

**FULTON COUNTY BOARD OF EDUCATION**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE**  
**FISCAL YEAR ENDED JUNE 30, 2005**

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

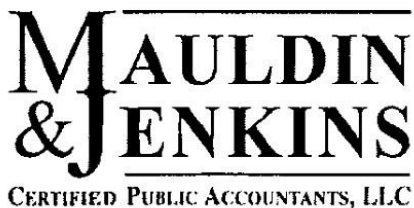
**FULTON COUNTY BOARD OF EDUCATION  
ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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## INDEPENDENT AUDITOR'S REPORT

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**To the Superintendent and Members of the Board  
of Education of the Fulton County School System  
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, 2005, 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, 2005, 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 March 1, 2007, 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.

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The Management's Discussion and Analysis and Schedules of Funding Progress and Employer Contributions (on pages 3 through 12 and 45) are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fulton County Board of Education's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Mauldin & Jenkins, LLC*

Atlanta, Georgia  
March 1, 2007



**FULTON COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

As management of the Fulton County School System (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, 2005. 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 2005 are as follows:

- In total, net assets increased \$49.3 million, which is an increase of 4.9 percent over 2004. The total increase was due to governmental activities since the Board has no business-type activities.
- General revenues totaled \$525.4 million or 65.1 percent of total revenues, and program specific revenues in the form of charges for services, grants and contributions accounted for \$281.3 million or 34.9 percent of the total fiscal year 2005 revenues.
- The Board had \$757.3 million in expenses related to governmental activities of which \$281.3 million were offset by program specific charges for services or grants and contributions. General revenues (primarily taxes) of \$525.4 million were adequate to provide for the remaining costs of these programs.
- Among major funds, the General Fund had \$616.2 million in fiscal year 2005 revenues, primarily from local taxes and state Quality Basic Education program (QBE) funding, and \$631.2 million in expenditures. The General Fund's fund balance decreased from \$129.1 million to \$111.9 as of June 30, 2005.
- The Board's long-term debt decreased by \$11 million due to the retirement of outstanding school district 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 2005?" *The Statement of Net Assets and Statement of Activities* answer this question. These statements include *all assets and liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into consideration all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

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

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

#### **Fund Financial Statements**

Fund financial reports provide the next level of financial detail. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School System uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the school system can be divided into two categories: governmental funds and fiduciary funds. Most of the School System's activities are reported in the governmental funds. These include the general fund, special revenue grant funds, capital projects – regular, state capital outlay and Special Purpose Local Option Sales Tax (SPLOST) funds, and debt

service funds. The *fund financial statements* also look at the School System's most significant funds with all other non-major funds presented in total in one column. In the case of the Fulton County Board of Education, the General Fund is by far the most significant fund. The other major funds are the 1997 SPLOST Capital Projects fund, and the 2002 SPLOST Capital Projects fund.

For *governmental funds*, these statements tell how services were financed in the short-term as well as what remains for future spending. These funds are reported using the *modified accrual basis of accounting*, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the School System's general governmental operation and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the *Statement of Net Assets* and *Statement of Activities*) and governmental *funds* is reconciled in the financial statements.

*Fiduciary Funds* are used to account for assets held by the School System as trustee, or fiduciary, for others. In Fulton County, these are the school clubs and organizations within the principals' accounts, and the Fulton County School Employees' Pension Fund. The school system is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The school system excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

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

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

#### GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. The Fulton County Board of Education's assets exceeded liabilities by \$1.053 billion as of June 30, 2005. 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 2005 and 2004*.

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

Assets		
Current and Other Assets	\$ 299,682	\$ 689,243
Net Pension Benefit	16,010	18,008
Capital Assets, Net	<u>1,130,048</u>	<u>1,076,266</u>
Total Assets	<u>1,445,740</u>	<u>1,783,517</u>
Liabilities		
Current and Other Liabilities	142,592	515,335
Long-Term Liabilities	<u>250,356</u>	<u>264,738</u>
Total Liabilities	<u>392,948</u>	<u>780,073</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	914,153	850,471
Restricted	74,070	4,504
Unrestricted	<u>64,569</u>	<u>148,469</u>
Total Net Assets	<u>\$ 1,052,792</u>	<u>\$ 1,003,444</u>

Table 2 shows the changes in net assets for fiscal year 2005 and 2004.

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

	2005	2004 Restated
<b>Revenues</b>		
<b>Program Revenues</b>		
Charges for Services and Sales	\$ 25,965	\$ 18,784
Operating Grants and Contributions	250,293	233,480
Capital Grants and Contributions	5,070	30,109
<b>Total Program Revenues</b>	<u>281,328</u>	<u>282,373</u>
<b>General Revenues</b>		
Property Taxes	403,623	393,998
Sales Tax		
Special Purpose Local Option Sales Tax for Capital Projects	114,530	108,806
Investment Earnings	7,205	6,404
<b>Total General Revenues</b>	<u>525,358</u>	<u>509,208</u>
<b>Total Revenues</b>	<u>806,686</u>	<u>791,581</u>
<b>Program Expenses</b>		
Instruction	516,472	491,353
Support Services		
Pupil Services	30,314	28,789
Improvement of Instructional Services	13,928	14,221
Educational Media Services	16,376	14,433
General Administration	2,612	2,000
School Administration	27,296	25,745
Business Administration	4,486	4,454
Maintenance and Operation of Facilities	54,514	50,919
Student Transportation Services	32,138	29,243
Central Support Services	11,954	11,373
Other Support Services	1,303	1,243
Community Services		
Food Service	31,492	29,260
Interest on Long Term Debt	14,453	14,787
<b>Total Expenses</b>	<u>757,338</u>	<u>717,820</u>
<b>Increase in Net Assets</b>	<u>49,348</u>	<u>73,761</u>
<b>Net Assets - Ending of Year</b>	<u>\$ 1,052,792</u>	<u>\$ 1,003,444</u>

Instruction comprises 68.2 percent of governmental program expenses. Interest expense was 1.9 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 0.9 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 2005 and 2004. That is, it shows the net cost of the services supported by local tax revenues and unrestricted other local revenues and state entitlements.

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

	2005		2004 Restated	
	Total	Net	Total	Net
Instruction	\$ 516,472	\$ (323,594)	\$ 491,353	\$ (288,928)
Support Services				
Pupil Services	30,314	(21,772)	28,789	(21,505)
Improvement of Instructional Services	13,928	(7,676)	14,221	(7,764)
Educational Media Services	16,376	(11,931)	14,433	(9,445)
General Administration	2,612	(1,073)	2,000	(270)
School Administration	27,296	(18,088)	25,745	(16,685)
Business Administration	4,486	(4,301)	4,454	(4,281)
Maintenance and Operation of Plant	54,514	(39,641)	50,919	(37,585)
Student Transportation Services	32,138	(18,869)	29,243	(22,334)
Central Support Services	11,954	(11,615)	11,373	(11,053)
Other Support Services	1,303	(518)	1,243	(287)
Food Services	31,492	(2,479)	29,260	(524)
Interest on Long Term Debt	14,453	(14,453)	14,787	(14,787)
<b>Total Expenses</b>	<b><u>\$ 757,338</u></b>	<b><u>\$ (476,010)</u></b>	<b><u>\$ 717,820</u></b>	<b><u>\$ (435,448)</u></b>

While contributions and grants, particularly state QBE funds, are a significant part of the funding for the school system's provision of services to students (25 percent), local tax revenues still provide the majority of the revenues for school system activities.

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

The School System's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues and other financing sources of \$850.2 million and expenditures and other financing uses of \$866.5 million. The General Fund had expenditures in excess of revenues of \$14.9 million representing planned use of fund balance for prior year encumbrances. The School System's General Fund is in sound financial position with a year-end fund balance of \$111.94 million.

