitfield County Schools continues to prioritize its educational programs and seek opportunities for gained efficiencies within its resources to meet the growing demands of our customers. The School District continues to provide an increasing amount of local monies to meet various mandated educational requirements. Whitfield County School District remains 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 will continue to meet its obligation to the citizens of Whitfield County in accordance with the 2006 ESPLOST referendum. This referendum includes plans for renovations, classroom technology, new elementary and high schools and other capital needs that may arise.

## 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 demonstrate the School District's accountability for the funds it receives. If you have questions about this report or need additional financial information, contact Whitfield County Board of Education, 1306 South Thornton Avenue, Dalton, Georgia 30720.

WHITFIELD COUNTY BOARD OF EDUCATION

WHITFIELD COUNTY BOARD OF EDUCATION
STATEMENT OF NET ASSETS
JUNE 30, 2008

EXHIBIT "A"

| | GOVERNMENTAL ACTIVITIES |
|---|---|
| ASSETS | |
| Cash and Cash Equivalents | $ 4,080,478.68 |
| Investments | 57,507,365.89 |
| Accounts Receivable, Net | |
| Taxes | 3,442,562.23 |
| State Government | 9,491,526.77 |
| Federal Government | 987,177.76 |
| Local | 240,913.97 |
| Other | 142,399.04 |
| Inventories | 204,745.45 |
| Capital Assets, Non-Depreciable | 15,016,602.15 |
| Capital Assets, Depreciable (Net of Accumulated Depreciation) | 117,344,747.64 |
| Total Assets | $ 208,458,519.58 |
| LIABILITIES | |
| Accounts Payable | $ 1,025,710.30 |
| Salaries and Benefits Payable | 14,295,306.01 |
| Claims Incurred but not Reported (IBNR) | 465,194.10 |
| Contracts Payable | 2,314,252.53 |
| Retainages Payable | 337,063.54 |
| Long-Term Liabilities | |
| Due Within One Year | 5,555,000.00 |
| Due in More Than One Year | 10,193,536.86 |
| Total Liabilities | $ 34,186,063.34 |
| NET ASSETS | |
| Invested in Capital Assets, Net of Related Debt | $ 132,906,034.48 |
| Restricted for | |
| Continuation of Federal Programs | 1,412,376.88 |
| Debt Service | 439,390.02 |
| Capital Projects | 25,624,722.99 |
| Unrestricted | 13,889,931.87 |
| Total Net Assets | $ 174,272,456.24 |
| Total Liabilities and Net Assets | $ 208,458,519.58 |

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

WHITFIELD COUNTY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

| | EXPENSES | CHARGES FOR SERVICES |
|---|---|---|
| GOVERNMENTAL ACTIVITIES | | |
| Instruction | $ 83,903,125.54 | $ 488,167.57 |
| Support Services | | |
| Pupil Services | 4,380,260.55 | |
| Improvement of Instructional Services | 2,768,530.96 | |
| Educational Media Services | 2,779,678.19 | |
| General Administration | 644,696.35 | |
| School Administration | 7,730,602.78 | |
| Business Administration | 448,908.11 | |
| Maintenance and Operation of Plant | 8,091,487.68 | 55,000.00 |
| Student Transportation Services | 5,680,418.50 | |
| Central Support Services | 2,146,907.49 | |
| Other Support Services | 889,112.49 | |
| Operations of Non-Instructional Services | | |
| Community Services | 560,705.85 | |
| Food Services | 6,942,898.18 | 1,753,743.92 |
| Interest on Short-Term and Long-Term Debt | 1,191,084.61 | |
| Total Governmental Activities | $ 128,158,417.28 | $ 2,296,911.49 |
| General Revenues | | |
| Taxes | | |
| Property Taxes | | |
| For Maintenance and Operations | | |
| Sales Taxes | | |
| Special Purpose Local Option Sales Tax | | |
| For Capital Projects | | |
| Other Taxes | | |
| Grants and Contributions not Restricted to Specific Programs | | |
| Investment Earnings | | |
| Miscellaneous | | |
| Total General Revenues | | |
| Change in Net Assets | | |
| Net Assets - Beginning of Year | | |
| Net Assets - End of Year | | |

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

| PROGRAM REVENUES | | NET (EXPENSES) |
|---|---|---|
| OPERATING GRANTS AND CONTRIBUTIONS | CAPITAL GRANTS AND CONTRIBUTIONS | REVENUES AND CHANGES IN NET ASSETS |
| $ 57,403,544.54 | $ 746,116.60 | $ -25,265,296.83 |
| 962,923.14 | | -3,417,337.41 |
| 1,113,990.31 | | -1,654,540.65 |
| 1,788,898.77 | 21,935.80 | -968,843.62 |
| 2,150,582.36 | 1,257.57 | 1,507,143.58 |
| 3,844,494.73 | 19,212.73 | -3,866,895.32 |
| 23,163.96 | | -425,744.15 |
| 4,452,286.61 | 8,650.76 | -3,575,550.31 |
| 1,687,788.00 | 243,486.00 | -3,749,144.50 |
| 103,294.57 | | -2,043,612.92 |
| 136,932.31 | | -752,180.18 |
| 29.45 | | -560,676.40 |
| 5,269,118.81 | 65,135.14 | 145,099.69 |
| | | -1,191,084.61 |
| $ 78,937,047.56 | $ 1,105,794.60 | $ -45,818,663.63 |

| | |
|---|---|
| | $ 28,025,636.67 |
| | 13,076,769.49 |
| | 772,580.80 |
| | 10,284,234.70 |
| | 2,401,202.59 |
| | 3,706,664.90 |
| | $ 58,267,089.15 |
| | $ 12,448,425.52 |
| | 161,824,030.72 |
| | $ 174,272,456.24 |

WHITFIELD COUNTY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

EXHIBIT "C"

