

ATLANTA INDEPENDENT SCHOOL SYSTEM

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED
JUNE 30, 2008

Prepared by
Office of the Chief Financial Officer
Charles A. Burbridge

130 Trinity Avenue, SW

Atlanta, Georgia 30303

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INTRODUCTORY SECTION

Dear Colleagues and Friends:

The Comprehensive Annual Financial Report (CAFR) of the Atlanta Public School System (APS) for the fiscal year ended June 30, 2008, is hereby submitted. It has been prepared in accordance with Generally Accepted Accounting Principles (GAAP) as applicable to governmental entities. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to fairly present the financial position as well as the financial condition of APS.

On November 15, 2007, U.S. Secretary Margaret Spellings visited Atlanta Public Schools to congratulate APS on its outstanding performance on the 2007 National Assessment of Educational Progress (NAEP).

“You’re a model for the country,” Spellings declared. “Atlanta can show the country that urban schools can and do work.”

That historic moment marked the first of many events that would generate points of pride for APS students, families, and staff during the 2007-08 school years.

- APS was the nation’s only urban district where 100 percent of elementary schools met federal academic targets.
- APS set a district record with 83.5 percent of all schools meeting federal academic targets.
- APS’ largest-ever privately awarded grant - \$22 million over five years from the GE Foundation – delivered intensive math and science instruction.
- NAEP scores showed APS math and reading scores since 2003 improved faster than any other urban school district.
- APS was the only district in metro Atlanta – and one of only four in Georgia – to be named a Title 1 Distinguished School District.
- APS continued on its consistent eight-year trend of academic progress.
- Using in-depth academic and social services, Project GRAD continued to turn around schools once labeled “lowest performing”.

State of the Schools

Atlanta Public Schools is healthy and well on its way to being one of the top-performing urban schools districts in the nation. But that was not always true in Atlanta Public Schools. In 1999, we had chronically low student achievement, failing schools, unstable leadership and little confidence from the business community. The question we hear often from educators and elected officials from Washington D.C. to Washington state is, “What accounts for APS’ success?” What has worked for Atlanta is a set of steps that sound simple, but are difficult to implement in a system with many moving parts.

- In the late ‘90s, a powerful coalition of community leaders said enough is enough. They understood that comprehensive reform was critical to improving student outcomes and to revitalizing Atlanta’s economy. Led by the Metro Atlanta Chamber of Commerce, the coalition vigorously recruited quality school board candidates – and threw support behind the board, superintendent and schools. The coalition wasn’t looking for quick fixes. Community members understood that results would be incremental at first – but would add up to sustainable, real improvements over time.
- Second, we improved the quality of our staff. Research in organizational behavior indicates that if the commitment and quality of staff at all levels are not high, it does not matter what else you do – success won’t happen. Through hiring; clear expectations; meaningful evaluations; and consistent job-embedded professional development, we’ve raised the quality of teachers, principals and central office staff.
- The third step we took to bring about the turnaround was to put financial incentives in place. Before the No Child Left Behind federal legislation, APS designed one of the most aggressive accountability and performance systems in the nation. We developed tailored accountability targets for each school based on the data, looking at where the school was and where it needed to be. The targets focus not just on increasing the percentage of students who meet standards, but also the percentage of students who exceed them. The targets cover reading, math, higher-level courses and student attendance. When a school meets 70 percent or more of its targets, the entire staff receives a performance incentive of up to \$2,000 per person. The cafeteria worker, the bus driver, the school nurse, the teacher – everyone owns a share in student success.
- The fourth area of our strategy to turn around our schools is the research-based instructional reform models we implemented district-wide. Reform models, like Project GRAD and the K–12 International Baccalaureate Program, have added strength and excellence to our academic program. We continually refine them based on staff evaluations and student results.

Challenges Ahead

Atlanta Public Schools is making very real progress, but we're not done yet.

The total transformation of a k-12 urban school district has never been done before in the United States, and experts believe it will take 12 to 15 years to achieve such a feat. At APS, we're on our way to making history. We can look back on the past nine years with pride. However, difficult days still lie ahead.

We have said it before, and we will say it again. It is the last lap, the last few yards or the last leg of the competition that's always the toughest.

Staff members of every school were challenged to meet 70 percent or more of their targets by 2007-2008. Sixty percent of the schools met the goal. The others, while not meeting the challenge, showed steady gains in achievement.

Our elementary schools are very strong. Student performance in reading and writing has improved dramatically. And our middle and high schools continue to strive for excellence.

However, we want the majority of students to be at the level of exceeding standards. We want students to be proficient in math and science. We want students enrolled in higher level courses in larger numbers. We want APS to be the first choice for all parents. Ultimately, we want to graduate at least 90 percent of our ninth-graders within four years equipped with real choices for college and career.

There are signs on the horizon that our progress could be slowed down – or stopped in its tracks. I'd like to touch on three challenges in particular:

- The first one is teacher and leadership quality. Just as the entire workforce is experiencing the overwhelming impact of the baby boom generation moving into retirement, so, too, are we feeling the loss of qualified candidates to lead our schools and to teach our children. Recruiting and retaining qualified professionals to meet the needs of urban children are not easy tasks. Yet without quality leaders and effective teachers in every classroom, we won't meet our goals. Federal and state assistance – through methods such as alternative certification for both teachers and principals; induction programs; smaller class sizes; and differential, performance or incentive pay – are essential in this endeavor. We must find ways to attract – and equally important, to retain – the brightest of our college graduates to teach and lead in Atlanta Public Schools.
- The second challenge involves budget cuts and unfunded liabilities. Uncertainty remains the watchword. The percentage of contributions from the state to education remains low. As of June 30, 2008, state austerity cuts, totaling \$52 million over the past six years, were not restored. Almost 23 percent of our FY08 General Fund Budget comes

from state revenue, while the majority – approximately 75 percent – is borne by local taxpayers.

Another very real strain on our budget is our pension liability, which stems from a change to the city pension plan 30 years ago! For at least the past decade, we've consistently made the annual required payments to the pension plan. And in order to move closer toward satisfying our liabilities, for fiscal years 2007 and 2008, we actually made payments above our required contributions.

We can't and won't ignore our core funding mandates, including an aggressive academic plan that supports our students. Money matters in the education of our students. Maintaining academic coaches and counselors and providing supports outside the classroom – such as nurses and social workers – call for more, not fewer, resources. We can make a sustainable, across-the-board impact on student achievement but only if we make the right investments.

- The third challenge we are facing at APS is the demographic shifts that are occurring in Atlanta. These could lead to more school closings; in some cases, new schools; in other areas, relocations; and an overall increase in mobility for students and teachers. This, of course, negatively impacts the continuity of instruction.

FINANCIAL INFORMATION

APS ended the fiscal year better than budgeted in the General Operating Fund. Using the full accrual basis of accounting, APS has total net assets of 1,287.49 million, an increase of approximately \$130.32 million from fiscal year 2007.

Fund Accounting: The APS reports its financial activities through the use of fund accounting. This is a system wherein transactions are reported in self-balancing sets of accounts to reflect the results of activities. (See Notes A of the Notes to the Basic Financial Statements for a summary of significant accounting policies and a description of fund types and account groups).

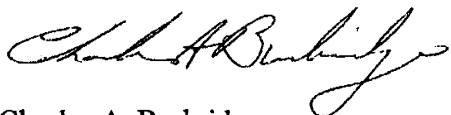
Internal Control Structure: The APS financial management officials are responsible for implementing and enforcing a system of internal controls to protect the assets of the APS from loss, theft, or misuse and to ensure that reliable accounting data are available for the timely preparation of financial statements in accordance with GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits likely to be derived and that the valuation of costs and benefits requires estimates and judgments by management.

In Closing

We are pleased to present to the community our Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2008. Our community deserves the highest quality instruction, outstanding academic programs and comprehensive student development supports to prepare our city's youth for the challenges of the world of tomorrow. Equally important, our community deserves relevant financial information and tight fiscal controls that will result in greater accountability to our taxpayers, legislators and government entities that serve the needs of our students. We will continue to do our very best to meet both goals.

Acknowledgments: This report could not have been prepared without the dedicated and effective help of the entire Finance Department staff. We wish to express our gratitude and appreciation to them for their dedicated efforts, long hours and professionalism.

Respectfully submitted,



Charles A. Burbridge,
Chief Financial Officer



Beverly L. Hall, Ed.D.
Superintendent

ATLANTA INDEPENDENT SCHOOL SYSTEM

**List of Principal Officers
June 30, 2008**

SCHOOL SYSTEM MEMBERS

District 5: LaChandra D. Butler Burks, Chair

Ms. Burks currently serves as Chair of the Atlanta Board of Education. Born and raised in Atlanta, Georgia, LaChandra Butler Burks' passion for children and commitment to education has been evident all of her life. As a product of Atlanta Public Schools, she considers it an honor to now serve as a member of the Atlanta Board of Education because it allows her to fight daily to have quality, public education for the children of a city she dearly loves. It is her strong belief that everyone must be involved in making sure that children are whole and well.

On November 8, 2005, the residents of Atlanta elected LaChandra out of six candidates with 58% of the votes as the Atlanta Board of Education District 5 Representative. A graduate of L.P. Miles Elementary School and C.L. Harper High School with a Bachelors Degree from State University of West Georgia, (formerly West Georgia College) and a Masters of Business Administration, Butler Burks received most of her political experience from having worked under the leadership of three Atlanta mayors for 13 years



District 3: Cecily Harsch-Kinnane, Vice Chair

Ms. Harsch-Kinnane currently serves as Vice Chair of the Atlanta Board of Education. She has been involved in Atlanta Public Schools for nine years. She and her husband, Paul, have three children in APS and she has served as PTA president at Morningside E.S., on the PTA boards at Inman M.S. and Grady H.S., as co-president of the Council of Intown Neighborhoods and Schools and on the principal selection committee at several schools. She has been involved with Habitat for Humanity, served on the City Of Atlanta Elected Officials Compensation Commission and on the board of the Atlanta Youth Soccer Association. Ms. Harsch-Kinnane is a former middle and high school math teacher and has recently been the coordinator of an after school-mentoring program. She is a native of Atlanta and received a BA in Mathematics from Brown University and has done graduate work in Math Education and Educational Psychology at Georgia State University.



District 1: Brenda J. Muhammad

Brenda Muhammad is the executive director of the Atlanta Victim Assistance, Inc. (AVA), an organization that advocates for the fundamental rights of victims and witnesses of crime with compassion, dignity and respect. AVA provides comprehensive services which remove barriers, strengthen victims and their families and foster a healthy transition from victim to survivor.

Passionate about children and their educational needs, particularly those who are underserved, Brenda currently serves as the School Board Representative for District 1. She has also served the Atlanta School Board in times past as president and vice president.



District 2: Khaatim Sherrer El

In November 2003, voters in Educational District 2 elected Khaatim S. El to the Board of Education as the youngest member in the history of the Atlanta Public Schools. He has serves as Chair of the Board Development/Workshops Committee. He is a Board Representative on the Project Grad Committee and on the Fulton County Department of Health and Wellness Board.

During his high school years, Khaatim served on the Board of Education in Newark, New Jersey as the student representative, beginning his work and interest in youth advocacy and public education. Khaatim is a proud graduate of Morehouse College where he earned a degree in Urban Studies and Public Policy.



District 4: Kathleen Barksdale Pattillo

Kathleen (Katy) Pattillo served as chair of the Atlanta Board of Education (2006-2008). Prior to her board work, she served as co-president of the PTA at Sarah Smith Elementary School and as the chair of the Boys & Girls Club of Metro Atlanta. She previously practiced law and has worked at CNN, the Southern Company and in the press offices of the U.S. Senate Majority Leader Howard Baker and Sen. Herman E. Talmadge.

Ms. Pattillo received her J.D. degree from Emory University School of Law and her B.A. in political science from the University of Georgia after attending Hollins College. She serves as a trustee of the Boys & Girls Club of Metro Atlanta.



District 6: Yolanda Johnson

Yolanda Johnson is a proud resident of the Adams Park Community of Southwest Atlanta. She is a product of public schools, and a practicing attorney who has been actively engaged in the community since she made Atlanta her home more than a decade ago.

She began volunteering with the Atlanta Public Schools (APS) when she agreed to serve on a committee redeveloping the curriculum for the Law and Government Magnet at Therrell High School. This experience gave her unique system insight, and firsthand knowledge of how even a small group of dedicated people can make differences in the lives of our children: our future.



Seat 7: Eric W. Wilson

Eric W. Wilson was elected to the Atlanta Public School Board of Education, District 7 At-Large in November 2001. In 2003 through 2005, he served the Board as Vice Chair additionally; he has chaired the Facilities Commission and has served as an active member of numerous other board committees.

Eric W. Wilson holds a Master of City Planning degree from the Georgia Institute of Technology, a Bachelor of Science in Public and Environmental Affairs from Indiana University and received his Military Officer Commission from the Indiana Military Academy.



Seat 8: Mark Riley

“Revitalizing Atlanta’s inner city has been a focus of my professional life, and I have always firmly believed that revitalization of the city must be paralleled by the development of a system of high performing schools. Without such schools, Atlanta will not fulfill its potential to prepare its residents to contribute to a high quality of life not only for themselves, but for all of us.”

Mr. Riley is Managing Partner of Urban Realty Partners, an in-town real estate development firm. He is also Director of the Sartain Lanier Family Foundation (focused on improving education options in the metro Atlanta area) and serves on several civic boards. He holds J.D. and B.A. degrees from Vanderbilt University, and is active in alumni affairs.



Seat 9: Emmett D. Johnson

Mr. Emmett Johnson has proven that he is a person dedicated to making a positive difference. He is committed to serving the need of our youth. He is knowledgeable about educational issues. As a member of the Atlanta Board of Education, Mr. Johnson:



Mr. Johnson served as Vice-Chair of the Board (2006-2008); has been appointed by Governor Sonny Perdue to the Master Teacher & Academic Coach Implementation Committee (July 2005); served as Chair of the Atlanta Board of Education (2003); chaired the Community Support for School Reform and Innovations Ad Hoc Committee (Year 2000); chaired the Board Development/Board Retreat Task Force (Year 2002); serves on the Facilities Master Plan Oversight Commission and the Parent and Family Involvement Task Force; was a member of the 2001 Georgia School Boards Association Governmental Operations Committee; Is a member of the Georgia School Boards Association Nominating Committee for the selection of the Association's, President; President Elect, and Treasurer (2000 - 2001); served as delegate to the Georgia School Boards Association (2001) and served as a representative to Metro RESA (2001) .

Board of Education Goals and Objectives

Each year, the Board of Education adopts goals as a means to improve its educational programs. The human and financial resources are allocated in the budget in order to achieve the adopted goals of the District. The objectives of the APS Board of Education are:

- To provide and maintain a quality, comprehensive, high-level curriculum to be followed by all schools in the District
- To enhance the use of technology by students, teachers and staff in the instructional process
- To enhance political relationships with various entities in the District
- To increase public awareness and participation in school district affairs
- To exercise fiscal discipline

SUPERINTENDENT

Beverly L. Hall, Ed.D.

SENIOR CABINET

Charles A. Burbridge.....Chief Financial Officer

Veleter Mazyck.....General Counsel

Kathy Augustine..... Deputy Superintendent for Instruction

Millicent Few..... Chief Human Resources Officer

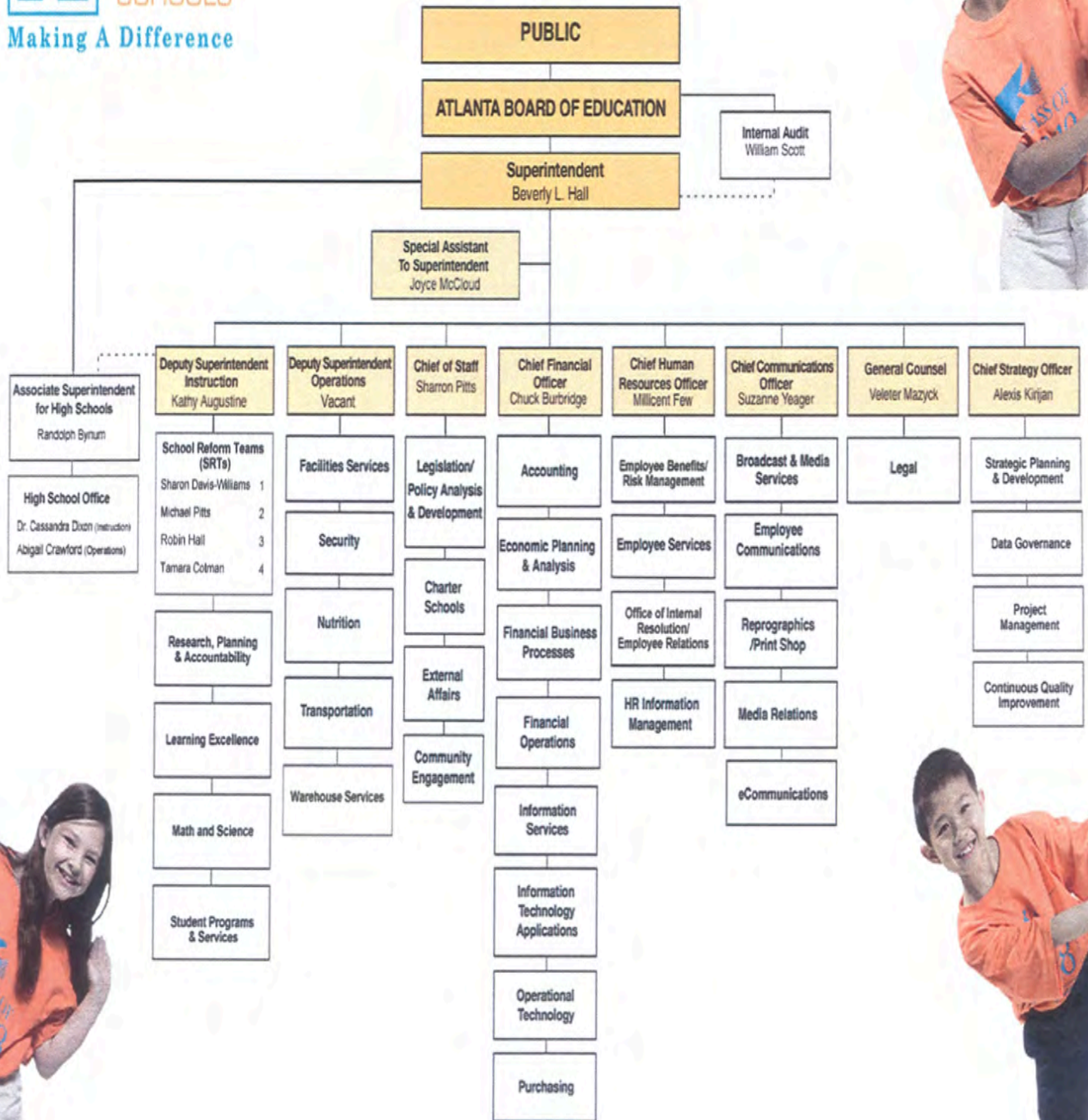
Vacant.....Deputy Superintendent for Operations

Suzanne Yeager.....Chief Communications Officer

Joyce McCloud.....Special Assistant to the Superintendent

Alexis Kirijan.....Chief Strategy and Development Officer

Sharron Pitts.....Chief of Staff



Atlanta Public Schools is one of the top-performing urban school systems in America. Our innovative learning programs, nationally recognized best practices and excellent teachers are making a difference in the lives of our 50,000 K-12 students. We are committed to ensuring that all students graduate from our schools ready for success in college and life, and prepared to build a stronger Atlanta.