The 1997 SPLOST Capital Projects Fund had expenditures in excess of revenues of \$4.5 million representing construction of projects with previously collected sales tax. The 1997 SPLOST Capital Projects Fund had a fund balance of \$78.5 million at the end of the year.

The 2002 SPLOST Capital Projects Fund had revenues in excess of expenditures of \$26.3 million representing expenditures 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 deficit fund balance of \$19.4 million at June 30, 2005 which will be provided by future 2002 SPLOST tax collections.

The School System's Nonmajor Governmental Funds (Special Revenue, Debt Service, and State and Local Capital Projects) had revenues and other financing sources of \$98.4 million and expenditures and other financing uses of \$102.7 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 Nonmajor Governmental Funds was \$25.7 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 2005, 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 original budgeted revenue and other financing sources of \$621.0 million exceeded the final budgeted amount of \$606.5 million by \$14.5 million. The actual revenues and other financing sources total of \$610.0 million exceeded the final budgeted amount by \$3.5 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 \$647.2 million exceeded the original budgeted amount of \$637.2 million by approximately \$10 million. The actual expenditures and other financing uses of \$627.4 million were less than the final budgeted amount by approximately \$19.8 million.

## Capital Assets and Debt Administration

### Capital Assets

At the end of fiscal 2005 the School System had \$1,130 billion invested in capital assets, all in governmental activities. Table 4 shows the fiscal 2005 and 2004 year-end balances.

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

	<u>2005</u>	<u>2004 Restated</u>
Land	\$ 125,319	\$ 120,312
Construction in Progress	1,613	17,577
Buildings and Improvements	969,968	907,930
Furniture, Equipment and Vehicles	<u>33,148</u>	<u>30,447</u>
Total	<u>\$ 1,130,048</u>	<u>\$ 1,076,266</u>

The primary increases occurred in buildings and building improvements. 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 eight year period from 1997-98 through fiscal year 2004-05, the School System has collected approximately \$791 million from its one percent Special Purpose Local Option Sales Tax (SPLOST) to fund major capital projects – new schools, renovations and additions to schools and furniture and equipment for new schools and renovations. With the addition of state capital outlay funding and the supplemental funding for additional schools and site purchases from the General Fund as discussed earlier under “**The School System’s Funds**”, the five-year construction program will total approximately \$673 million. 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, 2005, the School System collected approximately \$115.7 million from the SPLOST extension. This extension will provide substantial funding for the construction needs of the School System as student growth is expected to continue over the next five years.



### ***Debt Administration***

At June 30, 2005, the School System had \$215.9 million in outstanding bonds with \$12.2 million due within one year. The Board also had an accrued pension liability to the Teachers Retirement System of Georgia (TRS) of \$44.2 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 2005 and 2004.

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

	<u>2005</u>	<u>2004</u>
General Obligation Bonds	\$ 215,895	\$ 225,795
TRS Transfer Debt	44,239	47,352
Compensated Absences	25,934	24,694
Insurance Claims	5,402	5,196
Other Claims and Judgments	596	-
Total	<u>\$ 292,066</u>	<u>\$ 303,037</u>

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

### **Current Issues**

Fulton County and the Fulton County School System have certainly experienced some of the effects of the economic slowdown which began in mid-2002: however, the impact on the School System's financial condition has been minimal to this point. The effect of recessions and unfavorable economic developments on property tax revenues tends to lag behind sales and income tax collections. Since the School System's primary revenue source is property tax, our funding has not suffered as badly as the State of Georgia that depends on the more volatile sales and income taxes. Nevertheless, the state's economic difficulties already have impacted the Fulton County School System through funding reductions for fiscal year 2005 and in the adopted state budget for fiscal year 2006. The possibility of further loss of state education funds in fiscal 2006 and succeeding years is a continuing concern to the School System.

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

In addition to economic issues and enrollment growth, the School System is committed to improving student achievement in the School System. Providing quality teachers and support staff, lowered class sizes and initiatives to assist under-achieving schools and students have been given priority in our planning and budgeting processes and will require that adequate resources are available and directed appropriately. The School System ended fiscal year 2005 with very sound financial reserves and has adopted a budget for fiscal 2006 that is designed to target our student achievement goals and still maintain adequate reserves.

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

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

## **BASIC FINANCIAL STATEMENTS**

# FULTON COUNTY BOARD OF EDUCATION

## STATEMENT OF NET ASSETS

JUNE 30, 2005

	Governmental Activities
<b>ASSETS</b>	
Current Assets	
Cash	\$ 231,810,617
Investments	1,038,264
Due from other governments	31,849,956
Due from pension trust fund	65,394
Taxes receivable	30,718,880
Other receivables	1,884,912
Other assets	14,575
Inventory	2,299,969
Total current assets	299,682,567
Non Current Assets	
Net pension asset	16,009,600
Capital assets, non-depreciable	126,931,868
Capital assets, depreciable (net of accumulated depreciation)	1,003,116,383
Total non current assets	1,146,057,851
Total assets	1,445,740,418
<b>LIABILITIES</b>	
Current Liabilities	
Accounts payable	7,694,878
Retainage payable	2,638,131
Due to other governments	40,851
Other payables	7,568,065
Accrued interest	4,329,233
Salaries and benefits payable	78,610,654
Pension note due within one year	3,112,058
Compensated absences due within one year	23,340,276
General obligation bonds payable due within one year	12,155,000
Workers compensation claims due within one year	2,700,790
Other claims and judgments due within one year	402,055
Total current liabilities	142,591,991
Long-term liabilities, net of current portion	
Pension note due in more than one year	41,127,176
Compensated absences due in more than one year	2,593,364
General obligation bonds payable due in more than one year	203,740,000
Workers compensation claims due in more than one year	2,700,789
Other claims and judgments due in more than one year	194,737
Total long-term liabilities	250,356,066
Total liabilities	392,948,057
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	914,153,251
Restricted for capital projects	69,538,167
Restricted for debt service	4,531,888
Unrestricted	64,569,055
<b>TOTAL NET ASSETS</b>	\$ 1,052,792,361

The accompanying notes are an integral part of these statements.

**FULTON COUNTY BOARD OF EDUCATION**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2005**

Functions/Program Activities	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Assets Governmental Activities	
		Charges for Services	Operating Grants and Contributions		
Governmental Activities:					
Instruction	\$ 516,471,503	\$ 3,500,035	\$ 185,068,312	\$ 4,309,521	\$ (323,593,635)
Support services					
Pupil services	30,313,482	-	8,541,749	-	(21,771,733)
Improvement of instructional services	13,928,289	29,100	6,222,811	-	(7,676,378)
Educational media services	16,376,309	-	4,242,950	202,801	(11,930,558)
General administration	2,612,381	102,853	1,436,334	-	(1,073,194)
School administration	27,295,680	-	9,055,847	152,101	(18,087,732)
Business administration	4,486,346	-	185,225	-	(4,301,121)
Maintenance and operation of facilities	54,514,015	803,190	14,069,908	-	(39,640,917)
Student transportation services	32,137,923	6,634,476	6,634,476	-	(18,868,971)
Central support services	11,954,002	-	338,894	-	(11,615,108)
Other support services	1,303,037	-	785,106	-	(517,931)
Food services	31,492,395	14,895,311	13,712,182	405,602	(2,479,300)
Interest on long term debt	14,452,924	-	-	-	(14,452,924)
<b>Total governmental activities</b>	<b>757,338,286</b>	<b>25,964,965</b>	<b>250,293,794</b>	<b>5,070,025</b>	<b>(476,009,502)</b>
		<b>General revenues</b>			
		Property taxes			403,622,840
		Sales taxes			114,530,450
		Interest and investment earnings			7,204,791
		<b>Total general revenues</b>			<b>525,358,081</b>
		<b>Change in net assets</b>			<b>49,348,579</b>
		<b>Net assets - beginning of year, restated</b>			<b>1,003,443,782</b>
		<b>Net assets - end of year</b>			<b>\$ 1,052,792,361</b>