| | GENERAL FUND | DISTRICT-WIDE CAPITAL PROJECTS FUND | DEBT SERVICE FUND | TOTAL |
|---|---|---|---|---|
| ASSETS | | | | |
| Cash and Cash Equivalents | $ 4,080,478.68 | | | $ 4,080,478.68 |
| Investments | 14,157,265.25 | $ 43,325,306.67 | $ 24,793.97 | 57,507,365.89 |
| Accounts Receivable, Net | | | | |
| Taxes | 985,983.81 | 2,136,817.43 | | 3,122,801.24 |
| State Government | 9,491,526.77 | | | 9,491,526.77 |
| Federal Government | 987,177.76 | | | 987,177.76 |
| Local | 240,913.97 | | | 240,913.97 |
| Interfund | | | 111,770.55 | 111,770.55 |
| Other | 141,240.04 | 1,159.00 | | 142,399.04 |
| Inventories | 204,745.45 | | | 204,745.45 |
| Total Assets | $ 30,289,331.73 | $ 45,463,283.10 | $ 136,564.52 | $ 75,889,179.35 |
| LIABILITIES AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Accounts Payable | $ 546,283.86 | $ 479,426.44 | | $ 1,025,710.30 |
| Accounts Payable - Interfund | | 111,770.55 | | 111,770.55 |
| Salaries and Benefits Payable | 14,295,306.01 | | | 14,295,306.01 |
| Contracts Payable | | 2,314,252.53 | | 2,314,252.53 |
| Retainages Payable | | 337,063.54 | | 337,063.54 |
| Total Liabilities | $ 14,841,589.87 | $ 3,242,513.06 | | $ 18,084,102.93 |
| FUND BALANCES | | | | |
| Reserved for: | | | | |
| Continuation of Federal Programs | $ 1,412,376.88 | | | $ 1,412,376.88 |
| Debt Service | | $ 302,825.50 | $ 136,564.52 | 439,390.02 |
| Capital Projects | | 41,917,944.54 | | 41,917,944.54 |
| Unreserved | | | | |
| Designated for Student Activities | 1,175,234.07 | | | 1,175,234.07 |
| Designated for Self-Insurance | 790,216.79 | | | 790,216.79 |
| Undesignated Reported in: | | | | |
| General Fund | 12,069,914.12 | | | 12,069,914.12 |
| Total Fund Balances | $ 15,447,741.86 | $ 42,220,770.04 | $ 136,564.52 | $ 57,805,076.42 |
| Total Liabilities and Fund Balances | $ 30,289,331.73 | $ 45,463,283.10 | $ 136,564.52 | $ 75,889,179.35 |

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

WHITFIELD COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008

EXHIBIT "D"

| | | |
|---|---|---|
| Total Fund Balances - Governmental Funds (Exhibit "C") | | $ 57,805,076.42 |
| 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 | $ 7,416,174.07 | |
| Construction in Progress | 7,600,428.08 | |
| Land Improvements | 9,020,341.76 | |
| Buildings | 121,322,320.20 | |
| Equipment | 12,404,867.26 | |
| Accumulated Depreciation | -25,402,781.58 | |
| Total Capital Assets | | 132,361,349.79 |
| 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. | | 319,760.99 |
| 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 | $ -15,465,000.00 | |
| Compensated Absences | -283,536.86 | |
| Claims and Judgments | -465,194.10 | |
| Total Long-Term Liabilities | | -16,213,730.96 |
| Net Assets of Governmental Activities (Exhibit "A") | | $ 174,272,456.24 |

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

WHITFIELD COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

EXHIBIT "E"

| | GENERAL FUND | DISTRICT-WIDE CAPITAL PROJECTS FUND | DEBT SERVICE FUND | TOTAL |
|---|---|---|---|---|
| REVENUES | | | | |
| Property Taxes | $ 26,883,098.16 | | | $ 26,883,098.16 |
| Sales Taxes | 772,580.80 | $ 13,076,769.49 | | 13,849,350.29 |
| State Funds | 78,856,598.96 | 862,308.60 | | 79,718,907.56 |
| Federal Funds | 9,880,578.59 | | | 9,880,578.59 |
| Charges for Services | 2,296,911.49 | | | 2,296,911.49 |
| Investment Earnings | 519,247.74 | 1,878,284.39 | $ 3,670.46 | 2,401,202.59 |
| Miscellaneous | 4,422,904.10 | | | 4,422,904.10 |
| Total Revenues | $ 123,631,919.84 | $ 15,817,362.48 | $ 3,670.46 | $ 139,452,952.78 |
| EXPENDITURES | | | | |
| Current | | | | |
| Instruction | $ 78,578,108.43 | $ 1,892,248.20 | | $ 80,470,356.63 |
| Support Services | | | | |
| Pupil Services | 4,380,260.55 | | | 4,380,260.55 |
| Improvement of Instructional Services | 2,768,530.96 | | | 2,768,530.96 |
| Educational Media Services | 2,617,407.15 | | | 2,617,407.15 |
| General Administration | 637,756.63 | | | 637,756.63 |
| School Administration | 7,585,405.01 | 192,953.45 | | 7,778,358.46 |
| Business Administration | 447,808.11 | 1,100.00 | | 448,908.11 |
| Maintenance and Operation of Plant | 8,091,064.70 | 348,717.13 | | 8,439,781.83 |
| Student Transportation Services | 5,122,296.63 | | | 5,122,296.63 |
| Central Support Services | 2,169,737.38 | 80,680.30 | | 2,250,417.68 |
| Other Support Services | 889,112.49 | | | 889,112.49 |
| Community Services | 560,705.85 | | | 560,705.85 |
| Food Services Operation | 6,638,684.06 | | | 6,638,684.06 |
| Capital Outlay | | 10,330,395.13 | | 10,330,395.13 |
| Debt Services | | | | |
| Principal | | | $ 13,105,000.00 | 13,105,000.00 |
| Interest | | | 1,191,084.61 | 1,191,084.61 |
| Total Expenditures | $ 120,486,877.95 | $ 12,846,094.21 | $ 14,296,084.61 | $ 147,629,056.77 |
| Excess of Revenues over (under) Expenditures | $ 3,145,041.89 | $ 2,971,268.27 | $ -14,292,414.15 | $ -8,176,103.99 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Sale of Equipment | $ 11,351.50 | | | $ 11,351.50 |
| Transfers In | | $ 58,900.00 | $ 9,531,909.79 | 9,590,809.79 |
| Transfers Out | -58,900.00 | -9,531,909.79 | | -9,590,809.79 |
| Total Other Financing Sources (Uses) | $ -47,548.50 | $ -9,473,009.79 | $ 9,531,909.79 | $ 11,351.50 |
| Net Change in Fund Balances | $ 3,097,493.39 | $ -6,501,741.52 | $ -4,760,504.36 | $ -8,164,752.49 |
| Fund Balances - Beginning | 12,350,248.47 | 48,722,511.56 | 4,897,068.88 | 65,969,828.91 |
| Fund Balances - Ending | $ 15,447,741.86 | $ 42,220,770.04 | $ 136,564.52 | $ 57,805,076.42 |

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

WHITFIELD 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, 2008

EXHIBIT "F"

| | | |
|---|---|---|
| Total Net Change in Fund Balances - Governmental Funds (Exhibit "E") | | $ -8,164,752.49 |
| 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 | $ 10,023,169.68 | |
| Depreciation Expense | -3,161,739.04 | |
| Excess of Capital Outlay over Depreciation Expense | | 6,861,430.64 |
| 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. | | 1,142,538.51 |
| In the Statement of Activities, only the gain on the sale of the 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 carrying value of the equipment sold. | | -3,505.75 |
| 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 | | 13,105,000.00 |
| Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in Governmental Funds. These activities consist of: | | |
| Increase in Compensated Absences | $ -27,091.29 | |
| Increase in Claims and Judgments | -465,194.10 | |
| Total Additional Expenditures | | -492,285.39 |
| Change in Net Assets of Governmental Activities (Exhibit "B") | | $ 12,448,425.52 |

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

WHITFIELD COUNTY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008

EXHIBIT "G"

| | AGENCY FUNDS |
|---|---|
| ASSETS | |
| Cash and Cash Equivalents | $ 200,354.23 |
| Investments | 56,954.55 |
| Total Assets | $ 257,308.78 |
| LIABILITIES | |
| Funds Held for Others | $ 257,308.78 |

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 Whitfield 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.

