

**FULTON COUNTY BOARD OF EDUCATION**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE**  
**FISCAL YEAR ENDED JUNE 30, 2007**

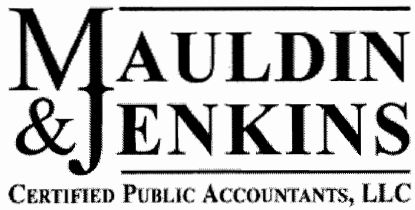
**786 Cleveland Avenue SW**  
**Atlanta, Georgia 30315**

**FULTON COUNTY BOARD OF EDUCATION  
ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**TABLE OF CONTENTS**

**FINANCIAL SECTION**

Independent Auditor’s Report .....	1 and 2
Management’s Discussion and Analysis .....	3-11
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets .....	12
Statement of Activities .....	13
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets .....	15
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	16
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities.....	17
General Fund – Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget (Non-GAAP) and Actual .....	18
Statement of Fiduciary Net Assets – Fiduciary Funds.....	19
Statement of Changes in Fiduciary Net Assets– Pension Trust Fund.....	20
Notes to Financial Statements .....	21-43
Required Supplementary Information:	
Fulton County School Employees Pension - Schedules of Funding Progress and Employer Contributions.....	44
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet – Nonmajor Governmental Funds.....	45
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds .....	46
Combining Balance Sheet – Nonmajor Special Revenue Funds.....	47 and 48
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Funds .....	49 and 50
Combining Balance Sheet – Nonmajor Capital Projects Funds.....	51
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Capital Projects Funds .....	52
Schedule of Expenditures of Special Purpose Local Option Sales Tax.....	53
Schedule of Lottery Expenditures - By Object .....	54
Schedule of Quality Basic Education Program Earnings and Expenditures – By Program.....	55



## INDEPENDENT AUDITOR'S REPORT

---

**To the Superintendent and Members of the  
Fulton County Board of Education  
Atlanta, Georgia**

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Fulton County Board of Education as of June 30, 2007, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2008, on our consideration of the Fulton County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

---

The Management's Discussion and Analysis and Schedules of Funding Progress and Employer Contributions (on pages 3 through 11 and 44) are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding 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 24, 2008

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

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, 2007. 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 2007 are as follows:

- In total, net assets increased \$126.7 million, which is an increase of 11 percent over 2006. The total increase was due to governmental activities since the School System has no business-type activities.
- General revenues totaled \$645 million or 65.0 percent of total revenues, and program specific revenues in the form of charges for services, grants and contributions accounted for \$349.9 million or 35.0 percent of the total fiscal year 2007 revenues.
- The School System had \$868.1 million in expenses related to governmental activities of which \$349.9 million were offset by program specific charges for services or grants and contributions. General revenues (primarily taxes) of \$645 million were adequate to provide for the remaining costs of these programs.
- Among major funds, the General Fund had \$758.3 million in fiscal year 2007 revenues, primarily from local taxes and state Quality Basic Education program (QBE) funding, and \$733.2 million in expenditures. The General Fund's fund balance increased from \$134.5 million to \$163.2 as of June 30, 2007.
- The School System's long-term debt decreased by \$15.7 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 2007?" *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 2007 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 government-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 \$1.281 billion as of June 30, 2007. 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 2007 and 2006.

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

	<u>2006</u>	<u>2007</u>
Assets		
Current and Other Assets	\$ 407,301	\$ 349,417
Net Pension Benefit	15,253	14,879
Capital Assets, Net	<u>1,165,244</u>	<u>1,318,691</u>
Total Assets	<u>1,587,798</u>	<u>1,682,987</u>
Liabilities		
Current and Other Liabilities	198,448	182,445
Long-Term Liabilities	<u>234,930</u>	<u>219,344</u>
Total Liabilities	<u>433,378</u>	<u>401,789</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	961,504	1,127,331
Restricted	201,136	42,057
Unrestricted (Deficit)	<u>(8,220)</u>	<u>111,810</u>
Total Net Assets	<u>\$ 1,154,420</u>	<u>\$ 1,281,198</u>

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

Table 2 shows the changes in net assets for fiscal years 2007 and 2006.

	<u>2006</u>	<u>2007</u>
Revenues		
Program Revenues		
Charges for Services and Sales	\$ 23,302	\$ 20,123
Operating Grants and Contributions	288,150	310,744
Capital Grants and Contributions	6,848	19,004
Total Program Revenues	<u>318,300</u>	<u>349,871</u>
General Revenues		
Property Taxes	447,270	487,337
Sales Tax		
Special Purpose Local Option Sales Tax for Capital Projects	130,792	138,017
Gain on Sale of Capital Assets	55	95
Investment Earnings	13,844	19,552
Total General Revenues	<u>591,961</u>	<u>645,001</u>
Total Revenues	<u>910,261</u>	<u>994,872</u>
Program Expenses		
Instruction	543,575	588,084
Support Services		
Pupil Services	30,272	29,754
Improvement of Instructional Services	16,960	18,220
Educational Media Services	16,615	17,065
General Administration	2,126	1,611
School Administration	28,671	31,837
Business Administration	10,019	9,526
Maintenance and Operation of Facilities	57,589	62,758
Student Transportation Services	36,841	41,084
Central Support Services	12,027	13,176
Other Support Services	1,346	1,276
Food Service	34,649	40,244
Interest on Long Term Debt	14,053	13,459
Total Expenses	<u>804,743</u>	<u>868,094</u>
Increase in Net Assets	<u>105,518</u>	<u>126,778</u>
Net Assets - Beginning of Year	<u>1,048,902</u>	<u>1,154,420</u>
Net Assets - Ending of Year	<u>\$ 1,154,420</u>	<u>\$ 1,281,198</u>



Instruction comprises 67.7 percent of governmental program expenses. Interest expense was 1.6 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 1.3 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 net cost of services for 2007 and 2006. 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)**

	2006		2007	
	Total	Net	Total	Net
Instruction	\$ 543,575	\$ (317,030)	\$ 588,084	\$ (332,597)
Support Services				
Pupil Services	30,272	(22,327)	29,754	(23,403)
Improvement of Instructional Services	16,960	(8,779)	18,220	(9,317)
Educational Media Services	16,615	(11,513)	17,065	(10,489)
General Administration	2,126	(775)	1,611	(513)
School Administration	28,671	(18,614)	31,837	(20,409)
Business Administration	10,019	(9,821)	9,526	(9,309)
Maintenance and Operation of Facilities	57,589	(42,160)	62,758	(46,083)
Student Transportation Services	36,841	(25,677)	41,084	(32,365)
Central Support Services	12,027	(11,731)	13,176	(12,831)
Other Support Services	1,346	(260)	1,276	(185)
Food Services	34,649	(3,703)	40,244	(7,264)
Interest on Long Term Debt	14,053	(14,053)	13,459	(13,459)
<b>Total Expenses</b>	<b>\$ 804,743</b>	<b>\$ (486,443)</b>	<b>\$ 868,094</b>	<b>\$ (518,224)</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, 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 \$1.024 billion and expenditures and other financing uses of \$1.075 billion. The General Fund had revenues in excess of expenditures of \$25.2 million. The School System's General Fund is in sound financial position with a year-end fund balance of \$163.2 million.

The 2002 SPLOST Capital Projects Fund had revenues in excess of expenditures of \$51.1 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 \$74.1 million at June 30, 2007.

The 2007 SPLOST Capital Projects Fund's expenditures were for projects currently under construction or in the planning stages. The 2007 SPLOST Capital Projects Fund had a deficit of \$75.3 million at June 30, 2007.

The School System's Non-major Governmental Funds (Special Revenue, Debt Service, 1997 Capital Projects, and State and Local Capital Projects) had revenues and other financing sources of \$117.2 million and expenditures and other financing uses of \$150.6 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 \$197.5 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 2007, 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 \$747.3 million exceeded the original budgeted amount of \$735.2 million by \$12.1 million. The actual revenues and other financing sources total of \$750.4 million exceeded the final budgeted amount by \$3.1 million. The increase was primarily due to slightly higher than expected state revenues.