FINANCIAL SECTION



DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

October 8, 2009

Honorable Sonny Perdue, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
Atlanta Independent School System

INDEPENDENT AUDITOR'S REPORT

Ladies and Gentlemen:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Atlanta Independent School System (School System), as of and for the year ended June 30, 2008, 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 did not audit the financial statements of the School System's discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Atlanta Educational Telecommunications Collaborative, Inc., is based on the report of other auditors. In addition, we did not audit the financial statements of the School System's blended component units, Drew Charter School, Inc., Imagine Wesley International Academy, LLC, Kipp West Atlanta Young Scholars Academy, Inc., Neighborhood Charter School Inc., Southeast Atlanta Charter Middle School, Inc., Tech High School, Inc. and University Community Academy, Inc. Charter Schools, which represent 0.3% and 0.4%, respectively of the assets and revenues of the governmental activities, and 25.8% and 9.7%, respectively, of the assets and revenues of the aggregate remaining fund information. The financial statements of these component units were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for those financial statements, is solely based upon the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the School System, as of June 30, 2008, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note R to the basic financial statements, during fiscal year 2008, the School System completed a comprehensive reevaluation of its capital assets and retroactively reported the changes as of July 1, 2007.

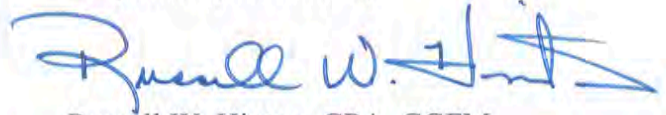
As discussed in Note T to the basic financial statements, the School System changed its method for recognizing revenues related to imposed nonexchange transactions.

The management's discussion and analysis, as presented on pages 3 through 14, is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We and the other auditors 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 School System's basic financial statements. The introductory section, the combining and individual nonmajor fund financial statements, budgetary comparison schedules and the statistical section, all as listed in the accompanying table of contents, 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 budgetary comparison schedules have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements, and in our opinion, based on our audit and the report of other auditors, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly we express no opinion on them.

A copy of this report has been filed as a permanent record in the office of the State Auditor and made available to the press of the State, as provided for by Official Code of Georgia Annotated section 50-6-24.

Respectfully submitted,



Russell W. Hinton, CPA, CGFM
State Auditor

RWH:as
2008ARL-APS

MANAGEMENT'S DISCUSSION AND ANALYSIS

ATLANTA INDEPENDENT SCHOOL SYSTEM
Management's Discussion and Analysis
For the Year Ended June 30, 2008

The discussion and analysis of the School System's financial performance provides an overview of the financial year ended June 30, 2008. The intent of this discussion and analysis is to examine the School System's financial performance as a whole, identify changes in financial position as well as to provide basic financial statements. The basic financial statements and notes to the financial statements should be reviewed by the readers to enhance their understanding of the School System's financial performance as a whole or as an entire operating entity. The basic financial statements contain the following components:

- 1) District-wide financial statements including the Statement of Net Assets and the Statement of Activities which provide a broad, long-term overview of the School System's finances
- 2) Fund-level financial statements provide a greater level of detail about the School System's major funds and focus on how well the School System has performed in the short-term in the most significant funds
- 3) Notes to the Basic Financial Statements

This report also presents the highlights for the year ended June 30, 2008, and contains other supplementary information.

FINANCIAL HIGHLIGHTS

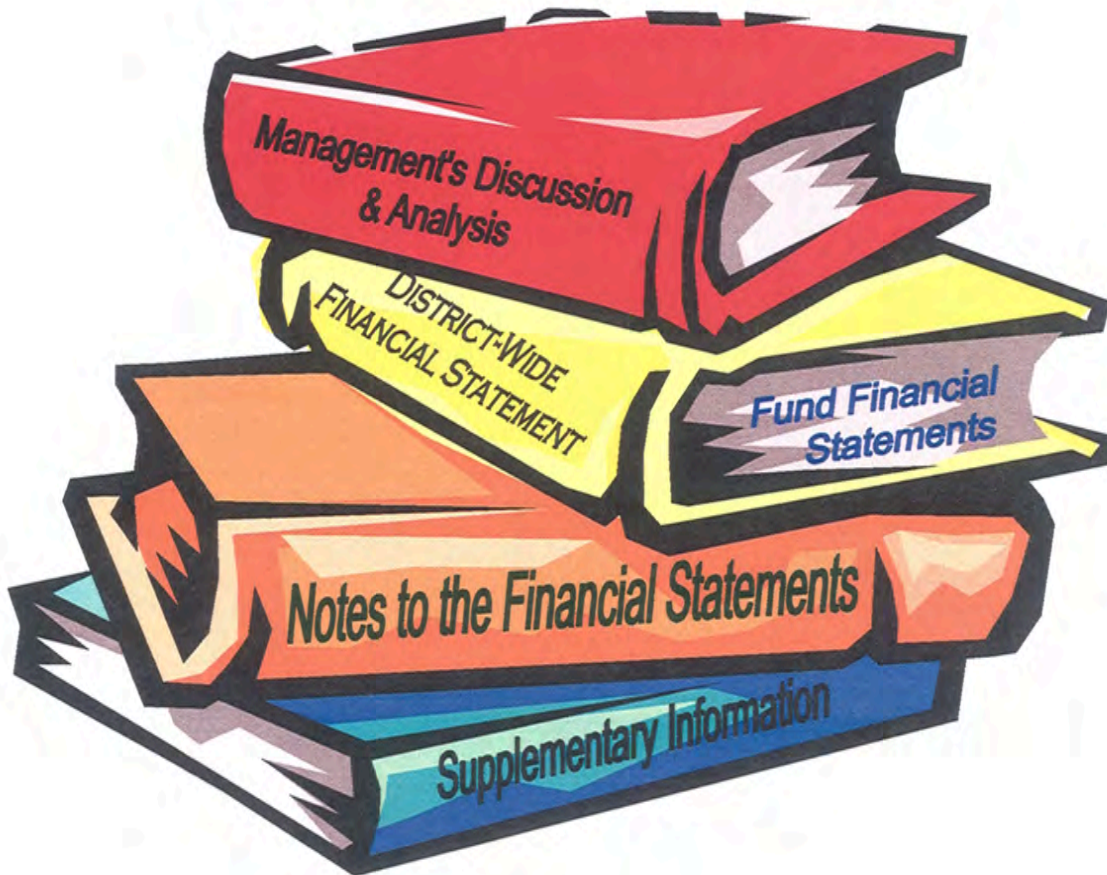
Overall, net assets in fiscal year 2008 increased by 17.6% over fiscal year 2007. This is evidence of management's ability to maintain a balanced budget and effectively control expenses, despite austerity reductions due to economic downturns affecting district revenues. The key financial highlights for fiscal year 2008 as represented are:

District-wide Financial Statements:

- Total net assets for the School System increased from \$1,094.94 million in fiscal year 2007 to \$1,287.49 in fiscal year 2008, an increase of approximately \$192.55 million or 17.6%. Net assets increased by \$180.70 million for Governmental Activities and increased by \$11.85 million for Business-type Activities.
- Total revenues increased from \$835.22 million in fiscal year 2007 to \$877.68 million in fiscal year 2008, an increase of approximately \$42.46 million or 5.1%. Revenue for Governmental Activities increased \$41.01 million while revenue for Business-type activities increased by \$1.45 million.
- Total expenses increased \$56.61 million or 8.2% from \$690.75 million in fiscal year 2007 to \$747.36 million in fiscal year 2008. Expenses increased in Governmental Activities by \$55.13 million and increased by \$1.48 million in Business-type Activities.

Fund Financial Statements:

The School System has prepared its annual financial reports corresponding to the Governmental Accounting Standards Board No. 34 financial reporting model. The following graphic is provided to give the reader an overview of the new reporting model.



OVERVIEW OF FINANCIAL STATEMENTS

District-Wide Financial Statements

The district-wide financial statements are designed to provide the reader with a broad overview of the School System's finances in a manner similar to those used by private-sector businesses. The Statement of Net Assets and the Statement of Activities provide information about the activities of the whole School System, presenting an aggregate and long-term perspective of the finances. These statements include all assets and liabilities using the accrual basis of accounting. This basis of accounting includes all of the current year's revenues and expenses regardless of when cash is received or paid.

- The *Statement of Net Assets* presents information on all of the Schools System's assets and liabilities, with the difference between the two reported as net assets. Increases or decreases in net assets may serve as a useful indicator of whether the financial position is improving or deteriorating.
- The *Statement of Activities* presents information showing how net assets changed during the fiscal year. All changes in the net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the related cash flows*. Thus, revenues and expenses are reported in the statement for some items that will result in cash flows in future fiscal periods (for example, uncollected taxes and earned but unused vacation leave).

Included in the Statement of Net Assets and Statement of Activities for the School System are two distinct kinds of activities:

- *Governmental Activities* – Most of the School System's programs and services are reported here including instruction, pupil services, improvement of instruction, educational media, general administrative, school administrative, business services, maintenance and operations of facilities, student transportation and central support.
- *Business-type Activities* – This service is provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The Food Services proprietary fund is reported as a Business-type activity.

Table I - Condensed Statement of Net Assets (in millions of dollars)

	Governmental Activities		Business-type Activities		Total School System		Percentage Change
	2008	2007	2008	2007	2008	2007	
Current and other assets	\$ 476.67	366.45	\$ 0.89	\$ (8.14)	\$ 477.56	\$ 358.31	33.3%
Net capital assets	949.48	860.50	7.41	5.30	956.89	865.80	10.5%
Total assets	1,426.15	1,226.95	8.30	(2.84)	1,434.45	1,224.11	17.2%
Long-term debt outstanding	67.72	48.84			67.72	48.84	38.7%
Other liabilities	78.84	79.22	0.40	1.11	79.24	80.33	-1.4%
Total liabilities	146.56	128.06	0.40	1.11	146.96	129.17	13.77%
Net assets							
Invested in capital assets, net of related debt	907.61	825.58	7.41	5.30	915.02	830.88	10.1%
Restricted	167.34	106.98			167.34	106.98	56.4%
Intergovernmental debt service	3.21				3.21		0.0%
Unrestricted	201.43	166.33	0.49	(9.25)	201.92	157.08	28.5%
Total net assets	\$ 1,279.59	\$ 1,098.89	\$ 7.90	\$ (3.95)	\$ 1,287.49	\$ 1,094.94	17.6%

➤ **Total assets** increased by \$192.6 million or 17.6%.

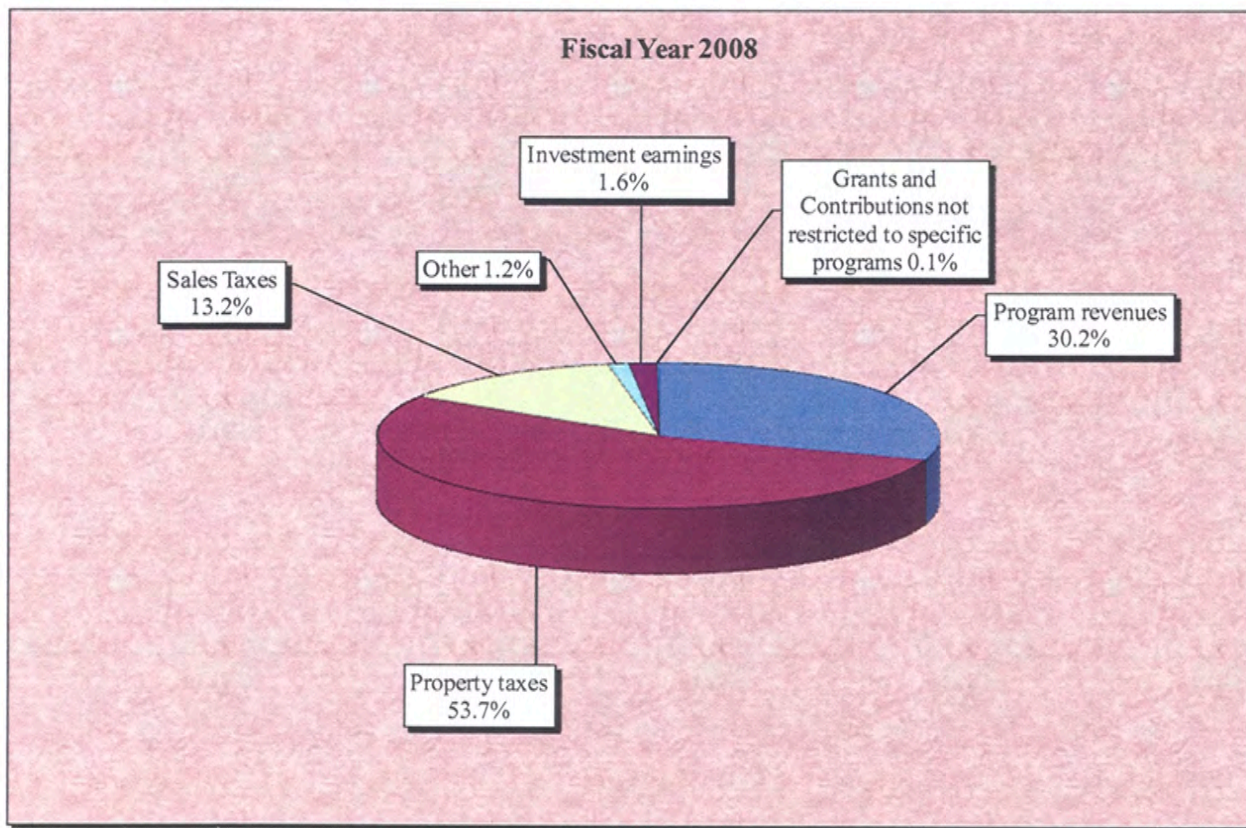
➤ **Current and other assets** increased by \$119.25 million or 33.3%.

- **Capital assets, net of depreciation** for all activities increased by \$91.09 million or 10.5%. For governmental activities, the increase primarily represents increases to land, buildings and equipment.
- **Long-term debt outstanding** increased by \$18.88 million or 38.7%. The increase was primarily due to capital leases.

Table 2 - Condensed Changes in Net Assets (in millions of dollars)

	Governmental Activities		Business-type Activities		Total School System		
	2008	2007	2008	2007	2008	2007	Percentage Change
Revenues							
Program revenues							
Charges for services	\$ 0.70	\$ 2.07	\$ 2.19	\$ 2.54	\$ 2.89	\$ 4.61	-37.3%
Operating grants and contributions	238.40	222.39	20.88	19.00	259.28	241.39	7.4%
Capital grants and contributions	2.86	1.19			2.86	1.19	140.3%
General revenues							
Property taxes	471.19	437.94			471.19	437.94	7.6%
SPLOST and Other Sales Taxes	115.74	121.58			115.74	121.58	-4.8%
Grants and Contributions not restricted to specific programs	1.35				1.35		0.0%
Investment earnings	14.01	13.30			14.01	13.30	5.3%
Other	10.36	15.13		0.08	10.36	15.21	-31.9%
Total Revenues	854.61	813.60	23.07	21.62	877.68	835.22	5.1%
Expenses:							
Instruction	410.46	425.38			410.46	425.38	-3.5%
Pupil services	33.75	23.64			33.75	23.64	42.8%
Improvement of instruction	39.13	31.48			39.13	31.48	24.3%
Educational media	10.56	9.11			10.56	9.11	15.9%
General administrative	17.18	24.25			17.18	24.25	-29.2%
School administrative	31.33	28.16			31.33	28.16	11.3%
Business services	23.24	15.85			23.24	15.85	46.6%
Maintenance and operation of facilities	85.86	60.21			85.86	60.21	42.6%
Student transportation	38.18	18.84			38.18	18.84	102.7%
Food services			23.11	21.63	23.11	21.63	6.8%
Central support	29.10	27.91			29.10	27.91	4.3%
Community services	0.93	0.07			0.93	0.07	1228.6%
Other support services	2.15	3.03			2.15	3.03	-29.0%
Enterprise operations	0.80				0.80		0.0%
Interest Expense	1.58	1.19			1.58	1.19	32.8%
Total Expenses	724.25	669.12	23.11	21.63	747.36	690.75	8.2%
Extraordinary or Special Items		1.15		(0.01)		1.14	-100.0%
Transfers	(9.40)	(16.41)	9.40	16.41	0.00	0.00	0.0%
Change in Net Assets	\$ 120.96	\$ 129.22	\$ 9.36	\$ 16.39	\$ 130.32	\$ 145.61	-10.5%

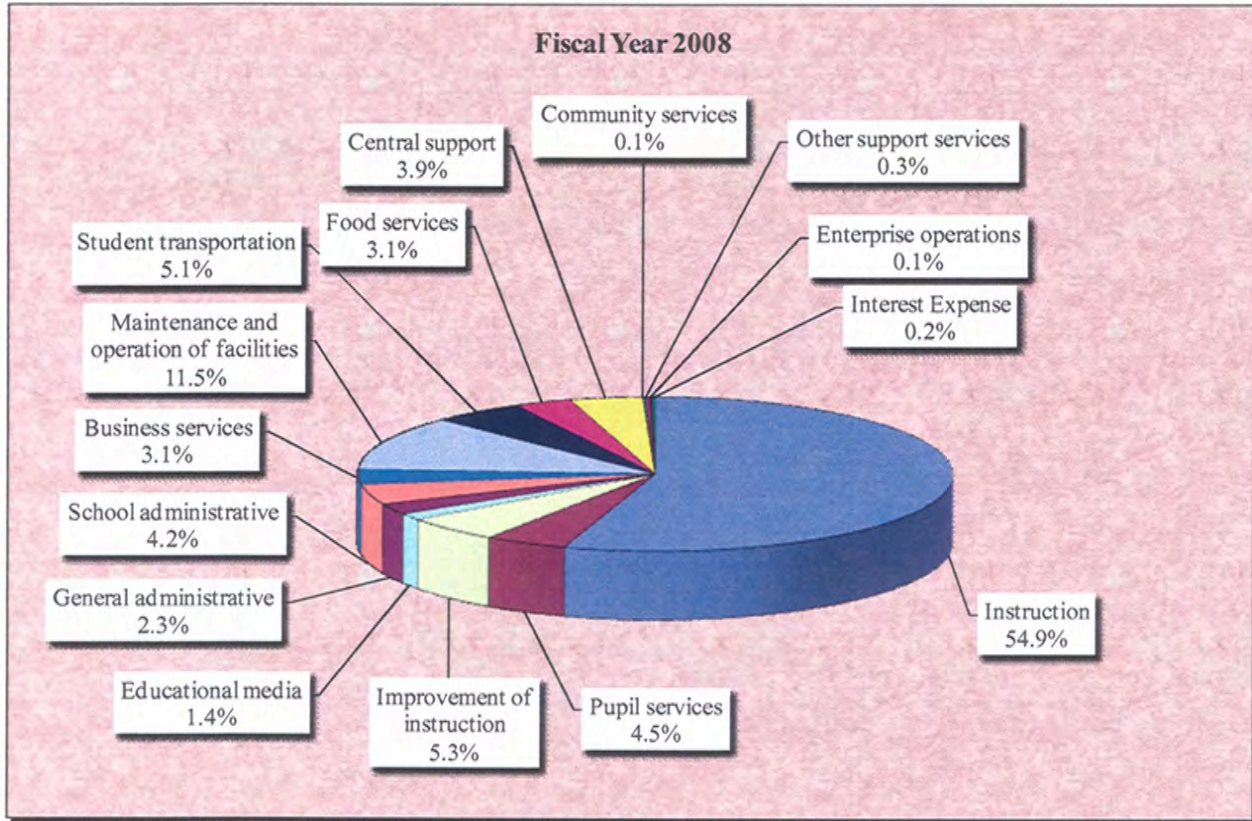
Sources of Revenues



Total revenues, overall, increased \$42.46 million or 5.1 %, from fiscal year 2007 to fiscal year 2008, with an increase in program revenues of \$17.84 million.

- Program revenues are primarily grant related and account for 30.2%, or \$265.03 million, of total revenues received.
- General revenues represent the major revenue stream for the district. They account for 69.8%, or \$612.65 million, of total revenues received in FY 2008. Between fiscal years 2007 and 2008, an increase of \$33.25 million in property tax collections occurred with a decrease in SPLOST and other sales tax collections of \$5.84 million.

Expenses



Total expenses increased from 2007 to 2008 by 8.2% or \$56.61 million. Management continues to accurately forecast spending levels and manage spending throughout the year.