**FULTON COUNTY BOARD OF EDUCATION**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

**JUNE 30, 2005**

	General	1997 SPLOST Capital Projects	2002 SPLOST Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash	\$ 92,532,753	\$ 89,908,953	\$ 26,713,782	\$ 22,655,129	\$ 231,810,617
Investments	1,038,264	-	-	-	1,038,264
Due from other governments	27,753,184	-	-	4,096,772	31,849,956
Advance to other funds	60,500,000	-	-	-	60,500,000
Taxes receivable	11,025,456	-	19,487,161	206,263	30,718,880
Due from other funds	5,656,011	-	-	9,165,983	14,821,994
Other receivables	1,884,115	-	-	797	1,884,912
Other assets	14,575	-	-	-	14,575
Inventory	1,667,097	-	-	632,872	2,299,969
<b>Total assets</b>	<b>\$ 202,071,455</b>	<b>\$ 89,908,953</b>	<b>\$ 46,200,943</b>	<b>\$ 36,757,816</b>	<b>\$ 374,939,167</b>
<b>Liabilities</b>					
Accounts payable	\$ 2,851,139	\$ 27,883	\$ 3,581,666	\$ 1,234,190	\$ 7,694,878 ✓
Expired grants payable	-	-	-	92,069	92,069 ✓
Salaries and benefits payable	74,125,272	-	8,063	4,477,319	78,610,654 ✓
Other payables	6,808,171	-	667,825	-	7,475,996
Retainage payable	-	2,638,131	-	-	2,638,131
Due to other funds	118,060	8,747,121	854,456	5,036,963	14,756,600
Due to other governments	-	-	-	40,851	40,851
Advance from other funds	-	-	60,500,000	-	60,500,000
Deferred revenue	6,226,836	-	-	167,408	6,394,244 ✓
<b>Total liabilities</b>	<b>90,129,478</b>	<b>11,413,135</b>	<b>65,612,010</b>	<b>11,048,800</b>	<b>178,203,423</b>
<b>Fund Balances</b>					
Reserved for:					
Encumbrances	12,238,770	522,631	56,437,738	448,516	69,647,655
Capital projects	-	69,538,167	-	-	69,538,167
Debt service	-	-	-	4,531,888	4,531,888
School activities	2,243,612	-	-	-	2,243,612
Unreserved:					
Designated for debt service	4,719,712	-	-	-	4,719,712
Undesignated, reported in:					
General fund	92,739,883	-	-	-	92,739,883
Special revenue funds	-	-	-	18,184,045	18,184,045
Capital projects funds	-	8,435,020	(75,848,805)	2,541,343	(64,872,442)
Permanent fund	-	-	-	3,224	3,224
<b>Total fund balances</b>	<b>111,941,977</b>	<b>78,495,818</b>	<b>(19,411,067)</b>	<b>25,709,016</b>	<b>196,735,744</b>
<b>Total liabilities and fund balances</b>	<b>\$ 202,071,455</b>	<b>\$ 89,908,953</b>	<b>\$ 46,200,943</b>	<b>\$ 36,757,816</b>	<b>\$ 374,939,167</b>

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

JUNE 30, 2005

<b>Total fund balances - governmental funds</b>	<b>\$</b>	<b>196,735,744</b>
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.		1,130,048,251
Net pension benefit in governmental activities is not a financial resource and therefore is not reported as an asset in governmental funds.		16,009,600
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.		6,394,244
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		(215,895,000)
Pension obligation payable		(44,239,234)
Accrued interest on bonds		(4,329,233)
Compensated absences payable		(25,933,640)
Claims payable		(5,998,371)
<b>Total net assets - governmental activities</b>	<b>\$</b>	<b><u>1,052,792,361</u></b>

## FULTON COUNTY BOARD OF EDUCATION

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2005

	General	1997 SPLOST Capital Projects	2002 SPLOST Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
State funds	\$ 199,132,583	\$ -	\$ 5,070,025	\$ 5,281,417	\$ 209,484,025
Federal funds	616,295	-	-	42,106,912	42,723,207
On behalf payments	4,482,073	-	-	-	4,482,073
Local and other funds	412,010,414	1,169,139	114,530,450	23,984,226	551,694,229
Total revenues	616,241,365	1,169,139	119,600,475	71,372,555	808,383,534
<b>EXPENDITURES</b>					
Current					
Instruction	450,467,910	-	-	27,020,665	477,488,575
Support services					
Pupil services	24,662,897	-	-	4,631,871	29,294,768
Improvement of instructional services	9,574,364	-	-	3,444,304	13,018,668
Educational media services	14,722,347	-	-	-	14,722,347
General administration	1,507,618	-	-	1,017,649	2,525,267
School administration	25,783,317	-	-	-	25,783,317
Business administration	4,054,829	-	-	-	4,054,829
Maintenance and operation of facilities	52,274,380	-	-	-	52,274,380
Student transportation services	27,370,244	-	-	318,351	27,688,595
Central support services	11,307,921	-	-	-	11,307,921
On behalf payments	4,482,073	-	-	-	4,482,073
Other support services	140,668	-	-	1,115,903	1,256,571
Food services	-	-	-	28,457,969	28,457,969
Capital outlay	-	5,645,895	93,331,629	5,865,822	104,843,346
Debt Service	-	-	-	-	-
Principal retirement	3,112,058	-	-	9,900,000	13,012,058
Interest and fees	1,720,746	-	-	12,911,746	14,632,492
Total expenditures	631,181,372	5,645,895	93,331,629	94,684,280	824,843,176
Excess (deficiency) of revenues over (under) expenditures	(14,940,007)	(4,476,756)	26,268,846	(23,311,725)	(16,459,642)
<b>OTHER FINANCING SOURCES (USES):</b>					
Proceeds from sale of capital assets	89,056	-	-	-	89,056
Transfers in	679,134	4,229,366	9,709,651	27,068,464	41,686,615
Transfers out	(2,967,193)	(16,755,135)	(13,964,042)	(8,000,245)	(41,686,615)
Total other financing sources (uses)	(2,199,003)	(12,525,769)	(4,254,391)	19,068,219	89,056
Net change in fund balances	(17,139,010)	(17,002,525)	22,014,455	(4,243,506)	(16,370,586)
Fund balances, beginning of year	129,080,987	95,498,343	(41,425,522)	29,952,522	213,106,330
Fund balances, end of year	\$ 111,941,977	\$ 78,495,818	\$ (19,411,067)	\$ 25,709,016	\$ 196,735,744

The accompanying notes are an integral part of these statements.