The General Fund's final budgeted expenditures and other financing uses of \$754.2 million exceeded the original budgeted amount of \$739.3 million by approximately \$14.9 million. The actual expenditures and other financing uses of \$721.8 million were less than the final budgeted amount by approximately \$32.4 million.

## **Capital Assets and Debt Administration**

### ***Capital Assets***

At the end of fiscal 2007 the School System had \$1.319 billion invested in capital assets, all in governmental activities. Table 4 shows the fiscal 2007 and 2006 year-end balances.

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

	2006	2007
Land	\$ 143,996	\$ 187,128
Construction in Progress	25,752	110,314
Buildings and Improvements	964,353	983,584
Furniture, Equipment and Vehicles	31,143	37,665
 Total	 \$ 1,165,244	 \$ 1,318,691

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 ten (10) year period from 1997-98 through fiscal year 2006-07, the School System has collected approximately \$1.057 billion 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, 2007, the School System collected approximately \$137.0 million from the SPLOST extension. In March 2007, the voters in Fulton County approved another extension of the one percent SPLOST for five additional years through June 30, 2012. This extension will provide substantial funding for the construction needs for the School System as student growth is expected to continue over the next five years.

***Debt Administration***

At June 30, 2007, the School System had \$191.4 million in outstanding bonds with \$12.6 million due within one year. The School System also had an accrued pension liability to the Teachers Retirement System of Georgia (TRS) of \$38.0 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 2007 and 2006.

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

	<u>2006</u>	<u>2007</u>
General Obligation Bonds	\$ 203,740	\$ 191,360
TRS Transfer Debt	41,127	38,015
Compensated Absences	29,516	28,914
Insurance Claims	4,804	5,099
Other Claims and Judgments	<u>340</u>	<u>433</u>
<b>Total</b>	<b><u>\$ 279,527</u></b>	<b><u>\$ 263,821</u></b>

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, which 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 2007 and in the adopted state budget for fiscal year 2008. The possibility of further loss of state education funds in fiscal 2008 and succeeding years is a continuing concern to the School System. In addition, long range forecasts indicate a potential impact to local property tax revenues in fiscal 2010 based on real estate downturns.

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 did not 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 programs (2003 through 2007, and 2007 through 2012) will require very careful monitoring and may require some reductions in the scope of our construction plans for those periods. 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 2007 with very sound financial reserves and has adopted a budget for fiscal 2008 that is designed to target our student achievement goals and still maintain adequate reserves.

To support on-going business operations, the School System embarked in the fall of 2006 on an initiative to replace aging and suboptimal business systems software. The goal was to eliminate paperwork, reduce duplicate manual processes, and provide a more reliable system which will meet the future educational needs of an aggressively growing county. The School System is one of the first adopters of SAP's latest platform release and the first K-12 school district to take advantage of the enhanced functionality provided in Human Capital Management and Finance. Recently completed, the Phase I SAP implementation project branded as the "A+Project" came in on time and under budget. This initiative should also result in more effective internal controls and more timely management reporting.

## **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 Theresa McDugald, Chief Financial Officer, Fulton County Board of Education, 786 Cleveland Avenue, SW, Atlanta, Georgia 30315. You may also e-mail your questions to [McDugald@fultonschools.org](mailto:McDugald@fultonschools.org).

## **BASIC FINANCIAL STATEMENTS**

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

**JUNE 30, 2007**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Current Assets	
Cash	\$ 198,346,334
Investments	48,624,428
Due from other governments	51,800,454
Due from pension trust fund	559,115
Taxes receivable	46,700,448
Other receivables	1,910,161
Other assets	13,582
Inventory	1,462,655
Total current assets	349,417,177
Non Current Assets	
Net pension asset	14,879,272
Capital assets, non-depreciable	297,442,273
Capital assets, depreciable (net of accumulated depreciation)	1,021,248,731
Total non current assets	1,333,570,276
Total assets	1,682,987,453
<b>LIABILITIES</b>	
Current Liabilities	
Accounts payable	31,874,790
Retainage payable	6,062,732
Other payables	11,067,920
Accrued interest	3,922,769
Salaries and benefits payable	85,040,302
Pension note due within one year	3,112,058
Compensated absences due within one year	26,022,996
General obligation bonds payable due within one year	12,605,000
Workers compensation claims due within one year	2,549,275
Other claims and judgments due within one year	412,527
Total current liabilities	182,670,369
Long-term liabilities, net of current portion	
Pension note due in more than one year	34,903,060
Compensated absences due in more than one year	2,891,444
General obligation bonds payable due in more than one year	178,755,000
Workers compensation claims due in more than one year	2,549,274
Other claims and judgments due in more than one year	20,000
Total long-term liabilities	219,118,778
Total liabilities	401,789,147
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	1,127,331,004
Restricted for capital projects	36,222,623
Restricted for debt service	5,835,059
Unrestricted	111,809,620
<b>TOTAL NET ASSETS</b>	<b>\$ 1,281,198,306</b>

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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	\$ 588,083,848	\$ 3,468,686	\$ 235,864,726	\$ 16,153,114	\$ (332,597,322)
Support services					
Pupil services	29,753,549	-	6,350,704	-	(23,402,845)
Improvement of instructional services	18,220,348	21,062	8,882,005	-	(9,317,281)
Educational media services	17,065,322	-	5,816,522	760,147	(10,488,653)
General administration	1,610,905	-	1,097,474	-	(513,431)
School administration	31,836,642	-	10,857,899	570,110	(20,408,633)
Business administration	9,526,093	-	217,517	-	(9,308,576)
Maintenance and operation of facilities	62,758,203	206,402	16,469,257	-	(46,082,544)
Student transportation services	41,083,584	964,385	7,754,308	-	(32,364,891)
Central support services	13,176,003	-	344,688	-	(12,831,315)
Other support services	1,275,932	-	1,090,601	-	(185,331)
Food services	40,244,440	15,462,665	15,997,870	1,520,293	(7,263,612)
Interest on long term debt	13,458,712	-	-	-	(13,458,712)
Total governmental activities	<u>\$ 868,093,581</u>	<u>\$ 20,123,200</u>	<u>\$ 310,743,571</u>	<u>\$ 19,003,664</u>	<u>(518,223,146)</u>
<b>General revenues</b>					
Property taxes					487,337,478
Sales taxes					138,017,291
Interest and investment earnings					19,551,959
Gain on sale of capital assets					94,798
Total general revenues					<u>645,001,526</u>
<b>Change in net assets</b>					126,778,380
<b>Net assets - beginning of year</b>					<u>1,154,419,926</u>
<b>Net assets - end of year</b>					<u>\$ 1,281,198,306</u>