**Blended Component Unit**
The Whitfield County Career Academy (Charter School) is responsible for the public education of all students attending its school. The Charter School was created through a contract between the School District and the Charter School whereby all State funding associated with the students attending the Charter School and certain specified local funds are turned over to the Charter School to cover the cost of its operations. The financial statements of the Charter School have been blended with the School District's general fund.

## 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 Whitfield 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.

## Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***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.

The School District reports the following major governmental funds:

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

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

- Debt Service Fund accounts for taxes (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 type:

- Agency funds account for assets held by the School District as an agent for various school activity accounts and employee flexible spending accounts.

**BASIS OF ACCOUNTING**

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

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

(5) Prime banker's acceptances,

(6) The Local Government Investment Pool administered by the State of Georgia, Office of Treasury and Fiscal Services,

(7) Repurchase agreements, and

(8) Obligations of other political subdivisions of the State of Georgia.

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 Whitfield County Board of Commissioners fixed the property tax levy for the 2007 tax digest year (calendar year) on October 26, 2007 (levy date). Taxes were due on December 28, 2007 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2007 tax digest are reported as revenue in the governmental funds for fiscal year 2008. The Whitfield 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, 2008, for maintenance and operations amounted to $26,883,098.16.

The tax millage rate levied for the 2007 tax year (calendar year) for the Whitfield County Board of Education was as follows (a mill equals $1 per thousand dollars of assessed value):

| | |
|---|---|
| School Operations | 15.219 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 $13,076,769.49 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

## INVENTORIES

CONSUMABLE SUPPLIES
On the basic financial statements, inventories of consumable supplies are reported at cost (first-in, first-out). The School District uses the consumption method to account for inventories whereby consumable supplies are recorded as an asset when purchased and expense/expenditure are recorded as the inventory items are used.

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:

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

| | Capitalization Policy | Estimated Useful Life |
|---|---|---|
| Land | All | N/A |
| Land Improvements | $ 20,000.00 | 15 years |
| Buildings and Improvements | $ 100,000.00 | 70 years |
| Equipment | $ 10,000.00 | 10 to 12 years |

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

**COMPENSATED ABSENCES**

Members of the Teachers Retirement System of Georgia (TRS) may apply unused sick leave toward early retirement. The liability for early retirement will be borne by TRS rather than by the individual school districts. Otherwise, sick leave does not vest with the employee, and no liability is reported in the School District's financial statements.

Vacation leave of 10 days is awarded on a fiscal year basis to personnel employed on an eleven and twelve month basis. No other employees are eligible to earn vacation leave. Personnel employed 15 or more years accrue 15 days of vacation. Vacation leave not utilized during the fiscal year may be carried over to the next fiscal year, providing such vacation leave does not exceed 15 days. At the end of September, all vacation leave in excess of 15 days is forfeited.

| | Beginning of Year Liability | Additions | Deductions | End of Year Liability |
|---|---|---|---|---|
| 2006 | $ 234,104.00 | $ 226,273.00 | $ 223,201.00 | $ 237,176.00 |
| 2007 | $ 237,176.00 | $ 204,690.61 | $ 185,421.04 | $ 256,445.57 |
| 2008 | $ 256,445.57 | $ 221,053.72 | $ 193,962.43 | $ 283,536.86 |

**GENERAL OBLIGATION BONDS**

The School District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities.

In the District-wide and the fund financial statements, the School District recognizes bond premiums and discounts, as well as bond issuance costs during the fiscal year bonds are issued. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. To conform to generally accepted

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

accounting principles, bond premiums and discounts, as well as issuance costs, should be deferred and amortized over the life of the bonds using the straight-line method. The effect of this deviation is deemed to be immaterial to the fair presentation of the basic financial statements. 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 AND INVESTMENTS

COLLATERALIZATION OF DEPOSITS
Official Code of Georgia Annotated (OCGA) Section 45-8-12 provides that there shall not be on deposit at any time in any depository for a time longer than ten days a sum of money which has not been secured by surety bond, by guarantee of insurance, or by collateral. The aggregate of the face value of such surety bond and the market value of securities pledged shall be equal to not less than 110 percent of the public funds being secured after the deduction of the amount of deposit insurance. If a depository elects the pooled method (OCGA 45-8-13.1) the aggregate of the market value of the securities pledged to secure a pool of public funds shall be not less than 110 percent of the daily pool balance. At June 30, 2008, $2,510,505.96 of deposits were not secured by surety bond, insurance or collateral as specified above. The School District is working with the affected financial institutions to ensure appropriate levels of collateral are maintained for all of the School District's 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,

Note 3: DEPOSITS AND INVESTMENTS

(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 or securities guaranteed 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, 2008, the bank balances were $10,269,687.38. 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, 2008, as follows:

| Custodial Credit Risk Category | Bank Balance |
|---|---|
| 1 | $2,510,505.96 |
| 2 | 93,571.38 |
| 3 | 7,123,646.07 |
| Total | $9,727,723.41 |

## Note 3: DEPOSITS AND INVESTMENTS

### CATEGORIZATION OF INVESTMENTS

At June 30, 2008, the carrying value of the School District's total investments was $57,524,197.76, which is materially the same as fair value. This investment consisted entirely of funds invested in the Georgia Fund 1, formerly referred to as LGIP, administered by the State of Georgia, Office of Treasury and Fiscal Services which are not required to be categorized since the School District did not own any specific identifiable securities in the pool. The investment policy of the State of Georgia, Office of Treasury and Fiscal Services for the Georgia Fund 1 (Primary Liquidity Portfolio) does not provide for investment in derivatives or similar investments. Additional information on the Georgia Fund 1 is disclosed in the *State of Georgia* Comprehensive Annual Financial Report. This audit can be obtained from the Georgia Department of Audits and Accounts at http://www.audits.state.ga.us/internet/searchRpts.html.

The Primary Liquidity Portfolio consists of Georgia Fund 1 which is not registered with the SEC as an investment company but does operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. The investment is valued at the pool's share price, $1.00 per share. The pool is an AAAm rated investment pool by Standard and Poor's. The weighted average maturity of Georgia Fund 1 may not exceed 60 days. The weighted average maturity for Georgia Fund 1 on June 30, 2008, was 40 days.