**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 YEAR ENDED JUNE 30, 2005**

<b>Net change in fund balances - total governmental funds</b>	<b>\$ (16,370,586)</b>
 Amounts reported for governmental activities in the statement of activities are different because:	
 Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expense in the statement of activities.	
Depreciation expense	(33,227,225)
Capital outlays	87,105,158
 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.	
	(95,715)
 Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
	9,900,000
 Repayment of long-term pension obligation is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
	3,112,058
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
	2,785,404
 Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences	(1,239,578)
Claims and judgments	(802,105)
Accrued interest	179,568
Net pension asset	(1,998,400)
 <b>Change in net assets of governmental activities</b>	 <b>\$ 49,348,579</b>

**FULTON COUNTY BOARD OF EDUCATION**

**GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP) AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2005**

	Budget		Actual	Variances
	Original	Final		With Final Budget
<b>REVENUES</b>				
State sources	\$ 194,973,484	\$ 195,803,130	\$ 199,132,583	\$ 3,329,453
Federal sources	1,411,542	600,000	616,295	16,295
Local and other sources	424,047,516	410,055,647	409,525,459	(530,188)
Total revenues	<u>620,432,542</u>	<u>606,458,777</u>	<u>609,274,337</u>	<u>2,815,560</u>
<b>EXPENDITURES</b>				
Instruction	458,117,863	447,084,490	448,167,413	(1,082,923)
Support services				
Pupil services	25,416,177	24,511,122	24,662,897	(151,775)
Improvement of instructional services	10,999,389	11,033,796	9,574,364	1,459,432
Educational media services	13,282,113	16,038,954	14,722,347	1,316,607
General administration	818,914	902,538	1,507,618	(605,080)
School administration	27,009,856	26,166,303	25,783,317	382,986
Business administration	5,159,349	10,459,686	4,054,829	6,404,857
Maintenance and operation of facilities	50,904,379	53,907,624	52,274,380	1,633,244
Student transportation services	27,848,581	29,221,971	27,370,244	1,851,727
Central support services	11,706,651	12,546,932	11,307,921	1,239,011
Other support services	180,887	188,590	140,668	47,922
Debt service:				
TRS principal retirement	100,000	3,112,058	3,112,058	-
TRS interest and fees	-	1,720,746	1,720,746	-
Total expenditures	<u>631,544,159</u>	<u>636,894,810</u>	<u>624,398,802</u>	<u>12,496,008</u>
Excess (deficiency) of revenues over (under) expenditures	(11,111,617)	(30,436,033)	(15,124,465)	15,311,568
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from the sale of capital assets	-	-	89,056	89,056
Transfers in	605,191	-	679,134	679,134
Transfers out	(5,685,645)	(10,335,465)	(2,967,193)	7,368,272
Total other financing sources (uses)	<u>(5,080,454)</u>	<u>(10,335,465)</u>	<u>(2,199,003)</u>	<u>8,136,462</u>
Net change in fund balances	<u>\$ (16,192,071)</u>	<u>\$ (40,771,498)</u>	<u>\$ (17,323,468)</u>	<u>\$ 23,448,030</u>

**FULTON COUNTY BOARD OF EDUCATION**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS**

**JUNE 30, 2005**

	<u>Pension Trust Fund</u>	<u>Agency Fund Club and Athletics Fund</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 4,822,757	\$ 3,506,179
Investments at fair value	157,013,318	-
Other receivables	<u>582,548</u>	<u>227,257</u>
Total assets	<u>162,418,623</u>	<u>3,733,436</u>
<b>Liabilities</b>		
Accounts payable	364	765,363
Due to other funds	65,394	-
Due to student groups	<u>-</u>	<u>2,968,073</u>
Total liabilities	<u>65,758</u>	<u>3,733,436</u>
<b>Net Assets</b>		
Reserved for retirement benefits	<u>\$ 162,352,865</u>	<u>\$ -</u>
(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 YEAR ENDED JUNE 30, 2005

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**Additions**

Contributions:

Employer	\$	22,270,600
Plan members		4,100,181
Total contributions		<u>26,370,781</u>

Investment income:

Interest		1,739,046
Net decrease in the fair value of investments		<u>7,001,553</u>
Total investment income		8,740,599
Less investment expense		<u>63,865</u>
Net investment income		<u>8,676,734</u>

Total additions 35,047,515

**Deductions**

Benefit payments		20,369,341
Administrative expense		722,493
Refunds		792,446
Other		<u>66,615</u>

Total deductions 21,950,895

Net increase 13,096,620

Net assets, beginning of year 149,256,245

Net assets, end of year \$ 162,352,865

# FULTON COUNTY BOARD OF EDUCATION

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### 1. Reporting Entity

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

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

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

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

## NOTES TO FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

The School System reports the following major governmental funds:

## NOTES TO FINANCIAL STATEMENTS

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

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

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

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

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

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

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

The School System reports the following fiduciary fund types:

- **Permanent Fund** – account for assets held by the School System in a trustee capacity.
- **Agency Funds** – account for assets held by the School System as an agent for various funds, governments, school clubs or individuals.

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.

## NOTES TO FINANCIAL STATEMENTS

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

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

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

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

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

#### 4. Investments

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

#### 5. Inventories and Prepaid Items

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

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

#### 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.



## NOTES TO FINANCIAL STATEMENTS

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

#### 7. Net Pension Asset

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

#### 8. Capital Assets

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

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

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

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

#### 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.

## NOTES TO FINANCIAL STATEMENTS

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

#### 10. Deferred Revenues

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

#### 11. Long-Term Obligations:

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

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

#### 12. Fund Equity/Net Assets

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans for future use of financial resources. The deficits in the 2002 SPLOST Capital Projects Fund (\$19,411,067) and the Other Federal Grants Fund (\$7,358) will be eliminated with transfers from the General Fund.

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

#### 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.

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

14. Prior Period Adjustment

Governmental Activities – Prior Period Adjustment

The School System has determined that a restatement of Governmental Activities' net assets is required to reflect the correction of an error in previously capitalizing infrastructure assets that actually belong to another government. These capital assets should have been donated to the other government and recorded on the other government's books as donated assets. As a result, the beginning net assets of Governmental Activities have been reduced by \$5,179,592.

Governmental Activities	
Net Assets, June 30, 2004, as previously reported	\$ 1,008,623,374
Adjustment for capital assets	(5,179,592)
Net Assets, June 30, 2004, restated	<u>\$ 1,003,443,782</u>

NOTE B – LEGAL COMPLIANCE - BUDGETS

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

The School System employs encumbrance accounting. However, all appropriations lapse at year end and encumbrances are rebudgeted in the subsequent year.

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

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

## NOTES TO FINANCIAL STATEMENTS

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

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

USGAAP basis net change in fund balance	\$ (17,139,010)
Adjustments for:	
Principals' funds revenue	(2,484,955)
Principals' funds expenditures	2,300,497
State paid employee benefit revenue	(4,482,073)
State paid employee benefit expenditures	4,482,073
Budget basis net change in fund balance	\$ (17,323,468)

For the year ended June 30, 2005, actual expenditures on the budgetary basis exceed the budgeted amounts in the following departments:

<u>Department</u>	<u>Amount</u>
Instruction	\$1,082,923
Pupil services	151,775
General administration	605,080

### 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 \$206,389,851 in the Georgia Fund 1. As of June 30, 2005, the Georgia Fund 1 had a weighted average maturity of 24 days and a credit rating of AAAM.

**NOTES TO FINANCIAL STATEMENTS**

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

**1. Deposits and Investments - Continued**

GEAP was also created under the OCGA 36-83-8, but investments are restricted to those enumerated by OCGA 50-5A-7 and Chapter 17 of Title 50. GEAP is managed by the State of Georgia as a variable net asset value fund. These funds are managed similarly to the management of the Georgia Fund 1 accounts. GEAP is available to all public entities that have a minimum of \$1,000,000 in funds available for investment for a period of one (1) year or longer. The value of an investment in GEAP will fluctuate over time, and it is possible to lose money by investing in the fund. Investments in this fund are not guaranteed or insured by any bank, the FDIC, the State of Georgia or any other government agency. As of June 30, 2005, the School System's investment in the Georgia Extended Asset Pool was rated AA+ by Standard & Poor's.

At June 30, 2005, the School System had the following investments:

Investment	Maturities	Fair Value
GEAP	.92 weighted average	\$ 1,038,264

**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, 2005, \$2,604,832 of the School System's bank balance was uninsured or uncollateralized.

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

**Pension Fund**

As of June 30, 2005, the balance of Pension Fund investments, \$157,013,318, is invested based on a separate policy for pension assets adopted by the Pension Fund Board in compliance with State law. The Pension Fund assets are invested in domestic common stocks, international stocks, and domestic bonds based on asset allocation ranges and performance benchmarks.

