

**FULTON COUNTY BOARD OF EDUCATION**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE**  
**FISCAL YEAR ENDED JUNE 30, 2006**

**786 Cleveland Avenue SW**  
**Atlanta, Georgia 30315**

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ANNUAL FINANCIAL REPORT  
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The Management's Discussion and Analysis and Schedules of Funding Progress and Employer Contributions (on pages 3 through 12 and 46) are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. 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 Fulton County Board of Education's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Mauldin & Jenkins, LLC*

Atlanta, Georgia

June 14, 2007

**FULTON COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

As management of the Fulton County Board of Education (the "School System"), we offer readers of the financial statements this narrative overview and analysis of the financial activities of the School System for the year ended June 30, 2006. The intent of this discussion and analysis is to look at the School System's financial performance as a whole. We encourage readers to consider the information presented here in conjunction with the notes to the financial statements to enhance their understanding of the School System's financial performance.

**Financial Highlights**

Key financial highlights for 2006 are as follows:

- In total, net assets increased \$105.5 million, which is an increase of 10.1 percent over 2005. The total increase was due to governmental activities since the School System has no business-type activities.
- General revenues totaled \$592.0 million or 65.0 percent of total revenues, and program specific revenues in the form of charges for services, grants and contributions accounted for \$318.3 million or 35.0 percent of the total fiscal year 2006 revenues.
- The School System had \$804.7 million in expenses related to governmental activities of which \$318.3 million were offset by program specific charges for services or grants and contributions. General revenues (primarily taxes) of \$592.0 million were adequate to provide for the remaining costs of these programs.
- Among major funds, the General Fund had \$697.0 million in fiscal year 2006 revenues, primarily from local taxes and state Quality Basic Education program (QBE) funding, and \$675.8 million in expenditures. The General Fund's fund balance increased from \$110.7 million to \$134.5 as of June 30, 2006.
- The School System's long-term debt decreased by \$14.5 million due to the retirement of outstanding school system bonds as scheduled and the annual payment on the long-term TRS transfer debt.

## OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Fulton County Board of Education as a financial whole, or as an entire operating entity.

### *Reporting the School System as a Whole*

#### **Government-wide financial statements**

The *government-wide financial statements* are designed to provide readers with a broad overview of the School System's finances in a manner similar to private-sector business. While this document contains a large number of *funds* used by the School System to provide programs and activities, the view of the School System as a whole, in the government-wide financial statements, looks at all financial transactions and asks the question "How did we do financially during 2006?" The *Statement of Net Assets* and *Statement of Activities* answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into consideration all of the current year's revenues and expenses regardless of when cash is received or paid.

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole School System, presenting both an aggregate view of the School System's finances and a longer-term view of those finances.

The *Statement of Net Assets* presents information on all of the School System's assets and liabilities, with the difference between the two reported as *net assets*. Over time increases or decreases in net assets may serve as a useful indicator of whether the financial position of the School System is improving or deteriorating.

The *Statement of Activities* presents information showing how the School System's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event has given rise to the change that has occurred, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused compensated absences).

In the statement of net assets and the statement of activities, the School System has one distinct type of activity:

- Governmental Activities – all of the School System's programs and services are reported here including instruction, support services, operation and maintenance of plant, transportation, construction, food service, after school programs and various others.

### *Reporting the School System's Most Significant Funds*

#### **Fund Financial Statements**

Fund financial reports provide the next level of financial detail. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School System uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the school system can be divided into two categories: governmental funds and fiduciary funds. Most of the School System's activities are reported in the governmental funds. These include the general fund, special revenue grant funds, capital projects – regular, state capital outlay and Special Purpose Local Option Sales Tax (SPLOST) funds, and debt service funds. The *fund financial statements* also look at the School System's most significant funds with all other non-major funds presented in total in one column. In the case of the Fulton County Board of Education, the General Fund is by far the most significant fund. The other major funds are the 1997 SPLOST Capital Projects fund, and the 2002 SPLOST Capital Projects fund.

For *governmental funds*, these statements tell how services were financed in the short-term as well as what remains for future spending. These funds are reported using the *modified accrual basis 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 System's general governmental operation and the

services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the *Statement of Net Assets* and *Statement of Activities*) and governmental *funds* is reconciled in the financial statements.

*Fiduciary Funds* are used to account for assets held by the School System as trustee, or fiduciary, for others. In Fulton County, these are the school clubs and organizations within the principals' accounts, and the Fulton County School Employees' Pension Fund. The school system 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 system excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

### **Notes to the financial statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. The Fulton County Board of Education's assets exceeded liabilities by \$1.154 billion as of June 30, 2006. By far the largest portion of the school system's net assets reflects its investment in capital assets (e.g. land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related outstanding debt that was used to acquire those assets. While these assets are used to provide services to our students, the assets are not available for future spending. Also, while capital assets are reported net of related debt, the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

The perspective of the *Statement of Net Assets* is of the School System as a whole. Table 1 provides a summary of the School System's *net assets for 2006 and 2005*.

**Table 1**  
**Net Assets**  
**(In thousands)**

	<u>2005</u>	<u>2006</u>
Assets		
Current and Other Assets	\$ 299,682	\$ 407,301
Net Pension Benefit	16,010	15,253
Capital Assets, Net	<u>1,130,048</u>	<u>1,165,244</u>
Total Assets	<u>1,445,740</u>	<u>1,587,798</u>
Liabilities		
Current and Other Liabilities	144,488	198,448
Long-Term Liabilities	<u>252,350</u>	<u>234,930</u>
Total Liabilities	<u>396,838</u>	<u>433,378</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	914,153	961,504
Restricted	74,070	201,136
Unrestricted	<u>60,679</u>	<u>(8,220)</u>
Total Net Assets	<u>\$ 1,048,902</u>	<u>\$ 1,154,420</u>

**Table 2**  
**Change in Net Assets**  
**(In thousands)**

Table 2 shows the changes in net assets for fiscal year 2006 and 2005.

	2005	2006
Revenues		
Program Revenues		
Charges for Services and Sales	\$ 25,965	\$ 23,302
Operating Grants and Contributions	250,293	288,150
Capital Grants and Contributions	5,070	6,848
Total Program Revenues	<u>281,328</u>	<u>318,300</u>
General Revenues		
Property Taxes	403,623	447,270
Sales Tax		
Special Purpose Local Option Sales Tax for Capital Projects	114,530	130,792
Gain on Sale of Capital Assets	-	55
Investment Earnings	7,205	13,844
Total General Revenues	<u>525,358</u>	<u>591,961</u>
Total Revenues	<u>806,686</u>	<u>910,261</u>
Program Expenses		
Instruction	512,582	543,575
Support Services		
Pupil Services	30,314	30,272
Improvement of Instructional Services	13,928	16,960
Educational Media Services	16,376	16,615
General Administration	2,612	2,126
School Administration	27,296	28,671
Business Administration	4,486	10,019
Maintenance and Operation of Facilities	54,514	57,589
Student Transportation Services	32,138	36,841
Central Support Services	11,954	12,027
Other Support Services	1,303	1,346
Food Service	31,492	34,649
Interest on Long Term Debt	14,453	14,053
Total Expenses	<u>753,448</u>	<u>804,743</u>
Increase in Net Assets	53,238	105,518
Net Assets - Beginning of Year	995,664	1,048,902
Net Assets - Ending of Year	<u>\$ 1,048,902</u>	<u>\$ 1,154,420</u>



Instruction comprises 67.6 percent of governmental program expenses. Interest expense was 1.7 percent and was attributable to outstanding bonds from previous bond issues for capital projects, and interest on the TRS transfer debt. General administrative expenses (general administration and business administration) were 1.5 percent of total governmental program expenses.

The *Statement of Activities* shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the netcost of services for 2006 and 2005. That is, it shows the net cost of the services supported by local tax revenues and unrestricted other local revenues and state entitlements.

**Table 3**  
**Governmental Activities**  
**(In thousands)**

	2005		2006	
	Total	Net	Total	Net
Instruction	\$ 512,582	\$ (319,703)	\$ 543,575	\$ (317,030)
Support Services				
Pupil Services	30,314	(21,772)	30,272	(22,327)
Improvement of Instructional Services	13,928	(7,676)	16,960	(8,779)
Educational Media Services	16,376	(11,931)	16,615	(11,513)
General Administration	2,612	(1,073)	2,126	(775)
School Administration	27,296	(18,088)	28,671	(18,614)
Business Administration	4,486	(4,301)	10,019	(9,821)
Maintenance and Operation of Facilities	54,514	(39,641)	57,589	(42,160)
Student Transportation Services	32,138	(18,869)	36,841	(25,677)
Central Support Services	11,954	(11,615)	12,027	(11,731)
Other Support Services	1,303	(518)	1,346	(260)
Food Services	31,492	(2,479)	34,649	(3,703)
Interest on Long Term Debt	14,453	(14,453)	14,053	(14,053)
<b>Total Expenses</b>	<b><u>\$ 753,448</u></b>	<b><u>\$ (472,119)</u></b>	<b><u>\$ 804,743</u></b>	<b><u>\$ (486,443)</u></b>

While contributions and grants, particularly state QBE funds, are a significant part of the funding for the School System's provision of services to students (39 percent), local tax revenues still provide the majority of the revenues for school system activities.

## **The School System's Funds**

The School System's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues and other financing sources of \$944.3 million and expenditures and other financing uses of \$890.3 million. The General Fund had expenditures in excess of revenues of \$21.1 million representing planned use of fund balance for prior year encumbrances. The School System's General Fund is in sound financial position with a year-end fund balance of \$134.5 million.

The 1997 SPLOST Capital Projects Fund had expenditures in excess of revenues of \$4.2 million representing construction of projects with previously collected sales tax. The 1997 SPLOST Capital Projects Fund had a fund balance of \$60.6 million at the end of the year.

The 2002 SPLOST Capital Projects Fund had revenues in excess of expenditures of \$74.9 million. Expenditures were for projects currently under construction or in the planning stages as well as for retirement of outstanding General Obligation bonds. The 2002 SPLOST Capital Projects Fund had a fund balance of \$45.2 million at June 30, 2006.

The School System's Non-major Governmental Funds (Special Revenue, Debt Service, and State and Local Capital Projects) had revenues and other financing sources of \$106.1 million and expenditures and other financing uses of \$123.3 million. These expenditures and other uses represented use of the funds for the specific purposes for which they were provided. The combined fund balance for all Non-major Governmental Funds was \$8.5 million at year-end.

## **General Fund Budgeting Highlights**

The School System's budget is prepared according to Georgia law. The most significant budgeted fund is the General Fund. During the course of fiscal year 2006, the School System amended its General Fund budget as needed. The School System uses site-based budgeting and management. The budgeting systems are designed to provide funding to local schools based on the varying needs of their individual student populations while providing appropriate control of total site budgets and providing necessary flexibility for site management.

For the General Fund, the final budgeted revenue and other financing sources of \$674.0 million exceeded the original budgeted amount of \$663.9 million by \$10.1 million. The actual revenues and other financing sources total of \$689.2 million exceeded the final budgeted amount by \$15.2 million. The increase was primarily due to slightly higher than expected state revenues, and additional federal funds for Hurricane Katrina relief.