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

**JUNE 30, 2007**

	General	2007 SPLOST Capital Projects	2002 SPLOST Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash	\$ 9,327,437	\$ -	\$ 121,639,762	\$ 67,379,135	\$ 198,346,334
Investments	48,624,428	-	-	-	48,624,428
Due from other governments	37,198,518	-	-	14,601,936	51,800,454
Taxes receivable	24,072,174	-	22,213,181	415,093	46,700,448
Due from other funds	164,010,299	-	2,647,475	10,425,508	177,083,282
Other receivables	1,910,161	-	-	-	1,910,161
Other assets	13,582	-	-	-	13,582
Inventory	882,352	-	-	580,303	1,462,655
Total assets	<u>\$ 286,038,951</u>	<u>\$ -</u>	<u>\$ 146,500,418</u>	<u>\$ 93,401,975</u>	<u>\$ 525,941,344</u>
<b>Liabilities</b>					
Accounts payable	\$ 8,120,368	\$ 8,296,049	\$ 12,271,931	\$ 3,186,442	\$ 31,874,790
Expired grants payable	-	-	-	48,276	48,276
Salaries and benefits payable	79,991,519	-	-	5,048,783	85,040,302
Other payables	9,291,622	-	1,728,022	-	11,019,644
Retainage payable	-	1,659,350	3,387,440	1,015,942	6,062,732
Due to other funds	7,948,985	65,416,941	55,060,023	48,098,218	176,524,167
Deferred revenue	17,503,884	-	-	318,273	17,822,157
Total liabilities	<u>122,856,378</u>	<u>75,372,340</u>	<u>72,447,416</u>	<u>57,715,934</u>	<u>328,392,068</u>
<b>Fund Balances</b>					
Reserved for:					
Inventory	882,352	-	-	580,303	1,462,655
Encumbrances	19,776,553	-	77,342,053	624,697	97,743,303
Capital projects	-	-	36,222,623	-	36,222,623
Debt service	-	-	-	5,835,059	5,835,059
School activities	2,206,112	-	-	-	2,206,112
Unreserved:					
Undesignated, reported in:					
General fund	140,317,556	-	-	-	140,317,556
Special revenue funds	-	-	-	13,042,653	13,042,653
Capital projects funds	-	(75,372,340)	(39,511,674)	15,600,095	(99,283,919)
Permanent fund	-	-	-	3,234	3,234
Total fund balances	<u>163,182,573</u>	<u>(75,372,340)</u>	<u>74,053,002</u>	<u>35,686,041</u>	<u>197,549,276</u>
<b>Total liabilities and fund balances</b>	<u>\$ 286,038,951</u>	<u>\$ -</u>	<u>\$ 146,500,418</u>	<u>\$ 93,401,975</u>	<u>\$ 525,941,344</u>

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

**JUNE 30, 2007**

---

<b>Total fund balances - governmental funds</b>	\$	197,549,276
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		1,318,691,004
Net pension benefit in governmental activities is not a financial resource and therefore is not reported as an asset in governmental funds.		14,879,272
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.		17,822,157
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:		
Bonds payable		(191,360,000)
Pension obligation payable		(38,015,118)
Accrued interest on bonds		(3,922,769)
Compensated absences payable		(28,914,440)
Claims payable		(5,531,076)
		1,281,198,306
<b>Total net assets - governmental activities</b>	<b>\$</b>	<b>1,281,198,306</b>

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	General	2007 SPLOST Capital Projects	2002 SPLOST Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
State sources	\$ 257,950,875	\$ -	\$ -	\$ 25,936,120	\$ 283,886,995
Federal sources	644,884	-	-	44,674,026	45,318,910
On behalf payments	11,267,103	-	-	-	11,267,103
Local and other sources	488,479,738	-	141,308,497	26,717,164	656,505,399
Total revenues	<u>758,342,600</u>	<u>-</u>	<u>141,308,497</u>	<u>97,327,310</u>	<u>996,978,407</u>
<b>EXPENDITURES</b>					
Current					
Instruction	515,357,490	-	-	28,094,324	543,451,814
Support services					
Pupil services	26,832,621	-	-	2,688,063	29,520,684
Improvement of instructional services	11,324,901	-	-	5,944,205	17,269,106
Educational media services	14,799,418	-	-	-	14,799,418
General administration	780,456	-	-	800,443	1,580,899
School administration	30,476,374	-	-	-	30,476,374
Business administration	8,949,064	-	-	-	8,949,064
Maintenance and operation of facilities	61,543,428	-	-	-	61,543,428
Student transportation services	34,003,152	-	-	317,923	34,321,075
Central support services	12,612,802	-	-	-	12,612,802
On behalf payments	11,267,103	-	-	-	11,267,103
Other support services	130,959	-	-	1,129,831	1,260,790
Food services	-	-	-	36,181,849	36,181,849
Capital outlay	-	75,372,340	90,181,249	50,485,989	216,039,578
Debt service					
Principal retirement	3,112,058	-	-	12,380,000	15,492,058
Interest and fees	1,996,724	-	-	11,661,510	13,658,234
Total expenditures	<u>733,186,550</u>	<u>75,372,340</u>	<u>90,181,249</u>	<u>149,684,137</u>	<u>1,048,424,276</u>
Excess (deficiency) of revenues over (under) expenditures	<u>25,156,050</u>	<u>(75,372,340)</u>	<u>51,127,248</u>	<u>(52,356,827)</u>	<u>(51,445,869)</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Proceeds from sale of capital assets	179,078	-	-	-	179,078
Transfers in	6,273,667	-	-	19,916,721	26,190,388
Transfers out	(2,970,435)	-	(22,271,189)	(948,764)	(26,190,388)
Total other financing sources (uses)	<u>3,482,310</u>	<u>-</u>	<u>(22,271,189)</u>	<u>18,967,957</u>	<u>179,078</u>
Net change in fund balances	<u>28,638,360</u>	<u>(75,372,340)</u>	<u>28,856,059</u>	<u>(33,388,870)</u>	<u>(51,266,791)</u>
Fund balances, beginning of year	<u>134,544,213</u>	<u>-</u>	<u>45,196,943</u>	<u>69,074,911</u>	<u>248,816,067</u>
Fund balances, end of year	<u>\$ 163,182,573</u>	<u>\$ (75,372,340)</u>	<u>\$ 74,053,002</u>	<u>\$ 35,686,041</u>	<u>\$ 197,549,276</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, 2007**

---

**Net change in fund balances - total governmental funds** \$ (51,266,791)

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, net	(35,848,476)
Capital outlays	189,473,132

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.

(177,220)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

12,380,000

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.

9,065,859

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	601,062
Claims and judgments	(386,602)
Accrued interest	199,522
Net pension asset	(374,164)

**Change in net assets of governmental activities** \$ 126,778,380

**FULTON COUNTY BOARD OF EDUCATION**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET (NON-GAAP) AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	Budget		Actual	Variances
	Original	Final		With Final Budget
<b>REVENUES</b>				
State sources	\$ 253,490,495	\$ 252,290,495	\$ 257,950,875	\$ 5,660,380
Federal sources	600,000	2,277,536	644,884	(1,632,652)
Local and other sources	481,065,177	492,772,609	485,387,782	(7,384,827)
Total revenues	<u>735,155,672</u>	<u>747,340,640</u>	<u>743,983,541</u>	<u>(3,357,099)</u>
<b>EXPENDITURES</b>				
Instruction	528,847,320	513,809,744	512,299,500	1,510,244
Support services				
Pupil services	25,874,713	30,571,324	26,832,621	3,738,703
Improvement of instructional services	9,883,562	11,468,932	11,324,901	144,031
Educational media services	13,967,515	15,571,839	14,799,418	772,421
General administration	772,367	830,812	780,456	50,356
School administration	29,768,184	31,033,884	30,476,374	557,510
Business administration	10,329,724	14,399,433	8,949,064	5,450,369
Maintenance and operation of facilities	63,220,081	73,745,696	61,543,428	12,202,268
Student transportation services	35,038,906	36,763,685	34,003,152	2,760,533
Central support services	12,114,682	12,363,959	12,612,802	(248,843)
Other support services	150,385	155,460	130,959	24,501
Debt service:				
TRS principal retirement	3,112,058	3,112,058	3,112,058	-
TRS interest and fees	1,769,702	1,996,724	1,996,724	-
Total expenditures	<u>734,849,199</u>	<u>745,823,550</u>	<u>718,861,457</u>	<u>26,962,093</u>
Excess of revenues over expenditures	306,473	1,517,090	25,122,084	23,604,994
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from the sale of capital assets	-	-	179,078	179,078
Transfers in	-	-	6,273,667	6,273,667
Transfers out	(4,416,021)	(8,379,340)	(2,970,435)	5,408,905
Total other financing sources (uses)	<u>(4,416,021)</u>	<u>(8,379,340)</u>	<u>3,482,310</u>	<u>11,861,650</u>
Net change in fund balances	<u>\$ (4,109,548)</u>	<u>\$ (6,862,250)</u>	<u>\$ 28,604,394</u>	<u>\$ 35,466,644</u>