## NOTES TO FINANCIAL STATEMENTS

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

#### 1. Deposits and Investments - Continued

##### Pension Fund - Continued

Investment	Fair Value	Duration (Years)	Credit Quality
U.S. Treasury Notes (government issues)	\$ 9,827,079	2.58 - 8.58	AAA
Cash (depository receipts)	191,340	---	---
Corporate Bonds (convertible bonds)	4,320	4	CCC+
U.S. Mutual Funds	127,166,734	---	---
Foreign Currency	1,610	---	---
Real Estate Investment Trust	910,171	---	---
STIF - Type Instrument (StateStreet Bank & Trust)	792,578	---	---
Corporate Equities	18,119,486	---	---
Total	<u>\$ 157,013,318</u>	---	---

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

**Custodial Credit Risk – Deposits** – Custodial credit risk for deposits is the risk that in the event of a bank failure, the School System may not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. At year-end, the Pension Fund had deposits with a bank balance of \$5,383,774; the carrying amount for these deposits was \$4,822,757. At June 30, 2005, the Pension Fund had no bank balances exposed to custodial credit risk.

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

**Foreign Currency Risk** – At June 30, 2005, \$1,610 of total Pension Fund investments had 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, 2005 fiscal year were levied on June 16, 2004, based on property values assessed as of January 1, 2004, and are payable on or before October 15, 2004. 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, 2005.

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

### NOTE F – CAPITAL ASSETS

Changes in capital assets used in the School System's governmental funds during the year ended June 30, 2005 were as follows:

**NOTES TO FINANCIAL STATEMENTS**

**NOTE F – CAPITAL ASSETS (Continued)**

	<b>Balance June 30, 2004</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2005</b>
<b>Capital assets not being depreciated</b>				
Land	\$ 120,311,959	\$ 5,006,835	\$ -	\$ 125,318,794
Construction in progress	17,577,193	33,290,543	49,254,662	1,613,074
Total capital assets not being depreciated	<u>137,889,152</u>	<u>38,297,378</u>	<u>49,254,662</u>	<u>126,931,868</u>
<b>Capital assets being depreciated</b>				
Buildings and improvements	1,140,661,809	90,577,779	-	1,231,239,588
Furniture, equipment and vehicles	64,459,366	7,484,663	1,703,028	70,241,001
Total capital assets being depreciated	<u>1,205,121,175</u>	<u>98,062,442</u>	<u>1,703,028</u>	<u>1,301,480,589</u>
<b>Less accumulated depreciation for</b>				
Buildings and improvements	232,731,752	28,539,281	-	261,271,033
Furniture, equipment and vehicles	34,012,542	4,687,944	1,607,313	37,093,173
Total accumulated depreciation	<u>266,744,294</u>	<u>33,227,225</u>	<u>1,607,313</u>	<u>298,364,206</u>
<b>Total capital assets being depreciated, net</b>	<u>938,376,881</u>	<u>64,835,217</u>	<u>95,715</u>	<u>1,003,116,383</u>
<b>Total governmental activities capital assets, net</b>	<u>\$ 1,076,266,033</u>	<u>\$ 103,132,595</u>	<u>\$ 49,350,377</u>	<u>\$ 1,130,048,251</u>



## NOTES TO FINANCIAL STATEMENTS

### NOTE F – CAPITAL ASSETS (CONTINUED)

As of June 30, 2005, the School System determined that a prior period adjustment of \$5,179,592 was needed to reflect the correction of an error in previously capitalizing infrastructure assets that actually belong to another government. Therefore, the beginning governmental activities capital assets net of accumulated depreciation, decreased from \$1,081,445,625 to \$1,076,266,033.

Depreciation expense was charged to functions as follows:

Instruction	\$ 23,652,607
Pupil Services	122,817
Improvement of Instruction	504,439
Educational Media Services	1,203,896
General Administration	15,988
School Administration	721,849
Business Administration	305,194
Maintenance and Operation of Facilities	643,206
Student Transportation Services	3,592,520
Central Support Services	298,977
Other Support Services	7,995
Food Services	2,157,737
	<hr/>
	\$ 33,227,225

### 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 6.3% to 6.375%. The outstanding balance of these general obligation refunding bonds as of June 30, 2005 is \$87,025,000.

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. The outstanding balance of these general obligation refunding bonds as of June 30, 2005 is \$128,870,000.

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

**NOTES TO FINANCIAL STATEMENTS**

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

Principal of \$3,112,058 and interest of \$1,720,746 for the year ended June 30, 2005 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, 2005 is \$44,239,234.

The changes in long-term debt during the year ended June 30, 2005, were as follows:

	<u>Balance July 1, 2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2005</u>	<u>Due Within One Year</u>
1991 Series general obligation bonds maturing on May 1, 2017, with interest rates ranging from 6.3% to 6.375%	\$ 91,710,000	\$ -	\$ 4,685,000	\$ 87,025,000	\$ 6,685,000
1998 Series general obligation bonds maturing on July 1, 2021, with interest rates ranging from 4.5% to 5.5%	<u>134,085,000</u>	<u>-</u>	<u>5,215,000</u>	<u>128,870,000</u>	<u>5,470,000</u>
Total bonds payable	<u>225,795,000</u>	<u>-</u>	<u>9,900,000</u>	<u>215,895,000</u>	<u>12,155,000</u>
Workers' compensation insurance claims	5,196,266	2,655,630	2,450,317	5,401,579	2,700,790
Other claims and judgments	-	596,792	-	596,792	402,055
Compensated absences	24,694,062	26,784,088	25,544,510	25,933,640	23,340,276
Pension note	<u>47,351,292</u>	<u>-</u>	<u>3,112,058</u>	<u>44,239,234</u>	<u>3,112,058</u>
Governmental activities long-term liabilities	<u>\$ 303,036,620</u>	<u>\$ 30,036,510</u>	<u>\$ 41,006,885</u>	<u>\$ 292,066,245</u>	<u>\$ 41,710,179</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.

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

**NOTES TO FINANCIAL STATEMENTS**

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

<b>Payments due in Fiscal Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2006	\$ 12,155,000	\$ 12,353,686	\$ 24,508,686
2007	12,380,000	11,659,031	24,039,031
2008	12,605,000	10,977,149	23,582,149
2009	13,865,000	10,255,737	24,120,737
2010	15,130,000	9,442,269	24,572,269
2011-2015	77,920,000	33,644,801	111,564,801
2016-2020	60,345,000	12,455,194	72,800,194
2021	11,495,000	632,225	12,127,225
<b>Total</b>	<b>\$ 215,895,000</b>	<b>\$ 101,420,092</b>	<b>\$ 317,315,092</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>
2006	\$ 3,112,058	\$ 1,607,654	\$ 4,719,712
2007	3,112,058	1,494,562	4,606,620
2008	3,112,058	1,381,469	4,493,527
2009	3,112,058	1,268,377	4,380,435
2010	3,112,058	1,155,285	4,267,343
2011-2015	15,560,290	4,080,042	19,640,332
2016-2020	13,118,654	1,252,738	14,371,392
<b>Total</b>	<b>\$ 44,239,234</b>	<b>\$ 12,240,127</b>	<b>\$ 56,479,361</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 2005 amounted to \$586,291 and is reported as other local sources in the School System's General Fund.