The General Fund's final budgeted expenditures and other financing uses of \$700.5 million exceeded the original budgeted amount of \$669.9 million by approximately \$30.6 million. The actual expenditures and other financing uses of \$665.3 million were less than the final budgeted amount by approximately \$35.2 million.

## Capital Assets and Debt Administration

### Capital Assets

At the end of fiscal 2006 the School System had \$1,165 billion invested in capital assets, all in governmental activities. Table 4 shows the fiscal 2006 and 2005 year-end balances.

**Table 4**  
**Capital Assets, Net of Accumulated Depreciation**  
**(In thousands)**

	<u>2005</u>	<u>2006</u>
Land	\$ 125,319	\$ 143,996
Construction in Progress	1,613	25,752
Buildings and Improvements	969,968	964,353
Furniture, Equipment and Vehicles	<u>33,148</u>	<u>31,143</u>
Total	<u>\$ 1,130,048</u>	<u>\$ 1,165,244</u>

The primary increases occurred in land and construction in progress. The School System continues to experience significant growth in student population each year and has had a major construction program ongoing since 1997. Over the nine (9) year period from 1997-98 through fiscal year 2005-06, the School System has collected approximately \$920.3 million from its one percent Special Purpose Local Option Sales Tax (SPLOST) to fund major capital projects – new schools, renovations and additions to schools and furniture and equipment for new schools and renovations. In March 2002, the voters in Fulton County approved an extension of the one percent SPLOST for five additional years through June 30, 2007. During the fiscal year ended June 30, 2006, the School System collected approximately \$129.3 million from the SPLOST extension. This extension will provide substantial funding for the construction needs of the School System as student growth is expected to continue over the next five years.

### ***Debt Administration***

At June 30, 2006, the School System had \$203.7 million in outstanding bonds with \$12.4 million due within one year. The School System also had an accrued pension liability to the Teachers Retirement System of Georgia (TRS) of \$41.1 million resulting from the transfer of eligible Fulton County Board of Education employees from our local retirement plan to TRS in 1988. Of the total due to TRS, \$3.1 million is due within one year. Table 5 summarizes General Obligation bonds, TRS debt, outstanding compensated absences and insurance claims for 2006 and 2005.

**Table 5**  
**Debt**  
**(In thousands)**

	<u>2005</u>	<u>2006</u>
General Obligation Bonds	\$ 215,895	\$ 203,740
TRS Transfer Debt	44,239	41,127
Compensated Absences	27,928	29,516
Insurance Claims	5,402	4,804
Other Claims and Judgments	<u>596</u>	<u>340</u>
Total	<u>\$ 294,060</u>	<u>\$ 279,527</u>

The School System maintains an AA (Standard & Poors) and an Aa2 (Moody's) bond rating.

### **Current Issues**

Fulton County and the Fulton County School System have certainly experienced some of the effects of the economic slowdown which began in mid-2002; however, the impact on the School System's financial condition has been minimal to this point. The effect of recessions and unfavorable economic developments on property tax revenues tends to lag behind sales and income tax collections. Since the School System's primary revenue source is property tax, our funding has not suffered as badly as the State of Georgia that depends on the more volatile sales and income taxes. Nevertheless, the state's economic difficulties already have impacted the Fulton County School System through funding reductions for fiscal year 2006 and in the adopted state budget for fiscal year 2007. The possibility of further loss of state education funds in fiscal 2007 and succeeding years is a continuing concern to the School System.

While the School System's general operations enjoy some security from a stable property tax base, our Capital Improvement Plan is primarily financed by the one percent SPLOST collections that have fallen below forecasted levels. The under-collection of SPLOST funds is not expected to seriously impact our construction program for the first five years of SPLOST (1997 through 2002) since the shortfall will only be about \$4 – \$5 million and will be offset by interest income to the SPLOST Capital Projects fund. However, the implications for the re-authorized SPLOST (2003 through 2007) will require very careful monitoring and may require some reductions in the scope of our construction plans for that period. At the same time, if the economic recovery is not delayed too long, the renewed economic growth could overcome any currently projected shortfall in SPLOST revenues. As noted earlier, student enrollment growth remains fairly steady and is projected to continue over the next five years, although at a slightly diminished rate. This continued enrollment growth will require the construction of additional schools and classroom space to accommodate these students.

In addition to economic issues and enrollment growth, the School System is committed to improving student achievement in the School System. Providing quality teachers and support staff, lowered class sizes and initiatives to assist under-achieving schools and students have been given priority in our planning and budgeting processes and will require that adequate resources are available and directed appropriately. The School System ended fiscal year 2006 with very sound financial reserves and has adopted a budget for fiscal 2007 that is designed to target our student achievement goals and still maintain adequate reserves.

#### **CONTACTING THE SCHOOL SYSTEM'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School System's finances and to show the School System's accountability for the money it receives. If you have questions about this report or need additional information, contact Michael Russell, Chief Financial Officer, Fulton County Board of Education, 786 Cleveland Avenue, SW, Atlanta, Georgia 30315. You may also e-mail your questions to [Russellm@fulton.k12.ga.us](mailto:Russellm@fulton.k12.ga.us).

## **BASIC FINANCIAL STATEMENTS**

**FULTON COUNTY BOARD OF EDUCATION  
STATEMENT OF NET ASSETS**

JUNE 30, 2006

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Current Assets	
Cash	\$ 322,686,784
Investments	1,070,440
Due from other governments	41,253,173
Due from pension trust fund	69,268
Taxes receivable	38,751,359
Other receivables	979,397
Other assets	14,575
Inventory	2,476,240
Total current assets	407,301,236
Non Current Assets	
Net pension asset	15,253,436
Capital assets, non-depreciable	169,747,236
Capital assets, depreciable (net of accumulated depreciation)	995,496,332
Total non current assets	1,180,497,004
Total assets	1,587,798,240
<b>LIABILITIES</b>	
Current Liabilities	
Accounts payable	13,550,391
Retainage payable	2,795,767
Due to other governments	59,130
Other payables	9,099,466
Tax anticipation note payable	40,000,000
Accrued interest	4,122,291
Salaries and benefits payable	84,224,117
Pension note due within one year	3,112,058
Compensated absences due within one year	26,563,952
General obligation bonds payable due within one year	12,380,000
Workers compensation claims due within one year	2,401,987
Other claims and judgments due within one year	139,000
Total current liabilities	198,448,159
Long-term liabilities, net of current portion	
Pension note due in more than one year	38,015,118
Compensated absences due in more than one year	2,951,550
General obligation bonds payable due in more than one year	191,360,000
Workers compensation claims due in more than one year	2,401,987
Other claims and judgments due in more than one year	201,500
Total long-term liabilities	234,930,155
Total liabilities	433,378,314
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	961,503,568
Restricted for capital projects	195,700,063
Restricted for debt service	5,436,725
Unrestricted	(8,220,430)
<b>TOTAL NET ASSETS</b>	<b>\$ 1,154,419,926</b>

**FULTON COUNTY BOARD OF EDUCATION  
STATEMENT OF ACTIVITIES**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Functions/Program Activities	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 543,574,479	\$ 2,997,088	\$ 217,726,257	\$ 5,821,141	\$ (317,029,993)
Support services					
Pupil services	30,272,022	-	7,944,563	-	(22,327,459)
Improvement of instructional services	16,959,425	22,475	8,158,182	-	(8,778,768)
Educational media services	16,615,180	-	4,828,666	273,936	(11,512,578)
General administration	2,125,793	-	1,350,711	-	(775,082)
School administration	28,671,396	-	9,851,863	205,452	(18,614,081)
Business administration	10,019,446	-	198,470	-	(9,820,976)
Maintenance and operation of facilities	57,589,099	104,286	15,324,657	-	(42,160,156)
Student transportation services	36,840,639	4,812,924	6,351,092	-	(25,676,623)
Central support services	12,027,125	-	296,480	-	(11,730,645)
Other support services	1,345,926	-	1,085,458	-	(260,468)
Food services	34,649,273	15,364,722	15,033,483	547,872	(3,703,196)
Interest on long term debt	14,053,137	-	-	-	(14,053,137)
Total governmental activities	<u>804,742,940</u>	<u>23,301,495</u>	<u>288,149,882</u>	<u>6,848,401</u>	<u>(486,443,162)</u>
			<b>General revenues</b>		
			Property taxes		447,269,940
			Sales taxes		130,791,607
			Interest and investment earnings		13,844,014
			Gain on sale of capital assets		55,795
			Total general revenues		<u>591,961,356</u>
			<b>Change in net assets</b>		105,518,194
			<b>Net assets - beginning of year, restated</b>		<u>1,048,901,732</u>
			<b>Net assets - end of year</b>		<u><u>\$ 1,154,419,926</u></u>



**FULTON COUNTY BOARD OF EDUCATION  
BALANCE SHEET  
GOVERNMENTAL FUNDS**

**JUNE 30, 2006**

	General	1997 SPLOST Capital Projects	2002 SPLOST Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash	\$ 97,168,711	\$ 71,572,416	\$ 133,404,087	\$ 20,541,570	\$ 322,686,784
Investments	1,070,440	-	-	-	1,070,440
Due from other governments	35,074,232	-	-	6,178,941	41,253,173
Taxes receivable	17,154,742	-	21,289,903	306,714	38,751,359
Due from other funds	81,302,221	-	202,800	8,520,998	90,026,019
Other receivables	979,397	-	-	-	979,397
Other assets	14,575	-	-	-	14,575
Inventory	2,013,108	-	-	463,132	2,476,240
Total assets	<u>\$ 234,777,426</u>	<u>\$ 71,572,416</u>	<u>\$ 154,896,790</u>	<u>\$ 36,011,355</u>	<u>\$ 497,257,987</u>
<b>Liabilities</b>					
Accounts payable	\$ 4,980,603	\$ 2,305,685	\$ 4,964,138	\$ 1,299,965	\$ 13,550,391
Expired grants payable	-	-	-	26,871	26,871
Salaries and benefits payable	78,760,045	-	-	5,464,072	84,224,117
Other payables	7,594,573	-	1,478,022	-	9,072,595
Retainage payable	-	275,639	2,520,128	-	2,795,767
Due to other funds	319,035	8,404,763	60,737,559	20,495,394	89,956,751
Due to other governments	-	-	-	59,130	59,130
Tax anticipation note payable	-	-	40,000,000	-	40,000,000
Deferred revenue	8,578,957	-	-	177,341	8,756,298
Total liabilities	<u>100,233,213</u>	<u>10,986,087</u>	<u>109,699,847</u>	<u>27,522,773</u>	<u>248,441,920</u>
<b>Fund Balances</b>					
Reserved for:					
Encumbrances	19,552,400	16,191,681	48,746,194	1,507,423	85,997,698
Capital projects	-	64,796,191	130,903,872	-	195,700,063
Debt service	-	-	-	5,436,725	5,436,725
School activities	2,248,241	-	-	-	2,248,241
Unreserved:					
Designated for debt service	5,108,782	-	-	-	5,108,782
Undesignated, reported in:					
General fund	107,634,790	-	-	-	107,634,790
Special revenue funds	-	-	-	16,926,894	16,926,894
Capital projects funds	-	(20,401,543)	(134,453,123)	(15,385,689)	(170,240,355)
Permanent fund	-	-	-	3,229	3,229
Total fund balances	<u>134,544,213</u>	<u>60,586,329</u>	<u>45,196,943</u>	<u>8,488,582</u>	<u>248,816,067</u>
<b>Total liabilities and fund balances</b>	<u>\$ 234,777,426</u>	<u>\$ 71,572,416</u>	<u>\$ 154,896,790</u>	<u>\$ 36,011,355</u>	<u>\$ 497,257,987</u>