- Governmental activities account for 96.91%, or \$724.25 million of total district spending. Four groups of activities account for 88.5%, or \$640.95 million of governmental spending: instruction (\$410.46 million or 56.67%), pupil and improvement of instructional services (\$72.88 million or 10.06%), administration and business services (\$71.75 million or 9.91%), and maintenance and operations (\$85.86 million or 11.86%).
- Business-activities revenues and expenses increased respectively, with revenue increasing by \$1.45 million or 6.71% and expenses increasing by \$1.48 million or 6.84%. These improvements are a direct result of district-wide priorities to operate competitively and control costs.

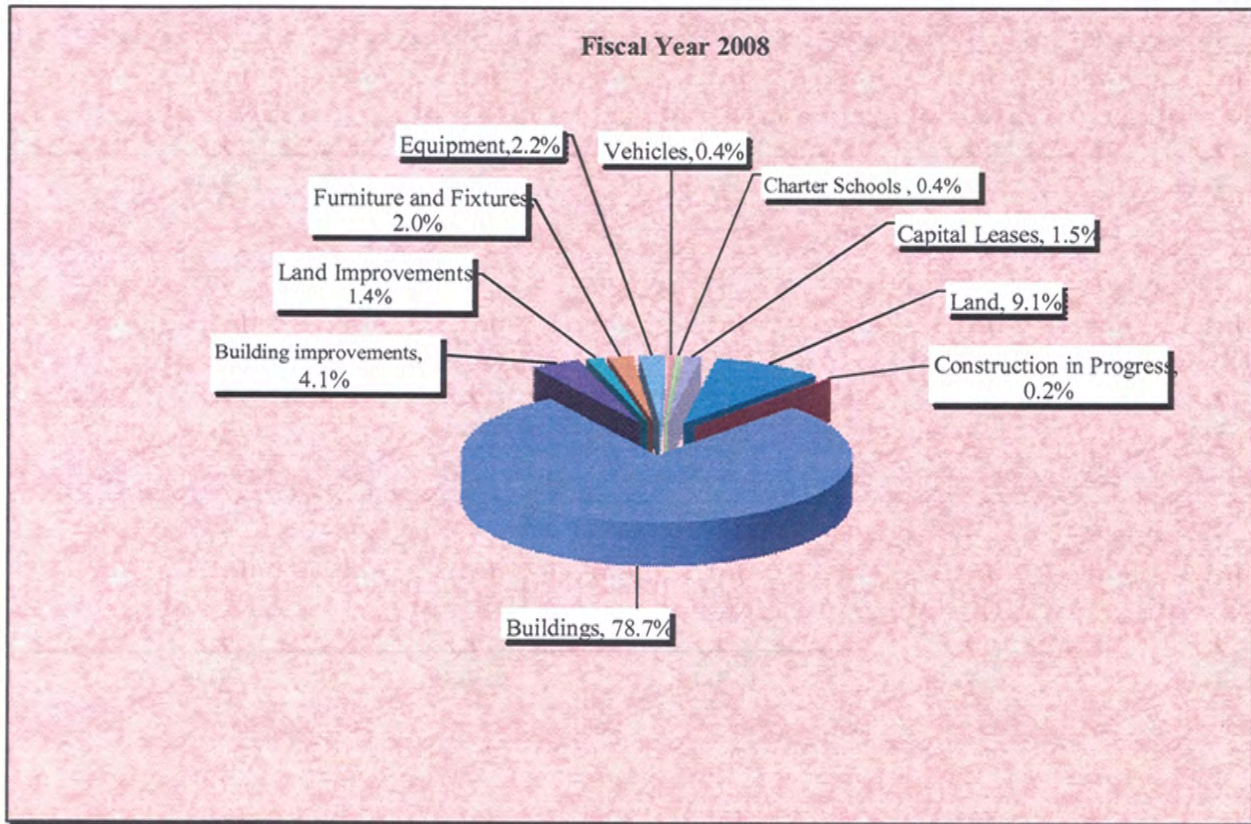
Table 3 - Net Cost of Governmental Activities (in millions of dollars)

	Total Cost of Services			Net Cost of Services		
	2008	2007	Percentage Change	2008	2007	Percentage Change
Instruction	\$ 410.46	\$ 425.38	-3.5%	\$ 240.8	\$ 268.30	-10.2%
Pupil services	33.75	23.64	42.8%	15.44	8.69	77.7%
Improvement of instruction	39.13	31.48	24.3%	22.86	15.40	48.4%
Educational media	10.56	9.11	15.9%	6.77	6.69	1.2%
General administrative	17.18	24.25	-29.2%	14.08	20.91	-32.7%
School administrative	31.33	28.16	11.3%	27.7	22.10	25.3%
Business services	23.24	15.85	46.6%	14.13	14.75	-4.2%
Maintenance and operation of facilities	85.86	60.21	42.6%	76.59	50.40	52.0%
Student transportation	38.18	18.84	102.7%	32.19	12.44	158.8%
Central support	29.10	27.91	4.3%	28.44	26.92	5.6%
Community services	0.93	0.07	1228.6%	0.71	0.00	0.0%
Other support services	2.15	3.03	-29.0%	0.78	(4.34)	-118.0%
Enterprise Operations	0.80		0.0%	0.22		0.0%
Interest Expense	1.58	1.19	32.8%	1.58	1.20	31.7%
Total Expenses	\$ 724.25	\$ 669.12	8.2%	\$ 482.29	\$ 443.46	8.8%

The Net Cost of Governmental Activities represents the cost of operating the School System to be covered by general revenues, including property taxes. The Net Cost of Services increase is attributable to reduction in program revenues, primarily Quality Basic Education funds received from the State Department of Education and increases in expenditures as discussed above.

Table 4 - Capital Assets (net of depreciation, in millions of dollars)

	Governmental Activities		Business-type Activities		Total School System		Percentage Change
	2008	2007	2008	2007	2008	2007	
Land	\$ 87.62	\$ 23.86			\$ 87.62	\$ 23.86	267.2%
Construction in Progress	2.28	69.09			2.28	69.09	-96.7%
Construction in Progress - Charter Schools		0.51				0.51	-100.0%
Construction in Progress - Education Reform		7.61				7.61	-100.0%
Buildings	752.84	673.86			752.84	673.86	11.7%
Building improvements	38.93	47.53			38.93	47.53	-18.1%
Land Improvements	13.03	10.33			13.03	10.33	26.1%
Furniture and Fixtures	19.30	16.59			19.30	16.59	16.3%
Equipment	13.24	6.51	\$ 7.41	\$ 5.30	20.65	11.81	74.9%
Vehicles	4.08	1.77			4.08	1.77	130.5%
Charter Schools	4.22	2.84			4.22	2.84	48.6%
Capital Leases	13.94				13.94		0.0%
Total	\$ 949.48	\$ 860.50	\$ 7.41	\$ 5.30	\$ 956.89	\$ 865.80	10.5%



Construction in Progress and Buildings

SPLOST II construction programs to renovate academic facilities are near completion. For more detailed information on the School System's capital assets, see Note G in the Notes to The Basic Financial Statements.

Table 5 - Outstanding Long-Term Debt (in millions of dollars)

	Total School System		Percentage Change
	2008	2007	
Capital leases	23.51	5.03	367.4%
Capital leases - Charter Schools	0.11	0.03	266.7%
Notes Payable - Charter Schools	1.51	0.10	1410.0%
Intergovernmental agreement- City of Atlanta	21.39	22.11	-3.3%
Education Reform Success	10.12	10.12	0.0%
Compensated absences	5.67	5.99	-5.3%
Workers' compensation	5.41	5.46	-0.9%
	67.72	48.84	38.7%

Outstanding long-term debt increased, in the current fiscal year, due to capital leases. For more detailed information on the School System's long-term debt, see Note H in the Notes to the Basic Financial Statements.

Fund Financial Statements

Fund financial statements provide detailed information regarding the resources segregated for specific activities or objectives, not district-wide. Funds are used to track specific sources of revenue and expenditures for particular programs.

The School System has three kinds of fund types:

Governmental funds include most of the School System's basic services and focus on providing cash flow available for spending. These funds include the General Fund, Capital Projects and Other Governmental Funds of lesser magnitude. Fund accounting statements use the modified accrual method of accounting, which measures cash and other financial assets that can be readily converted to cash. These statements present a short-term view of the School System's operations and services and do not include the long-term focus presented in the new district-wide financial statements. For an explanation of the differences see the reconciliations included with the Governmental Fund Statements.

Proprietary funds consist of services provided by the School System for a fee and employ the full accrual method of accounting in the same manner as the district-wide statements. The School System has one proprietary fund, Food Service. This fund provides student meals at a cost based on the student's ability to pay, subsidized by federal funds and the School System.

Fiduciary funds account for assets not owned by the School System but for which the School System is responsible for ensuring that the assets in the funds are used for their designated purposes. These funds are not included in the district-wide financial statement because they cannot be used to finance the School System operations. The School System has one fiduciary fund - Agency Funds (Local School, Club and Class Funds).

The following presents a summary of the General Fund, Capital Projects Fund and Other Governmental Funds by type of revenue for the fiscal year ended June 30, 2008 as compared to June 30, 2007.

Table 6 - Revenues (in millions of dollars)

	Governmental Funds			Percentage Change
	2008	2007	Increase (Decrease)	
Local taxes	\$ 471.31	\$ 415.69	\$ 55.62	13.4%
Sales taxes	106.56	121.57	(15.01)	-12.3%
State revenues	164.26	151.92	12.34	8.1%
Federal revenues	71.65	71.66	(0.01)	0.0%
Investment earnings	14.02	13.32	0.70	5.3%
Facilities rental	1.53	0.91	0.62	68.1%
Tuition charges	0.11	0.27	(0.16)	-59.3%
Charges for services	0.59	2.07	(1.48)	-71.5%
Other	15.53	13.95	1.58	11.3%
Total Revenues	\$ 845.56	\$ 791.36	\$ 54.20	6.8%

The following table presents a summary of the General Fund, Capital Projects Fund and Other Governmental Funds by type of expenditure for the fiscal year ended June 30, 2008 as compared to June 30, 2007.

Table 7 - Expenditures (in millions of dollars)

	Governmental Funds			Percentage Change
	2008	2007	Increase (Decrease)	
Instruction	\$ 370.88	\$ 405.02	\$ (34.14)	-8.4%
Pupil Services	33.25	23.65	9.60	40.6%
Improvement of Instruction	38.54	31.50	7.04	22.3%
Educational Media	10.4	9.12	1.28	14.0%
General administration	16.91	15.83	1.08	6.8%
School administration	30.87	28.21	2.66	9.4%
Business administration	22.03	15.63	6.40	40.9%
Maintenance and operations	92.64	60.20	32.44	53.9%
Student Transportation	43.81	17.34	26.47	152.7%
Central Support	28.61	28.15	0.46	1.6%
Community Services	0.98	0.07	0.91	1300.0%
Enterprise Operations	0.8			
Other	2.1	2.85	(0.75)	-26.3%
Capital outlays	67.91	56.74	11.17	19.7%
Debt services	3.96	3.84	0.12	3.1%
Total Expenditures	\$ 763.69	\$ 698.15	\$ 64.74	9.4%

Fluctuations in these accounts are consistent with those discussed in the Changes in Net Assets at the District- wide level.

Analysis of Major Funds

The School System has three major funds: the General Fund, the Capital Projects Fund, and the Title I Fund. The General Fund is the general operating fund of the School System and is used to account for all financial resources except those funds accounted for in another fund. The Capital Projects fund is used for the acquisition or construction of major capital facilities and to account for the bond proceeds restricted to renovation and school construction. The Title I fund is a federal grant used to supplement the general operating fund by ensuring students gain knowledge and skills, as well as upgrade the entire educational program for systemic reform.

General Fund

As of June 30, 2008, total fund balance in the General Funds was \$151.76 million, reserved \$20.20 million, unreserved, designated for Board Action and school activities accounts \$45.26 million and \$86.30 million in unreserved undesignated. As a result of operations in fiscal year 2008, the fund balance increased by \$38.17 million. For Budget to Actual comparison purposes, the operating transfers to Charter Schools of \$25.24 million were budgeted in the Instruction function.

Capital Projects Fund

As of June 30, 2008, total fund balance in the Capital Projects Fund was \$192.21 million, reserved \$158.05 million for Special Purpose Local Option Sales Tax (SPLOST), \$10.04 million for advance funded leases and undesignated unreserved \$24.12 million for Capital Projects. The fund balance increased by \$57.53 million due primarily to SPLOST collections exceeding capital expenditures.

Title I Fund

As of June 30, 2008, the Title I Funding sources had a zero fund balance. Revenues equaled expenditures.

Other Governmental Funds

As of June 30, 2008, total fund balance in Other Governmental Funds was \$14.32 million. This balance included reserved of \$.12 million for capital projects, \$11.49 million designated for Special Revenue Fund and undesignated unreserved for special revenue \$2.71 million.

Current Issues

Currently known facts, decisions or conditions that are expected to have a significant effect on the financial position or results of operations are as follow:

Atlanta Independent School District continues to enjoy a strong financial position, even with the substantial reduction in state funding over the past six fiscal years. We are fortunate that the District is in a favorable financial position even with the impact of the global economy on our local economy. The continued support of our schools by the public and by local community organizations and businesses is also an integral part of our ability to educate our students. Continuing revenue from the Special Purpose Local Option Sales Tax should facilitate our ability to replace and improve existing schools and add additional classrooms. Our operating

budget will continue to be tight, as we expect decreased funding from the State of Georgia due to current financial conditions. Despite these challenges, we remain committed to using our financial resources efficiently to provide an exceptional educational experience for our students.

In February 2008, the Supreme Court of Georgia issued a decision holding that educational ad valorem taxes can only be used for educational purposes. In response, the General Assembly passed Senate Resolution 996, a proposed amendment to the Georgia Constitution permitting Boards of Education to agree to pledge educational ad valorem taxes for redevelopment projects and purposes, and the voters ratified the constitutional amendment by referendum in November 2008. As a result of Senate Resolution 996 and the referendum, House Bill 63 was passed by the General Assembly and became effective April 22, 2009, reenacting the Redevelopment Powers Act.

However, in December 2008, a challenge to the use of retroactive educational ad valorem taxes was filed by a taxpayer and is still pending in the Superior Court of Georgia, Fulton County. As of July 6, 2009, the Atlanta Independent School System (APS) and the Atlanta Development Authority (ADA) reached agreement that APS is to receive all ad valorem school taxes levied through April 21, 2009 in the BeltLine and Perry Bolton tax allocation districts (TADs) totaling approximately \$18.8 million. However, an order is pending in the Superior Court case that prohibits the ADA or APS from spending or disbursing any of the school tax increment in BeltLine and Perry Bolton TADs. The court's disposition of motions to dismiss filed by APS, ADA and the City of Atlanta, and motions for class certification and permanent injunction filed by plaintiff will determine whether and when APS will receive all or none of the approximately \$18.8 million.

General Fund Budgetary Highlights

The School System's budget is prepared by the Finance Division and is a collaborative effort between the school district and the Atlanta community. The basis for preparation utilizes a zero-based approach because it has systematically provided a more accurate account of anticipated spending levels for the year.

Details of the original budget and the amended budget are presented on page 21 in the Financial Section of this report.

Requests for Information

This financial report is designed to provide a general overview of the School System's finances for all those with an interest in the School System's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the School System's Chief Financial Officer, 130 Trinity Street SW, Atlanta Georgia 30303.

BASIC FINANCIAL STATEMENTS

ATLANTA INDEPENDENT SCHOOL SYSTEM

Statement of Net Assets
June 30, 2008

	Governmental Activities	Business-type Activities	Total	Discretely presented Component Unit Atlanta Educational Telecommunications Collaborative, Inc.
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 13,470,386	\$ 3,440,526	\$ 16,910,912	\$ 3,333,642
Restricted cash	29,205,519		29,205,519	
Investments	197,677,784		197,677,784	1,348,377
Restricted Investments	138,135,905		138,135,905	
Taxes receivable, net	45,428,950		45,428,950	
Due from other governments	43,104,060	19,301	43,123,361	
Other receivables	530,985	879,972	1,410,957	2,039,122
Internal balances	3,798,430	(3,798,430)		
Prepaid expenses and other assets	473,924		473,924	95,489
Prepaid asset - pension	4,842,947		4,842,947	
Inventories		346,062	346,062	
	<u>476,668,890</u>	<u>887,431</u>	<u>477,556,321</u>	<u>6,816,630</u>
Total current assets				
Noncurrent assets:				
Non-depreciable capital assets	89,893,886		89,893,886	
Depreciable capital assets	1,244,547,997	15,131,736	1,259,679,733	2,581,134
Less: Accumulated depreciation	<u>(384,966,408)</u>	<u>(7,719,388)</u>	<u>(392,685,796)</u>	<u>(2,099,300)</u>
Total noncurrent assets	<u>949,475,475</u>	<u>7,412,348</u>	<u>956,887,823</u>	<u>481,834</u>
TOTAL ASSETS	<u>1,426,144,365</u>	<u>8,299,779</u>	<u>1,434,444,144</u>	<u>7,298,464</u>
LIABILITIES				
Current liabilities:				
Accounts payable and other current liabilities	78,581,925	359,454	78,941,379	514,449
Due to other governments	137,921		137,921	
Deferred revenues	116,351	43,043	159,394	46,080
Current portion of long-term obligations	<u>11,229,211</u>		<u>11,229,211</u>	
Total current liabilities	<u>90,065,408</u>	<u>402,497</u>	<u>90,467,905</u>	<u>560,529</u>
Noncurrent liabilities:				
Noncurrent portion of long-term obligations	<u>56,487,113</u>		<u>56,487,113</u>	
TOTAL LIABILITIES	<u>146,552,521</u>	<u>402,497</u>	<u>146,955,018</u>	<u>560,529</u>
NET ASSETS				
Invested in capital assets, net of related debt	907,613,628	7,412,348	915,025,976	481,834
Restricted for:				
Capital projects	167,339,232		167,339,232	
Intergovernmental debt service	3,205,377		3,205,377	
Unrestricted	<u>201,433,607</u>	<u>484,934</u>	<u>201,918,541</u>	<u>6,256,101</u>
TOTAL NET ASSETS	<u>\$ 1,279,591,844</u>	<u>\$ 7,897,282</u>	<u>\$ 1,287,489,126</u>	<u>\$ 6,737,935</u>

The accompanying notes are an integral part of the basic financial statements.

ATLANTA INDEPENDENT SCHOOL SYSTEM

Statement of Activities
For the Year Ended June 30, 2008

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets			Discretely Presented Component Unit Atlanta Educational Telecommunications Collaborative, Inc.
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary Government								
Governmental activities:								
Instruction	\$ 410,454,533	\$ 114,350	\$ 167,906,705	\$ 1,633,629	\$ (240,799,849)		\$ (240,799,849)	
Support Services:								
Pupil services	33,754,928		18,133,132	176,608	(15,445,188)		(15,445,188)	
Improvement of instructional services	39,133,695		16,110,597	154,532	(22,868,566)		(22,868,566)	
Educational media	10,558,856		3,745,884	44,152	(6,768,820)		(6,768,820)	
General administration	17,184,335		3,104,288		(14,080,047)		(14,080,047)	
School administration	31,329,750		3,498,951	132,456	(27,698,343)		(27,698,343)	
Business administration	23,237,569		9,106,449		(14,131,120)		(14,131,120)	
Maintenance and operation of facilities	85,855,059		9,262,487		(76,592,572)		(76,592,572)	
Student transportation	38,176,913		5,337,639	653,047	(32,186,227)		(32,186,227)	
Central support	29,102,843		660,429		(28,442,414)		(28,442,414)	
Operations of Non-Instructional Services								
Community services	933,485		226,806		(706,679)		(706,679)	
Other services	2,149,555		1,307,102	66,228	(776,225)		(776,225)	
Enterprise operations	803,689	586,080			(217,609)		(217,609)	
Interest expense	1,575,569				(1,575,569)		(1,575,569)	
Total Governmental activities	724,250,779	700,430	238,400,469	2,860,652	(482,289,228)		(482,289,228)	
Business-type activities:								
Food services	23,106,785	2,187,375	20,877,019			\$ (42,391)	(42,391)	
Total School System	\$ 747,357,564	\$ 2,887,805	\$ 259,277,488	\$ 2,860,652	(482,289,228)	(42,391)	(482,331,619)	
Component Unit:								
Public broadcasting station	\$ 11,889,707		\$ 12,708,226				\$ 818,519	
General revenues:								
Taxes:								
Property taxes levied for general purposes				470,036,120			470,036,120	
Property taxes levied for debt service				1,153,847			1,153,847	
Special local option sales tax & other taxes				115,735,907			115,735,907	
Grants and contributions not restricted to specific programs				1,347,241			1,347,241	
Investment earnings				14,015,739			14,015,739	
Other				10,363,939			10,363,939	
Total General revenues				612,652,793			612,652,793	
Transfers				(9,400,000)	9,400,000		0	
Total General revenues and transfers				603,252,793	9,400,000		612,652,793	
Change in net assets				120,963,565	9,357,609		130,321,174	818,519
Net assets (deficit) - beginning of year, as previously stated				1,098,888,309	(3,952,966)		1,094,935,343	5,919,416
Prior period adjustments (See Note R)				59,739,970	2,492,639		62,232,609	
Net assets (deficit) - beginning of year, as restated				1,158,628,279	(1,460,327)		1,157,167,952	5,919,416
Net assets - end of year				\$ 1,279,591,844	\$ 7,897,282		\$ 1,287,489,126	\$ 6,737,935

The accompanying notes are an integral part of the basic financial statements.