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

**JUNE 30, 2007**

	<b>Pension Trust Fund</b>	<b>Agency Fund Club and Athletics Fund</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 13,107,449	\$ 4,042,347
Investments at fair value	194,091,539	52,496
Other receivables	640,124	122,357
Total assets	207,839,112	4,217,200
<b>Liabilities</b>		
Accounts payable	131,460	256,803
Due to other funds	559,115	-
Due to student groups	-	3,960,397
Total liabilities	690,575	4,217,200
<b>Net Assets</b>		
Reserved for retirement benefits	\$ 207,148,537	\$ -
(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, 2007**

<b>Additions</b>	
Contributions:	
Employer	\$ 23,608,836
Plan members	4,211,569
Total contributions	27,820,405
Investment income:	
Interest	3,306,966
Net increase in the fair value of investments	22,373,231
Total investment income	25,680,197
Less investment expense	356,902
Net investment income	25,323,295
Total additions	53,143,700
<b>Deductions</b>	
Benefit payments	22,618,929
Administrative expense	827,436
Refunds	1,031,330
Total deductions	24,477,695
Increase in net assets	28,666,005
<b>Net assets, beginning of year</b>	178,482,532
<b>Net assets, end of year</b>	\$ 207,148,537

## NOTES TO FINANCIAL STATEMENTS

### 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 3121 Norman Berry Drive, East Point, Georgia 30344.

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.

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.



## NOTES TO FINANCIAL STATEMENTS

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

#### 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.

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 **2007 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.

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.

## NOTES TO FINANCIAL STATEMENTS

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

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

- **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.

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.

## NOTES TO FINANCIAL STATEMENTS

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

#### **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.

#### **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:

## NOTES TO FINANCIAL STATEMENTS

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

#### 8. Capital Assets - Continued

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

#### 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.

## NOTES TO FINANCIAL STATEMENTS

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

#### **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 Education for the Homeless Special Revenue Fund (\$4,594), the Other Federal Grants Special Revenue Fund (\$16,637), the 2007 SPLOST Capital Project Fund (\$75,372,340), and the 1998 Local Capital Project Fund (\$18,778,941) will be eliminated with transfers from the General Fund and tax anticipation notes.

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.

#### **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.

### 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.

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

## NOTES TO FINANCIAL STATEMENTS

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

USGAAP basis net change in fund balance	\$ 28,638,360
Adjustments for:	
Principals' funds revenue	(3,091,956)
Principals' funds expenditures	3,057,990
State paid employee benefit revenue	(11,267,103)
State paid employee benefit expenditures	<u>11,267,103</u>
Budget basis net change in fund balance	<u>\$ 28,604,394</u>

For the year ended June 30, 2007, the Central Support Services department actual expenditures on the budgetary basis exceeded the budgeted amount by \$248,843.

### 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 \$156,491,397 in the Georgia Fund 1. As of June 30, 2007, the Georgia Fund 1 had a weighted average maturity of 15 days and a credit rating of AAAM.

## NOTES TO FINANCIAL STATEMENTS

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

#### 1. Deposits and Investments – Continued

At June 30, 2007, the School System had the following investments (which also includes cash equivalents):

U.S. Government Agencies:

Federal Home Loan Bank	7/2/2007	\$ 10,000,000	----
Federal National Mtg Assn.	7/11/2007	299,610	----
Federal Home Loan Bank	7/11/2007	1,021,530	AAA
Federal National Mtg Assn.	7/15/2007	764,465	AAA
Federal Home Loan Bank	7/16/2007	2,935,053	AAA
Federal National Mtg Assn.	7/20/2007	1,522,069	AAA
Federal National Mtg Assn.	7/23/2007	631,568	AAA
Federal Home Loan Bank	7/27/2007	505,679	AAA
Federal National Mtg Corp.	8/3/2007	785,824	AAA
Federal Home Loan Bank	8/6/2007	504,490	AAA
Federal Home Loan Bank	8/6/2007	246,417	AAA
Federal National Mtg Assn.	8/8/2007	1,989,600	----
Federal Home Loan Bank	8/8/2007	101,825	AAA
Federal National Mtg Assn.	8/10/2007	508,992	AAA
Federal National Mtg Assn.	8/14/2007	174,353	AAA
Federal National Mtg Corp.	8/17/2007	776,985	AAA
Federal Home Loan Bank	8/17/2007	239,368	----
Federal National Mtg Assn.	8/22/2007	992,800	----
Federal National Mtg Corp.	8/22/2007	1,014,695	AAA
Federal National Mtg Corp.	8/27/2007	151,093	AAA
Federal National Mtg Assn.	8/27/2007	100,707	AAA
Federal Home Loan Bank	8/31/2007	359,915	----
Federal National Mtg Assn.	8/31/2007	1,983,000	----
Federal Home Loan Mtg Corp.	9/10/2007	1,216,833	----
Federal National Mtg Corp.	9/14/2007	502,814	AAA
Federal Farm Credit Bank	9/21/2007	1,977,000	----
Federal Farm Credit Bank	9/24/2007	1,116,271	AAA
Federal Home Loan Bank	9/26/2007	621,113	AAA
Federal National Mtg Corp.	9/27/2007	1,000,465	AAA
Federal National Mtg Assn.	10/24/2007	502,773	----
Federal Home Loan Mtg. Corp.	10/29/2007	1,966,400	----

**NOTES TO FINANCIAL STATEMENTS**

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

**1. Deposits and Investments - Continued**

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Credit Quality</u>
U.S. Government Agencies (Continued):			
Federal Home Loan Bank	11/15/2007	2,194,725	AAA
Federal Home Loan Mtg. Corp.	11/26/2007	2,862,202	----
Federal National Mtg Assn.	11/28/2007	3,426,150	----
Federal National Mtg Assn.	12/19/2007	1,952,200	----
Certificates of Deposits:			
CD #1	7/12/2007	418,333	----
CD #2	8/9/2007	420,006	----
CD #3	9/13/2007	416,665	----
CD #4	10/11/2007	416,667	----
CD #5	11/15/2007	420,006	----
CD #6	12/13/2007	422,106	----
		<u>\$ 49,462,767</u>	

**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, 2007, the School System had no bank balances exposed to custodial credit risk.

**Foreign Credit Risk** – The LGIP (Georgia Fund 1), U.S. government agencies securities and certificate of deposits had no exposure to foreign currency risk. State law does not allow the LGIP to invest in securities that may have foreign currency risk.

**Pension Fund**

As of June 30, 2007, the balance of Pension Fund investments, \$194,091,539, 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

As of June 30, 2007, the Fund had \$194,091,539 invested in the following types of investments:

<b>Investment</b>	<b>Fair Value</b>	<b>Duration (Years)</b>	<b>Credit Quality</b>
U.S. Treasury Notes (government issues)	\$ 12,433,905	2.83 - 9.08	AAA
Perferred Stock	10,000	---	---
U.S. Mutual Funds	176,475,460	---	---
Real Estate Investment Trust	386,767	---	---
STIF - Type Instrument (StateStreet Bank & Trust)	713,622	---	---
Corporate Equities	4,071,785	---	---
Total	<u>\$ 194,091,539</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 Fund may not be able to recover its deposits. As of June 30, 2007, the carrying amount of the Fund’s deposits was \$13,107,449. The bank balance of these deposits as of June 30, 2007 was \$12,906,779. As of June 30, 2007, the 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. On June 30, 2007, the Fund did not have debt or equity investments in any one organization, other than those issued by the U.S. Government, which represented greater than 5% of plan net assets.

**Foreign Currency Risk** – At June 30, 2007, the Fund had no exposure of foreign currency risk through investments in foreign companies.