**FULTON COUNTY BOARD OF EDUCATION  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET ASSETS**

**JUNE 30, 2006**

<b>Total fund balances - governmental funds</b>	<b>\$</b>	<b>248,816,067</b>
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.</p>		1,165,243,568
<p>Net pension benefit in governmental activities is not a financial resource and therefore is not reported as an asset in governmental funds.</p>		15,253,436
<p>Property taxes receivable levied for the current and prior years and not collected within sixty days of year-end are not available soon enough to pay for the current period's expenditures, and, therefore, are reported as deferred revenue in the funds.</p>		8,756,298
<p>Long-term liabilities 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:</p>		
Bonds payable		(203,740,000)
Pension obligation payable		(41,127,176)
Accrued interest on bonds		(4,122,291)
Compensated absences payable		(29,515,502)
Claims payable		(5,144,474)
<b>Total net assets - governmental activities</b>	<b>\$</b>	<b><u>1,154,419,926</u></b>

**FULTON COUNTY BOARD OF EDUCATION**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	General	1997 SPLOST Capital Projects	2002 SPLOST Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
State funds	\$ 224,824,762	\$ 330,278	\$ -	\$ 12,783,814	\$ 237,938,854
Federal funds	6,705,384	-	-	49,247,443	55,952,827
On behalf payments	10,666,232	-	-	-	10,666,232
Local and other funds	454,766,470	3,077,164	132,785,971	23,321,999	613,951,604
Total revenues	<u>696,962,848</u>	<u>3,407,442</u>	<u>132,785,971</u>	<u>85,353,256</u>	<u>918,509,517</u>
<b>EXPENDITURES</b>					
Current					
Instruction	472,639,079	-	-	31,009,210	503,648,289
Support services					
Pupil services	25,731,942	-	-	4,266,481	29,998,423
Improvement of instructional services	10,634,072	-	-	5,461,533	16,095,605
Educational media services	14,593,228	-	-	-	14,593,228
General administration	1,007,961	-	-	1,085,350	2,093,311
School administration	27,417,964	-	-	-	27,417,964
Business administration	9,506,082	-	-	-	9,506,082
Maintenance and operation of facilities	56,401,257	-	-	-	56,401,257
Student transportation services	30,562,880	-	-	283,417	30,846,297
Central support services	11,506,453	-	-	-	11,506,453
On behalf payments	10,666,232	-	-	-	10,666,232
Other support services	132,528	-	-	1,197,161	1,329,689
Food services	-	-	-	31,020,305	31,020,305
Capital outlay	-	7,641,976	57,863,034	24,445,155	89,950,165
Debt Service					
Principal retirement	3,112,058	-	-	12,155,000	15,267,058
Interest and fees	1,903,614	-	-	12,356,465	14,260,079
Total expenditures	<u>675,815,350</u>	<u>7,641,976</u>	<u>57,863,034</u>	<u>123,280,077</u>	<u>864,600,437</u>
Excess (deficiency) of revenues over (under) expenditures	<u>21,147,498</u>	<u>(4,234,534)</u>	<u>74,922,937</u>	<u>(37,926,821)</u>	<u>53,909,080</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Proceeds from sale of capital assets	67,640	-	-	-	67,640
Transfers in	5,015,672	-	-	20,706,387	25,722,059
Transfers out	<u>(2,374,544)</u>	<u>(13,674,955)</u>	<u>(9,672,560)</u>	-	<u>(25,722,059)</u>
Total other financing sources (uses)	<u>2,708,768</u>	<u>(13,674,955)</u>	<u>(9,672,560)</u>	<u>20,706,387</u>	<u>67,640</u>
Net change in fund balances	<u>23,856,266</u>	<u>(17,909,489)</u>	<u>65,250,377</u>	<u>(17,220,434)</u>	<u>53,976,720</u>
Fund balances, beginning of year, restated	<u>110,687,947</u>	<u>78,495,818</u>	<u>(20,053,434)</u>	<u>25,709,016</u>	<u>194,839,347</u>
Fund balances, end of year	<u>\$ 134,544,213</u>	<u>\$ 60,586,329</u>	<u>\$ 45,196,943</u>	<u>\$ 8,488,582</u>	<u>\$ 248,816,067</u>

**FULTON COUNTY BOARD OF EDUCATION  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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<b>Net change in fund balances - total governmental funds</b>	\$	53,976,720
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expense in the statement of activities.		
Depreciation expense		(33,901,885)
Capital outlays		69,115,981
In the Statement of Activities, gains and losses on sales/disposition of capital assets are reported, whereas in the governmental funds, the proceeds from sales are reported. Thus, the change in net assets differs from the change in fund balance by the cost of those assets, less related accumulated depreciation.		
		(18,779)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
		12,155,000
Repayment of long-term pension obligation is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
		3,112,058
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.		
		2,362,054
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences		(1,587,630)
Claims and judgments		853,897
Accrued interest		206,942
Net pension asset		(756,164)
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b><u>105,518,194</u></b>

**FULTON COUNTY BOARD OF EDUCATION  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP) AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Budget</u>		<u>Actual</u>	<u>Variances With</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
<b>REVENUES</b>				
State sources	\$ 213,214,410	\$ 220,530,047	\$ 224,824,762	\$ 4,294,715
Federal sources	600,000	2,800,000	6,705,384	3,905,384
Local and other sources	450,036,881	450,625,778	452,585,195	1,959,417
Total revenues	<u>663,851,291</u>	<u>673,955,825</u>	<u>684,115,341</u>	<u>10,159,516</u>
<b>EXPENDITURES</b>				
Instruction	471,370,691	480,749,658	470,366,114	10,383,544
Support services				
Pupil services	26,814,893	28,050,704	25,731,942	2,318,762
Improvement of instructional services	10,561,298	11,004,333	10,634,072	370,261
Educational media services	13,538,939	14,787,765	14,593,228	194,537
General administration	799,252	1,010,950	1,007,961	2,989
School administration	27,406,745	27,709,776	27,417,964	291,812
Business administration	6,992,126	10,137,736	9,506,082	631,654
Maintenance and operation of facilities	59,645,256	66,372,064	56,401,257	9,970,807
Student transportation services	31,226,375	35,921,532	30,562,880	5,358,652
Central support services	12,313,899	11,625,639	11,506,453	119,186
Other support services	155,365	147,567	132,528	15,039
Debt service:				
TRS principal retirement	3,112,058	3,112,058	3,112,058	-
TRS interest and fees	1,607,654	1,607,654	1,903,614	(295,960)
Total expenditures	<u>665,544,551</u>	<u>692,237,436</u>	<u>662,876,153</u>	<u>29,361,283</u>
Excess (deficiency) of revenues over (under) expenditures	(1,693,260)	(18,281,611)	21,239,188	39,520,799
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from the sale of capital assets	-	-	67,640	67,640
Transfers in	-	-	5,015,672	5,015,672
Transfers out	(4,329,922)	(8,309,739)	(2,374,544)	5,935,195
Total other financing sources (uses)	<u>(4,329,922)</u>	<u>(8,309,739)</u>	<u>2,708,768</u>	<u>11,018,507</u>
Net change in fund balances	<u>\$ (6,023,182)</u>	<u>\$ (26,591,350)</u>	<u>\$ 23,947,956</u>	<u>\$ 50,539,306</u>

**FULTON COUNTY BOARD OF EDUCATION  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS**

JUNE 30, 2006

	<b>Pension Trust Fund</b>	<b>Agency Fund Club and Athletics Fund</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 8,444,327	\$ 3,865,205
Investments at fair value	169,564,869	-
Other receivables	565,241	308,668
Total assets	178,574,437	4,173,873
<b>Liabilities</b>		
Accounts payable	22,637	512,686
Due to other funds	69,268	-
Due to student groups	-	3,661,187
Total liabilities	91,905	4,173,873
<b>Net Assets</b>		
Reserved for retirement benefits	\$ 178,482,532	\$ -
(A Schedule of Funding Progress is presented on page 45)		

**FULTON COUNTY BOARD OF EDUCATION**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**PENSION TRUST FUND**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**Additions**

Contributions:

Employer	\$ 23,608,836
Plan members	4,030,546
Total contributions	27,639,382

Investment income:

Interest	1,943,363
Net decrease in the fair value of investments	11,066,296
Total investment income	13,009,659
Less investment expense	390,993
Net investment income	12,618,666

Total additions	40,258,048
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**Deductions**

Benefit payments	22,003,954
Administrative expense	815,956
Refunds	1,008,190
Other	300,281
	34,128,381

Total deductions	24,128,381
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Increase in net assets	16,129,667
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<b>Net assets, beginning of year</b>	162,352,865
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<b>Net assets, end of year</b>	\$ 178,482,532
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# FULTON COUNTY BOARD OF EDUCATION

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Fulton County Board of Education (the "School System") have been prepared in conformity with accounting principles generally accepted in the United States of America ("USGAAP") as applicable to governmental units. The more significant of the School System's accounting policies are summarized below.

#### 1. Reporting Entity

The School System is governed by an elected seven-member board (the "Board"). Board members are elected by the public and have the authority to make decisions, the power to approve selection of management personnel, the ability to significantly influence operations, and the primary accountability for fiscal matters. The Board determines the millage rate at which school taxes are levied and may incur bonded indebtedness with voters' approval. The School System has one blended component unit, the Fulton County School Employees' Pension Fund (the "Pension Fund") which is governed by a separate board of directors. Although the Pension Fund is legally separate from the School System, the Pension Fund is reported as a part of the primary government because its primary purpose is to provide retirement benefits to the employees of the School System and because the Pension Fund is fiscally dependent on the School System. Separate financial statements of the Pension Fund can be obtained at 786 Cleveland Avenue, Atlanta, Georgia 30315.

The School System is not considered a component unit of any other governmental reporting entity.

#### 2. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the School System. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The School System does not consider any of its activities to be business-type activities.



## NOTES TO FINANCIAL STATEMENTS

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2. Government-wide and Fund Financial Statements - Continued

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

#### 3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the fiduciary fund financial statements. Agency funds have no measurement focus; however, they use the accrual basis of accounting to recognize receivables and payables. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Property taxes are recognized as revenue in the period for which they were levied, if they are collected within 60 days of year end. All other revenues are considered to be available when they are collectible within one year of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, grant revenue, state Quality Basic Education (QBE) revenue and investment income associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the School System.