ATLANTA INDEPENDENT SCHOOL SYSTEM

Balance Sheet
Governmental Funds
June 30, 2008

	<u>General Fund</u>	<u>Capital Projects Funds</u>	<u>Title I Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 9,468,347			\$ 4,002,039	\$ 13,470,386
Restricted cash	1,515,161	\$ 27,690,358			29,205,519
Investments	197,677,784				197,677,784
Restricted Investments		137,951,906		183,999	138,135,905
Taxes Receivables	27,612,320	17,816,630			45,428,950
Due from other funds		26,020,503		8,364,801	34,385,304
Due from other governments	23,426,793		\$ 14,166,286	5,510,981	43,104,060
Other receivables	59,668	320,026		151,291	530,985
Prepaid expenses	473,924				473,924
TOTAL ASSETS	\$ 260,233,997	\$ 209,799,423	\$ 14,166,286	\$ 18,213,111	\$ 502,412,817
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 64,478,696	\$ 8,417,918	\$ 1,921,850	\$ 3,763,461	\$ 78,581,925
Due to other funds	18,342,438		12,244,436		30,586,874
Due to other governments				137,921	137,921
Deferred revenue	25,648,398	9,173,105			34,821,503
Total Liabilities	108,469,532	17,591,023	14,166,286	3,901,382	144,128,223
Fund Balances:					
Reserved for:					
Encumbrances	15,477,500				15,477,500
Advanced funded leases	1,515,161	10,039,073			11,554,234
Capital Projects		158,048,220		117,907	158,166,127
Debt Service	3,205,377				3,205,377
Unreserved for:					
Designated for Board Action					
Local programs	44,664,175			11,486,616	56,150,791
School Activity Accounts	598,870				598,870
Undesignated, reported in:					
General fund	86,303,382				86,303,382
Capital Projects		24,121,107			24,121,107
Special revenue fund				2,707,206	2,707,206
Total Fund Balances	151,764,465	192,208,400	0	14,311,729	358,284,594
TOTAL LIABILITIES AND FUND BALANCES	\$ 260,233,997	\$ 209,799,423	\$ 14,166,286	\$ 18,213,111	\$ 502,412,817

The accompanying notes are an integral part of the basic financial statements.

ATLANTA INDEPENDENT SCHOOL SYSTEM

Reconciliation of Governmental Fund Balance Sheet
to the District-wide Statement of Net Assets
June 30, 2008

Total fund balances - governmental funds	\$	358,284,594
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 asset in governmental funds.		
Cost of Capital Assets	\$	1,334,441,883
Less Accumulated Depreciation		<u>(384,966,408)</u>
		949,475,475
Property taxes revenue that is not available to pay for current period expenditures has been deferred in the governmental funds but is recognized as revenue in the government-wide financial statements.		25,532,047
Special Local Option Sales Tax (SPLOST) receivable will be collected, but are not available soon enough to pay for the current period's expenditures. Therefore, these funds are deferred in the governmental funds.		9,173,105
Pension contributions in excess of annual required contributions are reported as a prepaid assets for governmental activities, whereas these contributions are reported as expenditures when paid in governmental funds.		4,842,947
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds. These items consist of:		
Capital leases	\$	(23,511,222)
Capital leases charter schools		(107,646)
Intergovernmental agreements		(21,385,800)
Education reform success		(10,115,000)
Notes payable		(1,512,075)
Compensated absences		(5,675,108)
Workers's compensation		<u>(5,409,473)</u>
		<u>(67,716,324)</u>
Total net assets - governmental activities	\$	<u><u>1,279,591,844</u></u>

The accompanying notes are an integral part of the basic financial statements.

ATLANTA INDEPENDENT SCHOOL SYSTEM

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2008

	General Fund	Capital Projects Funds	Title I Funds	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Local taxes	\$ 471,313,094				\$ 471,313,094
Sales tax income	8,839,835	\$ 97,722,967			106,562,802
State revenues	154,892,058	2,207,605		\$ 7,160,040	164,259,703
Federal revenues	1,347,241		\$ 47,929,351	22,374,956	71,651,548
Investment income	9,648,101	4,367,638			14,015,739
Facility rental fees	1,532,799				1,532,799
Tuition charges	114,350				114,350
Charges for services	586,080				586,080
Other	5,471,971	321,554		9,734,726	15,528,251
Total revenues	653,745,529	104,619,764	47,929,351	39,269,722	845,564,366
EXPENDITURES					
Current:					
Instruction	308,763,190	291,017	26,359,893	35,469,818	370,883,918
Support Services:					
Pupil services	16,194,602		11,862,983	5,190,524	33,248,109
Improvement of instructional services	23,834,576		5,172,206	9,535,103	38,541,885
Educational media	9,571,874		924	826,764	10,399,562
General administration	10,330,390		1,959,242	4,616,574	16,906,206
School administration	29,203,879		171,588	1,493,119	30,868,586
Business administration	20,837,859	80,500	269,726	844,229	22,032,314
Maintenance and operation of facilities	89,884,045	53,104		2,700,331	92,637,480
Student transportation	42,122,297		733,671	955,699	43,811,667
Central support	28,143,483		223,300	242,254	28,609,037
Community services	18,214			965,070	983,284
Enterprise Operations	801,501				801,501
Other Operations - Non-instructional Services	921,013		1,175,818		2,096,831
Capital Outlays	8,257,558	56,664,016		2,990,212	67,911,786
Debt Service:					
Principal	1,831,121			556,469	2,387,590
Interest	1,062,356			513,213	1,575,569
Total Expenditures	591,777,958	57,088,637	47,929,351	66,899,379	763,695,325
Excess (deficiency) of revenues over expenditures	61,967,571	47,531,127	0	(27,629,657)	81,869,041
OTHER FINANCING SOURCES (USES)					
Proceeds from capital leases	10,000,000	10,000,000		70,443	20,070,443
Proceeds from debt - notes				1,265,274	1,265,274
Proceeds from sale of assets	909,104				909,104
Transfers in				25,307,215	25,307,215
Transfers out	(34,707,215)				(34,707,215)
Total Other Financing Sources (Uses)	(23,798,111)	10,000,000		26,642,932	12,844,821
Net change in fund balances	38,169,460	57,531,127	0	(986,725)	94,713,862
Fund Balance - beginning of year, as previously stated	112,289,829	134,677,273	0	14,604,481	261,571,583
Prior period adjustments (See Note R)	1,305,176			693,973	1,999,149
Fund Balance - beginning of year, as restated	113,595,005	134,677,273	0	15,298,454	263,570,732
FUND BALANCE, END OF YEAR	\$ 151,764,465	\$ 192,208,400	\$ 0	\$ 14,311,729	\$ 358,284,594

The accompanying notes are an integral part of the basic financial statements.

ATLANTA INDEPENDENT SCHOOL SYSTEM

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances To the District-wide Statement of Activities For the Year Ended June 30, 2008

Total net change in fund balances - governmental funds	94,713,862
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of \$58,394,143 exceeded depreciation of \$37,089,443 in the current period.	21,304,700
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Disposals of capital assets are not reflected in the governmental funds, but the loss on the disposal of these assets at their net book value is reflected in the statement of activities.	(435,719)
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Property tax revenue that is not available to pay for current period expenditures has been deferred in the governmental funds but is recognized as revenue in the district-wide financial statement. The change in deferred revenue from prior year to the current year is recorded as revenue in the statement of activities.	(123,127)
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Special local option sales tax revenue that is not available to pay for current period expenditures has been deferred in the governmental funds but is recognized as revenue in the district-wide financial statement. The change in deferred revenue from prior year to the current year is recorded as revenue in the statement of activities.	9,173,105
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Pension contributions in excess of annual required contributions are reported as a prepaid asset for governmental activities, whereas these contributions are reported as expenditures when paid in governmental funds. The change in the prepaid asset from the prior year to the current year is recorded as expenditures in the governmental funds for the current period.	15,159,757
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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. The issuance of long-term debt (e.g., leases, notes) provides current financial resources to government funds. Repayment of debt (e.g., leases, notes) is an expenditure in the governmental funds but the repayments reduce long-term liabilities in the statement of activities. The following items are the net effect of the differences in the treatment of long-term debt and related items.

Capital Leases	(18,518,344)	
Notes Payables	(1,406,658)	
Intergovernmental Agreement - Bonds Payable	726,875	
Compensated absences	315,842	
Workers' compensation	53,272	
	(18,829,013)	(18,829,013)

Change in net assets of governmental activities	\$ <u>120,963,565</u>
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The accompanying notes are an integral part of the basic financial statements.

ATLANTA INDEPENDENT SCHOOL SYSTEM

GENERAL FUND
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2008

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original (1)(2)	Final (1)(2)	Actual (2)	
REVENUES				
Local taxes	\$ 464,605,886	\$ 464,605,886	\$ 471,313,094	\$ 6,707,208
Sales tax income			8,839,835	8,839,835
State revenues	141,800,000	141,800,000	154,892,058	13,092,058
Federal revenues	2,400,000	2,400,000	1,347,241	(1,052,759)
Investment income	5,625,000	5,625,000	9,648,101	4,023,101
Facility rental fees			1,532,799	1,532,799
Tuition charges	25,000	25,000	114,350	89,350
Charges for services			586,080	586,080
Other			5,471,971	5,471,971
Total revenues	614,455,886	614,455,886	653,745,529	39,289,643
EXPENDITURES				
Current:				
Instruction	422,771,859	405,159,767	308,763,190	(96,396,577)
Support Services:				
Pupil services	13,494,406	14,448,853	16,194,602	1,745,749
Improvement of instructional services	3,425,075	3,865,864	23,834,576	19,968,712
Educational media	11,500,978	11,742,236	9,571,874	(2,170,362)
General administration	10,727,885	11,224,063	10,330,390	(893,673)
School administration	34,365,754	34,486,564	29,203,879	(5,282,685)
Business administration	10,930,029	12,091,959	20,837,859	8,745,900
Maintenance and operation of facilities	67,884,726	68,746,849	89,884,045	21,137,196
Student transportation	13,613,482	13,180,427	42,122,297	28,941,870
Central support	31,482,292	36,102,365	28,143,483	(7,958,882)
Community services	16,400	21,433	18,214	(3,219)
Enterprise Operations			801,501	801,501
Other Operations - Non-instructional Services		25,112,455	921,013	(24,191,442)
Capital Outlays		11,673	8,257,558	8,245,885
Debt Service:				
Principal			1,831,121	1,831,121
Interest			1,062,356	1,062,356
Total Expenditures	620,212,886	636,194,508	591,777,958	(44,416,550)
Excess (deficiency) of revenues over expenditures	(5,757,000)	(21,738,622)	61,967,571	83,706,193
OTHER FINANCING SOURCES (USES)				
Proceeds from capital leases			10,000,000	(10,000,000)
Proceeds from sale of assets	50,000	50,000	909,104	859,104
Transfers out		(9,400,000)	(34,707,215)	(25,307,215)
Total Other Financing Sources (Uses)	50,000	(9,350,000)	(23,798,111)	(34,448,111)
Net change in fund balances	(5,707,000)	(31,088,622)	38,169,460	49,258,082
Fund Balance - beginning of year, as previously stated	112,289,829	112,289,829	112,289,829	0
Prior period adjustments (See Note R)	1,305,176	1,305,176	1,305,176	0
FUND BALANCE, END OF YEAR	\$ 107,888,005	\$ 82,506,383	\$ 151,764,465	\$ 49,258,082

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

(2) Property taxes and State fund revenues related to Charter Schools are budgeted in the Instruction Function, whereas, these amounts are shown as Other Uses (Transfers out) in the actual column.

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

The accompanying notes are an integral part of the basic financial statements.

ATLANTA INDEPENDENT SCHOOL SYSTEM

SPECIAL REVENUE FUND - TITLE I
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES				
Federal funds	\$ 49,252,279	\$ 51,904,198	\$ 47,929,351	\$ (3,974,847)
EXPENDITURES				
Current				
Instruction	45,720,745	35,532,210	26,359,893	(9,172,317)
Support Services:				
Pupil services		6,480,668	11,862,983	5,382,315
Improvement of instructional services	1,105,810	4,471,911	5,172,206	700,295
Educational media services			924	924
General administration	1,733,764	1,803,132	1,959,242	156,110
School administration		379,907	171,588	(208,319)
Business administration			269,726	269,726
Student transportation	690,960	753,040	733,671	(19,369)
Central support			223,300	223,300
Other Operations - Non-instructional Services	1,000	2,483,330	1,175,818	(1,307,512)
Total Expenditures	49,252,279	51,904,198	47,929,351	(3,974,847)
Excess (deficiency) of revenues over expenditures	0	0	0	0
Fund Balance - beginning of year	0	0	0	0
FUND BALANCE, END OF YEAR	\$ 0	\$ 0	\$ 0	\$ 0

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

The accompanying notes are an integral part of the basic financial statements.

ATLANTA INDEPENDENT SCHOOL SYSTEM

Statement of Net Assets Proprietary Fund - Food Services June 30, 2008

ASSETS

Current assets:

Cash and cash equivalents	\$	3,440,526
Due from other governments		19,301
Other receivables		879,972
Inventories		<u>346,062</u>

Total current assets 4,685,861

Noncurrent assets:

Depreciable capital assets		15,131,736
Less: Accumulated depreciation		<u>(7,719,388)</u>

Total noncurrent assets 7,412,348

Total Assets \$ 12,098,209

LIABILITIES

Liabilities:

Current Liabilities:

Accounts payable and accrued liabilities	\$	359,454
Due to other funds		3,798,430
Deferred revenue		<u>43,043</u>

Total Liabilities 4,200,927

NET ASSETS

Invested in capital assets		7,412,348
Unrestricted		<u>484,934</u>

Total net assets 7,897,282

TOTAL LIABILITIES AND NET ASSETS \$ 12,098,209

The accompanying notes are an integral part of the basic financial statements.

ATLANTA INDEPENDENT SCHOOL SYSTEM

Statement of Revenues, Expenses and Changes in Net Assets Proprietary Fund - Food Services For the Year Ended June 30, 2008

Operating revenue:		
Sales	\$	2,187,375
Operating expenses:		
Personnel costs		3,903,734
Professional and contract services		14,016,376
Supplies and materials		2,382,248
Depreciation		903,875
Other operating costs		1,066,561
Total operating expenses		22,272,794
Operating loss		(20,085,419)
Nonoperating revenues/expenses:		
Grants - Child Nutrition Program		20,877,019
Loss on disposal of capital assets		(833,991)
Total nonoperating activities		20,043,028
Income (loss) before transfers		(42,391)
Transfers in		9,400,000
Changes in net assets		9,357,609
Net assets (deficit) - beginning of year, as previously stated		(3,952,966)
Prior period adjustments (See Note R)		2,492,639
Net assets (deficit) - beginning of year, as restated		(1,460,327)
NET ASSETS, END OF YEAR	\$	7,897,282

The accompanying notes are an integral part of the basic financial statements.

ATLANTA INDEPENDENT SCHOOL SYSTEM

Statement of Cash Flows Proprietary Fund - Food Services For the Year Ended June 30, 2008

Cash flow from operating activities	
Cash received from user charges	\$ 2,121,472
Cash payments to employees for services	(3,915,684)
Cash payments to suppliers for goods and services	<u>(17,974,430)</u>
Net cash used for operating activities	<u>(19,768,642)</u>
Cash flows from non-capital financing activities	
Non-operating grants received	19,459,461
Reimbursement of advances from other funds	(16,075,907)
Transfers In	<u>9,400,000</u>
Net cash used for non-capital financing activities	<u>12,783,554</u>
Cash flows from capital and related financing activities	
Acquisition of capital assets	<u>(646,162)</u>
Net change in cash and cash equivalents	<u>(7,631,250)</u>
Cash and cash equivalents, beginning of year	<u>11,071,776</u>
Cash and cash equivalents, end of year	\$ <u><u>3,440,526</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (20,085,419)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:	
Depreciation	903,875
Commodities used	2,136,258
Changes in Assets and Liabilities	
Increase in receivables	(881,832)
Decrease in inventories	93,477
Decrease in liabilities	<u>(1,935,001)</u>
Net cash used for operating activities	\$ <u><u>(19,768,642)</u></u>
Noncash non-capital financing activities	
USDA donated food commodity	\$ <u><u>2,136,258</u></u>

The accompanying notes are an integral part of the basic financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

Atlanta Independent School System

Notes to the Basic Financial Statements

June 30, 2008

A. Summary of Significant Accounting Policies

The financial statements of the School System have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to government units. The more significant of the School System's accounting policies are summarized below.

1. Reporting Entity

The Atlanta Independent School System (School System) was established by the Georgia State Legislature and is composed of nine publicly elected members serving four year terms. The school system has the authority to approve its own budget and to provide for the levy of taxes to cover the cost of operations and maintenance and to cover debt service payments. Additionally, the School System has decision making authority, the power to approve selection of management personnel, the ability to significantly influence operations, and primary accountability for fiscal matters. Accordingly, the School System is a primary government and consists of all the organizations that compose its legal entity.

As required by generally accepted accounting principles, these financial statements present the School System and its component units, entities for which the School System is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the School System's operations. Therefore, data from these units are combined with data of the School System. Each discretely presented component unit is reported in a separate column in the District-wide financial statements to emphasize that it is legally separate from the government.

Blended Component Units. Education Reform Success, Inc., (ERS) (a non-profit corporation) was established by the School System for the purpose of providing financing for some of the School System's buildings and equipment. The schools system has a voting majority on the Board. ERS has issued certificates of participation (COPS) for the acquisition and construction of facilities and equipment. The COPS are repayable solely from payments made by the School System to ERS under a lease agreement for the related facilities and equipment. Accordingly, the COPS and the related capital assets are reported in the government-wide financial statements.

Charter Schools. Included within the School System are seven charter schools. Charter schools were created by the Georgia General Assembly to increase student achievement through academic and organizational innovation by encouraging local school systems to utilize the flexibility of a performance based contract called a "charter."

Notes to the Basic Financial Statements, Continued

A. Summary of Significant Accounting Policies, continued

Pursuant to Georgia Statute 20-2-2062, charter schools are considered public schools and are entitled to receive equal treatment as a public school. The source of funding for public schools includes the State of Georgia Quality Basis Education allotment as prescribed in Georgia Statute 20-2-2068-1. Other funds are received from local grants, tax revenue collections and donations. Charter schools with the School System's boundaries receive allocations from the stated sources of revenue.