The following is a schedule of minimum future rentals to be received under operating leases at June 30, 2005:

<u>Fiscal Year Ended June 30,</u>	<u>General Fund</u>
2006	\$ 610,575
2007	615,793
2008	634,224
2009	654,532
2010	670,471
2011-2015	2,364,911
2016-2020	749,000
2021-2025	333,997
2026-2030	109,474
Total	<u>\$ 6,742,977</u>

### NOTE I- 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, 2005 is as follows:

**NOTES TO FINANCIAL STATEMENTS**

**NOTE I - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor governmental funds	\$ 4,736,161
General Fund	2002 SPLOST Capital Projects	854,456
General Fund	Pension Fund	65,394
Nonmajor governmental funds	Nonmajor governmental funds	300,802
Nonmajor governmental funds	1997 SPLOST Capital Projects Fund	8,747,121
Nonmajor governmental funds	General Fund	118,060
		<u>\$ 14,821,994</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, 2005 is as follows:

<u>From</u>	<u>To</u>	<u>Amount</u>
General Fund	Nonmajor governmental funds	\$ 2,967,193
2002 SPLOST Capital Projects Fund	1997 SPLOST Capital Projects Fund	4,229,366
1997 SPLOST Capital Projects Fund	Nonmajor governmental funds	14,800,560
1997 SPLOST Capital Projects Fund	2002 SPLOST Capital Projects Fund	1,954,575
Nonmajor governmental funds	2002 SPLOST Capital Projects Fund	7,755,076
2002 SPLOST Capital Projects Fund	Nonmajor governmental funds	9,300,711
2002 SPLOST Capital Projects Fund	General Fund	433,965
Nonmajor governmental funds	General Fund	245,169
		<u>\$ 41,686,615</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 I - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)**

Advances from/to other funds are as follows:

<u>From</u>	<u>To</u>	<u>Amount</u>
2002 SPLOST Capital Projects Fund	General Fund	\$ 60,500,000

The amount payable from the 2002 SPLOST Capital Projects Fund was repaid to the General Fund in September 2006.

**NOTE J- RISK MANAGEMENT**

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

**Workers' Compensation Claims**

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

	<u>Unpaid claims, beginning of fiscal year</u>	<u>Incurred claims (including IBNRs)</u>	<u>Claim payments and changes in estimates</u>	<u>Unpaid claims, end of fiscal year</u>
2005	\$ 5,196,266	\$ 2,655,630	\$ 2,450,317	\$ 5,401,579
2004	\$ 4,052,954	\$ 4,200,242	\$ 3,056,930	\$ 5,196,266

## NOTES TO FINANCIAL STATEMENTS

### NOTE K - 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.

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

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

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

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

##### Funding Policy

Employees of the School System who are covered by TRS are required to pay 5% of their gross earnings to TRS. The School System makes monthly employer contributions to TRS at rates adopted by the TRS Board of Trustees as advised by their independent actuary. The employer contribution rate was 9.24%, 9.24%, and 9.24% for 2005, 2004, and 2003, respectively.

**NOTES TO FINANCIAL STATEMENTS**

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

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

**Funding Policy - Continued**

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

	<b>2005</b>	<b>2004</b>	<b>2003</b>
Employer contribution	\$ 37,016,683	\$ 34,648,981	\$ 33,177,844
Percentage contributed	100%	100%	100%

**Fulton County School Employees' Pension Fund**

**Plan Description**

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

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

**Funding Policy**

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



## NOTES TO FINANCIAL STATEMENTS

### NOTE K - RETIREMENT PLANS (CONTINUED)

#### Funding Policy (Continued)

The School System's contribution is the actuarially determined amount necessary to fund plan benefits; the current rate is 15.28% 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, 2005, 2004 and 2003 were \$22,270,600, \$22,761,000, and \$19,100,000, respectively.

#### Annual Pension Cost and Net Pension Asset

The School System's annual pension cost and net pension asset at June 30, 2005 are as follows:

Annual required contribution	\$ 23,830,000
Interest on net pension asset	(1,261,000)
Adjustment to annual required contribution	1,700,000
Annual pension cost	<u>24,269,000</u>
Contributions made	<u>(22,270,600)</u>
Decrease in net pension asset	1,998,400
Net pension asset at beginning of year	<u>18,008,000</u>
Net pension asset at end of year	<u>\$ 16,009,600</u>

### NOTE L - COMMITMENTS AND CONTINGENCIES

#### Grant Programs

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

## NOTES TO FINANCIAL STATEMENTS

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

#### Capital Project Construction Contracts

The School System has undertaken a capital improvement program to renovate and expand many of its existing facilities and to build several new facilities. Accordingly, the School System has entered into various long-term construction contracts, some of which are not complete at year-end. As of June 30, 2005, the School System has outstanding contractual commitments totaling approximately \$12,287,578 relating to the construction and expansion of school facilities. Management anticipates that these projects will be funded in forthcoming years through current funds, state grants, property taxes, and revenues from a special local option sales tax.

On March 18, 1997, the voters in Fulton County approved the imposition of a one-percent Special Local Option Sales Tax (SPLOST) for School System capital projects. The SPLOST was implemented July 1, 1997, and remains in effect for up to five years or until the School System has received \$490 million from the tax, whichever occurs earlier. The School System plans to use up to \$436,200,000 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 \$551,700,000 for new school additions, renovations, and other construction costs, and furnishing and equipping new and current schools. Also, up to \$43,300,000 will be used to pay debt service costs on bond issues outstanding prior to the imposition of the tax.

#### Litigation

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

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

The School System has recognized revenue and expenditures of \$4,482,073 for health insurance paid on the School System's behalf by the Georgia Department of Education to the Department of Community Health for health insurance of non-certified personnel.

## NOTES TO FINANCIAL STATEMENTS

### NOTE N – SUBSEQUENT EVENT

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

As previously discussed in Note I, the advance of \$60,500,000 from the General Fund to the 2002 SPLOST Capital Projects Fund outstanding as of June 30, 2005 was subsequently repaid in September 2006.

**REQUIRED SUPPLEMENTARY INFORMATION  
(UNAUDITED)**

**FULTON COUNTY BOARD OF EDUCATION**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2005**

**SCHEDULE OF FUNDING PROGRESS**

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

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Year ended	Annual Required Contribution	Employer Contribution	Percentage Contributed
June 30, 2000	\$ 12,459,000	\$ 14,000,000	112.4 %
June 30, 2001	12,459,000	14,560,000	116.9
June 30, 2002	16,931,000	17,460,000	103.1
June 30, 2003	20,266,000	19,100,000	94.2
June 30, 2004	19,898,000	22,761,000	114.4
June 30, 2005	23,830,000	22,271,000	93.5

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

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

**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

**FULTON COUNTY BOARD OF EDUCATION**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS**

**JUNE 30, 2005**

<u>Assets</u>	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>1998 Local Capital Project Fund</u>	<u>Permanent Fund J.C. Day</u>	<u>Total Nonmajor Governmental Funds</u>
Cash and cash equivalents	\$ 20,105,561	\$ -	\$ 2,546,344	\$ 3,224	\$ 22,655,129
Taxes receivable	-	206,263	-	-	206,263
Due from other governments	4,096,772	-	-	-	4,096,772
Due from other funds	110,038	9,055,945	-	-	9,165,983
Other receivables	797	-	-	-	797
Inventory	632,872	-	-	-	632,872
<b>Total assets</b>	<b><u>\$ 24,946,040</u></b>	<b><u>\$ 9,262,208</u></b>	<b><u>\$ 2,546,344</u></b>	<b><u>\$ 3,224</u></b>	<b><u>\$ 36,757,816</u></b>
 <b><u>Liabilities and Fund Balances</u></b>					
<b>Liabilities</b>					
Accounts payable	1,229,189	-	5,001	-	1,234,190
Other payables	92,069	-	-	-	92,069
Salaries payable	4,477,319	-	-	-	4,477,319
Deferred revenue	-	167,408	-	-	167,408
Due to other governments	40,851	-	-	-	40,851
Due to other funds	474,051	4,562,912	-	-	5,036,963
<b>Total liabilities</b>	<b><u>6,313,479</u></b>	<b><u>4,730,320</u></b>	<b><u>5,001</u></b>	<b><u>-</u></b>	<b><u>11,048,800</u></b>
<b>Fund balances</b>					
Reserved for encumbrances	448,516	-	-	-	448,516
Reserved for debt service	-	4,531,888	-	-	4,531,888
Unreserved - undesignated	18,184,045	-	2,541,343	3,224	20,728,612
<b>Total fund balances</b>	<b><u>18,632,561</u></b>	<b><u>4,531,888</u></b>	<b><u>2,541,343</u></b>	<b><u>3,224</u></b>	<b><u>25,709,016</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 24,946,040</u></b>	<b><u>\$ 9,262,208</u></b>	<b><u>\$ 2,546,344</u></b>	<b><u>\$ 3,224</u></b>	<b><u>\$ 36,757,816</u></b>