## NOTES TO FINANCIAL STATEMENTS

### 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.

### NOTE E - TAXES RECEIVABLE

Taxes receivable includes property taxes and sales tax due to the School System. Property taxes for the June 30, 2007 fiscal year were levied and billed 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.

Receivables at June 30, 2007, for the School System's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>2002 SPLOST</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Receivables:				
Taxes	\$ 24,345,853	\$ 22,213,181	\$ 419,127	\$ 46,978,161
Other	1,910,161	-	-	1,910,161
Gross receivables	26,256,014	22,213,181	419,127	48,888,322
Less: allowance for uncollectibles	(273,679)	-	(4,034)	(277,713)
Net total receivables	<u>\$ 25,982,335</u>	<u>\$ 22,213,181</u>	<u>\$ 415,093</u>	<u>\$ 48,610,609</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE F – CAPITAL ASSETS

Changes in capital assets used in the School System’s governmental funds during the year ended June 30, 2007 were as follows:

	<b>Balance June 30, 2006</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2007</b>
Capital assets not being depreciated				
Land	\$ 143,995,522	\$ 43,157,747	\$ 25,000	\$ 187,128,269
Construction in progress	25,751,714	100,678,008	16,115,718	110,314,004
Total capital assets not being depreciated	<u>169,747,236</u>	<u>143,835,755</u>	<u>16,140,718</u>	<u>297,442,273</u>
Capital assets being depreciated				
Buildings and improvements	1,254,787,149	50,129,582	45,483	1,304,871,248
Furniture, equipment and vehicles	71,669,422	11,648,513	3,766,381	79,551,554
Total capital assets being depreciated	<u>1,326,456,571</u>	<u>61,778,095</u>	<u>3,811,864</u>	<u>1,384,422,802</u>
Less accumulated depreciation for				
Buildings and improvements	290,433,874	30,873,013	20,013	321,286,874
Furniture, equipment and vehicles	40,526,365	4,975,463	3,614,631	41,887,197
Total accumulated depreciation	<u>330,960,239</u>	<u>35,848,476</u>	<u>3,634,644</u>	<u>363,174,071</u>
Total capital assets being depreciated, net	<u>995,496,332</u>	<u>25,929,619</u>	<u>177,220</u>	<u>1,021,248,731</u>
Total governmental activities capital assets, net	<u>\$ 1,165,243,568</u>	<u>\$ 169,765,374</u>	<u>\$ 16,317,938</u>	<u>\$ 1,318,691,004</u>

Depreciation expense was charged to functions as follows:

Instruction	\$ 25,518,529
Pupil Services	132,506
Improvement of Instruction	544,234
Educational Media Services	1,298,869
General Administration	17,249
School Administration	778,795
Business Administration	329,271
Maintenance and Operation of Facilities	693,947
Student Transportation Services	3,875,929
Central Support Services	322,562
Other Support Services	8,627
Food Services	2,327,958
	<u>\$ 35,848,476</u>

## NOTES TO FINANCIAL STATEMENTS

### 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, 2007 is \$73,685,000.

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, 2007 is \$117,675,000.

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.

Principal of \$3,112,058 and interest of \$1,996,724 for the year ended June 30, 2007 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, 2007 is \$38,015,118.

The changes in long-term debt during the year ended June 30, 2007, were as follows:

	<u>Balance June 30, 2006</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2007</u>	<u>Due Within One Year</u>
1991 Series general obligation bonds maturing on May 1, 2017, with interest rates ranging from 4.75% to 6.375%	\$ 80,340,000	\$ -	\$ 6,655,000	\$ 73,685,000	\$ 6,630,000
1998 Series general obligation bonds maturing on July 1, 2021, with interest rates ranging from 4.0% to 5.5%	123,400,000	-	5,725,000	117,675,000	5,975,000
Total bonds payable	<u>203,740,000</u>	<u>-</u>	<u>12,380,000</u>	<u>191,360,000</u>	<u>12,605,000</u>
Workers' compensation insurance claims	4,803,974	3,539,318	3,244,743	5,098,549	2,549,275
Other claims and judgments	340,500	302,027	210,000	432,527	412,527
Compensated absences	29,515,502	28,602,298	29,203,360	28,914,440	26,022,996
TRS Pension note	<u>41,127,176</u>	<u>-</u>	<u>3,112,058</u>	<u>38,015,118</u>	<u>3,112,058</u>
Governmental activities long-term liabilities	<u>\$ 279,527,152</u>	<u>\$ 32,443,643</u>	<u>\$ 48,150,161</u>	<u>\$ 263,820,634</u>	<u>\$ 44,701,856</u>

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>
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	15,670,000	7,648,213	23,318,213
2013-2017	76,180,000	24,543,238	100,723,238
2018-2021	42,520,000	5,989,069	48,509,069
<b>Total</b>	<b>\$ 191,360,000</b>	<b>\$ 77,407,375</b>	<b>\$ 268,767,375</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>
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	3,112,058	1,242,272	4,354,330
2013-2017	15,560,290	3,940,005	19,500,295
2018-2020	6,894,538	550,919	7,445,457
<b>Total</b>	<b>\$ 38,015,118</b>	<b>\$ 12,209,190</b>	<b>\$ 50,224,308</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 2007 amounted to \$571,570 and is reported as local and other funds 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, 2007:

<u>Fiscal Year Ended June 30,</u>	<u>General Fund</u>
2008	\$ 634,224
2009	654,532
2010	670,471
2011	663,059
2012	627,353
2013-2017	1,433,643
2018-2022	516,590
2023-2027	314,245
2028-2032	741
Total	<u>\$ 5,514,858</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 and paid on December 29, 2006.

Activity for the short-term liability for the year ended June 30, 2007, 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, 2007 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor governmental funds	\$ 47,643,256
General Fund	2007 SPLOST Capital Projects	65,416,941
General Fund	Pension Trust Fund	559,115
General Fund	2002 SPLOST Capital Projects	50,390,987
2002 SPLOST Capital Projects	General Fund	2,534,870
Nonmajor governmental funds	General Fund	5,414,115
2002 SPLOST Capital Projects	Nonmajor governmental funds	112,605
Nonmajor governmental funds	2002 SPLOST Capital Projects	4,669,036
Nonmajor governmental funds	Nonmajor governmental funds	342,357
		<u>\$ 177,083,282</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, 2007 is as follows:

<u>From</u>	<u>To</u>	<u>Amount</u>
General Fund	Nonmajor governmental funds	\$ 2,970,435
2002 SPLOST Capital Projects Fund	Nonmajor governmental funds	16,946,286
2002 SPLOST Capital Projects Fund	General Fund	5,324,903
Nonmajor governmental funds	General Fund	948,764
		<u>\$ 26,190,388</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 a 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>
2007	\$ 4,803,974	\$ 3,539,318	\$ 3,244,743	\$ 5,098,549
2006	\$ 5,401,579	\$ 2,098,790	\$ 2,696,395	\$ 4,803,974

### 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 9.28 for fiscal year 2007 and 9.24%, for each of the fiscal years 2006 and 2005.

**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>2007</b>	<b>2006</b>	<b>2005</b>
Employer contribution	\$ 41,355,100	\$ 39,020,624	\$ 37,016,683
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, at 3121 Norman Berry Drive, East Point, Georgia 30344.

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 19.84% 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, 2007, 2006 and 2005 were \$23,608,836, \$23,608,836, and \$22,270,600, respectively.