Because the major portion of the funding for the charter schools comes through the School System, the School System is considered financially accountable for the charter schools. The financial activities of the charter schools have been blended with those of the School System. A listing of the charter schools follows:

Drew Charter School, Inc.
301 East Lake Blvd.
Atlanta, Georgia 30317

Imagine Wesley International Academy, LLC
1049 Custer Avenue
Atlanta, GA 30316

KIPP West Atlanta Young Scholars
Academy, Inc.
80 Joseph Lowery Boulevard
Atlanta, GA 30314

Neighborhood Charter
School, Inc.
688 Grant Street SE
Atlanta, Georgia 30315

Southeast Atlanta Charter
Middle School, Inc.
820 Essie Avenue SE.
Atlanta, Georgia 30316

Tech High School, Inc.
1043 Memorial Drive, SE
Atlanta, Georgia 30316

University Community
Academy, Inc.
Tiger Flowers Dr. NW
Atlanta, Georgia 30314

Separate financial statements are available for each charter school, in existence as of June 30, 2008, and may be obtained from each by writing to the addresses listed above.

Discretely Presented Component Unit. Atlanta Educational Telecommunications Collaborative, Inc. (AETC) is a non-profit corporation which the School System contracted with for the purpose of operating the Corporation for Public Broadcasting radio and television broadcast station licenses owned by the School System. The School System owns substantially all assets used to operate the stations and is providing support for capital improvements. Separate financial statements of AETC are available from the School System. Financial Statements for AETC may also be obtained at www.pba.org/about/pba/aetc or by request at 740 Bismark Road, Atlanta, GA 30324.

Notes to the Basic Financial Statements, Continued

A. Summary of Significant Accounting Policies, continued

2. District-wide and Fund Financial Statements

The District-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the School System and its component units. The effects of inter-fund activity have been netted in 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. Likewise, the School System is reported separately from the legally separate discretely presented component unit for which the School System is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to applicants who 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, proprietary funds, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the governmental fund financial statements.

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

The District-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. 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 as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School System considers revenues to be available if they are collected within 30 days 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.

Notes to the Basic Financial Statements, Continued

A. Summary of Significant Accounting Policies, continued

Property taxes, sales taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so 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 government funds:

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

Capital Projects Funds - These funds account for resources which are used exclusively for acquiring school sites, constructing and equipping new school facilities, and renovating existing facilities. The major revenue sources are proceeds from debt proceeds, bond sales, property tax revenue, special purpose local option sales tax revenues and amounts received from the State of Georgia.

Title I Fund - The Fund was established to account for federal grant funds passed through the Georgia Department of Education to provide remedial education in the areas of reading and math and to provide a special education program for children who are physically handicapped.

The School System reports the following major proprietary fund:

Food Service Funds - The primary purpose of food service funds is to account for activities of the School System's school breakfast and lunch programs, which are funded primarily by the United States Department of Agriculture, passed through the Georgia Department of Education.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the District-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 elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and

Notes to the Basic Financial Statements, Continued

A. Summary of Significant Accounting Policies, continued

delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the enterprises fund includes the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Proprietary funds and fiduciary funds employ the economic resources measurement focus and are accounted for on the accrual basis.

The AETC component unit is accounted for on a flow of economic resources measurement focus and uses the accrual basis of accounting. This means that all assets and liabilities associated with the component unit's activities are included on the balance sheet. Under this method, revenues are recognized when they are earned, and expenses are recognized when they are incurred.

The Fiduciary fund accounts for assets held by the School System in a trustee capacity or as an agent on behalf of others. The School System reports the following fiduciary fund:

Agency Fund - This fund is used to account for local school student club and class accounts. It is custodial in nature and does not involve measurement of results of operations.

The fiduciary fund is excluded from the District-wide financial statements.

4. Assets, Liabilities and Net Assets or Equity

a. Cash Equivalents

The School System considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Georgia Laws, OCGA §45-8-14, authorizes the School District to deposit its funds in one or more solvent banks or insured Federal savings and loan associations.

b. Investments

Investments made by the School System in nonparticipating interest-earning contracts (such as certificates of deposit) and repurchase agreements are reported at cost. Participating interest-earning contracts and money market investments with a maturity at purchase of one year or less are reported at amortized cost. Both participating interest-earning contracts and money market investments with a maturity at purchase greater than one year and equity investments are reported at fair value. The Official Code of Georgia Annotated Section 36-83-4 authorizes the School District to invest its funds. In selecting among options for investment or among institutional bids for deposits, the highest rate of return shall be the

Notes to the Basic Financial Statements, Continued

A. Summary of Significant Accounting Policies, continued

objective, given equivalent conditions of safety and liquidity. Funds may be invested in the following:

- 1) Obligations issued by the State of Georgia or by other states
- 2) Obligations issued by the United States government
- 3) Obligations fully insured or guaranteed by the United States government or a United States government agency
- 4) Obligations of any corporation of the United States government
- 5) Prime banker's acceptances
- 6) The Local Government Investment Pool administered by the State of Georgia, Office of Treasury and Fiscal Services
- 7) Repurchase agreements
- 8) Obligations of other political subdivisions of the State of Georgia

c. Receivables

Receivables consist of amounts due from property and sales taxes, grant reimbursements due on Federal, State or other grants for expenditures made but not reimbursed and other receivables disclosed from information available. Receivables are recorded when either the asset or revenue recognition criteria has been met.

d. Inventories and Prepaids

Inventories are valued at cost using the first-in, first-out method of accounting. The cost of prepaids are recorded as expenditures when purchased rather than when consumed (purchase method). The costs of food services fund inventories are recorded as expenditures when consumed (consumption method).

e. Capital Assets

Capital assets purchased, including capital outlay costs, are recorded as expenditures in the fund financial statements at the time of purchase (including ancillary charges). On the District-wide financial statements, all purchased capital assets are valued at cost where historical records are available and at estimated historical cost based on appraisals or deflated current replacement cost where no historical records exist. Donated fixed assets are recorded at their estimated market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not included in the cost of capital assets. The School System does not capitalize book collections or works of art.

Notes to the Basic Financial Statements, Continued

A. Summary of Significant Accounting Policies, continued

At June 30, 2008, the School System had buildings with a net value of \$4,822,447 (\$9,165,414 cost less \$4,342,967 accumulated depreciation) that were not in use. The School System does not consider these assets impaired. During the current period, no events or changes in circumstances affecting a capital asset that may indicate impairment were known to the School District.

Capitalization thresholds and estimated useful lives of capital assets reported in the District-wide statements and proprietary funds are as follows:

	Capitalization <u>Policy</u>	Estimated <u>Useful Life</u>
Land	All	N/A
Land Improvements	\$20,000	10 to 20 years
Buildings	\$20,000	20 to 50 years
Building Improvements	\$20,000	10 to 30 years
Furniture and Fixtures	\$ 5,000	3 to 15 years
Vehicles	\$ 5,000	5 to 8 years
Equipment	\$ 5,000	3 to 15 years

Capital assets of the discretely presented component unit are recorded at cost. Capital assets donated to proprietary fund type operation are recorded at their estimated fair value at the date of donation. Depreciation is computed using the straight-line method with a half year convention over the estimated useful life of the assets.

f. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive salary related compensation are attributable to services already rendered and it is probable that the School System will compensate the employees for the benefits through paid time off or some other means. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as long-term obligations in the District-wide financial statements.

g. Long-term Obligations

In the governmental fund financial statements, principal and interest on general long-term debt, claims and judgments, compensated absences, and contractually required pension contributions are recognized as expenditures to the extent they have matured. Long-term debt and other long-term liabilities that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due but are reported in the District-wide statements and propriety funds as long-term debt.

Notes to the Basic Financial Statements, Continued

A. Summary of Significant Accounting Policies, continued

h. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriations or are legally restricted by outside parties for use for a specific purpose. The following reservations have been established by the School System:

Reserved for Encumbrances - resources of the School System which have been encumbered or appropriated for purchase orders or contractual obligations.

Reserved for Advance Funded Leases - resources received from cash advancements on leases for the purchase of various capital assets.

Reserved for Capital Projects - resources received from Special Purpose Local Option Sales Tax which have been formally set aside for capital projects.

Reserved for Debt Service Fund - resources accumulated for future payments of principal and interest on long-term general obligations.

Designations of Fund Balance represent tentative management plans that are subject to change. The School System has made authorized allocation of fund balances for various capital, technology and operational needs.

i. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The School System applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

j. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts of assets, liabilities, revenue and expenses including the disclosure of contingent assets and liabilities. Actual amounts could differ from those estimates.

The School System recognizes the liabilities for estimated losses to be incurred from pending worker compensation claims and for worker compensation claims incurred but not reported (IBNR). IBNR claims are estimates of claims that are incurred through the end of the fiscal year but have not yet been reported. These liabilities are based on actuarial valuations.

Notes to the Basic Financial Statements, Continued

B. Budgets and Budgetary Accounting

Atlanta Independent School District employs zero-based budgeting for budget preparation. The zero-based budgeting process provides for the identification and prioritization of school system activities and resources starting from zero and accumulating to the targeted funding level. Each activity is linked to the goal, objectives and mission of the District and ranked as to its importance. As the proposed budget moves through each level of the organization, program activities and goals are aggregated further and ranked again. The final budget produced and presented is one which includes all program activities ranked in order of importance in reaching the District's mission.

The School System follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Budget requests are completed in January.
2. Proposed budgets are consolidated and reviewed by the CFO, and submitted to the Superintendent of Schools and Budget Commission for additional review prior to approval by the Atlanta Board of Education.
3. Public hearings on the proposed budget are held in March through May.
4. The legally adopted annual budget is adopted by the Board in May for the General and Special Revenue Funds.
5. The administrative level of budgetary control as the budget is adopted is at the program level within funds where budgets are adopted. The School System must approve revisions that alter the reallocation or revisions between salary and non salary expenditures. Transfer of budgeted amounts between object categories within program functions requires the approval of the budget center manager.
6. Revenues and expenditures of the Capital Projects Funds are budgeted on a project basis and are, therefore, excluded from presentation in the financial statements.

C. Fund Deficit/Excess Expenditures over Appropriations of Individual Funds

Food Services Fund

The Food Services Fund had unrestricted net assets of \$484,934 at fiscal year end 2008. The management of the School System has successfully eliminated the prior year deficit by transferring \$9,400,000 from the general fund during fiscal year 2008.

Notes to the Basic Financial Statements, Continued

D. Deposits and Investments Risks

Collateralization of Deposits

Official Code of Georgia Annotated (OCGA) Section 45-8-12 provides that there shall not be on deposit at any time in any depository for a time longer than ten days a sum of money which has not been secured by surety bond, by guarantee of insurance, or by collateral. The aggregate of the face value of such surety bond and the market value of securities pledged shall be equal to not less than 110 percent of the public funds being secured after the deduction of the amount of deposit insurance. If a depository elects the pooled method (OCGA 45-8-13.1) the aggregate of the market value of the securities pledged to secure a pool of public funds shall be not less than 110 percent of the daily pool balance.

Acceptable security for deposits consists of any one of or any combination of the following:

- (1) Surety bond signed by a surety company duly qualified and authorized to transact business within the State of Georgia,
- (2) Insurance on accounts provided by the Federal Deposit Insurance Corporation,
- (3) Bonds, bills, notes, certificates of indebtedness or other direct obligations of the United States or of the State of Georgia,
- (4) Bonds, bills, notes, certificates of indebtedness or other obligations of the counties or municipalities of the State of Georgia,
- (5) Bonds of any public authority created by the laws of the State of Georgia, providing that the statute that created the authority authorized the use of the bonds for this purpose,
- (6) Industrial revenue bonds and bonds of development authorities created by the laws of the State of Georgia, and
- (7) Bonds, bills, notes, certificates of indebtedness, notes, or other obligations of a subsidiary corporation of the United States government, which are fully guaranteed by the United States government both as to principal and interest or debt obligations issued by or securities guaranteed by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, the Central Bank for Cooperatives, the Farm Credit Banks, the Federal Home Loan Mortgage Association, and the Federal National Mortgage Association.

Notes to the Basic Financial Statements, Continued

D. Deposits and Investments Risks, continued

CATEGORIZATION OF DEPOSITS

At June 30, 2008, the bank balances were \$57,576,256. The amounts of the total uninsured bank balance are classified into three categories of custodial credit risk:

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

The School District's uninsured deposits are classified by custodial credit risk category at June 30, 2008, as follows:

<u>Custodial Credit Risk Category</u>	<u>Bank Balance</u>
1	\$ 0
2	0
3	<u>57,106,864</u>
Total	<u>\$ 57,106,864</u>

At June 30, 2008, the carrying amount of deposits for AETC, the discretely presented component unit, was \$3,900,455 (includes CD balances) and the bank balance was \$ 3,994,609. Of the bank balance, \$ 3,794,609 was uninsured and uncollateralized.

CATEGORIZATION OF INVESTMENTS

The School District's investments as of June 30, 2008, are presented below. All investments are presented by investment type and debt securities are presented by maturity.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturity Less than 1 Year</u>
Debt Securities		
U.S. Agencies		
Implicitly Guaranteed	\$ 206,636,102	\$ 206,636,102
Repurchase Agreements	<u>41,000,000</u>	<u>41,000,000</u>
	\$ 247,636,102	<u>\$ 247,636,102</u>
Other Investments		
U.S. Treasury Money Market Mutual Funds (Open End)	<u>78,891,240</u>	
Total Investments	<u>\$ 326,527,342</u>	

Notes to the Basic Financial Statements, Continued

D. Deposits and Investments Risks, continued

The investments for AETC, the discretely presented component unit, as of June 30, 2008, are presented below. All investments are presented by investment type and debt securities are presented by maturity.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturity</u>		
		<u>Less than 1 Year</u>	<u>1 - 5 Years</u>	<u>More than 5 Years</u>
Debt Securities				
U.S. Agencies	\$ 50,951	\$ 20,426	\$ 30,525	
Corporate Bonds	<u>104,215</u>		<u>81,435</u>	\$ <u>22,780</u>
	\$ 155,166	<u>\$ 20,426</u>	<u>\$ 111,960</u>	<u>\$ 22,780</u>
Other Investments				
Equity and Equity Funds	<u>626,398</u>			
Total Investments	\$ <u>781,564</u>			

AETC, the discretely presented component unit, does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investment will adversely affect the fair value of an investment. The School District does not have a formal policy for managing interest rate risk.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the School District will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The School District does not have a formal policy for managing custodial credit risk.

AETC, the discretely presented component unit, maintains equity securities in investment account at a financial institution, which are protected by Securities Investor Protection Corporation (“SIPC”) up to \$500,000 in the aggregate, from which \$100,000 is used to protect cash.

Notes to the Basic Financial Statements, Continued

D. Deposits and Investments Risks, continued

Credit Quality Risk

Credit quality risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The School District's procedures for managing credit quality risk related to certificates of deposit and repurchase agreements states such investments will only be purchased through banks having at least an AA rating, except for community banks. The School District does not have a formal policy for other investments not mentioned in previous sentence.

The investments subject to credit quality risk are reflected below:

	Fair	Quality Ratings	
	Value	A1	Unrated
Related Debt Instruments			
Debt Securities			
U.S. Agencies			
Implicitly Guaranteed	\$ 206,636,102		\$ 206,636,102
Repurchase Agreements	41,000,000	\$ 41,000,000	
Totals by Quality Ratings	<u>247,636,102</u>	<u>41,000,00</u>	<u>206,636,102</u>

AETC, the discretely presented component unit, has no formal policy regarding credit risk for its investments including certificates of deposits.

The investments subject to credit quality risk are reflected below for AETC:

	Fair	Quality Ratings		
	Value	AAA	AA	A
Related Debt Instruments				
Debt Securities				
U.S. Agencies	\$ 50,951	\$ 50,951		
Corporate Bonds	104,215	26,192	\$ 55,243	\$ 22,780
Totals by Quality Ratings	<u>155,166</u>	<u>77,143</u>	<u>55,243</u>	<u>22,780</u>

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The School System does have a policy concerning the composition of its investment portfolio and is in compliance with its investment policy.

Notes to the Basic Financial Statements, Continued

D. Deposits and Investments Risks, continued

The investment procedure establishes the following eligible investments individually are not to exceed the following composition in the portfolios of the General and SPLOST funds:

U.S. Treasury Bills	100%
Federal Agencies (No more than 40% per issuer)	65%
Repurchase Agreements	30%
State of Georgia - Georgia Fund 1	25%
Bank Special Purpose Money Market Funds	25%
Certificates of Deposit	10%

Investments in any one issuer that represents 5% or more of the total investments were as follows as of June 30, 2008:

<u>Issuer</u>	<u>Investment Type</u>	<u>% of Total Investments</u>
Federal Home Loan Bank	Federal Agency Securities	23.61%
Federal Home Loan Mortgage Corporation	Federal Agency Securities	18.61%
Federal National Mortgage Association	Federal Agency Securities	16.12%
Merrill Lynch Repurchase Agreement	Repurchase Agreement	12.56%
Ridgeworth Fund - U.S. Money Market	Bank Special Purpose Money Market Funds	24.16%

AETC, the discretely presented component unit, does have a policy concerning the composition of its investment portfolio.

Investments in any one issuer that represents 5% or more of the total investments were as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>% of Total Investments</u>
Corporate Bonds	Corporate Bonds	8%
Equity Mutual Funds	Equity	23%
International Mutual Funds	International	13%
Mid Cap Mutual Funds	Mid Cap	11%

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates could adversely affect the fair value of investments or deposits. APS does not hold any foreign investments as they are prohibited by law in Georgia.

As of year-end, AETC, the discretely presented component unit, had investments in foreign equity mutual funds totaling \$168,971. AETC does not currently have a foreign currency risk policy.

Notes to the Basic Financial Statements, Continued

E. Due from Other Governments

Due from other governments consists of grant reimbursements due primarily from the Georgia Department of Education for expenditures made, but not yet reimbursed and amounts due from City of Atlanta for bonds issued and unspent tax collections.

F. Property Taxes

Property taxes are levied in early July based on property values assessed as of January 1, on all real and personal property located within the City of Atlanta. Property taxes are due on or before August 15, at which time they become delinquent and penalties and interest may be assessed and liens may be attached to property. An allowance has been established for estimated amounts that will not be collected. The School System considers revenues to be available if they are collected within 30 days of the end of the current fiscal period.