## NOTES TO FINANCIAL STATEMENTS

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued

The School System reports the following major governmental funds:

The **General Fund** is the School System's primary operating fund. The General Fund is used to account for all financial transactions of the School System except those required to be accounted for in another fund.

The **1997 SPLOST Capital Projects Fund** accounts for resources which are used exclusively for acquiring school sites, constructing and equipping new school facilities, and renovating existing facilities. The major revenue source is proceeds from sales taxes.

The **2002 SPLOST Capital Projects Fund** accounts for resources which are used for acquiring school sites, constructing and equipping new school facilities, and renovating existing facilities. The major revenue source is sales tax revenue.

Additionally, the School System reports the following nonmajor fund types:

- **Special Revenue Funds** – account for federal and state funded grants. These grants are awarded to the School System for the purpose of accomplishing specific tasks as defined in the grant agreements. These funds also contain several locally funded programs whose expenditures are limited to specific purposes.
- **Capital Projects Funds** – account for local and state financial resources set aside to be used for acquisition or construction of major capital facilities.
- **Debt Service Fund** – accounts for taxes (property and sales) legally restricted for the payment of general long-term obligation principal, interest and paying agent's fees.

The School System reports the following fiduciary fund types:

- **Permanent Fund** – account for assets held by the School System in a trustee capacity.
- **Agency Funds** – account for assets held by the School System as an agent for various funds, governments, school clubs or individuals.
- **Pension Trust Fund** – account for resources accumulated from pension benefits within a defined benefit plan.

## NOTES TO FINANCIAL STATEMENTS

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The School System has neither business-type activities nor enterprise funds. Therefore, the School System has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the School System's school food service program and the General Fund. Elimination of these charges would distort the direct costs reported for the various functions concerned.

Amounts reported as program revenues include 1) charges for services provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the School System's policy to use restricted resources first, then unrestricted resources as they are needed.

#### 4. Investments

Investments are reported at fair value based upon quoted market prices.

#### 5. Inventories and Prepaid Items

Inventory is valued at cost (weighted average method) and consists of expendable supplies held for consumption. Inventory is recorded on the consumption method whereby an expense is recorded at the time the inventory items are used.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

## NOTES TO FINANCIAL STATEMENTS

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 6. Receivables and Payables

During the course of its operations, the School System makes transfers between funds to finance operations, provide services, acquire assets, and service debt. To the extent that certain transfers between funds had not been received as of year end, balances of interfund amounts receivable or payable have been recorded.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Receivables such as property taxes are shown net of an allowance for estimated uncollectible amounts.

#### 7. Net Pension Asset

The amount reported as net pension asset is the cumulative difference between annual pension cost and the School System's contributions to the Plan.

#### 8. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the governmental activities in the government-wide statement of net assets and depreciated over their estimated useful lives in the government-wide statement of activities. Capital assets are defined by the School System as assets with an initial, individual cost of \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. However, all additions to land and buildings are capitalized. Donated capital assets are recorded at estimated fair value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend lives are not capitalized. Interest costs incurred during construction of capital assets are not capitalized.

Property, plant and equipment are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	15-50
Furniture, equipment and vehicles	5-15

## NOTES TO FINANCIAL STATEMENTS

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 9. Compensated Absences

School System employees can earn annual vacation leave based on length of service, up to a maximum of 20 days after 10 years of service. Annual vacation leave may be accumulated up to a maximum of 60 days. Sick and personal leave is accrued at 1.25 to 2 days per month, and may be accumulated, up to 20 days per year, with a maximum accumulation of 120 days. If an employee retires from the School System with a minimum of 10 years of service, the School System will pay the employee for one-half of their accumulated sick and personal leave, up to 40 days (a total of 80 days of accumulated leave). All annual and sick leave is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

#### 10. Deferred Revenues

The government-wide financial statements use the accrual basis of accounting and revenue is recognized when earned. Property taxes are recognized as revenue in the fiscal year for which they are levied. Deferred revenues reported in governmental fund financial statements represent unearned revenues or revenues which are measurable but not available and, in accordance with the modified accrual basis of accounting, are reported as deferred revenues.

#### 11. Long-Term Obligations:

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources. Issuance costs, whether or not withheld from actual proceeds, are reported as debt service expenditures.

#### 12. Fund Equity/Net Assets

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans for future use of financial resources. The deficits in the 2002 SPLOST Capital Projects Fund (\$20,053,434), the Charter School Special Revenue Fund (\$91,554), the Other Federal Grants Special Revenue Fund (\$5,005), and the 1998 Local Capital Project Fund (\$15,385,689) will be eliminated with transfers from the General Fund.

In the Statement of Net Assets, equity is reported as net assets and consists of amounts invested in capital assets, net of related debt, amounts restricted by outside parties for specific purposes and unrestricted amounts.

## NOTES TO FINANCIAL STATEMENTS

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 13. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

#### 14. Prior Period Adjustments

##### **Governmental Funds - Prior Period Adjustment:**

The School System has determined that restatements of the General Fund and 2002 SPLOST Fund's fund balances are required to reflect the omission of accounts payable not recorded in the previous year.

This restatement impacts the fund level statements of the General Fund and 2002 SPLOST Capital Projects Fund by decreasing fund balances by \$1,254,030 and \$642,367, respectively.

##### **General Fund**

Fund balance, June 30, 2005, as previously reported	\$ 111,941,977
Omission of liabilities	<u>(1,254,030)</u>
Fund balance, June 30, 2005, restated	<u>\$ 110,687,947</u>

##### **2002 SPLOST Capital Projects Fund**

Fund balance, June 30, 2005, as previously reported	\$ (19,411,067)
Omission of liabilities	<u>(642,367)</u>
Fund balance, June 30, 2005, restated	<u>\$ (20,053,434)</u>

## NOTES TO FINANCIAL STATEMENTS

### 14. Prior Period Adjustments - Continued

#### Governmental Activities – Prior Period Adjustment :

The School System has determined that a restatement of Governmental Activities' net assets is required to reflect the correction of an omission of bi-weekly employees' compensated absences from the total calculation of compensated absences. As a result of this adjustment and the above fund level adjustments, the beginning net assets of Governmental Activities have been decreased by a total of \$3,890,629.

Net Assets, June 30, 2005, as previously reported	\$ 1,052,792,361
Adjustment for liabilities - General Fund	(1,254,030)
Adjustment for liabilities - 2002 SPLOST Fund	(642,367)
Adjustment for compensated absences (long-term debt)	<u>(1,994,232)</u>
Total Prior Period Adjustments	<u>(3,890,629)</u>
Net Assets, June 30, 2005, restated	<u>\$ 1,048,901,732</u>

#### NOTE B – LEGAL COMPLIANCE - BUDGETS

**Budgetary Data.** The School System adopted an annual budget for its General Fund, Debt Service Fund, and Special Revenue Funds. The budget is prepared in accordance with provisions of the Quality Basic Education Act, OCGA Section 20-2-167. After the Board of Education has tentatively adopted the budget, such budget is advertised at least one time in a local newspaper of general circulation. Public hearings are conducted to obtain citizen's comments. After consideration of the citizen's comments, the budget is revised as necessary and adopted as the final budget by the Board.

The Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget (Non-GAAP) and Actual presents actual and budget data for the General Fund. To facilitate comparison with the budget, adjustments have been made to actual revenues and expenditures to reflect actual amounts on the budget basis. The primary differences between the budget basis and accounting principles generally accepted in the United States of America ("USGAAP") are:

- a. Principals' funds revenues and expenditures are not budgeted.
- b. Payments made by the State of Georgia for School System employee benefits are recognized as revenues and expenditures under USGAAP, but are not recognized on the budget basis.

## NOTES TO FINANCIAL STATEMENTS

### NOTE B – LEGAL COMPLIANCE – BUDGETS (CONTINUED)

Adjustments necessary to convert the General Fund's net change in fund balance from the USGAAP basis to the budgetary basis are as follows:

USGAAP basis net change in fund balance	\$ 23,856,266
Adjustments for:	
Principals' funds revenue	(2,181,275)
Principals' funds expenditures	2,272,965
State paid employee benefit revenue	(10,666,232)
State paid employee benefit expenditures	<u>10,666,232</u>
Budget basis net change in fund balance	<u>\$ 23,947,956</u>

For the year ended June 30, 2006, there were no actual expenditures on the budgetary basis that exceeded the budgeted amounts for any departments.

### NOTE C – DEPOSITS AND INVESTMENTS

#### 1. Deposits and Investments

**Credit Risk** – State statutes authorize the School System to invest in: obligations of the United States, the State of Georgia and other political subdivisions of the State of Georgia, and other states; prime bankers' acceptances; repurchase agreements; and the Georgia local government investment pool (Georgia Fund 1). Georgia Fund 1, created by OCGA 36-83-8, is a stable net asset value investment pool which follows Standard and Poor's criteria for AAAM rated money market funds. However, Georgia Fund 1 operates in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940 and is considered to be a 2a-7 like pool. The pool is not registered with the SEC as an investment company. The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal (\$1.00 per share value). Net asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and determines participant's shares sold and redeemed based on a \$1.00 per share value. The fair value of the School System's position in the pool is the same as the value of pool shares (\$1 per share value). The regulatory oversight agency for Georgia Fund 1 is the Office of Treasury and Fiscal Services of the State of Georgia. The School System has classified the Georgia Fund 1 funds as cash and cash equivalents. Therefore, cash includes \$235,525,356 in the Georgia Fund 1. As of June 30, 2006, the Georgia Fund 1 had a weighted average maturity of 28 days and a credit rating of AAAM.



## NOTES TO FINANCIAL STATEMENTS

### NOTE C – DEPOSITS AND INVESTMENTS (CONTINUED)

#### 1. Deposits and Investments - Continued

GEAP was also created under the OCGA 36-83-8, but investments are restricted to those enumerated by OCGA 50-5A-7 and Chapter 17 of Title 50. GEAP is managed by the State of Georgia as a variable net asset value fund. These funds are managed similarly to the management of the Georgia Fund 1 accounts. GEAP is available to all public entities that have a minimum of \$1,000,000 in funds available for investment for a period of one (1) year or longer. The value of an investment in GEAP will fluctuate over time, and it is possible to lose money by investing in the fund. Investments in this fund are not guaranteed or insured by any bank, the FDIC, the State of Georgia or any other government agency. As of June 30, 2006, the School System's investment in the Georgia Extended Asset Pool was rated AAAf by Standard & Poor's.

At June 30, 2006, the School System had the following investments:

Investment	Maturities	Fair Value
GEAP	.97 weighted average	\$ 1,070,440

**Interest Rate Risk** – The School System's surplus funds management policy does not formally limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Custodial Credit Risk – Deposits** – Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal and state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of June 30, 2006, \$1,852,929 of the School System's bank balance was uninsured or uncollateralized.

**Foreign Credit Risk** – The LGIP ( Georgia Fund 1), and GEAP have no exposure to foreign currency risk. State law does not allow the LGIP or GEAP to invest in securities that may have foreign currency risk.