**Annual Pension Cost and Net Pension Asset**

The School System's annual pension cost and net pension asset at June 30, 2007 are as follows:

**Basis of Valuation**

Current Valuation Date	June 30, 2006
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar Amount, Closed
Amortization Period	40 years from 7/1/1984
Asset Valuation Method	Market Value
<b>Actuarial Assumptions:</b>	
Investment Rate of Return	7.00%
Projected Salary Increases	8.00% to 5.25% Graded
Includes Inflation at	3.00%
Cost-of-Living Adjustment	3.00%

**Calculation of Net Pension Asset**

Annual required contribution	\$ 23,592,000
Interest on net pension asset	(1,068,000)
Adjustment to annual required contribution	1,459,000
Annual pension cost	<u>23,983,000</u>
Contributions made	<u>(23,608,836)</u>
Decrease in net pension asset	374,164
Net pension asset at beginning of year	<u>15,253,436</u>
Net pension asset at end of year	<u><u>\$ 14,879,272</u></u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE L - RETIREMENT PLANS (CONTINUED)

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

#### Annual Pension Cost and Net Pension Asset - Continued

##### Trend Information for The Plan (Amounts in thousands)

Fiscal Year Ending	Annual Required Contribution (ARC)	Interest on NPO	ARC Adjustment	Amortization Factor	Annual Pension Cost (APC)	Amount Contributed	(Increase) Decrease in NPO	Net Pension Obligation (Asset)
6/30/02	\$ 16,931	\$ (1,340)	\$ (1,615)	10.3711	\$ 17,206	\$ 17,460	\$ (254)	\$ (17,004)
6/30/03	20,266	(1,190)	(1,537)	11.0612	20,613	19,100	1,513	(15,491)
6/30/04	19,898	(1,084)	(1,430)	10.8355	20,244	22,761	(2,517)	(18,008)
6/30/05	23,830	(1,261)	(1,700)	10.5940	24,269	22,271	1,998	(16,010)
6/30/06	23,937	(1,121)	(1,549)	10.3356	24,365	23,609	756	(15,254)
6/30/07	23,592	(1,068)	(1,459)	10.4568	23,983	23,609	374	(14,880)

### 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.

#### 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, 2007, the School System has outstanding contractual commitments totaling approximately \$94,045,689 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.

## NOTES TO FINANCIAL STATEMENTS

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

#### Capital Project Construction Contracts - Continued

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 \$440,600,000 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 \$520,600,000 for new school additions, renovations, and other construction costs, and furnishing and equipping new and current schools. Also, up to \$69,600,000 will be used to pay debt service costs on bond issues outstanding prior to the imposition of the tax.

On March 20, 2007, 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, 2007, and remains in effect for up to five years or until the School System has received \$893 million from the tax, whichever occurs earlier. The School System plans to use up to \$802,600,000 for new school additions, renovations, and other construction costs, and furnishing and equipping new and current schools. Also, up to \$90,200,000 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 \$11,267,103 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.

### NOTE O – SUBSEQUENT EVENTS

During the School System's fiscal year 2008 budget process, the Board approved the early debt payoff of the Teachers Retirement System of Georgia (Pension) note. On November 15, 2007, the School System wired \$38,488,666 to the Teachers Retirement System of Georgia to pay off the outstanding pension note. The amount paid included the outstanding balance (\$38,015,118) as of June 30, 2007, less a principal payment of \$216,121 made by the School System in July 2007, plus accrued interest of \$689,669 from July 1, 2007 through November 14, 2007.

## NOTES TO FINANCIAL STATEMENTS

### NOTE O – SUBSEQUENT EVENTS (CONTINUED)

On March 12, 2008, the School System issued \$130,000,000 in aggregate principal amount of Fulton County School District (Georgia) Short-Term Construction Notes, Series 2008 (the “Notes”). The School System received \$130,000,000 from the sale of the Notes. Based upon a certificate of the purchaser of the Notes, the issue price of the Notes was \$130,768,300, reflecting an original issue premium of \$768,300. The short-term construction notes are due on December 31, 2008 and bear an interest rate of 3%. The proceeds from the short-term construction notes will be used toward the cost of current expenses of acquiring, constructing, equipping, and upgrading various school facilities and to pay the expenses incident thereto incurred by the School System during the calendar year 2008.

**REQUIRED SUPPLEMENTARY INFORMATION  
(UNAUDITED)**

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**FUNDED STATUS**

The table below sets forth required supplementary information to be disclosed in the schedule of funding progress.  
The items presented are based on the most recent actuarial valuation date:

**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, 2001	\$ 107,604,000	\$ 217,463,000	\$ 109,859,000	49.5 %	\$ 134,718,000	81.5 %
June 30, 2002	120,681,000	269,318,000	148,637,000	44.8	136,736,000	108.7
June 30, 2003	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	219,938,000	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
June 30, 2006	178,483,000	384,095,000	205,612,000	46.5	118,891,000	172.9

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

<b>Fiscal Year Ended</b>	<b>Annual Required Contribution</b>	<b>Employer Contribution</b>	<b>Percentage Contributed</b>
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
June 30, 2007	23,592,000	23,609,000	100.1

**Note:** See assumptions used for the Schedule of Funding Progress in Note L to the financial statements



**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

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

**JUNE 30, 2007**

<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	\$ 15,156,459	\$ 8,404,763	\$ 43,814,679	\$ 3,234	\$ 67,379,135
Taxes receivable	-	415,093	-	-	415,093
Due from other governments	14,601,936	-	-	-	14,601,936
Due from other funds	110,038	4,680,889	5,634,581	-	10,425,508
Inventory	580,303	-	-	-	580,303
<b>Total assets</b>	<b>\$ 30,448,736</b>	<b>\$ 13,500,745</b>	<b>\$ 49,449,260</b>	<b>\$ 3,234</b>	<b>\$ 93,401,975</b>
 <b><u>Liabilities and Fund Balances</u></b>					
<b>Liabilities</b>					
Accounts payable	\$ 605,230	\$ -	\$ 2,581,212	\$ -	\$ 3,186,442
Retainage payable	-	-	1,015,942	-	1,015,942
Other payables	48,276	-	-	-	48,276
Salaries payable	5,048,783	-	-	-	5,048,783
Deferred revenue	-	318,273	-	-	318,273
Due to other funds	10,498,794	7,347,413	30,252,011	-	48,098,218
<b>Total liabilities</b>	<b>16,201,083</b>	<b>7,665,686</b>	<b>33,849,165</b>	<b>-</b>	<b>57,715,934</b>
<b>Fund balances</b>					
Reserved for inventory	580,303	-	-	-	580,303
Reserved for encumbrances	624,697	-	-	-	624,697
Reserved for debt service	-	5,835,059	-	-	5,835,059
Unreserved - undesignated	13,042,653	-	15,600,095	3,234	28,645,982
<b>Total fund balances</b>	<b>14,247,653</b>	<b>5,835,059</b>	<b>15,600,095</b>	<b>3,234</b>	<b>35,686,041</b>
<b>Total liabilities and fund balances</b>	<b>\$ 30,448,736</b>	<b>\$ 13,500,745</b>	<b>\$ 49,449,260</b>	<b>\$ 3,234</b>	<b>\$ 93,401,975</b>