	<u>Property Tax Receivable</u>	<u>Allowance</u>	<u>Net Property Tax Receivable</u>
General Fund	\$ <u>35,222,256</u>	\$ <u>7,609,936</u>	\$ <u>27,612,320</u>

G. Capital Assets

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

Notes to the Basic Financial Statements, Continued

G. Capital Assets, continued

<i>Primary Government</i>	Beginning Balance as Originally Stated	Restatement of Beginning Balance (Note R)	Beginning Balance as Restated	Additions	Retirements	Transfers	Ending Balance
Governmental activities:							
Land	\$ 23,856,323	\$ 51,504,708	\$ 75,361,031	\$ 12,257,660			\$ 87,618,691
Construction in progress	69,093,985	(36,467,341)	32,626,644	33,329,905		\$ (63,681,354)	2,275,195
Construction in progress Education Reform Success	7,609,587		7,609,587	2,223,201		(9,832,788)	
Construction in progress Charter School	509,043		509,043			(509,043)	
Total non-depreciable assets	<u>101,068,938</u>	<u>15,037,367</u>	<u>116,106,305</u>	<u>47,810,766</u>		<u>(74,023,185)</u>	<u>89,893,886</u>
Buildings	873,042,142	8,390,454	881,432,596	1,545,001	\$ (299,463)	69,010,989	951,689,123
Building improvements	73,428,610	(18,549,870)	54,878,740			4,503,153	59,381,893
Land improvements	12,319,900	9,682,306	22,002,206				22,002,206
Equipment	93,302,636	31,608,710	124,911,346	2,296,320	(3,590,213)		123,617,453
Furniture and Fixtures	31,237,244	7,474,571	38,711,815	2,530			38,714,345
Vehicles	20,810,327	7,632,957	28,443,284	118,153	(4,100,255)		24,461,182
Leases		13,785,648	13,785,648	5,051,348			18,836,996
Charter Schools	4,050,390	16,000	4,066,390	1,570,025	(300,659)	509,043	5,844,799
Total depreciable assets	<u>1,108,191,249</u>	<u>60,040,776</u>	<u>1,168,232,025</u>	<u>10,583,377</u>	<u>(8,290,590)</u>	<u>74,023,185</u>	<u>1,244,547,997</u>
Totals at historical cost	<u>1,209,260,187</u>	<u>75,078,143</u>	<u>1,284,338,330</u>	<u>58,394,143</u>	<u>(8,290,590)</u>	<u>0</u>	<u>1,334,441,883</u>
Less: Accumulated							
Depreciation							
Buildings	199,170,060	(17,791,711)	181,378,349	17,579,122	(110,956)		198,846,515
Building improvements	25,887,939	(9,434,555)	16,453,384	4,001,580			20,454,964
Land improvements	1,995,900	5,790,037	7,785,937	1,190,635			8,976,572
Equipment	86,797,373	19,428,137	106,225,510	7,576,273	(3,425,990)		110,375,793
Furniture	14,650,536	889,089	15,539,625	3,871,168			19,410,793
Vehicles	19,044,910	4,635,112	23,680,022	804,841	(4,100,255)		20,384,608
Leases		3,457,274	3,457,274	1,438,499			4,895,773
Charter Schools	1,211,132	603	1,211,735	627,325	(217,670)		1,621,390
Total accumulated depreciation	<u>348,757,850</u>	<u>6,973,986</u>	<u>355,731,836</u>	<u>37,089,443</u>	<u>(7,854,871)</u>		<u>384,966,408</u>
Governmental activities capital assets, net	<u>\$ 860,502,337</u>	<u>\$ 68,104,157</u>	<u>\$ 928,606,494</u>	<u>\$ 21,304,700</u>	<u>\$ (435,719)</u>	<u>\$ 0</u>	<u>\$ 949,475,475</u>
Business-type activities:							
Equipment	\$ 10,890,580	\$ 6,073,136	\$ 16,963,716	\$ 646,162	\$ (2,478,142)	\$ 0	\$ 15,131,736
Less: Accumulated							
Depreciation							
Equipment	5,589,839	2,869,825	8,459,664	903,875	(1,644,151)		7,719,388
Business-type activities capital assets, net	<u>\$ 5,300,741</u>	<u>\$ 3,203,311</u>	<u>\$ 8,504,052</u>	<u>\$ (257,713)</u>	<u>\$ (833,991)</u>	<u>\$ 0</u>	<u>\$ 7,412,348</u>

Notes to the Basic Financial Statements, Continued

G. Capital Assets, continued

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 36,058,628
General administrative	20,354
Business administration	10,890
Maintenance and operation of facilities	38,377
Student transportation	876,981
Central support	65,617
Other services	<u>18,596</u>
Total	\$ <u>37,089,443</u>

Depreciation expense was charged to business-type activities as follows:

Food services	\$ <u>903,875</u>
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Component Unit

Fixed asset balances of AETC (component unit) as of June 30, 2008 are as follows:

Equipment and furniture	\$ 2,268,066
Equipment purchased under capital leases	186,416
Leasehold improvements	<u>126,652</u>
Totals at historical cost	2,581,134
Less: Accumulated depreciation	<u>(2,099,300)</u>
Net Fixed Assets	\$ <u>481,834</u>

Depreciation expense of AETC for the year ended June 30, 2008 was \$187,253.

As part of the operation agreement with the School System for the (AETC) radio and television stations, all real and personal property comprising the physical facilities of the stations remains the property of the School System. The School System is responsible for routine maintenance and insurance of the facilities. AETC, in turn, leases the facilities from the School System for \$10.00 a year.

Notes to the Basic Financial Statements, Continued

H. Long-term Debt

Capital Leases

The School System has entered into various equipment and vehicle lease agreements. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of inception.

During the current period, the School System entered into lease agreements for the purchase of various capital assets in the amount of \$20,000,000. These leases were advanced funded. At June 30, 2008, a portion of these advanced funded leases remained unspent and are reported as restricted cash and cash equivalents on the statement of net assets in the amount of \$11,554,234.

The assets acquired through capital leases are as follows:

		<u>Governmental Activities</u>
Asset:		
Machinery and Equipment	\$	13,689,655
Vehicles and Buses		5,147,341
Less: Accumulated depreciation		<u>(4,895,773)</u>
Total	\$	<u>13,941,223</u>

The following is a schedule of the future minimum lease payments under capital leases and their total present value:

	<u>Governmental Activities</u>		<u>Charter Schools</u>
Fiscal Year Ended			
2009	\$ 6,239,936	\$	58,621
2010	4,831,103		57,136
2011	4,831,118		10,507
2012	2,129,417		
2013	2,129,417		
2014 - 2018	<u>6,711,092</u>		
Total minimum lease payments	26,872,083		126,264
Less: Amount representing interest	<u>(3,360,861)</u>		<u>(18,618)</u>
Present value of minimum lease payments	\$ <u>23,511,222</u>	\$	<u>107,646</u>

Notes to the Basic Financial Statements, Continued

H. Long-term Debt, continued

Intergovernmental Agreement

Over the years, the City of Atlanta has issued various annual general obligation bonds, and general obligation refunding bonds on behalf of the School System. The debt service for the bonds has been funded through the School System's bonded debt portion of the annual tax levy. The bonded debt portion of property taxes collected by the City on behalf of the School System is retained by the City and used to pay the annual debt service on the outstanding bonds. The debt service payments are calculated using assumptions and estimates based on information available. As of June 30, 2008, \$3,205,377 is available and held by the City.

General Obligation Bonds currently outstanding at the City of Atlanta on behalf of the School System are as follows:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Amount</u>
Governmental activities	3-5%	\$21,385,800

In prior fiscal years, the City of Atlanta on behalf of the School System defeased certain bonds by placing funds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the School System's basic financial statements. At June 30, 2008, \$181,310,000 of bonds are outstanding and are considered defeased.

Changes in long-term obligations during the fiscal year ended June 30, 2008, were as follows:

	<u>Beginning Balance as Originally Stated</u>	<u>Restatement of Beginning Balance (Note R)</u>	<u>Beginning Balance as Restated</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:							
Long-term debt							
Capital leases	\$ 5,027,683		\$ 5,027,683	\$ 20,000,000	\$ (1,516,461)	\$ 23,511,222	\$ 5,353,713
Capital leases - Charter Schools	26,314	\$ 46,527	72,841	70,443	(35,638)	107,646	46,050
Intergovernmental agreement - City of Atlanta	22,112,675		22,112,675		(726,875)	21,385,800	896,750
Education Reform Success	10,115,000		10,115,000			10,115,000	550,000
Total Long-term debt	<u>37,281,672</u>	<u>46,527</u>	<u>37,328,199</u>	<u>20,070,443</u>	<u>(2,278,974)</u>	<u>55,119,668</u>	<u>6,846,513</u>
Other Long-term liabilities							
Notes payable - Charter Schools	105,417		105,417	1,515,274	(108,616)	1,512,075	21,782
Compensated absences	5,990,950		5,990,950	2,206,291	(2,522,133)	5,675,108	2,444,721
Workers compensation	5,462,745		5,462,745	2,543,877	(2,597,149)	5,409,473	1,916,195
Total other long-term liabilities	<u>11,559,112</u>		<u>11,559,112</u>	<u>6,265,442</u>	<u>(5,227,898)</u>	<u>12,596,656</u>	<u>4,382,698</u>
Total long-term obligations	<u>\$ 48,840,784</u>	<u>\$ 46,527</u>	<u>\$ 48,887,311</u>	<u>\$ 26,335,885</u>	<u>\$ (7,506,872)</u>	<u>\$ 67,716,324</u>	<u>\$ 11,229,211</u>

Notes to the Basic Financial Statements, Continued

H. Long-term Debt, continued

At June 30, 2008, payments due by fiscal year which includes principal and interest for these items are as follows:

Fiscal Year Ended	Capital Leases		Intergovernmental Agreements City of Atlanta		Education Reform Success, Inc. Certificates of Participation	
	Principal	Interest	Principal	Interest	Principal	Interest
	2009	\$ 5,353,713	\$ 886,223	\$ 896,750	\$ 992,035	\$ 550,000
2010	4,158,680	672,423	1,026,875	955,176	570,000	394,987
2011	4,316,541	514,577	1,022,875	915,454	595,000	371,449
2012	1,778,587	350,830	1,040,875	875,446	620,000	346,878
2013	1,841,274	288,143	1,086,875	832,790	645,000	321,275
2014 - 2018	6,062,427	648,665	5,847,000	3,386,988	3,645,000	1,184,341
2019 - 2023			7,405,375	1,767,322	3,490,000	367,528
2024 - 2027			3,059,175	259,811		
Total Principal and Interest	\$ <u>23,511,222</u>	\$ <u>3,360,861</u>	\$ <u>21,385,800</u>	\$ <u>9,985,022</u>	\$ <u>10,115,000</u>	\$ <u>3,404,157</u>

I. Restricted Assets

Special Purpose Local Option Sales Tax (SPLOST), advanced capital lease proceeds and proceeds from certificates of participation related to Education Reform Success, Inc., are reported as restricted assets in the Statement of Net Assets because their use is limited by statutory provisions. Restricted assets at June 30, 2008, were as follows:

	General Fund Capital Lease Proceeds	Capital Projects Capital Lease Proceeds	Capital Projects SPLOST Proceeds	ERS Inc.
Restricted Cash and Cash Equivalents:				
Capital Acquisitions	\$ 1,515,161	\$ 10,039,073	\$ 17,651,285	
Restricted Investments:				
Capital Acquisitions			\$ 137,951,906	\$ 183,999

Notes to the Basic Financial Statements, Continued

J. Inter-fund Receivables and Payables

Inter-fund receivables and payables balances as of June 30, 2008 are as follows:

	Due from other funds	Due to other funds
Governmental Funds		
General Fund		\$ 18,342,438
Capital Project Funds	\$ 26,020,503	
Title I Fund		12,244,436
Nonmajor Governmental Funds	8,364,801	
Proprietary Funds		
Food Service Fund		3,798,430
	\$ 34,385,304	\$ 34,385,304

During the course of its operations, the School System makes transfers between funds to finance operations, provide services, and acquire assets. To the extent that certain transfers among funds had not been received as of year end, balances of inter-fund amounts receivable or payable have been recorded. It is management's intent to repay inter-fund balances within the next fiscal year.

K. Inter-fund transfers

Transfers within the governmental and proprietary funds for the year ended June 30, 2008 are as follows:

	Transfers In	Transfers Out
Governmental Funds:		
General Fund		\$ 34,707,215
Nonmajor Governmental Funds	\$ 25,307,215	
Proprietary Funds:		
Food Service Fund	9,400,000	
	\$ 34,707,215	\$ 34,707,215

Transfers are used to: (1) move local funds from the general fund to the food service fund in order to cover the deficit fund balance maintained in the food service fund in prior years and (2) transfer state revenues and allocable property taxes to the individual Charter Schools to fund their operations.

Notes to the Basic Financial Statements, Continued

L. Risk Management

The School System is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The School System is self-insured for workers' compensation claims and unemployment compensation claims. The School System purchases commercial insurance in amounts deemed prudent by management for all other risks of loss. Settled claims have not yet exceeded purchased commercial insurance coverage in any of the past three years.

Workers' Compensation:

The School System is fully self-insured for workers' compensation claims of its employees. The School System accounts for claims within the general fund with expenses/expenditures and liabilities being reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. An accrued liability for the estimated costs of claims and related settlement costs incurred but not paid and/or reported as of year-end is reported on the governmental activities financial statements. The calculation of the present value of future workers' compensation liabilities is based on a discount rate of 3.5%. Changes in the claims liability during the last two fiscal years are as follows:

	Balance at Beginning of Year		Claims and Changes in Estimates		Claim Payments		Balance at End of Year
Fiscal Year 2007	\$ 5,850,095	\$	2,285,256	\$	(2,672,606)	\$	5,462,745
Fiscal Year 2008	\$ 5,462,745	\$	2,543,877	\$	(2,597,149)	\$	5,409,473

Unemployment Compensation:

The School System is self-insured with regard to unemployment compensation claims. The State bills the system quarterly for the outstanding claims and the System pay the claims at that time. Changes in the unemployment compensation claims liability during the last two fiscal years are as follows:

	Balance at Beginning of Year		Claims and Changes in Estimates		Claim Payments		Balance at End of Year
Fiscal Year 2007	\$ 0	\$	400,532	\$	(400,532)	\$	0
Fiscal Year 2008	\$ 0	\$	251,797	\$	(251,797)	\$	0

Notes to the Basic Financial Statements, Continued

M. Nonmonetary Transactions

The School System received from the United States Department of Agriculture through the Georgia Department of Education approximately \$ 2,136,258 in donated food commodities for its lunchroom programs. The federally assigned value of these commodities is reflected as revenue and expense in the Food Services fund financial statements.

N. On-behalf Payments for Fringe Benefits

The School System has recognized revenues and expenditures in the amount of \$7,454,278 for health insurance and pension costs paid by the Georgia Department of Education to the Georgia Department of Community Health for non-certified personnel on the School System's behalf.

O. Retirement Plans

Teachers Retirement System of Georgia (TRS)

Plan Description

Substantially all teachers, administrative and clerical personnel employed by local school systems of the State of Georgia are covered by the Teachers Retirement System of Georgia (TRS), which is a cost-sharing multiple employer public employee retirement system sponsored by the State of Georgia. Most School Systems' employees participate in TRS.

TRS provides service retirement, disability retirement and survivor's benefits for its members. A member is eligible for service retirement after 30 years of creditable service, regardless of age, or after 10 years of service and attainment of age 60. A member is eligible for early retirement after 25 years of creditable service. Early retirement benefits are reduced by the lesser of 1/12 of 7% of each month the member is below age 60, or by 7% of each year or fraction thereof by which the member has less than 30 years of service.

Normal 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 member's creditable service (minimum of 10 years) and compensation up to the date of death.

TRS issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by calling 404-352-6500, or by accessing their website at www.trsga.com.

Notes to the Basic Financial Statements, Continued

O. Retirement Plans, continued

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 is 9.28% at June 30, 2008.

Total actual and required contributions were as follows:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
School System	\$ 29,935,263	\$ 28,304,077	\$ 27,154,487
Employees	<u>16,153,799</u>	<u>15,294,733</u>	<u>14,691,312</u>
Total	\$ <u>46,089,062</u>	\$ <u>43,598,810</u>	\$ <u>41,845,799</u>

City of Atlanta General Employees Pension Plan

Plan Description

All permanent employees of the School System who are not covered under the TRS are eligible to participate in the City of Atlanta General Employees' Pension Plan (the "Plan"). In addition, certain School System employees employed prior to July 1, 1979, also participate in the Plan.

The Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Plan is an agent multiple-employer pension plan administered by a Board of Trustees, which includes the Mayor of the City of Atlanta or designee, the City's Chief Financial Officer, one member of City Council, one member of the School System, one member elected by eligible employees of the City, one member elected by eligible employees of the School System, one member elected by retired employees of the School System and one member elected by retired employees of the City. The Board of Trustees has the authority to establish and amend the benefit provisions of the Plan.

On December 12, 2005, the School System adopted the following changes to the Plan:

1. 10 year vesting
2. 2.5% benefit multiplier (capped at 80%)
3. Unreduced retirement at 30 years of service regardless of age

The Plan issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. The report may be obtained by writing or by calling the Plan at:

City of Atlanta General Employees Pension Plan
68 Mitchell Street
Atlanta, GA
Telephone Number: (404) 330-6000

Notes to the Basic Financial Statements, Continued

O. Retirement Plans, continued

The Plan provides retirement benefits that, initially, are 2% of the employee's highest average monthly base compensation over any 36-month period. A participant may retire at age 65 or, after 15 years of service, at age 60. Cost-of-living increases are awarded annually, up to a 3% maximum increase. Partial vesting percentages based on years of creditable service and provisions for early retirement, are included in the Plan. Benefits also may be payable at termination, death, or disability.

The School System's membership in the Plan as of July 1, 2007 is as follows:

Active employees	1,026
Inactive members	154
Retirees and beneficiaries	<u>2,479</u>
Total membership	<u>3,659</u>

Method Used to Value Investments

Investments are stated at fair value. Fair value of Plan assets at July 1, 2007 was \$161,816,360.

Funding Policy and Annual Pension Cost

The School System's funding policy is to contribute a percentage of covered employee payroll as developed in the actuarial valuation for the Plan. Obligations to contribute to the Plan are established by the Board, subject to minimum financing standards established by the State of Georgia.

Active participants are required to contribute 7% of pay (8% if participant has a covered beneficiary or is married). The School System's contribution percentage is the actuarial determined amount necessary to fund Plan benefits after consideration of employee contributions.

The actuarial determined contribution amount is the sum of the annual normal cost (determined under the entry age normal actuarial cost method) and the amortization of the unfunded actuarial accrued liability as a level percentage of future payrolls (over 40 years from January 1, 1979). The most current valuation reflects a change in the plan year from January 1, through December 31 to July 1, to June 30.

Notes to the Basic Financial Statements, Continued

O. Retirement Plans, continued

The Plan's annual pension cost for the current year, based on actuarial valuations performed as of July 1, 2007 and related information for the Plan is as follows:

Contribution rates as a percentage of covered payroll:

Employee	7% or 8%
Employer	8%

Annual pension cost	\$	39,407,531
Employer contributions made	\$	54,547,288
Actuarial valuation date		7/1/2007
Actuarial cost method		Entry age normal
Amortization method		Level % of payroll
Remaining amortization period		18.5 as of 7/1/2007

Actuarial assumptions:

Investment rate of return	8% per year
Projected salary increases:	
Inflation	3% per year
Merit or seniority and productivity	4.5% per year
Post retirement benefit increase	N/A

The asset valuation method used is the actuarial value from the prior year plus net new money plus 20% of the asset appreciation/depreciation for the current year and each of the prior four years.

The Net Pension Asset/Obligation was restated by \$10,316,810 due to a recalculation.

The Plan's annual pension cost for the last seven years are as follows:

Year	Annual Pension Cost	Annual Pension Contribution	Percentage Contributed	Net Pension Obligation (Asset)
2002	\$ 36,094,349	\$ 35,658,500	98.8%	\$ 435,849
2003	37,927,249	36,777,000	97.0%	1,586,098
2004	35,580,620	35,904,000	100.9%	1,262,718
2005	42,338,839	37,437,676	88.4%	6,163,881
2006	45,320,122	39,015,662	86.1%	12,468,341
2007*	47,113,734	49,265,265	104.6%	10,316,810
2008	39,407,531	54,567,288	138.5%	(4,842,947)

* Plan year begin date changed from January 1 to July 1 as of July 2007. Thus amounts for 2007 and beyond are as of June 30th.

Notes to the Basic Financial Statements, Continued

O. Retirement Plans, continued

The Plan's annual pension cost and pension asset at June 30, 2008 are as follows:

Calculation of Net Pension Asset

Annual required contribution	\$ 38,582,186
Interest on net pension asset	825,345
Adjustment to annual required contribution	<u>0</u>
Annual pension cost	39,407,531
Contributions made	<u>54,567,288</u>
Increase in net pension asset	15,159,757
Net pension obligation at beginning of year	<u>10,316,810</u>
Net pension asset at end of year	<u>\$ 4,842,947</u>

The Plan's funding status based upon the most recent actuarial valuation is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL/UAAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2002	\$ 117,546,260	\$ 563,396,789	\$ 445,850,529	20.9%	\$ 40,666,479	1096.4%
1/1/2003	109,367,500	579,890,481	470,522,981	18.9%	47,042,418	1000.2%
1/1/2004	107,323,985	581,451,634	474,127,649	18.5%	45,898,463	1033.0%
1/1/2005	102,301,954	580,470,790	478,168,836	17.6%	40,366,756	1184.6%
1/1/2006	116,866,067	600,055,443	483,189,376	19.5%	26,185,568	1845.3%
7/1/2007*	133,058,241	643,301,615	510,243,374	20.7%	29,105,414	1753.1%

* Plan year begin date changed from January 1 to July 1 as of July 2007. Thus amounts for 2007 and beyond are as of June 30th.