**FULTON COUNTY BOARD OF EDUCATION**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>1998 Local Capital Project Fund</u>	<u>Permanent Fund J.C. Day</u>	<u>Total Nonmajor Governmental Funds</u>
<b>REVENUES</b>					
State sources	\$ 5,281,417	\$ -	\$ -	\$ -	\$ 5,281,417
Federal sources	42,106,912	-	-	-	42,106,912
Local sources and other sources	17,397,538	6,586,683	-	5	23,984,226
<b>Total revenues</b>	<u>64,785,867</u>	<u>6,586,683</u>	<u>-</u>	<u>5</u>	<u>71,372,555</u>
<b>EXPENDITURES</b>					
Instruction	27,020,665	-	-	-	27,020,665
Support services					
Pupil services	4,631,871	-	-	-	4,631,871
Improvement of instructional services	3,444,304	-	-	-	3,444,304
General administration	1,017,649	-	-	-	1,017,649
Student transportation services	318,351	-	-	-	318,351
Other support services	1,115,903	-	-	-	1,115,903
Food services operations	28,457,969	-	-	-	28,457,969
Capital outlays	-	-	5,865,822	-	5,865,822
Debt service					
Principal retirement	-	9,900,000	-	-	9,900,000
Interest and fees	-	12,911,746	-	-	12,911,746
<b>Total expenditures</b>	<u>66,006,712</u>	<u>22,811,746</u>	<u>5,865,822</u>	<u>-</u>	<u>94,684,280</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,220,845)</u>	<u>(16,225,063)</u>	<u>(5,865,822)</u>	<u>5</u>	<u>(23,311,725)</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	2,967,192	16,253,161	7,848,111	-	27,068,464
Transfers out	(245,169)	-	(7,755,076)	-	(8,000,245)
<b>Total other financing sources (uses)</b>	<u>2,722,023</u>	<u>16,253,161</u>	<u>93,035</u>	<u>-</u>	<u>19,068,219</u>
<b>Net change in fund balances</b>	<u>1,501,178</u>	<u>28,098</u>	<u>(5,772,787)</u>	<u>5</u>	<u>(4,243,506)</u>
Fund balances, beginning of year	17,131,383	4,503,790	8,314,130	3,219	29,952,522
<b>Fund balances, end of year</b>	<u>\$ 18,632,561</u>	<u>\$ 4,531,888</u>	<u>\$ 2,541,343</u>	<u>\$ 3,224</u>	<u>\$ 25,709,016</u>



FULTON COUNTY BOARD OF EDUCATION

COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2005

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	\$ -	\$ -	\$ 149,106	\$ 128,737	\$ -	\$ 90,656	\$ 43,571	\$ 16,746,523	\$ -
Due from other governments	902,347	695,806	-	2,097,508	11,222	58,433	-	140,837	55,097
Due from other funds	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	797	-
Inventory	-	-	-	-	-	-	-	632,872	-
Total assets	\$ 902,347	\$ 695,806	\$ 149,106	\$ 2,226,245	\$ 11,222	\$ 149,089	\$ 43,571	\$ 17,521,029	\$ 55,097
<b>Liabilities and Fund Balances</b>									
Liabilities									
Accounts payable	\$ 44,806	\$ 30,451	\$ 115,083	\$ 658,296	\$ 5,102	\$ 134,931	\$ 1,704	\$ 134,780	\$ 6,299
Other payables	92,069	-	-	-	-	-	-	-	-
Salaries payable	719,491	344,229	23,041	1,525,372	1,773	7,116	919	577,456	4,596
Due to other governments	-	-	-	-	-	-	40,851	-	-
Due to other funds	26,656	299,845	-	-	2,592	-	-	-	42,712
Total liabilities	883,022	674,525	138,124	2,183,668	9,467	142,047	43,474	712,236	53,607
Fund balances									
Reserved for encumbrances	-	-	-	-	-	-	-	448,516	-
Unreserved - undesignated	19,325	21,281	10,982	42,577	1,755	7,042	97	16,360,277	1,490
Total fund balances	19,325	21,281	10,982	42,577	1,755	7,042	97	16,808,793	1,490
Total liabilities and fund balances	\$ 902,347	\$ 695,806	\$ 149,106	\$ 2,226,245	\$ 11,222	\$ 149,089	\$ 43,571	\$ 17,521,029	\$ 55,097

Continued

FULTON COUNTY BOARD OF EDUCATION

COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2005

Assets	Title V Part D	Lottery	Georgia Department of Community Affairs				Other State Grants	Other Local Grants	Other Grants	Total
					Other Federal Grants					
Cash and cash equivalents	\$ -	\$ 1,215,423	\$ 89,060	\$ -	\$ -	\$ 281,233	\$ 1,354,615	\$ 6,637	\$ 20,105,561	
Due from other governments	73,224	-	-	62,298	-	-	-	-	4,096,772	
Due from other funds	-	90,497	-	-	19,541	-	-	-	110,038	
Other receivables	-	-	-	-	-	-	-	-	797	
Inventory	-	-	-	-	-	-	-	-	632,872	
Total assets	\$ 73,224	\$ 1,305,920	\$ 89,060	\$ 62,298	\$ 300,774	\$ 1,354,615	\$ 6,637	\$ 24,946,040		
<b>Liabilities and Fund Balances</b>										
Liabilities										
Accounts payable	\$ 486	\$ 254	\$ -	\$ 35,408	\$ -	\$ -	\$ 61,589	\$ -	\$ 1,229,189	
Other payables	-	-	-	-	-	-	-	-	92,069	
Salaries payable	2,145	1,215,169	-	2,757	-	-	53,102	153	4,477,319	
Due to other governments	-	-	-	-	-	-	-	-	40,851	
Due to other funds	70,593	162	-	31,491	-	-	-	-	474,051	
Total liabilities	73,224	1,215,585	-	69,656	-	-	114,691	153	6,313,479	
Fund balances										
Reserved for encumbrances	-	-	-	-	-	-	-	-	448,516	
Unreserved - undesignated	-	90,335	89,060	(7,358)	300,774	1,239,924	6,484	18,184,045		
Total fund balances	-	90,335	89,060	(7,358)	300,774	1,239,924	6,484	18,632,561		
Total liabilities and fund balances	\$ 73,224	\$ 1,305,920	\$ 89,060	\$ 62,298	\$ 300,774	\$ 1,354,615	\$ 6,637	\$ 24,946,040		