## Note 4: NON-MONETARY TRANSACTIONS

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

## Note 5: CAPITAL ASSETS

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

## Note 5: CAPITAL ASSETS

| | Balances July 1, 2007 | Increases | Decreases | Balances June 30, 2008 |
|---|---|---|---|---|
| Governmental Activities | | | | |
| Capital Assets, Not Being Depreciated: | | | | |
| Land | $ 5,648,416.67 | $ 1,767,757.40 | $ 0.00 | $ 7,416,174.07 |
| Construction in Progress | 533,155.80 | 7,067,272.28 | | 7,600,428.08 |
| Total Capital Assets Not Being Depreciated | $ 6,181,572.47 | $ 8,835,029.68 | $ 0.00 | $ 15,016,602.15 |
| Capital Assets Being Depreciated | | | | |
| Buildings and Improvements | $120,797,790.20 | $ 524,530.00 | | $121,322,320.20 |
| Equipment | 11,874,424.26 | 568,328.00 | $ 37,885.00 | 12,404,867.26 |
| Land Improvements | 8,925,059.76 | 95,282.00 | | 9,020,341.76 |
| Less Accumulated Depreciation for: | | | | |
| Buildings and Improvements | 13,476,569.25 | 1,731,969.00 | | 15,208,538.25 |
| Equipment | 5,703,471.07 | 955,103.04 | 34,379.25 | 6,624,194.86 |
| Land Improvements | 3,095,381.47 | 474,667.00 | | 3,570,048.47 |
| Total Capital Assets, Being Depreciated, Net | $119,321,852.43 | $-1,973,599.04 | $ 3,505.75 | $117,344,747.64 |
| Governmental Activity Capital Assets - Net | $125,503,424.90 | $ 6,861,430.64 | $ 3,505.75 | $132,361,349.79 |

Current year depreciation expense by function is as follows:

| | | |
|---|---|---|
| Instruction | | $ 2,008,210.16 |
| Support Services | | |
| Educational Media Services | $ 80,429.78 | |
| General Administration | 4,611.00 | |
| School Administration | 70,445.36 | |
| Maintenance and Operation of Plant | 31,718.83 | |
| Student Transportation Services | 727,499.54 | 914,704.51 |
| Food Services | | 238,824.37 |
| | | $ 3,161,739.04 |

## Note 6: RESTRICTED ASSETS

Special Purpose Local Option Sales Tax (SPLOST) and general obligation bond proceeds 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, 2008, were as follows:

| | District-wide Capital Projects | | |
|---|---|---|---|
| | SPLOST | Bond Proceeds | Debt Service Funds |
| Restricted Investments: | | | |
| Debt Services | $ 302,825.50 | | $ 24,793.97 |
| Capital Acquisitions | $ 25,669,116.01 | $ 17,353,365.16 | |

## Note 7: INTERFUND ASSETS AND LIABILITIES

Due to and due from other funds are recorded for interfund receivables and payables which arise from interfund transactions. Interfund balances at June 30, 2008, consisted of the following:

| | Due From Other Funds | Due To Other Funds |
|---|---|---|
| District-wide Capital Projects | | $ 111,770.55 |
| Debt Service Fund | $ 111,770.55 | |
| Total | $ 111,770.55 | $ 111,770.55 |

Transfer is to move funds due to a fiscal year 2005 transfer made per audit but not on the general ledger.

## Note 8: INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2008, consisted of the following:

| | Transfers From | |
|---|---|---|
| Transfer to | General Fund | District-wide Capital Projects |
| District-wide Capital Projects | $ 58,900.00 | |
| Debt Service Fund | | $ 9,531,909.79 |
| Total | $ 58,900.00 | $ 9,531,909.79 |

Transfers are used (1) to move SPLOST collections from the Capital Projects Fund to the Debt Service Fund and (2) to move local funds from the General Fund to the Capital Projects Fund for renovations of the Operations facility.

## Note 9: RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; job related illness or injuries to employees; acts of God and unemployment compensation.

The School District participates in the Georgia School Boards Association Risk and Insurance Management System, a public entity risk pool organized on July 1, 1994, to develop and administer a plan to reduce risk of loss on account of general liability, motor vehicle liability, or property damage, including safety engineering and other loss prevention and control techniques, and to

Note 9: RISK MANAGEMENT

administer one or more groups of self-insurance funds, including the processing and defense of claims brought against members of the system. The School District pays an annual premium to the system for its general insurance coverage.

The School District has established a limited risk management program for workers' compensation claims. A premium is charged when needed by the General Fund to each user program on the basis of the percentage of that program's payroll to total payroll in order to cover estimated claims budgeted by management based on known claims and prior experience. The School District accounts for claims 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. An excess coverage insurance policy covers individual claims in excess of $250,000.00 loss per occurrence, up to the statutory limit.

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

| | Beginning of Year Liability | Claims and Changes in Estimates | Claims Paid | End of Year Liability |
|---|---|---|---|---|
| 2007 | $ 0.00 | $ 465,510.00 | $ 272,610.00 | $ 192,900.00 |
| 2008 | $ 192,900.00 | $ 1,017,997.00 | $ 745,702.90 | $ 465,194.10 |

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

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

| | Beginning of Year Liability | Claims and Changes in Estimates | Claims Paid | End of Year Liability |
|---|---|---|---|---|
| 2007 | $ 0.00 | $ 19,685.00 | $ 19,685.00 | $ 0.00 |
| 2008 | $ 0.00 | $ 27,332.50 | $ 27,332.50 | $ 0.00 |

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

| Position Covered | Amount |
|---|---|
| Superintendent | $100,000.00 |
| All Other Employees | $100,000.00 |

## Note 10: OPERATING LEASES

Whitfield County Board of Education has entered into various leases as lessee for office equipment and mobile units. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the year ended June 30, 2008, for governmental funds amounted to $359,006.73. Future minimum lease payments for these leases are as follows:

| Year Ending | Governmental Funds |
|---|---|
| 2009 | $ 340,429.20 |
| 2010 | 340,429.20 |
| 2011 | 340,429.20 |
| 2012 | 168,519.62 |
| Total | $ 1,189,807.22 |

## Note 11: LONG-TERM DEBT

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

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

| Purpose | Interest Rates | Amount |
|---|---|---|
| General Government - Series 2006 | 3.610 % | $ 9,910,000.00 |
| General Government - Series 2007 | 4.00% - 5.00% | 5,555,000.00 |
| | | $ 15,465,000.00 |

The changes in Long-Term Debt during the fiscal year ended June 30, 2008, were as follows:

| | Governmental Funds | | | | |
|---|---|---|---|---|---|
| | Balance July 1, 2007 | Additions | Deductions | Balance June 30, 2008 | Due Within One Year (1) |
| G.O. Bonds | $28,570,000.00 | | $13,105,000.00 | $15,465,000.00 | $ 5,555,000.00 |
| Compensated Absences | 256,445.57 | $ 221,053.72 | 193,962.43 | 283,536.86 | |
| Balance June 30, 2008 | $28,826,445.57 | $ 221,053.72 | $13,298,962.43 | $15,748,536.86 | $ 5,555,000.00 |

(1) The portion of Compensated Absences due within one year has been determined to be immaterial to the basic financial statements.