#### Pension Fund

As of June 30, 2006, the balance of Pension Fund investments, \$169,564,869, is invested based on a separate policy for pension assets adopted by the Pension Fund Board in compliance with State law. The Pension Fund assets are invested in domestic common stocks, international stocks, and domestic bonds based on asset allocation ranges and performance benchmarks.

## NOTES TO FINANCIAL STATEMENTS

### NOTE C – DEPOSITS AND INVESTMENTS (CONTINUED)

#### 1. Deposits and Investments - Continued

##### Pension Fund - Continued

Investment	Fair Value	Duration (Years)	Credit Quality
U.S. Treasury Notes (government issues)	\$ 9,997,560	2.58 - 9.08	AAA
Corporate Bonds (convertible bonds)	6,570	3	D
U.S. Mutual Funds	141,429,439	---	---
Foreign Currency	3,057	---	---
Real Estate Investment Trust	638,162	---	---
STIF - Type Instrument (StateStreet Bank & Trust)	726,165	---	---
Corporate Equities	16,763,916	---	---
Total	<u>\$ 169,564,869</u>		

**Interest Rate Risk** – The Pension Fund investment policy adopts the following asset mix to achieve the lowest level of risk for the plan: Equity Securities between 30% and 60%, and Fixed Income Securities between 40% and 70%. U.S. Government/Agencies are not classified by credit quality. Corporate equities are not impacted by changes in interest rates.

**Custodial Credit Risk – Deposits** – Custodial credit risk for deposits is the risk that in the event of a bank failure, the School System may not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. At year-end, the Pension Fund had deposits with a bank balance of \$9,332,042; the carrying amount for these deposits was \$8,444,327. At June 30, 2006, the Pension Fund had no bank balances exposed to custodial credit risk.

**Credit Risk** – The Pension Fund policy prohibits investments in direct real estate, and no more than 60% (at cost) of Pension Fund assets shall be invested in equities. It is the Pension Fund’s policy to limit investments in common or preferred stock of a corporation to those corporations listed on one or more of the recognized national stock exchanges in the United States, or those traded on the NASDAQ National Market. The policy also limits stock investments to not more than five (5) percent of cost of the assets of any fund in common or preferred stock of any one issuing corporation and the aggregate investment of any fund in any one issuing corporation shall not exceed three (3) percent of the outstanding capital stock of that corporation. Domestic bonds are limited to those with ratings that meet or exceed S&P’s BBB or Moody’s Baa ratings.

**Foreign Currency Risk** – At June 30, 2006, \$3,057 of total Pension Fund investments had exposure of foreign currency risk through investments in foreign companies.

### NOTE D - DUE FROM OTHER GOVERNMENTS

Due from other governments consists of grant reimbursements due from federal, state or other grantors for expenditures made but not yet reimbursed.

## NOTES TO FINANCIAL STATEMENTS

### NOTE E - TAXES RECEIVABLE

Taxes receivable includes property taxes and sales tax due to the School System. Property taxes for the June 30, 2006 fiscal year were levied on July 20, 2005, based on property values assessed as of January 1, 2005, and are payable on or before October 15, 2005. An interest penalty of 10% per annum is charged on property taxes not paid within 90 days of the due date. Property taxes become an enforceable lien on January 15, 2006.

Property taxes for the June 30, 2007 fiscal year were levied on July 5, 2006, based on property values assessed as of January 1, 2006, and are payable on or before October 15, 2006. An interest penalty of 10% per annum is charged on property taxes not paid within 90 days of the due date. Property taxes become an enforceable lien on January 15, 2007.

### NOTE F – CAPITAL ASSETS

Changes in capital assets used in the School System’s governmental funds during the year ended June 30, 2006 were as follows:

	<u>Balance June 30, 2005</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2006</u>
Capital assets not being depreciated				
Land	\$ 125,318,794	\$ 18,676,728	\$ -	\$ 143,995,522
Construction in progress	1,613,074	24,138,640	-	25,751,714
Total capital assets not being depreciated	<u>126,931,868</u>	<u>42,815,368</u>	<u>-</u>	<u>169,747,236</u>
Capital assets being depreciated				
Buildings and improvements	1,231,239,588	23,547,561	-	1,254,787,149
Furniture, equipment and vehicles	70,241,001	2,753,052	1,324,631	71,669,422
Total capital assets being depreciated	<u>1,301,480,589</u>	<u>26,300,613</u>	<u>1,324,631</u>	<u>1,326,456,571</u>
Less accumulated depreciation for				
Buildings and improvements	261,271,033	29,162,841	-	290,433,874
Furniture, equipment and vehicles	37,093,173	4,739,044	1,305,852	40,526,365
Total accumulated depreciation	<u>298,364,206</u>	<u>33,901,885</u>	<u>1,305,852</u>	<u>330,960,239</u>
Total capital assets being depreciated, net	<u>1,003,116,383</u>	<u>(7,601,272)</u>	<u>18,779</u>	<u>995,496,332</u>
Total governmental activities capital assets, net	<u>\$ 1,130,048,251</u>	<u>\$ 35,214,096</u>	<u>\$ 18,779</u>	<u>\$ 1,165,243,568</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE F – CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions as follows:

Instruction	\$ 24,132,860
Pupil Services	125,311
Improvement of Instruction	514,682
Educational Media Services	1,228,340
General Administration	16,313
School Administration	736,506
Business Administration	311,391
Maintenance and Operation of Facilities	656,266
Student Transportation Services	3,665,464
Central Support Services	305,046
Other Support Services	8,158
Food Services	2,201,548
	<u>\$ 33,901,885</u>

### NOTE G - LONG-TERM DEBT

On November 1, 1991, the School System issued \$133,960,000 of general obligation refunding bonds, Series 1991, with interest payments due semiannually on May 1 and November 1 and principal payments due on May 1 of each year. Interest rates vary from 4.75% to 6.375%. The outstanding balance of these general obligation refunding bonds as of June 30, 2006 is \$80,340,000.

On June 15, 1998, the School System issued \$135,150,000 of general obligation refunding bonds, Series 1998, with interest payments due semiannually on January 1 and July 1 and principal payments due on July 1 of each year. Interest rates vary from 4.0% to 5.5%. The outstanding balance of these general obligation refunding bonds as of June 30, 2006 is \$123,400,000.

On July 1, 1988, eligible participants in the Fulton County School Employees' Pension Fund (the "Fund"), who are employees of the School System, were transferred by status to the Teachers' Retirement System of Georgia ("TRS"). A previously unfunded actuarial liability associated with these employees, in the amount of \$121,370,262 became payable to TRS. This amount is payable in 39 equal annual installments of \$3,112,058 plus interest by June 30 of each year. The principal payments on this obligation commenced on June 30, 1990. Annual interest is computed on the unpaid balance at a rate equal to the average rate of return on TRS fixed income investments during the preceding calendar year but not to exceed 9% per annum. The principal and interest payments will be made by either the School System or the Fund as determined by their governing bodies. Amounts paid by the Fund will reduce the assets of the Fund, thereby increasing future contributions required to be paid by the School System to the Fund for benefits.

## NOTES TO FINANCIAL STATEMENTS

### NOTE G - LONG-TERM DEBT (CONTINUED)

Principal of \$3,112,058 and interest of \$1,903,614 for the year ended June 30, 2006 was paid by the School System, and are recorded as debt service expenditures in the General Fund. The outstanding balance of this pension note as of June 30, 2006 is \$41,127,176.

The changes in long-term debt during the year ended June 30, 2006, were as follows:

	<b>Restated Balance July 1, 2005</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2006</b>	<b>Due Within One Year</b>
1991 Series general obligation bonds maturing on May 1, 2017, with interest rates ranging from 4.75% to 6.375%	\$ 87,025,000	\$ -	\$ 6,685,000	\$ 80,340,000	\$ 6,655,000
1998 Series general obligation bonds maturing on July 1, 2021, with interest rates ranging from 4.0% to 5.5%	128,870,000	-	5,470,000	123,400,000	5,725,000
Total bonds payable	215,895,000	-	12,155,000	203,740,000	12,380,000
Workers' compensation insurance claims	5,401,579	2,098,790	2,696,395	4,803,974	2,401,987
Other claims and judgments	596,792	152,500	408,792	340,500	139,000
Compensated absences	27,927,872	30,594,996	29,007,366	29,515,502	26,563,952
Pension note	44,239,234	-	3,112,058	41,127,176	3,112,058
Governmental activities long-term liabilities	<u>\$ 294,060,477</u>	<u>\$ 32,846,286</u>	<u>\$ 47,379,611</u>	<u>\$ 279,527,152</u>	<u>\$ 44,596,997</u>

As of June 30, 2006, the School System determined that a prior period adjustment of \$1,994,232 was needed due to the omission of bi-weekly employees' compensated absences from the total calculation of compensated absences in prior years. Therefore, the beginning governmental activities long-term debt increased from \$292,066,245 (from the prior year) to \$294,060,477 (as restated above for June 30, 2005).

Debt service payments on bonds are made by the Debt Service Fund. Compensated absences, workers' compensation claims and pension note payments are primarily paid by the General Fund.

**NOTES TO FINANCIAL STATEMENTS**

**NOTE G - LONG-TERM DEBT (CONTINUED)**

General obligation bonds debt service requirements to maturity, including interest are as follows:

<b>Payments due in Fiscal Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2007	\$ 12,380,000	\$ 11,659,031	\$ 24,039,031
2008	12,605,000	10,977,149	23,582,149
2009	13,865,000	10,255,737	24,120,737
2010	15,130,000	9,442,269	24,572,269
2011	15,390,000	8,551,700	23,941,700
2012-2016	78,500,000	29,107,095	107,607,095
2017-2021	55,870,000	9,073,425	64,943,425
<b>Total</b>	<b>\$ 203,740,000</b>	<b>\$ 89,066,406</b>	<b>\$ 292,806,406</b>

Pension note debt service requirements to maturity, including interest are as follows:

<b>Payments due in Fiscal Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2007	\$ 3,112,058	\$ 1,996,724	\$ 5,108,782
2008	3,112,058	1,845,634	4,957,692
2009	3,112,058	1,694,544	4,806,602
2010	3,112,058	1,543,453	4,655,511
2011	3,112,058	1,392,363	4,504,421
2012-2016	15,560,290	4,695,457	20,255,747
2017-2020	10,006,596	1,036,739	11,043,335
<b>Total</b>	<b>\$ 41,127,176</b>	<b>\$ 14,204,914</b>	<b>\$ 55,332,090</b>

## NOTES TO FINANCIAL STATEMENTS

### NOTE H – OPERATING LEASES

#### Lessor Agreements

The School System leases certain parcels of land for use by others (cell towers) for varying terms. The leases are accounted for as operating leases and revenues are recorded when earned. Revenue derived from these leases during fiscal year 2006 amounted to \$555,521 and is reported as other local sources in the School System’s General Fund.