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, 2005

	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	7,562,358	2,770,299	677,294	14,411,008	153,582	1,219,573	297,233	13,712,182	193,757
Local sources	-	-	-	-	-	-	-	15,198,951	-
Total revenues	<u>7,562,358</u>	<u>2,770,299</u>	<u>677,294</u>	<u>14,411,008</u>	<u>153,582</u>	<u>1,219,573</u>	<u>297,233</u>	<u>28,911,133</u>	<u>193,757</u>
<b>Expenditures</b>									
Instruction	5,113,918	2,128,765	291,092	9,255,212	3,989	558,477	81,105	-	-
Support services	-	-	172,322	3,636,441	-	-	-	-	-
Improvement of instructional services	1,213,473	560,230	202,898	99,135	-	652,356	208,925	-	154,467
General administration	380,404	52,585	-	397,760	-	-	7,106	-	4,598
Student transportation services	-	-	-	315,186	-	-	-	-	-
Other support services	910,501	13,111	-	-	147,838	1,698	-	-	33,202
Food services operations	-	-	-	-	-	-	-	28,457,969	-
Total expenditures	<u>7,618,296</u>	<u>2,754,691</u>	<u>666,312</u>	<u>13,703,734</u>	<u>151,827</u>	<u>1,212,531</u>	<u>297,136</u>	<u>28,457,969</u>	<u>192,207</u>
Excess (deficiency) of revenues over (under) expenditures	(55,938)	15,608	10,982	707,274	1,755	7,042	97	453,164	1,490
<b>Other financing sources (uses)</b>									
Transfers in	443	-	-	-	-	-	-	-	-
Transfers out	-	-	-	(245,169)	-	-	-	-	-
Total other financing sources (uses)	<u>443</u>	<u>-</u>	<u>-</u>	<u>(245,169)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(55,495)	15,608	10,982	462,105	1,755	7,042	97	453,164	1,490
Fund balances, beginning of year	74,820	5,673	-	(419,528)	-	-	-	16,355,629	-
Fund balances, end of year	<u>\$ 19,325</u>	<u>\$ 21,281</u>	<u>\$ 10,982</u>	<u>\$ 42,577</u>	<u>\$ 1,755</u>	<u>\$ 7,042</u>	<u>\$ 97</u>	<u>\$ 16,808,793</u>	<u>\$ 1,490</u>

Continued

FULTON COUNTY BOARD OF EDUCATION

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

FOR THE YEAR ENDED JUNE 30, 2005

	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	\$ -	\$ 5,281,417	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,281,417
Federal sources	491,967	-	-	617,659	-	-	-	42,106,912
Local sources	-	-	-	-	58,859	2,139,728	-	17,397,538
Total revenues	491,967	5,281,417	-	617,659	58,859	2,139,728	-	64,785,867
<b>Expenditures</b>								
Instruction	480,330	7,163,430	507	585,133	34,790	1,323,917	-	27,020,665
Support services	-	823,108	-	-	-	-	-	4,631,871
Pupil services	-	-	-	-	-	-	-	-
Improvement of instructional services	11,637	5,787	-	70,986	-	264,410	-	3,444,304
General administration	-	70,446	-	1,897	-	102,853	-	1,017,649
Student transportation services	-	-	-	-	-	3,165	-	318,351
Other support services	-	9,553	-	-	-	-	-	1,115,903
Food services operations	-	-	-	-	-	-	-	28,457,969
Total expenditures	491,967	8,072,324	507	658,016	34,790	1,694,345	-	66,006,712
Excess (deficiency) of revenues over (under) expenditures	-	(2,790,907)	(507)	(40,357)	24,069	445,383	-	(1,220,845)
<b>Other financing sources (uses)</b>								
Transfers in	-	2,790,907	-	41,343	-	134,499	-	2,967,192
Transfers out	-	-	-	-	-	-	-	(245,169)
Total other financing sources (uses)	-	2,790,907	-	41,343	-	134,499	-	2,722,023
Net change in fund balances	-	-	(507)	986	24,069	579,882	-	1,501,178
Fund balances, beginning of year	-	90,335	89,567	(8,344)	276,705	660,042	6,484	17,131,383
Fund balances, end of year	-	90,335	89,060	(7,358)	300,774	1,239,924	6,484	18,632,561

**FULTON COUNTY BOARD OF EDUCATION  
CAPITAL PROJECTS FUNDS**

**SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE  
LOCAL OPTION SALES TAX**

**FOR THE YEAR ENDED JUNE 30, 2005**

<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	\$ 436,200,000	\$ 361,015,938	\$ 5,645,895	\$ 366,661,833
Debt service	<u>70,900,000</u>	<u>45,447,046</u>	<u>16,755,135</u>	<u>62,202,181</u>
Total	<u>\$ 507,100,000</u>	<u>\$ 406,462,984</u>	<u>\$ 22,401,030</u>	<u>\$ 428,864,014</u>
<b>2002 SPLOST Capital Program</b>				
Construction and renovations	\$ 551,700,000	\$ 243,001,465	\$ 93,331,629	\$ 336,333,094
Debt service	<u>43,300,000</u>	<u>35,359,458</u>	<u>13,964,042</u>	<u>49,323,500</u>
Total	<u>\$ 595,000,000</u>	<u>\$ 278,360,923</u>	<u>\$ 107,295,671</u>	<u>\$ 385,656,594</u>

**FULTON COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF LOTTERY EXPENDITURES - BY OBJECT**  
**FOR THE YEAR ENDED JUNE 30, 2005**

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	<u>Pre-Kindergarten</u>
Expenditures	
Salaries - teachers	\$ 3,772,472
Salaries - teachers' aides and paraprofessionals	1,844,450
Salaries - administrators	13,455
Salaries - clerical	51,342
Salaries - other	640,828
Employee benefits	1,564,677
Purchased professional and technical services	323
Repair and maintenance services	1,987
Student transportation services	22,241
Communication	1,012
Dues and fees	50
Travel - employees	3,044
Materials and supplies	153,099
Food service supplies	3,344
	<hr/>
Total expenditures	<u>\$ 8,072,324</u>

**FULTON COUNTY BOARD OF EDUCATION**

**QUALITY BASIC EDUCATION PROGRAM  
EARNINGS AND EXPENDITURES - BY PROGRAM**

**FOR THE YEAR ENDED JUNE 30, 2005**

Description	Allotments from Georgia Department of Education (1)	Actual State Funded Expenditures (2)		
		Salaries	Operations	Total
Kindergarten Program	\$ 21,625,004	\$ 23,524,866	\$ 937,355	\$ 24,462,221
Kindergarten Program -				
Early Intervention Program	1,538,050	1,401,765	6,356	1,408,121
Primary Grades (1-3) Program	49,109,351	78,377,550	4,933,452	83,311,002
Primary Grades - Early Intervention Program	3,524,403	3,904,148	71,659	3,975,807
Upper Elementary Grades (4-5) Program	22,924,693	24,874,389	2,216,307	27,090,696
Upper Elementary Grades -				
Early Intervention (4-5) Program	2,474,024	2,458,465	11,758	2,470,223
Middle Grades (6-8) Program	1,564,158	915,484	35,783	951,267
Middle School (6-8) Program	37,620,736	52,408,423	3,767,363	56,175,786
High School General Education (9-12) Program	39,550,266	58,118,122	5,021,683	63,139,805
Vocational Laboratory (9-12) Program	5,990,176	7,775,468	329,703	8,105,171
Students with Disabilities (Categories I - V)	33,025,230	46,326,638	1,197,511	47,524,149
Gifted Student - Category VI	15,079,634	12,489,005	129,579	12,618,584
Remedial Education Program	1,803,144	1,091,608	12,897	1,104,505
Alternative Education Program	3,152,038	6,330,571	263,535	6,594,106
English Speakers of Other Languages (ESOL)	4,998,952	9,927,357	282,676	10,210,033
<b>Total Direct Instruction Funds</b>	<b>243,979,859</b>	<b>329,923,859</b>	<b>19,217,617</b>	<b>349,141,476</b>
Media Center Program	6,846,828	10,648,089	3,682,795	14,330,884
20 Days Additional Instruction	2,115,354	2,969,141	19,197	2,988,338
Staff and Professional Development	1,455,176	1,828,170	742,956	2,571,126
<b>Total QBE Formula Funds</b>	<b>\$ 254,397,217</b>	<b>\$ 345,369,259</b>	<b>\$ 23,662,565</b>	<b>\$ 369,031,824</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, 2005, but not paid until the subsequent year. Similar amounts earned but not paid as of June 30, 2004 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.