Notes to the Basic Financial Statements, Continued

P. Post Employment Benefits

Georgia Retiree Health Benefit Fund

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

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

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

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

The School District’s contribution to the health insurance plans for the fiscal year ended June 30, 2008, was \$ 34,489,793, which equaled the required contribution.

Q. Commitments and Contingencies

Construction commitments

The School System has active construction projects as of June 30, 2008. The projects relate to construction and renovation of school buildings. At year end the School System’s commitments with contractors were \$40,574,386. State funding which is available but not yet recognized as revenues is \$1,131,052.

Litigation and Other Contingencies

The School System is a defendant in various lawsuits which arose in the ordinary course of its activities. The School System believes its liability in these matters, if any, will not be material.

Amounts received or receivable principally from the Federal government are subject to audit and review by grantor agencies. This could result in requests for reimbursement to the grantor agency for any costs which are disallowed under grant terms. The School District believes that such disallowances, if any, will be immaterial to its overall financial position.

Notes to the Basic Financial Statements, Continued

R. Prior Period Adjustments

During fiscal year 2008, the School System made a variety of prior period adjustments due to various errors or omissions, which require the restatement of the June 30, 2007, fund balance and net assets. June 30, 2007, fund balance and net assets have been adjusted as follow:

Governmental Funds

	General Fund	*	Nonmajor Governmental Funds
Fund balance as previously reported	\$ 112,289,829	*	\$ 14,604,481
Correction of prior year receivables and revenues	1,323,176		844,489
Correction of prior year payables and expenditures	(18,000)		(150,516)
Fund balance as restated	\$ 113,595,005		\$ 15,298,454

* - The beginning fund balance for the General Fund includes the prior year ending Debt Service fund balance of \$3,840,761.

District-wide Statements

	Governmental Activities		Business-type Activities
Net assets (deficit) as previously reported	\$ 1,098,888,309	\$	(3,952,966)
Correction of prior year receivables and revenues	2,167,666		70,000
Correction of prior year payables and expenses	(168,516)		(885,453)
Correction of inventories			104,781
Correction of capital assets, net of accumulated depreciation	68,104,157		3,203,311
Correction of capital leases	(46,527)		
Correction of net pension asset	(10,316,810)		
Net assets (deficit) as restated	\$ 1,158,628,279	\$	(1,460,327)

Notes to the Basic Financial Statements, Continued

S. Other

Atlanta Educational Services (AES), a component unit of Atlanta Public Schools is a non-profit corporation which the School System has a controlling interest in. The school system appoints a voting majority of the organization's board. The school system is in partnership with NITV (Network for Instructional TV, Inc) to create and distribute technology based informational materials services and instruction. The non-profit corporation provides these services primarily to students enrolled in public and private accredited schools. AES financial information is not presented because it is not material to the District's financial statements.

T. Accounting Changes

The School system has changed the time period in which revenue is recognized. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School System considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. NCGA Interpretation 3 paragraph 8, as amended, states that such time thereafter shall not exceed 60 days. No account balances have been adjusted. GASB Statement No. 33 states that "Governments should recognize assets from imposed non-exchange revenue transactions in the period when enforceable legal claim to the assets arises or when the resources are received, whichever occurs first.

NON-MAJOR GOVERNMENTAL FUNDS

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenues that are legally restricted to expenditure for specific purposes.

The School System's Special Revenue Funds have been established primarily on the basis of program purpose and include the following funds and primary funding sources:

Title II Fund was established to account for federal grant funds passed through the Georgia Department of Education, for the purpose of improving teacher quality and increasing the number of highly quality teachers, para-professionals and principals.

Title VI-B Fund was established to account for federal grant funds passed through the Georgia Department of Education, for the purpose of providing special education programs for children in pre-kindergarten through the twelfth grade.

Lottery Fund was established to account for State of Georgia lottery funds passing through the State of Georgia Department of Education for various programs as established by the State.

Other Federal Programs Fund was established to account for other federal funds for which separate presentation is not considered necessary.

Other Special Projects Fund was established to account for other state and local funds for which separate presentation is not considered necessary.

Charter Schools Fund was established to combine activities of charter schools operating within the limits of the School System.

Capital Project Fund

Education Reform Success Fund was established to account for activities related to the Education Reform Success, Inc., (a non-profit corporation) which was established by the School System for the purpose of providing financing for some of the School System's buildings and equipment.

ATLANTA INDEPENDENT SCHOOL SYSTEM

Combining Balance Sheet
Non-major Governmental Funds
June 30, 2008

	Special Revenue Funds							Capital Project Fund		
	Title II	Title VI-B	Lobby Grants	Other Federal Funds	Other Special Projects	Component Unit		Component Unit		
						Charter Schools	Education Reform Success	Education Reform Success	Total	
ASSETS										
Cash and cash equivalents						\$ 4,002,039				\$ 4,002,039
Restricted Investments								\$ 183,999		\$ 183,999
Due from other governments	\$ 2,093,998	\$ 582,246		\$ 1,255,644	\$ 825,385	753,708				\$ 5,510,981
Due from other funds		1,903	\$ 236,249		10,709,707					10,947,859
Other receivables						151,021		270		151,291
TOTAL ASSETS	\$ 2,093,998	\$ 584,149	\$ 236,249	\$ 1,255,644	\$ 11,535,092	\$ 4,906,768	\$ 184,269	\$ 184,269	\$ 20,796,169	
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable and accrued liabilities	\$ 360,762	\$ 584,149	\$ 212,239	\$ 262,335	\$ 48,476	2,229,138				\$ 3,763,461
Due to other funds	1,734,938			848,120		137,921				2,583,058
Due to other governments										137,921
Total Liabilities	2,095,700	584,149	212,239	1,248,376	48,476	2,229,138	66,362	66,362	117,907	6,484,440
Fund Balances:										
Reserved for capital projects									117,907	117,907
Unreserved Designated for Local programs				7,268	11,486,616					11,486,616
Undesignated	(1,702)		24,010			2,677,630				2,707,206
Total Fund Balance	(1,702)	0	24,010	7,268	11,486,616	2,677,630	117,907	117,907	14,311,729	
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,093,998	\$ 584,149	\$ 236,249	\$ 1,255,644	\$ 11,535,092	\$ 4,906,768	\$ 184,269	\$ 184,269	\$ 20,796,169	

The accompanying notes are an integral part of the basic financial statements

ATLANTA INDEPENDENT SCHOOL SYSTEM

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-major Governmental Funds
For the Year Ended June 30, 2008

	Special Revenue Funds							Capital Project Component Unit Education Reform Success	Total
	Title II	Title VI-B	Lottery Grants	Other Federal Funds	Other Special Projects	Component Unit			
						Charter Schools	Success		
REVENUES									
State revenues	\$ 7,464,205	\$ 325,109	\$ 2,600,578	\$ 4,374,232	\$ 3,754,348	\$ 480,005	\$	\$	7,160,040
Federal revenues		9,230,250			263,511	1,042,758			22,374,956
Other					7,385,172	2,294,689		54,865	9,734,726
Total Revenues	7,464,205	9,555,359	2,600,578	4,374,232	11,403,031	3,817,452		54,865	39,269,722
EXPENDITURES									
Current:									
Instruction:	3,141,283	4,235,101	2,135,745	1,754,143	3,765,948	20,437,598			35,469,818
Support services:									
Pupil services	1,226,420	2,906,782		697,013	258,198	102,111			5,190,524
Improvement of instructional services	3,057,726	1,294,286	440,823	1,520,670	3,211,518	10,080			9,535,103
Educational media					826,764				826,764
General administration		54		27,656	763,738	3,825,126			4,616,574
School administration		8,279		1,419	286,354	1,197,067			1,493,119
Business administration		138,962		36,872	73,722	587,933		6,740	844,229
Maintenance and operation of facilities		476		20,826	333,089	2,345,940			2,700,331
Student transportation		913,492		26,257	15,950				955,699
Central support	5,100	57,927		173,143	584	5,500			242,254
Community services	35,378			108,965	167,592	653,135			965,070
Capital Outlays					48,376	718,655		2,223,201	2,998,212
Debt Service:									
Principal									
Interest									
Total Expenditures	7,465,907	9,555,359	2,576,568	4,366,964	10,164,048	30,122,893		417,699	66,899,379
Excess (deficiency) of revenues over (under) expenditures	(1,702)	0	24,010	7,268	1,238,983	(26,305,441)		(2,592,775)	(27,629,657)
OTHER FINANCING SOURCES									
Proceeds from capital leases						70,443			70,443
Proceeds from debt - notes						1,265,274			1,265,274
Transfers in						25,242,516		64,699	25,307,215
Total Other Financing Sources						26,578,233		64,699	26,642,932
Net change in Fund Balances	(1,702)	0	24,010	7,268	1,238,983	(272,792)		(2,528,076)	(986,725)
Fund Balance - beginning of year, as previously stated	0	0	0	0	9,403,144	2,555,354		2,645,983	14,604,481
Prior period adjustments (See Note R)					844,489	(150,516)			693,973
Fund Balance - beginning of year, as restated	0	0	0	0	10,247,633	2,404,838		2,645,983	15,298,454
FUND BALANCES (DEFICIT) END OF YEAR	(1,702)	0	24,010	7,268	11,486,616	2,677,630		117,907	14,311,729

The accompanying notes are an integral part of the basic financial statements.

ATLANTA INDEPENDENT SCHOOL SYSTEM

SPECIAL REVENUE FUND - TITLE II
 Schedule of Revenues, Expenditures and
 Changes in Fund Balance - Budget and Actual
 For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Over (Under)
REVENUES				
State revenues	\$ 118,000	\$ 118,000		\$ (118,000)
Federal revenues	<u>4,680,232</u>	<u>4,680,232</u>	\$ 7,464,205	<u>2,783,973</u>
Total Revenue	<u>4,798,232</u>	<u>4,798,232</u>	<u>7,464,205</u>	<u>2,665,973</u>
EXPENDITURES				
Current				
Instruction	2,160,310	2,160,310	3,141,283	980,973
Support services				
Pupil service	25,515	25,515	1,226,420	1,200,905
Improvement of instructional services	2,300,390	2,300,390	3,057,726	757,336
Central support	312,017	312,017	5,100	(306,917)
Community services			<u>35,378</u>	<u>35,378</u>
Total Expenditures	<u>4,798,232</u>	<u>4,798,232</u>	<u>7,465,907</u>	<u>2,667,675</u>
Net change in fund balances	0	0	(1,702)	(1,702)
Fund Balance - beginning of year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
FUND BALANCE (DEFICIT), END OF YEAR	\$ <u>0</u>	\$ <u>0</u>	\$ <u>(1,702)</u>	\$ <u>(1,702)</u>

See notes to the financial statements.

ATLANTA INDEPENDENT SCHOOL SYSTEM

SPECIAL REVENUE FUND - TITLE VI-B
 Schedule of Revenues, Expenditures and
 Changes in Fund Balance - Budget and Actual
 For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES				
State revenues	\$ 233,979	\$ 233,979	\$ 325,109	\$ 91,130
Federal revenues	9,011,769	9,011,769	9,230,250	218,481
Total Revenue	9,245,748	9,245,748	9,555,359	309,611
EXPENDITURES				
Current:				
Instruction	2,646,335	2,584,335	4,235,101	1,650,766
Support services:				
Pupil services	5,472,116	5,534,116	2,906,782	(2,627,334)
Improvement of instructional services	102,363	102,363	1,294,286	1,191,923
General administration	266,473	266,473	54	(266,419)
School administration			8,279	8,279
Business administration			138,962	138,962
Maintenance and operation of facilities			476	476
Student transportation	758,461	758,461	913,492	155,031
Central Support			57,927	57,927
Total Expenditures	9,245,748	9,245,748	9,555,359	309,611
Net change in fund balances	0	0	0	0
Fund Balance, beginning of year	0	0	0	0
FUND BALANCE, END OF YEAR	\$ 0	\$ 0	\$ 0	\$ 0

See notes to the financial statements.

ATLANTA INDEPENDENT SCHOOL SYSTEM

SPECIAL REVENUE FUND - LOTTERY GRANTS
 Schedule of Revenues, Expenditures and
 Changes in Fund Balance - Budget and Actual
 For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES				
State revenues	\$ 3,110,281	\$ 3,110,281	\$ 2,600,578	\$ (509,703)
Total Revenue	3,110,281	3,110,281	2,600,578	(509,703)
EXPENDITURES				
Current				
Instruction	2,450,950	2,450,950	2,135,745	(315,205)
Support services				
Improvement of instructional services	659,331	659,331	440,823	(218,508)
Total Expenditures	3,110,281	3,110,281	2,576,568	(533,713)
Net change in fund balances	0	0	24,010	24,010
Fund Balance, beginning of year	0	0	0	0
FUND BALANCE, END OF YEAR	\$ 0	\$ 0	\$ 24,010	\$ 24,010

See notes to the financial statements.

ATLANTA INDEPENDENT SCHOOL SYSTEM

SPECIAL REVENUE FUND - OTHER FEDERAL FUNDS
 Schedule of Revenues, Expenditures and
 Changes in Fund Balance - Budget and Actual
 For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Over (Under)
REVENUES				
Federal revenues	\$ 6,460,887	\$ 5,147,922	\$ 4,374,232	\$ (773,690)
Other	190,036	3,562		(3,562)
Total Revenue	<u>6,650,923</u>	<u>5,151,484</u>	<u>4,374,232</u>	<u>(777,252)</u>
EXPENDITURES				
Current:				
Instruction	3,996,502	2,569,002	1,754,143	(814,859)
Support services:				
Pupil services	325,302	308,675	697,013	388,338
Improvement of instructional services	1,896,613	1,589,089	1,520,670	(68,419)
General administration	175,237	121,641	27,656	(93,985)
School administration			1,419	1,419
Business administration			36,872	36,872
Maintenance and operation of facilities	5,313	5,313	20,826	15,513
Student transportation	116,880	116,704	26,257	(90,447)
Central support	99,022	408,532	173,143	(235,389)
Community services	36,054	32,528	108,965	76,437
Total Expenditures	<u>6,650,923</u>	<u>5,151,484</u>	<u>4,366,964</u>	<u>(784,520)</u>
Net change in fund balances	0	0	7,268	7,268
Fund Balance, beginning of year	0	0	0	0
FUND BALANCE, END OF YEAR	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 7,268</u>	<u>\$ 7,268</u>

ATLANTA INDEPENDENT SCHOOL SYSTEM

SPECIAL REVENUE FUND - OTHER SPECIAL PROJECTS
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES				
State revenues	\$ 258,286		\$ 3,754,348	\$ 3,754,348
Federal revenues			263,511	263,511
Other	<u>18,095,177</u>	<u>\$ 16,752,788</u>	<u>7,385,172</u>	<u>(9,367,616)</u>
Total Revenue	<u>18,353,463</u>	<u>16,752,788</u>	<u>11,403,031</u>	<u>(5,349,757)</u>
EXPENDITURES				
Current:				
Instruction	3,725,017	4,458,958	3,765,948	(693,010)
Support services:				
Pupil services		8,918	258,198	249,280
Improvement of instructional services	3,167,061	2,468,960	3,211,518	742,558
Educational media	2,707,118	2,032,284	826,764	(1,205,520)
General administration	1,461,006	3,095,660	763,738	(2,331,922)
School administration	1,010,810	1,011,801	286,354	(725,447)
Business services	2,033,789	10,000	73,722	63,722
Maintenance and operation of facilities	57,981	55,225	333,089	277,864
Student transportation	745,091		15,950	15,950
Central support	2,025	900	584	(316)
Community services			167,592	167,592
Other Operations - Non-instructional Services	4,822,934	4,789,717		(4,789,717)
Capital Outlay	201,709	71,559	48,376	(23,183)
Debt Service:				
Principal	366,557	379,777	412,215	32,438
Interest	<u>52,365</u>	<u>42,402</u>		<u>(42,402)</u>
Total Expenditures	<u>20,353,463</u>	<u>18,426,161</u>	<u>10,164,048</u>	<u>(8,262,113)</u>
Excess (deficiency) of revenues over (under) expenditures	(2,000,000)	(1,673,373)	1,238,983	2,912,356
OTHER FINANCING SOURCES				
Operating transfers in	<u>2,000,000</u>	<u>2,000,000</u>		<u>(2,000,000)</u>
Net change in fund balances	<u>0</u>	<u>326,627</u>	<u>1,238,983</u>	<u>912,356</u>
Fund Balance - beginning of year, as previously stated	9,403,144	9,403,144	9,403,144	0
Prior period adjustments (See Note R)			<u>844,489</u>	<u>844,489</u>
Fund Balance - beginning of year, as restated	<u>9,403,144</u>	<u>9,403,144</u>	<u>10,247,633</u>	<u>844,489</u>
FUND BALANCE, END OF YEAR	\$ <u>9,403,144</u>	\$ <u>9,729,771</u>	\$ <u>11,486,616</u>	\$ <u>1,756,845</u>

See notes to the financial statements.

ATLANTA INDEPENDENT SCHOOL SYSTEM

Combining Balance Sheet
 Nonmajor Governmental Funds- Charter Schools
 June 30, 2008

	Drew Charter School, Inc	Imagine Wesley International Academy, LLC	Kipp West Atlanta Young Scholars Academy, Inc	Neighborhood Charter School Inc.	Southeast Atlanta Charter Middle School, Inc.	Tech High School, Inc	University Community Academy, Inc	Total
ASSETS								
Cash and cash equivalents	\$ 1,309,904		\$ 623,028	\$ 862,659	\$ 366,845	\$ 149,185	\$ 690,418	\$ 4,002,039
Due from other governments	468,078		97,831			43,947	143,852	753,708
Other receivable		\$ 15,263	135,758					151,021
TOTAL ASSETS	\$ 1,777,982	\$ 15,263	\$ 856,617	\$ 862,659	\$ 366,845	\$ 193,132	\$ 834,270	\$ 4,906,768
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable and accrued liabilities	\$ 1,065,745	\$ 612,943	\$ 162,719	\$ 119,512	\$ 46,248	\$ 60,636	\$ 161,335	\$ 2,229,138
Fund Balances:								
Unreserved/undesignated	712,237	(597,680)	693,898	743,147	320,597	132,496	672,935	2,677,630
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,777,982	\$ 15,263	\$ 856,617	\$ 862,659	\$ 366,845	\$ 193,132	\$ 834,270	\$ 4,906,768

See notes to the financial statements.