## Note 11: LONG-TERM DEBT

At June 30, 2008, 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 |
| 2009 | $ 5,555,000.00 | $ 605,651.00 |
| 2010 | | 357,751.00 |
| 2011 | | 357,751.00 |
| 2012 | | 357,751.00 |
| 2013 | | 357,751.00 |
| 2014 - 2017 | 9,910,000.00 | 1,431,004.00 |
| Total Principal and Interest | $15,465,000.00 | $3,467,659.00 |

## Note 12: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of $2,115,570.04 for health insurance and retirement contributions paid on the School District's behalf by the following State Agencies.

Georgia Department of Education
Paid to the Georgia Department of Community Health
For Health Insurance of Non-Certified Personnel
In the amount of $2,085,281.01

Paid to the Teachers Retirement System of Georgia
For Teachers Retirement System (TRS) Employer's Cost
In the amount of $15,716.03

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 $14,573.00

## Note 13: SIGNIFICANT COMMITMENTS

The following is an analysis of significant outstanding construction or renovation contracts executed by the School District as of June 30, 2008, together with funding available:

## Note 13: SIGNIFICANT COMMITMENTS

| Project | Unearned Executed Contracts | Funding Available From State |
|---|---|---|
| Antioch Elementary School | $ 1,886,501.34 | $ 907,684.16 |
| Career Academy | 399,496.00 | |
| Dug Gap Elementary School | 137,077.00 | |
| Eastbrook Middle School | 216,423.00 | |
| Eastside Elementary School | 74,547.50 | |
| New Elementary - Cedar Ridge | 1,641,261.89 | |
| New High School | 1,968,569.00 | |
| Northwest High School | 1,998,506.71 | 1,407,611.00 |
| Southeast High School | 950,828.93 | 1,205,014.00 |
| Varnell Elementary School | 2,193,689.90 | |
| | $11,466,901.27 | $3,520,309.16 |

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

## Note 14: 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 15: SUBSEQUENT EVENTS

In the subsequent fiscal year, voters authorized the School District to issue general obligation bonds in the amount of $68,335,000.00. The proceeds from these bonds will be used for acquisition, construction, equipping, and furnishing of new school buildings; the addition, renovation, repair and improvement to existing school buildings and equipment; the acquisition and purchase of school buses and other transportation or maintenance vehicles; the acquisition of land; and the acquisition and purchase of any real property necessary and desirable therefore, both real and personal.

Note 16: POSTEMPLOYMENT BENEFITS

**Georgia Retiree Health Benefit Fund**

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

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

Participating employers are statutorily required to contribute in accordance with the employer contribution rate established by the Board of Community Health. This contribution rate is established to fund both the active and retired employee health insurance plans based on projected pay-as-you-go financing requirements. The employer contribution rates for the combined active and retiree plans for the fiscal year ended June 30, 2008, were as follows:

| | |
|---|---|
| Teachers | 18.534% of state-based salaries |
| Non-Certificated Employees | $162.72 per month |

The School District's contribution to the health insurance plans for the fiscal year ended June 30, 2008, was $10,711,828.84, which equaled the required contribution.

Note 17: RETIREMENT PLANS

**TEACHERS RETIREMENT SYSTEM OF GEORGIA (TRS)**

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

## Note 17: RETIREMENT PLANS

### 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 |
|---|---|---|
| 2008 | 100% | $ 6,214,113.52 |
| 2007 | 100% | $ 5,868,585.66 |
| 2006 | 100% | $ 5,439,526.00 |

(This page left intentionally blank)

WHITFIELD COUNTY BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2008

SCHEDULE "1"

| | NONAPPROPRIATED BUDGETS | | ACTUAL |
|---|---|---|---|
| | ORIGINAL (1) | FINAL (1) | AMOUNTS |
| REVENUES | | | |
| Property Taxes | $ 26,053,021.00 | $ 26,053,021.00 | $ 26,883,098.16 |
| Sales Taxes | | | 772,580.80 |
| State Funds | 74,216,859.00 | 74,216,859.00 | 78,856,598.96 |
| Federal Funds | 10,567,626.00 | 10,567,626.00 | 9,880,578.59 |
| Charges for Services | 2,011,819.00 | 2,011,819.00 | 2,296,911.49 |
| Investment Earnings | 322,998.00 | 322,998.00 | 519,247.74 |
| Miscellaneous | 620,313.00 | 620,313.00 | 4,422,904.10 |
| Total Revenues | $ 113,792,636.00 | $ 113,792,636.00 | $ 123,631,919.84 |
| EXPENDITURES | | | |
| Current | | | |
| Instruction | $ 77,848,391.00 | $ 77,848,391.00 | $ 78,578,108.43 |
| Support Services | | | |
| Pupil Services | 4,248,459.00 | 4,248,459.00 | 4,380,260.55 |
| Improvement of Instructional Services | 2,914,976.00 | 2,914,976.00 | 2,768,530.96 |
| Educational Media Services | 2,713,280.00 | 2,713,280.00 | 2,617,407.15 |
| General Administration | 542,792.00 | 542,792.00 | 637,756.63 |
| School Administration | 7,151,046.00 | 7,151,046.00 | 7,585,405.01 |
| Business Administration | 624,072.00 | 624,072.00 | 447,808.11 |
| Maintenance and Operation of Plant | 7,240,261.00 | 7,240,261.00 | 8,091,064.70 |
| Student Transportation Services | 4,723,197.00 | 4,723,197.00 | 5,122,296.63 |
| Central Support Services | 2,027,757.00 | 2,027,757.00 | 2,169,737.38 |
| Other Support Services | 211,532.00 | 211,532.00 | 889,112.49 |
| Community Services | 10,000.00 | 10,000.00 | 560,705.85 |
| Food Services Operation | 6,616,864.00 | 6,616,864.00 | 6,638,684.06 |
| Total Expenditures | $ 116,872,627.00 | $ 116,872,627.00 | $ 120,486,877.95 |
| Excess of Revenues over (under) Expenditures | $ -3,079,991.00 | $ -3,079,991.00 | $ 3,145,041.89 |
| OTHER FINANCING SOURCES (USES) | | | |
| Other Sources | $ 236,084.00 | $ 236,084.00 | $ 11,351.50 |
| Other Uses | -576,084.00 | -576,084.00 | -58,900.00 |
| Total Other Financing Sources (Uses) | $ -340,000.00 | $ -340,000.00 | $ -47,548.50 |
| Net Change in Fund Balances | $ -3,419,991.00 | $ -3,419,991.00 | $ 3,097,493.39 |
| Fund Balances - Beginning | 11,103,080.74 | 11,113,225.62 | 12,350,248.47 |
| Fund Balances - Ending | $ 7,683,089.74 | $ 7,693,234.62 | $ 15,447,741.86 |

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

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

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.