The following is a schedule of minimum future rentals to be received under operating leases at June 30, 2006:

<u>Fiscal Year Ended June 30,</u>	<u>General Fund</u>
2007	\$ 615,793
2008	634,224
2009	654,532
2010	670,471
2011	647,584
2012-2016	1,895,927
2017-2021	631,875
2022-2026	342,143
2027-2031	71,410
Total	<u>\$ 6,163,959</u>

### NOTE I- SHORT-TERM DEBT

On June 13, 2006, the School System entered into a tax anticipation note (TAN) agreement with a financial institution to issue \$40,000,000 Fulton County School District Short-Term Notes, Series 2006, in anticipation of the proceeds of a one percent sales and use tax for educational purposes to be collected in the year 2006. The TAN had a rate of 4.5% and all interest and principal were due on December 29, 2006.

Activity for the short-term liability for the year ended June 30, 2006, was as follows:

<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
\$ -	\$ 40,000,000	\$ -	\$ 40,000,000

**NOTES TO FINANCIAL STATEMENTS**

**NOTE J- INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

During the course of its operations, the School System makes transfers between funds to finance operations, provide services, acquire assets and service debt. To the extent that certain transfers between funds had not been received as of year end, balances of interfund amounts receivable or payable have been recorded.

The composition of interfund balances as June 30, 2006 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor governmental funds	\$ 20,495,394
General Fund	2002 SPLOST Capital Projects	60,737,559
2002 SPLOST Capital Projects	General Fund	202,800
General Fund	Pension Fund	69,268
Nonmajor governmental funds	1997 SPLOST Capital Projects Fund	8,404,763
Nonmajor governmental funds	General Fund	116,235
		<u>\$ 90,026,019</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

The composition of interfund transfers for the year ended June 30, 2006 is as follows:

<u>From</u>	<u>To</u>	<u>Amount</u>
General Fund	Nonmajor governmental funds	\$ 2,374,544
1997 SPLOST Capital Projects Fund	Nonmajor governmental funds	13,674,955
2002 SPLOST Capital Projects Fund	Nonmajor governmental funds	4,656,888
2002 SPLOST Capital Projects Fund	General Fund	5,015,672
		<u>\$ 25,722,059</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that the statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.



## NOTES TO FINANCIAL STATEMENTS

### NOTE K- RISK MANAGEMENT

The School System is exposed to various risks of loss for claims associated with torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The School System is self-insured for workers' compensation claims. The School System purchases commercial insurance for all other risks of loss. Settled claims have not exceeded purchased commercial insurance coverage in any of the past three years. There was no significant reduction in insurance coverage since last fiscal year.

#### **Workers' Compensation Claims**

The School System is self-insured for workers' compensation claims. The School System accounts for workers' compensation claims in the General Fund. Workers' compensation claims expenditures and liability are reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported and related claims administration expenses. Changes in the workers' compensation claims liability during the last two fiscal years are as follows:

	<u>Unpaid claims, beginning of fiscal year</u>	<u>Incurred claims (including IBNRs)</u>	<u>Claim payments and changes in estimates</u>	<u>Unpaid claims, end of fiscal year</u>
2006	\$ 5,401,579	\$ 2,098,790	\$ 2,696,395	\$ 4,803,974
2005	\$ 5,196,266	\$ 2,655,630	\$ 2,450,317	\$ 5,401,579

### NOTE L - RETIREMENT PLANS

#### **Teachers Retirement System of Georgia ("TRS")**

##### **Plan Description**

Substantially all teachers, administrators, and clerical personnel employed by School System are members of the Teachers Retirement System of Georgia, which is a cost-sharing, multiple employer public employee retirement system administered by the TRS Board of Trustees.

## NOTES TO FINANCIAL STATEMENTS

### NOTE L - RETIREMENT PLANS (CONTINUED)

#### Teachers Retirement System of Georgia ("TRS") - Continued

##### Plan Description - Continued

TRS provides retirement and disability benefits, and death benefits to plan members and beneficiaries. Title 47, Chapter 3 of the Official Code of Georgia Annotated, assigns the authority to establish and amend benefit provisions to the TRS Board of Trustees. The TRS Board of Trustees issues a publicly available financial report that includes financial statements and required supplementary information for TRS. That report may be obtained by writing to TRS of Georgia, Two Northside 75, Suite 400, Atlanta GA 30331, or by calling 1-800-352-0650.

A member is eligible for retirement after 30 years of creditable service, regardless of age, or after 10 years of creditable service and attainment of age 60. A member is eligible for early retirement after 25 years of creditable service. If an employee retires under this provision, the benefit will be permanently reduced by the lesser of one-twelfth of 7% for each month below age 60, or 7% for each year or fraction of a year less than 30 years of creditable service. Retirement benefits paid to members are equal to 2% of the average of the member's two consecutive highest paid years of service multiplied by the number of years of creditable service up to 40 years. The normal retirement pension is payable monthly for life. Options are available for distribution of the member's monthly pension at a reduced rate to a designated beneficiary on the member's death.

Retirement benefits also include death and disability benefits whereby the disabled member or surviving spouse is entitled to receive annually an amount equal to the member's service retirement benefit or disability retirement, whichever is greater. The benefit is based on the member's creditable service (minimum of 10 years) and compensation up to the date of death.

Members become fully vested after ten years of service. If a member is terminated with less than ten years of service, no vesting of employer contributions occurs, but the member's contribution is refunded with interest.

##### Funding Policy

Employees of the School System who are covered by TRS are required to pay 5% of their gross earnings to TRS. The School System makes monthly employer contributions to TRS at rates adopted by the TRS Board of Trustees as advised by their independent actuary. The employer contribution rate was 9.24%, for each of the fiscal years 2006, 2005, and 2004.

**NOTES TO FINANCIAL STATEMENTS**

**NOTE L - RETIREMENT PLANS (CONTINUED)**

**Teachers Retirement System of Georgia ("TRS") - Continued**

**Funding Policy - Continued**

Total actual and required contributions for the last three years were as follows:

	<b>2006</b>	<b>2005</b>	<b>2004</b>
Employer contribution	\$ 39,020,624	\$ 37,016,683	\$ 34,648,981
Percentage contributed	100%	100%	100%

**Fulton County School Employees' Pension Fund**

**Plan Description**

All full-time School System employees who are not members of TRS are required to participate in the Fulton County School Employees' Pension Fund (the "Fund"), a mandatory defined benefit pension plan established by state statute. All full-time School System personnel employed prior to June 30, 1988 and who were transferred to TRS on July 1, 1988, retained membership in the Fund, as well as potential benefits from the Fund, although primary benefits will be from TRS. All plan participant, actuarial and fund data include these employees as members. The Fulton County School Employees' Pension Fund board administers the Fund. The School System issues a publicly available financial report that includes financial statements and required supplementary information for the Fund. The financial reports may be obtained by writing to Fulton County School Employees' Pension Fund, 786 Cleveland, Avenue, SW, Atlanta, Georgia, 30315-7299.

Benefits vest after 10 years of service. Most participants are eligible to receive benefits at 65 and 55 years old with 25 and 30 years of creditable service, respectively, at the time of disability, and at death. Benefits vary based on certain benefit elections made by members.

**Funding Policy**

The contribution requirements of plan members and the School System are established in accordance with the applicable pension law. Fund members covered under the 1978 law contribute 6.6% of gross salary if beneficiary coverage is elected and 5.6% of gross salary if beneficiary is not elected. Members covered under the 1962 law contribute 6% of gross salary if beneficiary coverage is elected and 5% of gross salary if beneficiary coverage was not elected. Members covered under laws prior to 1962 contribute amounts prescribed in those laws.

## NOTES TO FINANCIAL STATEMENTS

### NOTE L - RETIREMENT PLANS (CONTINUED)

#### Fulton County School Employees' Pension Fund - Continued

#### Funding Policy (Continued)

The School System's contribution is the actuarially determined amount necessary to fund plan benefits; the current rate is 19.62% of annual covered payroll. The contribution requirements of plan members and the school system are established and may be amended by the Pension Board. Total contributions to the Plan for the years ended June 30, 2006, 2005 and 2004 were \$23,608,836, \$22,270,600, and \$22,761,000, respectively.

#### Annual Pension Cost and Net Pension Asset

The School System's annual pension cost and net pension asset at June 30, 2006 are as follows:

Annual required contribution	\$ 23,937,000
Interest on net pension asset	(1,121,000)
Adjustment to annual required contribution	<u>1,549,000</u>
Annual pension cost	24,365,000
Contributions made	<u>(23,608,836)</u>
Decrease in net pension asset	756,164
Net pension asset at beginning of year	<u>16,009,600</u>
Net pension asset at end of year	<u>\$ 15,253,436</u>

### NOTE M - COMMITMENTS AND CONTINGENCIES

#### Grant Programs

The School System participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School System has not complied with the rules and regulations governing the grants, refunds of any amounts received may be required and the collectibility of any related receivable at year-end may be impaired. In the opinion of the School System, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

## NOTES TO FINANCIAL STATEMENTS

### NOTE M – COMMITMENTS AND CONTINGENCIES (CONTINUED)

#### Capital Project Construction Contracts

The School System has undertaken a capital improvement program to renovate and expand many of its existing facilities and to build several new facilities. Accordingly, the School System has entered into various long-term construction contracts, some of which are not complete at year-end. As of June 30, 2006, the School System has outstanding contractual commitments totaling approximately \$32,788,938 relating to the construction and expansion of school facilities. Management anticipates that these projects will be funded in forthcoming years through current funds, state grants, property taxes, and revenues from a special local option sales tax.

On March 18, 1997, the voters in Fulton County approved the imposition of a one-percent Special Local Option Sales Tax (SPLOST) for School System capital projects. The SPLOST was implemented July 1, 1997, and remains in effect for up to five years or until the School System has received \$490 million from the tax, whichever occurs earlier. The School System plans to use up to \$439,100,000 for new school additions, renovations, and other construction costs, and furnishing and equipping new and current schools. Also, up to \$70,900,000 will be used to pay debt service costs on bond issues outstanding prior to the imposition of the tax.

On March 19, 2002, the voters in Fulton County approved imposition of a one-percent Special Local Option Sales Tax (SPLOST) for School System capital projects. The SPLOST was implemented July 1, 2002, and remains in effect for up to five years or until the School System has received \$670 million from the tax, whichever occurs earlier. The School System plans to use up to \$525,100,000 for new school additions, renovations, and other construction costs, and furnishing and equipping new and current schools. Also, up to \$43,300,000 will be used to pay debt service costs on bond issues outstanding prior to the imposition of the tax.

#### Litigation

The School System is involved in a number of legal matters which either have or could result in litigation. Although the outcome of these lawsuits is not presently determinable, in the opinion of the School System's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the School System.

### NOTE N - ON-BEHALF PAYMENTS FOR FRINGE BENEFITS

The School System has recognized revenue and expenditures of \$10,666,232 for health insurance paid on the School System's behalf by the Georgia Department of Education to the Department of Community Health for health insurance of non-certified personnel.