**FULTON COUNTY BOARD OF EDUCATION  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Permanent Fund J.C. Day	Total Nonmajor Governmental Funds
<b>REVENUES</b>					
State sources	\$ 6,932,456	\$ -	\$ 19,003,664	\$ -	\$ 25,936,120
Federal sources	44,674,026	-	-	-	44,674,026
Local and other sources	17,341,821	7,493,558	1,881,780	5	26,717,164
Total revenues	<u>68,948,303</u>	<u>7,493,558</u>	<u>20,885,444</u>	<u>5</u>	<u>97,327,310</u>
<b>EXPENDITURES</b>					
Instruction	28,094,324	-	-	-	28,094,324
Support services					
Pupil services	2,688,063	-	-	-	2,688,063
Improvement of instructional services	5,944,205	-	-	-	5,944,205
General administration	800,443	-	-	-	800,443
Student transportation services	317,923	-	-	-	317,923
Other support services	1,129,831	-	-	-	1,129,831
Food services operations	36,181,849	-	-	-	36,181,849
Capital outlays	-	-	50,485,989	-	50,485,989
Debt service					
Principal retirement	-	12,380,000	-	-	12,380,000
Interest and fees	-	11,661,510	-	-	11,661,510
Total expenditures	<u>75,156,638</u>	<u>24,041,510</u>	<u>50,485,989</u>	<u>-</u>	<u>149,684,137</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,208,335)</u>	<u>(16,547,952)</u>	<u>(29,600,545)</u>	<u>5</u>	<u>(52,356,827)</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	2,970,435	16,946,286	-	-	19,916,721
Transfers out	(948,764)	-	-	-	(948,764)
Total other financing sources (uses)	<u>2,021,671</u>	<u>16,946,286</u>	<u>-</u>	<u>-</u>	<u>18,967,957</u>
Net change in fund balances	(4,186,664)	398,334	(29,600,545)	5	(33,388,870)
Fund balances, beginning of year	<u>18,434,317</u>	<u>5,436,725</u>	<u>45,200,640</u>	<u>3,229</u>	<u>69,074,911</u>
Fund balances, end of year	<u>\$ 14,247,653</u>	<u>\$ 5,835,059</u>	<u>\$ 15,600,095</u>	<u>\$ 3,234</u>	<u>\$ 35,686,041</u>

FULTON COUNTY BOARD OF EDUCATION

COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2007

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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,411,295	\$ -
Due from other governments	3,481,226	1,004,403	308,982	8,128,519	4,156	330,260	79,434	186,847	143,790
Due from other funds	-	-	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-	580,303	-
Total assets	\$ 3,481,226	\$ 1,004,403	\$ 308,982	\$ 8,128,519	\$ 4,156	\$ 330,260	\$ 79,434	\$ 14,178,445	\$ 143,790
<b>Liabilities and Fund Balances</b>									
Liabilities									
Accounts payable	\$ 63,286	\$ 22,233	\$ 7,969	\$ 77,194	\$ 5,582	\$ 207,811	\$ 36,055	\$ 57,617	\$ 3,623
Other payables	44,147	-	-	3,496	-	-	-	633	-
Salaries payable	931,110	388,616	30,091	1,782,875	-	3,956	739	493,200	-
Due to other governments	-	-	-	-	-	-	-	-	-
Due to other funds	2,395,642	593,554	262,458	6,170,700	3,168	118,493	42,640	-	140,167
Total liabilities	3,434,185	1,004,403	300,518	8,034,265	8,750	330,260	79,434	551,450	143,790
Fund balances (deficit)									
Reserved for inventory	-	-	-	-	-	-	-	580,303	-
Reserved for encumbrances	-	-	-	-	-	-	-	624,697	-
Unreserved - undesignated	47,041	-	8,464	94,254	(4,594)	-	-	12,421,995	-
Total fund balances (deficit)	47,041	-	8,464	94,254	(4,594)	-	-	13,626,995	-
Total liabilities and fund balances	\$ 3,481,226	\$ 1,004,403	\$ 308,982	\$ 8,128,519	\$ 4,156	\$ 330,260	\$ 79,434	\$ 14,178,445	\$ 143,790

Continued

**FULTON COUNTY BOARD OF EDUCATION**

**COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS**

**JUNE 30, 2007**

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	\$ -	\$ 1,386,130	\$ 89,050	\$ -	\$ 234,320	\$ 35,664	\$ -	\$ 15,156,459
Due from other governments	176,598	-	-	713,115	44,606	-	-	14,601,936
Due from other funds	-	90,497	-	-	19,541	-	-	110,038
Inventory	-	-	-	-	-	-	-	580,303
Total assets	\$ 176,598	\$ 1,476,627	\$ 89,050	\$ 713,115	\$ 298,467	\$ 35,664	\$ -	\$ 30,448,736
<b>Liabilities and Fund Balances</b>								
Liabilities								
Accounts payable	\$ 29,660	\$ 18,600	\$ -	\$ 71,265	\$ 3,215	\$ 1,120	\$ -	\$ 605,230
Other payables	-	-	-	-	-	-	-	48,276
Salaries payable	4,600	1,367,526	-	17,687	-	28,383	-	5,048,783
Due to other funds	131,010	162	-	640,800	-	-	-	10,498,794
Total liabilities	165,270	1,386,288	-	729,752	3,215	29,503	-	16,201,083
Fund balances (deficit)								
Reserved for inventory	-	-	-	-	-	-	-	580,303
Reserved for encumbrances	-	-	-	-	-	-	-	624,697
Unreserved - undesignated	11,328	90,339	89,050	(16,637)	295,252	6,161	-	13,042,653
Total fund balances (deficit)	11,328	90,339	89,050	(16,637)	295,252	6,161	-	14,247,653
Total liabilities and fund balances	\$ 176,598	\$ 1,476,627	\$ 89,050	\$ 713,115	\$ 298,467	\$ 35,664	\$ -	\$ 30,448,736

FULTON COUNTY BOARD OF EDUCATION

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	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	10,078,189	2,307,949	699,592	13,398,019	39,793	700,559	230,488	15,997,870	148,195
Local and other sources	259	6,051	3,415	10,681	-	197,661	-	16,982,958	-
Total revenues	10,078,448	2,314,000	703,007	13,408,700	39,793	898,220	230,488	32,980,828	148,195
<b>Expenditures</b>									
Instruction	5,142,474	2,310,240	216,873	11,630,358	21,787	158,917	28,984	-	9,750
Support services									
Pupil services	71,280	-	212,916	1,333,926	-	-	-	-	-
Improvement of instructional services	3,362,231	275,717	271,513	23,932	-	647,749	197,599	-	126,502
General administration	444,202	40,335	-	214,992	-	-	4,227	-	2,542
Student transportation services	-	-	-	315,315	-	-	-	-	-
Other support services	1,060,410	11,696	-	10,681	25,038	-	-	36,181,849	9,766
Food services operations	-	-	-	-	-	-	-	-	-
Total expenditures	10,080,597	2,637,988	701,302	13,529,204	46,825	806,666	230,810	36,181,849	148,560
Excess (deficiency) of revenues over (under) expenditures	(2,149)	(323,988)	1,705	(120,504)	(7,032)	91,554	(322)	(3,201,021)	(365)
<b>Other financing sources (uses)</b>									
Transfers in	16	314,834	3,848	460	785	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	16	314,834	3,848	460	785	-	-	-	-
Net change in fund balances	(2,133)	(9,154)	5,553	(120,044)	(6,247)	91,554	(322)	(3,201,021)	(365)
<b>Fund balances (deficit), beginning of year</b>	49,174	9,154	2,911	214,298	1,653	(91,554)	322	16,828,016	365
<b>Fund balances (deficit), end of year</b>	\$ 47,041	\$ -	\$ 8,464	\$ 94,254	\$ (4,594)	\$ -	\$ -	\$ 13,626,995	\$ -

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, 2007

	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	\$ -	\$ 6,692,357	\$ -	\$ -	\$ 240,099	\$ -	\$ -	\$ 6,932,456
Federal sources	203,777	-	-	869,595	-	-	-	44,674,026
Local and other sources	-	-	3,049	6,737	12,617	118,393	-	17,341,821
Total revenues	203,777	6,692,357	3,049	876,332	252,716	118,393	-	68,948,303
<b>Expenditures</b>								
Instruction	17,297	8,010,937	3,049	85,550	249,716	208,392	-	28,094,324
Support services								
Pupil services	171,361	897,057	-	-	-	1,523	-	2,688,063
Improvement of instructional services	-	46,295	-	808,092	-	184,575	-	5,944,205
General administration	3,177	84,584	-	2,263	-	4,121	-	800,443
Student transportation services	-	-	-	-	-	2,608	-	317,923
Other support services	3,511	8,729	-	-	-	-	-	1,129,831
Food services operations	-	-	-	-	-	-	-	36,181,849
Total expenditures	195,346	9,047,602	3,049	895,905	249,716	401,219	-	75,156,638
Excess (deficiency) of revenues over (under) expenditures	8,431	(2,355,245)	-	(19,573)	3,000	(282,826)	-	(6,208,335)
<b>Other financing sources (uses)</b>								
Transfers in	-	2,355,247	-	7,941	3,432	283,872	-	2,970,435
Transfers out	-	-	(10)	-	(159)	(942,111)	(6,484)	(948,764)
Total other financing sources (uses)	-	2,355,247	(10)	7,941	3,273	(658,239)	(6,484)	2,021,671
Net change in fund balances	8,431	2	(10)	(11,632)	6,273	(941,065)	(6,484)	(4,186,664)
Fund balances (deficit), beginning of year	2,897	90,337	89,060	(5,005)	288,979	947,226	6,484	18,434,317
Fund balances (deficit), end of year	\$ 11,328	\$ 90,339	\$ 89,050	\$ (16,637)	\$ 295,252	\$ 6,161	\$ -	\$ 14,247,653