WHITFIELD COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008

SCHEDULE "2"

| FUNDING AGENCY<br>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 | $ 6,396,235.75 |
| Total Child Nutrition Cluster | | | | $ 6,396,235.75 |
| Other Programs | | | | |
| Pass-Through From Georgia Department of Education | | | | |
| Food Donation (1) | | 10.550 | N/A | 358,245.72 |
| Pass-Through From Office of Treasury and Fiscal Services | | | | |
| National Forest Reserve Funds | | 10.665 | N/A | (3) |
| Total U. S. Department of Agriculture | | | | $ 6,754,481.47 |
| Education, U. S. Department of | | | | |
| Special Education Cluster | | | | |
| Pass-Through From Georgia Department of Education | | | | |
| Special Education | | | | |
| Grants to States | | 84.027 | N/A | $ 2,333,455.91 |
| Preschool Grants | | 84.173 | N/A | 80,124.95 |
| Total Special Education Cluster | | | | $ 2,413,580.86 |
| Other Programs | | | | |
| Pass-Through From Georgia Department of Education | | | | |
| Career and Technical Education - Basic Grants to States | | 84.048 | N/A | 92,201.71 |
| Education for Homeless Children and Youth | | 84.196 | N/A | 31,587.15 |
| English Language Acquisition Grants | | 84.365 | N/A | 303,252.61 |
| Improving Teacher Quality State Grants | | 84.367 | N/A | 430,808.57 |
| Migrant Education | | 84.011 | N/A | 64,676.80 |
| Safe and Drug-Free Schools and Communities - State Grants | | 84.186 | N/A | 36,732.90 |
| State Grants for Innovative Programs | | 84.298 | N/A | 16,771.31 |
| Title I Grants to Local Educational Agencies | | 84.010 | N/A | 1,722,999.75 |
| Total U. S. Department of Education | | | | $ 5,112,611.66 |
| Total Federal Financial Assistance | | | | $ 11,867,093.13 |

N/A = Not Available

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 ($1,172,472.22) were not maintained separately and are included in the 2008 National School Lunch Program.
(3) Funds earned on this program in the amount of $5,828.53 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 Whitfield 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.

WHITFIELD COUNTY BOARD OF EDUCATION
SCHEDULE OF STATE REVENUE
YEAR ENDED JUNE 30, 2008

SCHEDULE "3"

| AGENCY/FUNDING | GOVERNMENTAL FUND TYPES GENERAL FUND | CAPITAL PROJECTS FUND | TOTAL |
|---|---|---|---|
| GRANTS | | | |
| Bright from the Start: | | | |
| Georgia Department of Early Care and Learning | | | |
| Pre-Kindergarten Program | $ 422,267.56 | | $ 422,267.56 |
| Education, Georgia Department of | | | |
| Quality Basic Education | | | |
| Direct Instructional Cost | | | |
| Kindergarten Program | 4,991,238.00 | | 4,991,238.00 |
| Kindergarten Program - Early Intervention Program | 595,759.00 | | 595,759.00 |
| Primary Grades (1-3) Program | 11,368,805.00 | | 11,368,805.00 |
| Primary Grades - Early Intervention (1-3) Program | 996,755.00 | | 996,755.00 |
| Upper Elementary Grades (4-5) Program | 4,959,272.00 | | 4,959,272.00 |
| Upper Elementary Grades - Early Intervention (4-5) Program | 468,339.00 | | 468,339.00 |
| Middle School (6-8) Program | 8,069,517.00 | | 8,069,517.00 |
| High School General Education (9-12) Program | 7,062,272.00 | | 7,062,272.00 |
| Vocational Laboratory (9-12) Program | 3,081,756.00 | | 3,081,756.00 |
| Students with Disabilities | 6,121,964.00 | | 6,121,964.00 |
| Gifted Student - Category VI | 2,922,069.00 | | 2,922,069.00 |
| Remedial Education Program | 31,515.00 | | 31,515.00 |
| Alternative Education Program | 667,914.00 | | 667,914.00 |
| English Speakers of Other Languages (ESOL) | 2,837,992.00 | | 2,837,992.00 |
| Media Center Program | 1,530,182.00 | | 1,530,182.00 |
| 20 Days Additional Instruction | 465,628.00 | | 465,628.00 |
| Staff and Professional Development | 281,383.00 | | 281,383.00 |
| Indirect Cost | | | |
| Central Administration | 1,637,767.00 | | 1,637,767.00 |
| School Administration | 3,041,311.00 | | 3,041,311.00 |
| Facility Maintenance and Operations | 3,636,912.00 | | 3,636,912.00 |
| Categorical Grants | | | |
| Pupil Transportation | | | |
| Regular | 1,430,695.00 | | 1,430,695.00 |
| Bus Replacement | 243,486.00 | | 243,486.00 |
| Nursing Services | 244,219.00 | | 244,219.00 |
| Vocational Supervisors | 34,653.00 | | 34,653.00 |
| Education Equalization Funding Grant | 9,556,644.00 | | 9,556,644.00 |
| Food Services | 354,188.00 | | 354,188.00 |
| Vocational Education | 235,579.57 | | 235,579.57 |
| Austerity Reduction | -1,223,530.00 | | -1,223,530.00 |
| Other State Programs | | | |
| Graduation Coaches | 377,642.06 | | 377,642.06 |
| Health Insurance | 2,085,281.01 | | 2,085,281.01 |
| Middle School Remediation Grant | 11,663.00 | | 11,663.00 |
| National Teacher Certification | 181,570.00 | | 181,570.00 |
| Preschool Handicapped Program | 100,826.73 | | 100,826.73 |
| Teachers' Retirement | 15,716.03 | | 15,716.03 |
| Virtual Schools | 2,775.00 | | 2,775.00 |
| Georgia State Financing and Investment Commission | | | |
| Reimbursement on Construction Projects | | $ 862,308.60 | 862,308.60 |
| Office of Treasury and Fiscal Services | | | |
| Public School Employees Retirement | 14,573.00 | | 14,573.00 |
| | $ 78,856,598.96 | $ 862,308.60 | $ 79,718,907.56 |

See notes to the basic financial statements.