## NOTES TO FINANCIAL STATEMENTS

### NOTE O – SUBSEQUENT EVENT

On June 13, 2006, the School System entered into a tax anticipation note (TAN) agreement with a financial institution to issue \$40,000,000 Fulton County School District Short-Term Notes, Series 2006, in anticipation of the proceeds of a one percent sales and use tax for educational purposes to be collected in the year 2006. The School System subsequently paid back the principal amount of the TAN and interest on December 29, 2006.

During fiscal year-ended June 30, 2005, the School System advanced \$60,500,000 to the 2002 SPLOST Capital Projects Fund from the General Fund. The advance of \$60,500,000 was subsequently repaid in September 2006.

**REQUIRED SUPPLEMENTARY INFORMATION  
(UNAUDITED)**

**FULTON COUNTY BOARD OF EDUCATION  
REQUIRED SUPPLEMENTARY INFORMATION**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**SCHEDULE OF FUNDING PROGRESS**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Entry Age Normal Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded Actuarial Accrued Liability (UALL) (b - a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (d)</b>	<b>UAAL as a Percentage of Covered Payroll ((b - a)(c))</b>
June 30, 1997	\$ 96,637,000	\$ 217,080,000	\$ 120,443,000	44.5 %	\$ 133,950,000	89.9 %
June 30, 1999	107,604,000	217,463,000	109,859,000	49.5	134,718,000	81.5
June 30, 2001	120,681,000	269,318,000	148,637,000	44.8	136,736,000	108.7
June 30, 2002	128,307,000	323,490,000	195,183,000	39.7	133,543,000	146.2
June 30, 2004	148,723,000	368,661,000	195,183,000	40.3	130,212,000	168.9
June 30, 2005	161,749,000	374,322,000	212,573,000	43.2	122,019,000	174.2

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

<b>Fiscal Year Ended</b>	<b>Annual Required Contribution</b>	<b>Employer Contribution</b>	<b>Percentage Contributed</b>
June 30, 2001	\$ 12,459,000	\$ 14,560,000	116.9 %
June 30, 2002	16,931,000	17,460,000	103.1
June 30, 2003	20,266,000	19,100,000	94.2
June 30, 2004	19,898,000	22,761,000	114.4
June 30, 2005	23,830,000	22,271,000	93.5
June 30, 2006	23,937,000	23,609,000	98.6

The above information was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	June 30, 2005
Actuarial cost method	Entry age normal
Amortization method	Level percent, closed
Remaining amortization period	21 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7% compounded annually, net after investment cost
Projected salary increases	5.25 - 8.00%
Cost of living adjustments	3%



**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

**FULTON COUNTY BOARD OF EDUCATION  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS**

JUNE 30, 2006

<u>Assets</u>	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Capital Projects Funds</u>	<u>Permanent Fund J.C. Day</u>	<u>Total Nonmajor Governmental Funds</u>
Cash and cash equivalents	\$ 20,538,341	\$ -	\$ -	\$ 3,229	\$ 20,541,570
Taxes receivable	-	306,714	-	-	306,714
Due from other governments	6,178,941	-	-	-	6,178,941
Due from other funds	110,039	8,410,959	-	-	8,520,998
Inventory	463,132	-	-	-	463,132
<b>Total assets</b>	<b>\$ 27,290,453</b>	<b>\$ 8,717,673</b>	<b>\$ -</b>	<b>\$ 3,229</b>	<b>\$ 36,011,355</b>
 <b><u>Liabilities and Fund Balances</u></b>					
Liabilities					
Accounts payable	\$ 1,299,211	\$ -	\$ 754	\$ -	\$ 1,299,965
Other payables	26,871	-	-	-	26,871
Salaries payable	5,464,072	-	-	-	5,464,072
Deferred revenue	-	177,341	-	-	177,341
Due to other governments	59,130	-	-	-	59,130
Due to other funds	2,006,852	3,103,607	15,384,935	-	20,495,394
<b>Total liabilities</b>	<b>8,856,136</b>	<b>3,280,948</b>	<b>15,385,689</b>	<b>-</b>	<b>27,522,773</b>
Fund balances					
Reserved for encumbrances	1,507,423	-	-	-	1,507,423
Reserved for debt service	-	5,436,725	-	-	5,436,725
Unreserved - undesignated	16,926,894	-	(15,385,689)	3,229	1,544,434
<b>Total fund balances</b>	<b>18,434,317</b>	<b>5,436,725</b>	<b>(15,385,689)</b>	<b>3,229</b>	<b>8,488,582</b>
<b>Total liabilities and fund balances</b>	<b>\$ 27,290,453</b>	<b>\$ 8,717,673</b>	<b>\$ -</b>	<b>\$ 3,229</b>	<b>\$ 36,011,355</b>

**FULTON COUNTY BOARD OF EDUCATION**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Permanent Fund J.C. Day	Total Nonmajor Governmental Funds
<b>REVENUES</b>					
State sources	\$ 6,265,691	\$ -	\$ 6,518,123	\$ -	\$ 12,783,814
Federal sources	49,247,443	-	-	-	49,247,443
Local sources and other sources	16,237,535	7,084,459	-	5	23,321,999
<b>Total revenues</b>	<b>71,750,669</b>	<b>7,084,459</b>	<b>6,518,123</b>	<b>5</b>	<b>85,353,256</b>
<b>EXPENDITURES</b>					
Instruction	31,009,210	-	-	-	31,009,210
Support services					
Pupil services	4,266,481	-	-	-	4,266,481
Improvement of instructional services	5,461,533	-	-	-	5,461,533
General administration	1,085,350	-	-	-	1,085,350
Student transportation services	283,417	-	-	-	283,417
Other support services	1,197,161	-	-	-	1,197,161
Food services operations	31,020,305	-	-	-	31,020,305
Capital outlays	-	-	24,445,155	-	24,445,155
Debt service					
Principal retirement	-	12,155,000	-	-	12,155,000
Interest and fees	-	12,356,465	-	-	12,356,465
<b>Total expenditures</b>	<b>74,323,457</b>	<b>24,511,465</b>	<b>24,445,155</b>	<b>-</b>	<b>123,280,077</b>
Excess (deficiency) of revenues over (under) expenditures	(2,572,788)	(17,427,006)	(17,927,032)	5	(37,926,821)
<b>OTHER FINANCING SOURCES:</b>					
Transfers in	2,374,544	18,331,843	-	-	20,706,387
<b>Total other financing sources</b>	<b>2,374,544</b>	<b>18,331,843</b>	<b>-</b>	<b>-</b>	<b>20,706,387</b>
Net change in fund balances	(198,244)	904,837	(17,927,032)	5	(17,220,434)
Fund balances, beginning of year	18,632,561	4,531,888	2,541,343	3,224	25,709,016
Fund balances, end of year	<u>\$ 18,434,317</u>	<u>\$ 5,436,725</u>	<u>\$ (15,385,689)</u>	<u>\$ 3,229</u>	<u>\$ 8,488,582</u>

FULTON COUNTY BOARD OF EDUCATION

COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2006

Assets	Title I	Title II	Title III	Part B - Special Education	Education for the Homeless	Charter School	Safe and Drug-Free Schools	School Nutrition Program	Innovative Programs
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 1,218,849	\$ 1,208	\$ -	\$ -	\$ 16,677,628	\$ -
Due from other governments	2,481,733	926,427	182,126	1,850,987	445	95,324	38,048	186,097	229,519
Due from other funds	-	-	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-	463,132	-
Total assets	\$ 2,481,733	\$ 926,427	\$ 182,126	\$ 3,069,836	\$ 1,653	\$ 95,324	\$ 38,048	\$ 17,326,857	\$ 229,519
<b>Liabilities and Fund Balances</b>									
Liabilities									
Accounts payable	\$ 386,709	\$ 63,979	\$ 48,461	\$ 503,817	\$ -	\$ 95,324	\$ -	\$ 83,236	\$ 2,916
Other payables	25,298	-	-	-	-	-	-	-	-
Salaries payable	907,251	448,153	40,286	2,351,721	-	-	1,744	415,605	2,908
Due to other governments	2,565	-	56,565	-	-	-	-	-	-
Due to other funds	1,110,736	405,141	33,903	-	-	91,554	35,982	-	223,330
Total liabilities	2,432,559	917,273	179,215	2,855,538	-	186,878	37,726	498,841	229,154
Fund balances									
Reserved for encumbrances	-	-	-	-	-	-	-	1,507,423	-
Unreserved - undesignated	49,174	9,154	2,911	214,298	1,653	(91,554)	322	15,320,593	365
Total fund balances	49,174	9,154	2,911	214,298	1,653	(91,554)	322	16,828,016	365
Total liabilities and fund balances	\$ 2,481,733	\$ 926,427	\$ 182,126	\$ 3,069,836	\$ 1,653	\$ 95,324	\$ 38,048	\$ 17,326,857	\$ 229,519

Continued

FULTON COUNTY BOARD OF EDUCATION

COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2006

Assets	Title V Part D	Lottery	Georgia Department of Community Affairs				Other Federal Grants	Other State Grants	Other Local Grants	Other Grants	Total
Cash and cash equivalents	\$ -	\$ 1,263,877	\$ 89,060	\$ -	\$ -	\$ 294,849	\$ 986,386	\$ 6,484	\$ 20,538,341		
Due from other governments	43,649	-	-	144,586	-	-	-	-	6,178,941		
Due from other funds	-	90,498	-	-	19,541	-	-	-	110,039		
Inventory	-	-	-	-	-	-	-	-	463,132		
Total assets	\$ 43,649	\$ 1,354,375	\$ 89,060	\$ 144,586	\$ 314,390	\$ 986,386	\$ 6,484	\$ 27,290,453			
<b>Liabilities and Fund Balances</b>											
Liabilities											
Accounts payable	\$ 5,901	\$ 2,302	\$ -	\$ 73,198	\$ 25,411	\$ 7,957	\$ -	\$ -	\$ 1,299,211		
Other payables	-	1,573	-	-	-	-	-	-	26,871		
Salaries payable	1,400	1,260,001	-	3,800	-	31,203	-	-	5,464,072		
Due to other governments	-	-	-	-	-	-	-	-	59,130		
Due to other funds	33,451	162	-	72,593	-	-	-	-	2,006,852		
Total liabilities	40,752	1,264,038	-	149,591	25,411	39,160	-	-	8,856,136		
Fund balances											
Reserved for encumbrances	-	-	-	-	-	-	-	-	1,507,423		
Unreserved - undesignated	2,897	90,337	89,060	(5,005)	288,979	947,226	6,484	16,926,894			
Total fund balances	2,897	90,337	89,060	(5,005)	288,979	947,226	6,484	18,434,317			
Total liabilities and fund balances	\$ 43,649	\$ 1,354,375	\$ 89,060	\$ 144,586	\$ 314,390	\$ 986,386	\$ 6,484	\$ 27,290,453			