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

**JUNE 30, 2007**

	<u>1997 SPLOST Capital Project Fund</u>	<u>1998 Local Capital Project Fund</u>	<u>State Capital Projects Funds</u>	<u>Total Nonmajor Capital Projects Funds</u>
<b><u>Assets</u></b>				
Cash	\$ 43,814,679	\$ -	\$ -	\$ 43,814,679
Due from other funds	5,634,581	-	-	5,634,581
Total assets	<u>\$ 49,449,260</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,449,260</u>
 <b><u>Liabilities and Fund Balances</u></b>				
<b>Liabilities</b>				
Accounts payable	\$ 2,580,213	\$ 999	\$ -	\$ 2,581,212
Retainage payable	1,015,942	-	-	1,015,942
Due to other funds	11,474,069	18,777,942	-	30,252,011
Total liabilities	<u>15,070,224</u>	<u>18,778,941</u>	<u>-</u>	<u>33,849,165</u>
 <b>Fund balances (deficits)</b>				
<b>Reserves for:</b>				
Encumbrances	8,780,129	-	-	8,780,129
Capital projects	38,207,118	-	-	38,207,118
Unreserved - undesignated	(12,608,211)	(18,778,941)	-	(31,387,152)
Total fund balances (deficits)	<u>34,379,036</u>	<u>(18,778,941)</u>	<u>-</u>	<u>15,600,095</u>
Total liabilities and fund balances	<u>\$ 49,449,260</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,449,260</u>



**FULTON COUNTY BOARD OF EDUCATION  
 COMBINING STATEMENTS OF REVENUES,  
 EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR CAPITAL PROJECTS FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<b>1997 SPLOST Capital Project Fund</b>	<b>1998 Local Capital Project Fund</b>	<b>State Capital Projects Funds</b>	<b>Total Nonmajor Capital Projects Funds</b>
<b>Revenues</b>				
State sources	\$ -	\$ -	\$ 19,003,664	\$ 19,003,664
Local and other sources	1,881,780	-	-	1,881,780
Total revenues	<u>1,881,780</u>	<u>-</u>	<u>19,003,664</u>	<u>20,885,444</u>
<b>Expenditures</b>				
Capital outlay	<u>28,089,073</u>	<u>3,393,252</u>	<u>19,003,664</u>	<u>50,485,989</u>
Total expenditures	<u>28,089,073</u>	<u>3,393,252</u>	<u>19,003,664</u>	<u>50,485,989</u>
Net change in fund balances	(26,207,293)	(3,393,252)	-	(29,600,545)
<b>Fund balances (deficit), beginning of year</b>	<u>60,586,329</u>	<u>(15,385,689)</u>	<u>-</u>	<u>45,200,640</u>
<b>Fund balances (deficit), end of year</b>	<u>\$ 34,379,036</u>	<u>\$ (18,778,941)</u>	<u>\$ -</u>	<u>\$ 15,600,095</u>

**FULTON COUNTY BOARD OF EDUCATION**

**SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE  
LOCAL OPTION SALES TAX  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

<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	\$ 440,600,000	\$ 374,303,809	\$ 28,089,073	\$ 402,392,882
Debt service	70,900,000	75,877,136	-	75,877,136
Total	<u>\$ 511,500,000</u>	<u>\$ 450,180,945</u>	<u>\$ 28,089,073</u>	<u>\$ 478,270,018</u>
<b>2002 SPLOST Capital Program</b>				
Construction and renovations	\$ 520,600,000	\$ 394,196,128	\$ 90,181,249	\$ 484,377,377
Debt service	69,600,000	58,996,060	22,271,189	81,267,249
Total	<u>\$ 590,200,000</u>	<u>\$ 453,192,188</u>	<u>\$ 112,452,438</u>	<u>\$ 565,644,626</u>
<b>2007 SPLOST Capital Program</b>				
Construction and renovations	\$ 802,600,000	\$ -	\$ 75,372,340	\$ 75,372,340
Debt service	90,200,000	-	-	-
Total	<u>\$ 892,800,000</u>	<u>\$ -</u>	<u>\$ 75,372,340</u>	<u>\$ 75,372,340</u>

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

---

	<u>Pre-Kindergarten</u>
Expenditures:	
Salaries - teachers	\$ 3,904,477
Salaries - teachers' aides and paraprofessionals	2,243,643
Salaries - clerical	55,602
Salaries - other	773,345
Employee benefits	1,847,473
Purchased professional and technical services	180
Student transportation services	21,711
Communication	778
Travel - employees	6,037
Materials and supplies	190,701
Food service supplies	<u>3,655</u>
Total expenditures	<u>\$ 9,047,602</u>

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Description	Allotments from Georgia Department of Education (1)	Actual State Funded Expenditures (2)		
		Salaries	Operations	Total
Kindergarten Program	\$ 27,537,419	\$ 32,653,964	\$ 595,051	\$ 33,249,015
Kindergarten Program - Early Intervention Program	1,607,899	1,420,695	3,808	1,424,503
Primary Grades (1-3) Program	62,838,148	94,953,654	5,586,110	100,539,764
Primary Grades - Early Intervention Program	4,075,943	4,097,263	17,816	4,115,079
Upper Elementary Grades (4-5) Program	28,631,961	29,260,677	1,262,004	30,522,681
Upper Elementary Grades - Early Intervention (4-5) Program	2,720,221	2,427,344	5,782	2,433,126
Middle Grades (6-8) Program	2,574,743	4,180,174	364,967	4,545,141
Middle School (6-8) Program	44,688,454	63,748,155	2,130,262	65,878,417
High School General Education (9-12) Program	49,227,872	65,759,735	4,441,071	70,200,806
Vocational Laboratory (9-12) Program	6,891,935	8,513,712	216,785	8,730,497
Students with Disabilities (Categories I - V)	43,044,337	56,853,730	6,144,862	62,998,592
Gifted Student - Category VI	20,066,591	16,374,439	74,040	16,448,479
Remedial Education Program	2,841,597	1,730,785	9,265	1,740,050
Alternative Education Program	3,862,471	5,367,448	240,397	5,607,845
English Speakers of Other Languages (ESOL)	6,229,887	9,821,380	257,064	10,078,444
<b>Total Direct Instruction Funds</b>	<b>306,839,478</b>	<b>397,163,155</b>	<b>21,349,284</b>	<b>418,512,439</b>
Media Center Program	8,807,742	10,685,067	3,426,637	14,111,704
20 Days Additional Instruction	2,645,034	3,191,348	4,248	3,195,596
Staff and Professional Development	1,786,541	1,544,399	793,416	2,337,815
<b>Total QBE Formula Funds</b>	<b>\$ 320,078,795</b>	<b>\$ 412,583,969</b>	<b>\$ 25,573,585</b>	<b>\$ 438,157,554</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, 2007, but not paid until the subsequent year. Similar amounts earned but not paid as of June 30, 2006 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.