WHITFIELD COUNTY BOARD OF EDUCATION
SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS
YEAR ENDED JUNE 30, 2008

SCHEDULE "4"

| PROJECT | ORIGINAL ESTIMATED COST (1) | CURRENT ESTIMATED COSTS (2) | AMOUNT EXPENDED IN CURRENT YEAR (3) | AMOUNT EXPENDED IN PRIOR YEARS (3) | PROJECT STATUS |
|---|---|---|---|---|---|
| Acquisitions, construction and equipping of a new elementary school, a new middle school and a new high school, including the acquisition of any furniture, fixtures and equipment necessary or desirable therefore; renovations and improvements at existing schools, including the acquisition of any furniture, fixtures and equipment necessary or desirable therefore; the acquisition, construction and equipping of a central warehouse facility; the acquisition of school buses; and system-wide technology improvements. | $ 53,531,937.00 | $ 75,211,707.03 | $ 2,390,014.10 | $ 52,598,709.38 | Ongoing |
| Acquisition, construction, equipping, and furnishing of new school buildings and facilities, including but not limited to, a new high school and a new elementary school; the addition, renovation, repair, and improvement to existing school buildings and facilities; the acquisition and purchase of technology and safety equipment, including but not limited to, computer hardware and software and security and safety equipment; the acquisition and purchase of school buses and other transportation or maintenance vehicles; the acquisition of land; acquisition and purchase of any property necessary and desirable therefore, both real and personal. | 96,100,000.00 | 91,200,000.00 | 7,363,423.52 | 667,385.29 | Ongoing |
| | $ 149,631,937.00 | $ 166,411,707.03 | $ 9,753,437.62 | $ 53,266,094.67 | |

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

(2) Changes from the original estimated costs reflect actual ESPLOST revenue, state capital grants, investment earnings and current estimated costs.

(3) The voters of Whitfield 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.

See notes to the basic financial statements.

WHITFIELD COUNTY BOARD OF EDUCATION
GENERAL FUND - QUALITY BASED EDUCATION PROGRAM (QBE)
ALLOTMENTS AND EXPENDITURES BY PROGRAM
YEAR ENDED JUNE 30, 2008

SCHEDULE "5"

| DESCRIPTION | ALLOTMENTS FROM GEORGIA DEPARTMENT OF EDUCATION (1) (2) | ELIGIBLE QBE PROGRAM COSTS SALARIES | OPERATIONS | TOTAL |
|---|---|---|---|---|
| Direct Instructional Programs | | | | |
| Kindergarten Program | $ 5,582,046.00 | $ 5,609,730.62 | $ 127,301.46 | $ 5,737,032.08 |
| Kindergarten Program-Early Intervention Program | 668,114.00 | 553,417.67 | 390.04 | 553,807.71 |
| Primary Grades (1-3) Program | 12,720,280.00 | 12,986,635.96 | 511,824.60 | 13,498,460.56 |
| Primary Grades-Early Intervention (1-3) Program | 1,121,394.00 | 1,252,624.32 | 5,820.83 | 1,258,445.15 |
| Upper Elementary Grades (4-5) Program | 5,571,971.00 | 6,061,556.12 | 190,007.99 | 6,251,564.11 |
| Upper Elementary Grades-Early Intervention (4-5) Program | 540,661.00 | 548,799.64 | 1,094.07 | 549,893.71 |
| Middle School (6-8) Program | 9,047,995.00 | 10,648,090.35 | 386,196.66 | 11,034,287.01 |
| High School General Education (9-12) Program | 7,896,990.00 | 9,915,147.39 | 396,828.21 | 10,311,975.60 |
| Vocational Laboratory (9-12) Program | 3,455,895.00 | 2,775,268.29 | 278,907.38 | 3,054,175.67 |
| Students with Disabilities | 6,909,290.00 | | | |
| Category I | | 23,279.27 | 17,905.66 | 41,184.93 |
| Category II | | 878,233.01 | 551.22 | 878,784.23 |
| Category III | | 4,444,823.07 | 45,840.88 | 4,490,663.95 |
| Category IV | | 429,207.61 | 1,915.57 | 431,123.18 |
| Category V | | 4,224.83 | | 4,224.83 |
| Gifted Student - Category VI | 3,232,442.00 | 3,260,025.68 | 11,768.37 | 3,271,794.05 |
| Remedial Education Program | 34,709.00 | 95,372.10 | | 95,372.10 |
| Alternative Education Program | 747,777.00 | 1,184,960.57 | 10,837.53 | 1,195,798.10 |
| English Speakers of Other Languages (ESOL) | 3,168,198.00 | 3,055,731.09 | 29,179.44 | 3,084,910.53 |
| TOTAL DIRECT INSTRUCTIONAL PROGRAMS | $ 60,697,762.00 | $ 63,727,127.59 | $ 2,016,369.91 | $ 65,743,497.50 |
| Media Center Program | 1,715,952.00 | 2,354,575.95 | 179,641.55 | 2,534,217.50 |
| Staff and Professional Development | 318,978.00 | 345,803.87 | | 345,803.87 |
| TOTAL QBE FORMULA FUNDS | $ 62,732,692.00 | $ 66,427,507.41 | $ 2,196,011.46 | $ 68,623,518.87 |

(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


July 14, 2009

Honorable Sonny Perdue, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
Whitfield 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 Whitfield County Board of Education as of and for the year ended June 30, 2008, which collectively comprise Whitfield County Board of Education's basic financial statements and have issued our report thereon dated July 14, 2009. 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 Whitfield 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 Whitfield County Board of Education's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Whitfield 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 affects the Whitfield 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 Whitfield County Board of Education's financial statements that is more than inconsequential will not be prevented or detected by the Whitfield County Board of Education's internal control. We consider item FS-7551-08-01, in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Whitfield 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. However, we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

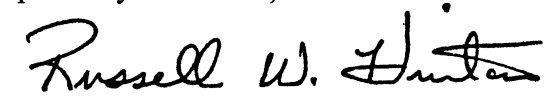
As part of obtaining reasonable assurance about whether Whitfield County Board of Education's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have 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 Whitfield County Board of Education in a separate letter dated July 14, 2009.

Whitfield 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 Whitfield County Board of Education's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, members of the Whitfield County Board of Education, others within the entity, 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:mb
2008YB-30

# 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




Honorable Sonny Perdue, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
Whitfield 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 Whitfield 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, 2008. Whitfield 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 Whitfield County Board of Education's management. Our responsibility is to express an opinion on Whitfield 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 Whitfield 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 Whitfield County Board of Education's compliance with those requirements.

In our opinion, the Whitfield 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, 2008. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is described in the accompanying Schedule of Findings and Questioned Costs as item FA-7551-08-01.

Internal Control Over Compliance

The management of Whitfield 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 Whitfield 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 Whitfield 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.

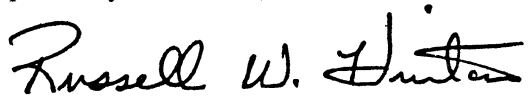
A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the entity's internal control.

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.

Whitfield 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 Whitfield County Board of Education's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, members of the Whitfield County Board of Education, others within the entity, 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:mb
2008SA-15

SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

WHITFIELD COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

**FINDING CONTROL NUMBER AND STATUS**

| | |
|---|---|
| FS-7551-06-01 | Further Action Not Warranted |
| FS-7551-07-01 | Partially Resolved - See Corrective Action/Responses |

**CORRECTIVE ACTION/RESPONSES**

CASH AND CASH EQUIVALENTS
REVENUES/RECEIVABLES/RECEIPTS
EXPENDITURES/LIABILITIES/DISBURSEMENTS
Inadequate Internal Control Procedures over School Activity Accounts
Finding Control Number: FS-7551-07-01

A Business Advisory Committee has been created that consist of eight members and is chaired by the Chief Financial Officer of the School District.