FULTON COUNTY BOARD OF EDUCATION

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED JUNE 30, 2006

	Title I	Title II	Title III	Part B - Special Education	Education for the Homeless	Charter School	Safe and Drug-Free Schools	School Nutrition Program	Innovative Programs
<b>Revenues</b>									
State sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal sources	10,999,540	2,708,129	903,404	17,566,909	100,428	346,595	403,376	15,033,483	336,865
Local sources and other sources	-	3,804	-	-	-	-	-	16,006,045	-
Total revenues	<u>10,999,540</u>	<u>2,711,933</u>	<u>903,404</u>	<u>17,566,909</u>	<u>100,428</u>	<u>346,595</u>	<u>403,376</u>	<u>31,039,528</u>	<u>336,865</u>
<b>Expenditures</b>									
Instruction	6,511,601	2,485,939	234,990	13,800,340	1,791	193,497	79,173	-	-
Support services	77,911	-	352,013	2,830,935	-	-	-	-	-
Pupil services	-	-	-	-	-	-	-	-	-
Improvement of instructional services	2,898,391	411,559	324,472	17,166	-	251,694	315,785	-	307,130
General administration	443,420	47,154	-	472,666	-	-	8,193	-	4,195
Student transportation services	-	-	-	279,898	-	-	-	-	-
Other support services	1,038,368	11,935	-	-	98,739	-	-	-	26,665
Food services operations	-	-	-	-	-	-	-	31,020,305	-
Total expenditures	<u>10,969,691</u>	<u>2,956,587</u>	<u>911,475</u>	<u>17,401,005</u>	<u>100,530</u>	<u>445,191</u>	<u>403,151</u>	<u>31,020,305</u>	<u>337,990</u>
Excess (deficiency) of revenues over (under) expenditures	29,849	(244,654)	(8,071)	165,904	(102)	(98,596)	225	19,223	(1,125)
<b>Other financing sources</b>									
Transfers in	-	232,527	-	5,817	-	-	-	-	-
Total other financing sources	-	<u>232,527</u>	-	<u>5,817</u>	-	-	-	-	-
Net change in fund balances	29,849	(12,127)	(8,071)	171,721	(102)	(98,596)	225	19,223	(1,125)
Fund balances, beginning of year	19,325	21,281	10,982	42,577	1,755	7,042	97	16,808,793	1,490
Fund balances, end of year	<u>\$ 49,174</u>	<u>\$ 9,154</u>	<u>\$ 2,911</u>	<u>\$ 214,298</u>	<u>\$ 1,653</u>	<u>\$ (91,554)</u>	<u>\$ 322</u>	<u>\$ 16,828,016</u>	<u>\$ 365</u>

Continued

FULTON COUNTY BOARD OF EDUCATION

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED JUNE 30, 2006

	Title V Part D	Lottery	Georgia Department of Community Affairs	Other Federal Grants	Other State Grants	Other Local Grants	Other Grants	Total
<b>Revenues</b>								
State sources	\$ -	\$ 6,235,191	\$ -	\$ -	\$ 30,500	\$ -	\$ -	\$ 6,265,691
Federal sources	110,872	-	-	737,842	-	-	-	49,247,443
Local sources and other sources	-	-	-	-	35,000	192,686	-	16,237,535
Total revenues	110,872	6,235,191	-	737,842	65,500	192,686	-	71,750,669
<b>Expenditures</b>								
Instruction	7,963	7,182,934	-	51,256	75,022	384,704	-	31,009,210
Support services	92,504	884,583	-	-	2,273	26,262	-	4,266,481
Pupil services	-	42,122	-	710,404	-	182,810	-	5,461,533
Improvement of instructional services	2,044	102,199	-	3,913	-	1,566	-	1,085,350
General administration	-	-	-	-	-	-	-	-
Student transportation services	5,464	8,490	-	-	-	3,519	-	283,417
Other support services	-	-	-	-	-	7,500	-	1,197,161
Food services operations	-	-	-	-	-	-	-	31,020,305
Total expenditures	107,975	8,220,328	-	765,573	77,295	606,361	-	74,323,457
Excess (deficiency) of revenues over (under) expenditures	2,897	(1,985,137)	-	(27,731)	(11,795)	(413,675)	-	(2,572,788)
<b>Other financing sources</b>								
Transfers in	-	1,985,139	-	30,084	-	120,977	-	2,374,544
Total other financing sources	-	1,985,139	-	30,084	-	120,977	-	2,374,544
Net change in fund balances	2,897	2	-	2,353	(11,795)	(292,698)	-	(198,244)
Fund balances, beginning of year	-	90,335	89,060	(7,358)	300,774	1,239,924	6,484	18,632,561
Fund balances, end of year	\$ 2,897	\$ 90,337	\$ 89,060	\$ (5,005)	\$ 288,979	\$ 947,226	\$ 6,484	\$ 18,434,317

**FULTON COUNTY BOARD OF EDUCATION  
COMBINING BALANCE SHEET  
NONMAJOR CAPITAL PROJECTS FUNDS**

**JUNE 30, 2006**

<u>Assets</u>	<u>1998 Local Capital Project Fund</u>	<u>State Capital Projects Funds</u>	<u>Total Nonmajor Capital Projects Funds</u>
Total assets	\$ -	\$ -	\$ -
 <b><u>Liabilities and Fund Balances</u></b>			
Liabilities			
Accounts payable	\$ 754	\$ -	\$ 754
Due to other funds	15,384,935	-	15,384,935
Total liabilities	15,385,689	-	15,385,689
Fund balances			
Unreserved - undesignated	(15,385,689)	-	(15,385,689)
Total fund balances	(15,385,689)	-	(15,385,689)
Total liabilities and fund balances	\$ -	\$ -	\$ -



**FULTON COUNTY BOARD OF EDUCATION  
 COMBINING STATEMENTS OF REVENUES,  
 EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR CAPITAL PROJECTS FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2006**

	<u>1998 Local Capital Project Fund</u>	<u>State Capital Projects Funds</u>	<u>Total Nonmajor Capital Projects Funds</u>
<b>Revenues</b>			
State funds	\$ -	\$ 6,518,123	\$ 6,518,123
Total revenues	-	6,518,123	6,518,123
<b>Expenditures</b>			
Capital outlay	17,927,032	6,518,123	24,445,155
Total expenditures	17,927,032	6,518,123	24,445,155
Net change in fund balances	(17,927,032)	-	(17,927,032)
<b>Fund balances, beginning of year</b>	<u>2,541,343</u>	<u>-</u>	<u>2,541,343</u>
<b>Fund balances, end of year</b>	<u>\$ (15,385,689)</u>	<u>\$ -</u>	<u>\$ (15,385,689)</u>

**FULTON COUNTY BOARD OF EDUCATION  
 CAPITAL PROJECTS FUNDS  
 SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE  
 LOCAL OPTION SALES TAX  
 FOR THE YEAR ENDED JUNE 30, 2006**

<u>Description</u>	<u>Budget</u>	<u>Prior Years Expenditures</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>
<b>1997 SPLOST Capital Program</b>				
Construction and renovations	\$ 439,100,000	\$ 366,661,833	\$ 7,641,976	\$ 374,303,809
Debt service	<u>70,900,000</u>	<u>62,202,181</u>	<u>13,674,955</u>	<u>75,877,136</u>
Total	<u>\$ 510,000,000</u>	<u>\$ 428,864,014</u>	<u>\$ 21,316,931</u>	<u>\$ 450,180,945</u>
<b>2002 SPLOST Capital Program</b>				
Construction and renovations	\$ 525,100,000	\$ 336,333,094	\$ 57,863,034	\$ 394,196,128
Debt service	<u>43,300,000</u>	<u>49,323,500</u>	<u>9,672,560</u>	<u>58,996,060</u>
Total	<u>\$ 568,400,000</u>	<u>\$ 385,656,594</u>	<u>\$ 67,535,594</u>	<u>\$ 453,192,188</u>

**FULTON COUNTY BOARD OF EDUCATION  
SCHEDULE OF LOTTERY EXPENDITURES - BY OBJECT**

**FOR THE YEAR ENDED JUNE 30, 2006**

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	<u>Pre-Kindergarten</u>
Expenditures:	
Salaries - teachers	\$ 3,833,311
Salaries - teachers' aides and paraprofessionals	1,791,441
Salaries - clerical	70,553
Salaries - other	709,865
Employee benefits	1,586,357
Purchased professional and technical services	360
Student transportation services	23,171
Communication	1,226
Travel - employees	7,401
Materials and supplies	193,060
Food service supplies	3,583
	<hr/>
Total expenditures	\$ 8,220,328
	<hr/> <hr/>

**FULTON COUNTY BOARD OF EDUCATION  
QUALITY BASIC EDUCATION PROGRAM  
EARNINGS AND EXPENDITURES - BY PROGRAM**

**FOR THE YEAR ENDED JUNE 30, 2006**

Description	Allotments from Georgia Department of Education (1)	Actual State Funded Expenditures (2)		
		Salaries	Operations	Total
Kindergarten Program	\$ 24,265,028	\$ 28,449,835	\$ 513,478	\$ 28,963,313
Kindergarten Program - Early Intervention Program	1,765,087	1,547,852	5,424	1,553,276
Primary Grades (1-3) Program	54,007,678	81,816,467	3,993,284	85,809,751
Primary Grades - Early Intervention Program	3,651,726	3,925,485	16,281	3,941,766
Upper Elementary Grades (4-5) Program	24,991,411	27,055,385	1,806,089	28,861,474
Upper Elementary Grades - Early Intervention (4-5) Program	2,499,076	2,546,119	10,621	2,556,740
Middle Grades (6-8) Program	1,988,740	13,845,723	2,157	13,847,880
Middle School (6-8) Program	41,007,707	43,672,364	3,416,448	47,088,812
High School General Education (9-12) Program	43,435,237	62,861,824	4,888,977	67,750,801
Vocational Laboratory (9-12) Program	6,074,899	8,421,814	498,376	8,920,190
Students with Disabilities (Categories I - V)	37,461,327	50,855,007	1,631,272	52,486,279
Gifted Student - Category VI	17,536,038	14,255,279	83,076	14,338,355
Remedial Education Program	2,128,259	1,380,118	8,731	1,388,849
Alternative Education Program	3,448,751	6,435,655	255,119	6,690,774
English Speakers of Other Languages (ESOL)	5,274,078	10,669,218	288,945	10,958,163
<b>Total Direct Instruction Funds</b>	<b>269,535,042</b>	<b>357,738,145</b>	<b>17,418,278</b>	<b>375,156,423</b>
Media Center Program	7,531,368	10,103,510	2,950,795	13,054,305
20 Days Additional Instruction	2,325,985	2,991,226	9,591	3,000,817
Staff and Professional Development	1,595,998	1,867,866	638,971	2,506,837
<b>Total QBE Formula Funds</b>	<b>\$ 280,988,393</b>	<b>\$ 372,700,747</b>	<b>\$ 21,017,635</b>	<b>\$ 393,718,382</b>

(1) Comprised of state funds plus local five mill share.

(2) Eligible QBE program costs are based upon the School System's cash basis salary expenditures, and do not include certain salaries earned by employees of the School System as of June 30, 2006, but not paid until the subsequent year. Similar amounts earned but not paid as of June 30, 2005 are included in eligible QBE program costs in this schedule. Eligible costs also do not include local salary amounts paid over and above the state minimum salary schedule amounts, nor locally provided benefits.