**Purpose:**
To support and assess the financial and accounting activities of the School District to ensure sound fiscal management and internal controls while gaining a greater understanding of our best practices.

**Duties:**
- Perform annual internal control audits
- Assess, review, and revise procedures manual.
- Assess, review, and revise internal control audit questionnaire and procedures.
- Train and support new accounting personnel through orientation meetings and mentoring teams.
- Discuss and communicate specific accounting and fiscal procedures to gain a better understanding of internal controls.
- Design and assist with interviews for potential accounting personnel.

**Members:**
Four School Bookkeepers (3 year terms)
Business Department (permanent members)

Round table meetings of school bookkeepers are periodically held for the purpose of communicating improvements in procedures and internal control deficiencies associated with the prior year findings.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

# SECTION IV

# FINDINGS AND QUESTIONED COSTS

WHITFIELD COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

## I SUMMARY OF AUDITOR'S RESULTS

1. Type of Report Issued on the Financial Statements
   The auditor's opinion on the Whitfield 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 Whitfield County Board of Education disclosed a financial statement significant deficiency related to the following control categories.

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

   The significant deficiency described above is not considered to be a material weakness.

3. Noncompliance Material to the Financial Statements
   The audit of the Whitfield 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 Whitfield 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 Whitfield 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 Whitfield County Board of Education's audit did not disclose an audit finding required to be reported by section .510(a) of OMB Circular A-133; however, we noted a certain instance of noncompliance which is included in section IV of this report.

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

8. Type "A" Program Dollar Threshold
   The dollar threshold for type "A" programs was $356,187.64.

WHITFIELD COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

## I SUMMARY OF AUDITOR'S RESULTS

9. Low Risk Auditee

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

## II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

CASH AND CASH EQUIVALENTS
REVENUES/RECEIVABLES/RECEIPTS
EXPENDITURES/LIABILITIES/DISBURSEMENTS
Inadequate Internal Control Procedures over School Activity Accounts
Significant Deficiency
Finding Control Number: FS-7551-08-01

Condition: This is a repeat finding (FS-7551-07-01 and FS-7551-06-01) from the years ended June 30, 2007, and June 30, 2006, respectively. The accounting procedures of the School District were insufficient to provide for adequate internal controls over the school activity accounts.

Criteria: The School District's management is responsible for designing and maintaining internal controls that provide reasonable assurance that transactions are processed according to established procedures.

Questioned Cost: N/A

Information: Cash and Cash Equivalents
The bank reconciliation function was not separated from the record keeping and voucher payment functions.

Revenues/Receivables/Receipts
Deposit preparation was not separated from the record keeping and cash custody functions.

During our tests of transactions we noted instances where:

- Receipts did not have adequate supporting documentation.
- Receipts were not deposited in a timely manner.
- Revenues were not recorded in the proper amount.

Expenditures/Liabilities/Disbursements
During our tests of transactions we noted instances where:

- Vouchers did not have an approved purchase order.
- Vouchers did not always show documentation in the proper account.

WHITFIELD COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

## II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

CASH AND CASH EQUIVALENTS
REVENUES/RECEIVABLES/RECEIPTS
EXPENDITURES/LIABILITIES/DISBURSEMENTS
Inadequate Internal Control Procedures over School Activity Accounts
Significant Deficiency
Finding Control Number: FS-7551-08-01

Cause: These deficiencies were a result of management's failure to ensure that internal controls were established, implemented and functioning at the school level.

Effect: Errors and/or irregularities may not be detected in a timely manner.

Recommendation: Management should revise and monitor controls to provide reasonable assurance that transactions are processed according to established procedures.

## III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

ALLOWABLE COSTS/COST PRINCIPLES
Unallowable Expenditures
Nonmaterial Noncompliance
U.S. Department of Agriculture
Through Georgia Department of Education
Child Nutrition Cluster (CFDA 10.553 and 10.555)
Finding Control Number: FA-7551-08-01

Condition: A review of the Child Nutrition Cluster (CFDA 10.553 and 10.555) program revealed an expenditure which was considered to be unallowable and not in compliance with grant requirements.

Criteria: Provisions of OMB Circular A-87, *Cost Principles for Determining Allowable Costs*, required that "to be allowable under Federal awards, costs must be...necessary and reasonable for proper and efficient performance and administration of the Federal award".

Questioned Cost: $1,161.46

## III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

ALLOWABLE COSTS/COST PRINCIPLES
Unallowable Expenditures
Nonmaterial Noncompliance
U.S. Department of Agriculture
Through Georgia Department of Education
Child Nutrition Cluster (CFDA 10.553 and 10.555)
Finding Control Number: FA-7551-08-01

| | |
|---|---|
| Information: | A review of expenditures charged to the Child Nutrition Cluster revealed a purchase which was considered unallowable. Items were purchased as part of the promotion of a School Breakfast Program and given away in a drawing to students that had participated in the School Breakfast Program. |
| Cause: | The School District failed to ensure that all Child Nutrition Program expenditures were allowable in accordance with program guidelines and OMB Circular A-87. |
| Effect: | The School District's purchase of gift items are not an allowable expenditure of this Federal program. |
| Recommendation: | The School District should ensure that all costs are allowable under OMB Circular A-87. The Georgia Department of Education should further review this matter to determine if a reclaim of funds is necessary. |

# SECTION V

# MANAGEMENT'S RESPONSES

WHITFIELD COUNTY BOARD OF EDUCATION
SCHEDULE OF MANAGEMENT'S RESPONSES
YEAR ENDED JUNE 30, 2008

Finding Control Number: FS-7551-08-01

We concur with this finding. During the fiscal year 2009, a Business Advisory Committee (BAC) was created and designed to support and assess the financial and accounting activities of the district to ensure sound fiscal management over internal controls. Duties of the committee include the following:

- Perform annual internal control audits.
- Assess, review and revise procedures manual.
- Assess, review and revise internal control audit questionnaires and procedures.
- Train and support new accounting personnel through orientation meetings and mentoring teams.
- Discuss and communicate specific accounting and fiscal procedures to gain a better understanding of internal controls.
- Design and assist with interviews for potential accounting personnel.

The committee membership will be comprised of four bookkeepers and four central office financial personnel. Each member will serve a 4 year term.

Finding Control Number: FA-7551-08-01

We concur with this finding. A new procedure was implemented July 1, 2009, that requires prior approval of all promotional programs by the food service director before related expenditures.

Contact Person: Kenny Sheppard, Chief Financial Officer
Telephone: (706) 217-6701, Fax: (706) 217-6703
Email: ksheppard@whitfield.k12.ga.us