ATLANTA INDEPENDENT SCHOOL SYSTEM

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds - Charter Schools
 For the Year Ended June 30, 2008

	Drew Charter School, Inc.	Imagine Wesley International Academy, LLC.	Kipp West Atlanta Young Scholars Academy, Inc.	Neighborhood Charter School Inc.	Seaboard Atlanta Charter Middle School, Inc.	Tech High School, Inc.	University Community Academy, Inc.	Total
REVENUES								
State revenues	\$ 467,578	\$ 381,412	\$ 381,412	\$ 42,069	\$ 42,069	\$ 397,936	\$ 40,000	\$ 480,005
Federal revenues	22,850	182,817	818,529	409,479	5,969	43,947	143,852	1,042,758
Other					106,585	546,720	207,709	2,294,689
Total Revenues	490,428	182,817	1,199,941	409,479	154,623	988,603	391,561	3,817,452
EXPENDITURES								
Current:								
Instruction	5,454,056	1,515,367	3,455,721	3,301,398	2,277,179	1,791,109	2,642,768	20,437,598
Support Services:								
Pupil services		34,790	26,914	27,847			12,560	102,111
Improvement of instructional services		10,080						10,080
General administration:								
School administration	2,330,115		231,080	156,232	74,872	459,416	573,411	3,825,126
Business administration	437,819	900,464			7,500	142,614	296,603	1,197,067
Maintenance and operation of facilities	487,323	507,997		208,357	162,919	370,521	608,823	2,345,940
Central support		328,859			90,974	140,440	29,128	5,500
Community services	12,810		63,734	52,315		140,440	29,128	653,135
Capital Outlays			447,922			60,328	145,260	718,635
Debt Service:								
Principal		3,199	105,417	24,297	11,341			144,254
Interest		21,801	2,399	15,966	55,348			95,514
Total Expenditures	8,722,123	3,328,057	4,306,273	3,785,479	2,707,980	2,964,428	4,308,553	30,122,893
Excess (deficiency) of revenues over (under) expenditures	(8,231,695)	(3,145,240)	(3,106,332)	(3,376,000)	(2,553,357)	(1,975,825)	(3,916,992)	(26,305,441)
OTHER FINANCING SOURCES								
Proceeds from capital leases				44,112	26,331			70,443
Proceeds from debt - notes	8,424,741	2,547,560	2,943,874	3,565,662	1,367,102	2,125,837	4,267,740	1,265,274
Transfers in								25,242,516
Total Other Financing Sources	8,424,741	2,547,560	2,943,874	3,609,774	2,658,707	2,125,837	4,267,740	26,578,233
Net change in Fund Balances	193,046	(597,680)	(162,458)	233,774	105,350	150,012	350,748	272,792
Fund Balance - beginning of year, as previously stated	519,191	0	947,785	509,373	251,247	5,571	322,187	2,555,354
Prior period adjustments (See Note R)					(36,000)	(23,087)		(150,516)
Fund Balance - beginning of year, as restated	519,191	0	856,326	509,373	215,247	(17,516)	322,187	2,404,838
FUND BALANCES (DEFICIT), END OF YEAR	\$ 712,237	\$ (597,680)	\$ 693,898	\$ 743,147	\$ 320,597	\$ 132,496	\$ 672,935	\$ 2,677,630

See notes to the financial statements

ADDITIONAL FINANCIAL INFORMATION

QUALITY BASIC EDUCATION
PROGRAMS - PROGRAM EXPENDITURES

The Official Code of Georgia Annotated Section 20-2-172 (a) Expenditure Controls for fiscal years 2007 and 2008 state;

For each program identified in Code Section 20-2-161, each local school system shall spend 100 percent of funds designated for direct instructional costs on the direct instructional costs of such program on one or more of the programs identified in Code Section 20-2-161 at the system level, with no requirement that the school system spend any specific portion of such funds at the site where such funds were earned.

The following page is presented for purposes of additional analysis and reflect overall minimum expenditure requirements compared to overall program expenditures made by the School System as described above and also reflect minimum program expenditure requirements compared to actual expenditures made by the School System on a program basis.

ATLANTA INDEPENDENT SCHOOL SYSTEM

SCHEDULE OF ALLOTMENTS AND EXPENDITURES BY PROGRAM
GENERAL FUND QUALITY BASIC EDUCATION PROGRAM (QBE)
YEAR ENDED JUNE 30, 2008

DESCRIPTION	ALLOTMENTS FROM GEORGIA DEPARTMENT OF EDUCATION (1) (2)		ELIGIBLE QBE PROGRAM COSTS		
			SALARIES	OPERATIONS	TOTAL
Direct Instructional Programs					
Kindergarten Program	\$	17,144,333	\$ 19,323,207	\$ 11,755	19,334,962
Kindergarten Program-Early Intervention Program		6,594,707	5,902,493		5,902,493
Primary Grades (1-3) Program		42,840,888	59,418,247	2,102,937	61,521,184
Primary Grades-Early Intervention (1-3) Program		12,141,125	26,356,144		26,356,144
Upper Elementary Grades (4-5) Program		17,592,146	19,816,915	2,941,374	22,758,289
Upper Elem Grades-Early Intervention (4-5) Program		8,168,696	10,094,193		10,094,193
Middle Grades (6-8) Program		2,030,907			
Middle School (6-8) Program		28,867,022	42,117,407	2,182,485	44,299,892
High School General Education (9-12) Program		26,024,719	50,894,138	6,252,281	57,146,419
Vocational Laboratory (9-12) Program		7,512,492	8,214,469	598,011	8,812,480
Students with Disabilities					
Category I		2,923,638	37,599,322	2,218,653	39,817,975
Category II		4,190,465	2,327,274		2,327,274
Category III		14,564,478	3,426,391	763,101	4,189,492
Category IV		2,248,595	5,119		5,119
Category V		388,636	38,355		38,355
Gifted Student - Category VI		7,745,388	8,679,947	21,788	8,701,735
Remedial Education Program		2,405,491	1,842,674	1,193,078	3,035,752
Alternative Education Program		2,395,253	1,383,420	987,236	2,370,656
English Speakers of Other Languages (ESOL)		2,549,623	3,906,272	128,449	4,034,721
TOTAL DIRECT INSTRUCTIONAL PROGRAMS	\$	208,328,602	\$ 301,345,987	\$ 19,401,148	\$ 320,747,135
Media Center Program		6,006,909	8,452,652	869,676	9,322,328
Staff and Professional Development		1,137,920	1,126,348	805,325	1,931,673
TOTAL QBE FORMULA FUNDS	\$	215,473,431	\$ 310,924,987	\$ 21,076,149	\$ 332,001,136

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

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

See notes to the financial statements.

ATLANTA INDEPENDENT SCHOOL SYSTEM

Lottery Programs
Schedule of Expenditures by Object
For the Year Ended June 30, 2008
(with comparative totals for 2007)

	<u>Pre-Kindergarten Program</u>	
	<u>2008</u>	<u>2007</u>
Salaries	\$ 2,164,139	\$ 2,119,801
Employee Benefits	352,147	332,808
Employee travel	12,224	
Other purchased services		9,169
Materials and supplies	48,058	30,616
	<u> </u>	<u> </u>
	<u>\$ 2,576,568</u>	<u>\$ 2,492,394</u>

ATLANTA INDEPENDENT SCHOOL SYSTEM

Schedule of Approved Local Option Sales Tax Projects
Year Ended June 30, 2008

<u>PROJECT</u>	<u>ORIGINAL ESTIMATED COST (1)</u>	<u>CURRENT ESTIMATED COSTS (2)</u>	<u>AMOUNT EXPENDED IN CURRENT YEAR (3)</u>	<u>AMOUNT EXPENDED IN PRJOR YEARS (4)</u>	<u>PROJECT STATUS</u>
SPLOST II					
Dekalb County					
Renovations, modifications, additions and equipment for the following facilities: Crim High School, Coan Middle School, Burgess/Peterson Elementary School, East Lake Elementary School, Lin Elementary School, Toomer Elementary School, and Whitefoord Elementary School; and acquisition and installation of information systems, hardware and infrastructure at the above schools and related facilities	21,355,321	26,041,605	7,371,231	18,670,374	Ongoing
Fulton County					
New school construction, classroom additions, renovations, infrastructure improvements, security system improvements, technology improvements, land acquisition, site preparation, new staff development and instructional support facilities, new maintenance facility, new stadium, new school buses, and new support vehicles	486,538,295	426,839,322	28,283,156	372,786,244	Ongoing
SPLOST III					
Dekalb County					
Capital outlay projects consisting of construction, renovations, modifications, additions and equipment for the following facilities: The Howard School, Lin Elementary School and Whitefoord Elementary School and any future updates: Crim High School, Coan Middle School, Burgess/Peterson Elementary School, East Lake Elementary School and Toomer Elementary	20,511,000	20,511,000	110,067		Ongoing
Fulton County					
Capital outlay projects including new school construction, classroom additions, renovations, infrastructure improvements, upgrading security system, technology improvements, land acquisition, site preparation, providing staff development and instructional support facilities and providing athletics fields and play fields improvements	<u>552,357,776</u>	<u>552,357,776</u>	<u>10,770,016</u>		Ongoing
	\$ <u>1,080,762,392</u>	\$ <u>1,025,749,703</u>	\$ <u>46,534,470</u>	\$ <u>391,456,618</u>	

- (1) The School District's original cost estimate as specified in the resolution calling for the imposition of the Local Option Sales Tax.
- (2) The School District's current estimate of total cost for the projects. Includes all cost from project inception to completion.
- (3) The voters of Fulton and Dekalb Counties approved the imposition of a 1% sales tax to fund the above projects and retire associated debt. Amounts expended for these projects may include sales tax proceeds, state, local property taxes and/or other funds over the life of the projects.
- (4) The School District's amounts expended in prior years related to the above projects.

See notes to the financial statements.

ATLANTA INDEPENDENT SCHOOL SYSTEM

SCHEDULE OF STATE REVENUE
YEAR ENDED JUNE 30, 2008

AGENCY/FUNDING	GOVERNMENTAL FUND TYPES			BUSINESS TYPE ACTIVITIES	TOTAL
	GENERAL FUND	CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS		
GRANTS					
Bright from the Start:					
Georgia Department of Early Care and Learning Pre-Kindergarten Program			\$ 2,600,578		\$ 2,600,578
Education, Georgia Department of Quality Basic Education					
Direct Instructional Cost					
Kindergarten Program	\$ 9,828,821				9,828,821
Kindergarten Program - Early Intervention Program	3,804,627				3,804,627
Primary Grades (1-3) Program	24,888,397				24,888,397
Primary Grades - Early Intervention (1-3) Program	6,937,443				6,937,443
Upper Elementary Grades (4-5) Program	10,245,001				10,245,001
Upper Elementary Grades - Early Intervention (4-5) Program	4,594,752				4,594,752
Middle Grades (6-8) Program	1,111,149				1,111,149
Middle School (6-8) Program	16,669,296				16,669,296
High School General Education (9-12) Program	15,017,487				15,017,487
Vocational Laboratory (9-12) Program	4,363,319				4,363,319
Students with Disabilities - All Categories	13,960,600				13,960,600
Gifted Student - Category VI	4,441,301				4,441,301
Remedial Education Program	1,403,721				1,403,721
Alternative Education Program	1,380,759				1,380,759
English Speakers of Other Languages (ESOL)	1,468,977				1,468,977
Media Center Program	2,688,000				2,688,000
20 Days Additional Instruction	1,839,259				1,839,259
Staff and Professional Development	652,835				652,835
Indirect Cost					
Central Administration	2,774,585				2,774,585
School Administration	8,127,443				8,127,443
Facility Maintenance and Operations	8,383,445				8,383,445
Categorical Grants					
Pupil Transportation					
Regular	3,454,540				3,454,540
Bus Replacement	653,047				653,047
Nursing Services	814,710				814,710
Mid-term Adjustment Hold-Harmless	2,248,955				2,248,955
Food Services				\$ 1,130,056	1,130,056
Austerity Reduction	-4,314,689				-4,314,689
Other State Programs					
Career, Technical and Agriculture			354,634		354,634
Charter Schools- Direct			480,005		480,005
Charter Schools- APS			330,000		330,000
Health Insurance	7,296,498				7,296,498
High School Graduation Coach			672,088		672,088
Middle School Graduation Coach			778,721		778,721
Middle School Math Remediation and Intervention Grant			52,031		52,031
National Teacher Certification			339,584		339,584
Preschool Handicapped Program			325,109		325,109
Residential Treatment Centers Grant			712,482		712,482
Teacher's Retirement	157,780				157,780
Virtual School State Grants			2,294		2,294
Georgia State Financing and Investment Commission Reimbursement on Construction Projects	\$ 2,207,605				2,207,605
Technical and Adult Education, Georgia Department of Adult Education			512,514		512,514
	<u>\$ 154,892,058</u>	<u>\$ 2,207,605</u>	<u>\$ 7,160,040</u>	<u>\$ 1,130,056</u>	<u>\$ 165,389,759</u>

See notes to the financial statements.

STATISTICAL SECTION (UNAUDITED)

ATLANTA INDEPENDENT SCHOOL SYSTEM

Net Asset by Component

Last Five Fiscal Years

	Fiscal Year				
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Governmental Activities					
Invested in Capital Assets, Net of Related Debt	733,997,697	803,563,172	832,038,878	825,579,544	907,613,628
Restricted		3,988,606	22,216,155	106,980,588	170,544,609
Unrestricted	95,404,253	115,840,477	129,868,872	166,328,177	201,433,607
Total Governmental Activities Net Assets	<u>829,401,950</u>	<u>923,392,255</u>	<u>984,123,905</u>	<u>1,098,888,309</u>	<u>1,279,591,844</u>
Business-Type Activities					
Invested in Capital Assets, Net of Related Debt	3,897,068	5,055,963	5,776,388	5,300,741	7,412,348
Restricted					
Unrestricted	(22,325,064)	(25,805,372)	(26,121,641)	(9,253,707)	484,934
Total Business-Type Activities Net Assets	<u>(18,427,996)</u>	<u>(20,749,409)</u>	<u>(20,345,253)</u>	<u>(3,952,966)</u>	<u>7,897,282</u>
Primary Government Activities					
Invested in Capital Assets, Net of Related Debt	737,894,765	808,619,135	837,815,266	830,880,285	915,025,976
Restricted	-	3,988,606	22,216,155	106,980,588	170,544,609
Unrestricted	73,079,189	90,035,105	103,747,231	157,074,470	201,918,541
Total Primary Government Activities Net Assets	<u>810,973,954</u>	<u>902,642,846</u>	<u>963,778,652</u>	<u>1,094,935,343</u>	<u>1,287,489,126</u>

Source: Atlanta Board of Education Financial Reports for previous years and fiscal year ended June 30, 2008

ATLANTA INDEPENDENT SCHOOL SYSTEM

Change in Net Assets

Last Five Fiscal Years

	Fiscal Year				
	2004	2005	2006	2007	2008
Expenses					
Governmental Activities					
Instruction	424,091,453	435,352,357	389,455,379	425,383,084	410,454,333
Pupil Services	21,890,649	24,009,140	29,840,061	23,840,338	33,754,928
Instructional Support	21,135,004	20,011,373	29,956,194	31,474,575	39,133,895
Educational Media Services	6,746,870	7,087,158	12,525,249	9,112,722	10,598,856
General Administration	21,538,062	18,908,200	25,647,833	24,245,855	17,184,335
School Administration	24,230,800	23,247,406	36,318,561	28,160,287	31,329,750
Business Administration	5,482,136	6,685,795	12,877,848	15,849,937	23,237,569
Maintenance and Operations	61,354,865	48,321,284	60,113,313	60,209,758	85,855,059
Pupil Transportation	15,189,562	14,678,214	22,585,137	18,836,530	38,178,913
Support Services-Central	29,129,882	26,204,018	28,386,066	27,906,578	29,102,843
Community Services	-	-	-	73,806	933,485
Support Services-Other	-	423,301	1,257,641	3,025,596	2,148,555
Enterprise Operations	-	-	-	-	603,689
Interest	690,836	538,613	1,852,129	1,199,662	1,575,569
Depreciation	204,969	-	-	-	-
Total Governmental Activities Expenses	631,685,828	625,466,819	648,335,429	669,116,730	724,250,779
	(832,212,611)				
Business-Type Activities					
Food Services	26,562,371	25,772,181	21,711,548	21,627,175	23,106,785
Total Business-Type Activities Expenses	26,562,371	25,772,181	21,711,548	21,627,175	23,106,785
Total Primary Government Activities Expenses	658,238,209	651,239,000	670,046,977	690,743,905	747,357,564
Program Revenues					
Governmental Activities					
Charges for Services					
Instruction	-	-	1,071,582	1,004,517	114,350
Maintenance and Operations	-	-	1,025,542	1,067,404	586,080
Enterprise Operations	-	-	-	-	-
Operating Grants and Contributions					
Instruction	187,402,434	170,977,158	147,828,677	156,075,020	167,906,705
Pupil Services	8,558,786	8,414,003	4,466,337	14,851,701	18,133,132
Instructional Support	17,556,463	18,447,378	4,960,311	16,073,230	16,110,587
Educational Media Services	30,954	182,846	4,395,985	2,424,655	3,745,884
General Administration	3,758,784	4,151,612	1,959,485	3,336,077	3,104,288
School Administration	381,845	238,704	11,195,821	6,085,020	3,498,951
Business Administration	-	365,225	1,672,864	1,102,416	9,106,449
Maintenance and Operations	58,967	27,511	15,641,179	8,740,838	9,262,487
Pupil Transportation	379,673	1,409,015	5,601,018	5,206,251	5,337,639
Support Services-Central	754,227	1,105,539	5,754,235	984,451	660,429
Community Services	-	-	-	85,551	226,806
Other Support Services	2,524,240	1,444,714	163,622	7,365,780	1,307,102
Capital Grants and Contributions					
Instruction	2,717,420	2,230,799	-	-	1,633,629
Pupil Services	-	-	-	-	176,608
Instructional Support	-	-	-	-	154,532
Educational Media Services	-	-	-	-	44,152
School Administration	-	-	-	-	132,456
Maintenance and Operations	-	-	1,640,644	1,191,830	653,047
Pupil Transportation	-	-	-	-	65,228
Other Support Services	-	-	-	-	241,961,551
Total Governmental Activities Program Revenues	222,121,795	206,995,305	207,376,402	225,654,541	241,961,551
Business-Type Activities					
Charges for Services					
Food Services	1,968,090	3,566,337	2,580,627	2,534,748	2,167,375
Operating Grants and Contributions					
Food Services	20,250,537	18,068,139	18,265,691	18,698,732	20,877,019
Total Business-Type Activities Program Revenues	22,218,627	21,634,476	20,846,318	21,533,478	23,044,394
Total Primary Government Activities Program Revenues	244,338,422	228,629,781	228,222,820	247,188,019	265,005,945
Net (Expense)/Revenue					
Governmental Activities					
Instruction	(233,971,599)	(262,144,400)	(240,555,120)	(268,303,547)	(240,796,849)
Pupil Services	(15,331,881)	(15,595,137)	(24,794,744)	(8,688,637)	(15,445,188)
Instructional Support	(3,578,541)	(3,563,994)	(24,995,833)	(15,401,345)	(22,966,566)
Educational Media Services	(6,715,918)	(6,904,912)	(8,129,251)	(6,598,067)	(6,766,820)
General Administration	(11,782,298)	(14,758,588)	(23,688,347)	(20,909,778)	(14,080,047)
School Administration	(23,848,955)	(23,008,702)	(25,122,840)	(22,095,267)	(27,696,343)
Business Administration	(5,482,136)	(6,319,530)	(11,304,982)	(14,747,521)	(14,131,120)
Maintenance and Operations	(61,295,698)	(48,283,773)	(43,446,592)	(50,401,516)	(76,992,572)
Pupil Transportation	(14,809,908)	(13,269,189)	(15,343,475)	(12,438,649)	(32,185,271)
Support Services-Central	(28,375,655)	(25,098,479)	(20,631,811)	(26,922,127)	(28,442,414)
Community Services	-	-	-	(8,257)	(706,679)
Other Support Services	2,524,240	1,021,413	(1,094,019)	4,340,184	(776,225)
Enterprise Operations	-	-	-	-	(217,609)
Interest	(690,836)	(538,613)	(1,852,129)	(1,199,662)	(1,575,569)
Depreciation	(204,969)	-	-	-	-
Total Governmental Activities Net (Expense)/Revenues	(409,564,133)	(418,471,514)	(440,958,027)	(443,484,189)	(482,289,228)
Business-Type Activities					
Food Services	(4,335,744)	(4,117,705)	(865,030)	(63,697)	(42,381)
Total Business-Type Activities	(4,335,744)	(4,117,705)	(865,030)	(63,697)	(42,381)
Total Primary Government Activities Net Expense	(413,900,877)	(422,589,219)	(441,824,057)	(443,547,886)	(482,331,619)
General Revenues and Other Charges in Net Assets					
Governmental Activities					
Taxes					
Property Taxes Levied for General Purposes	373,487,358	377,215,701	363,973,482	436,902,848	470,036,120
Property Taxes Levied for Debt Services	-	-	1,979,560	1,036,250	1,153,847
Sales Tax	85,604,946	81,202,366	101,224,651	121,568,835	115,735,907
Other Taxes	-	-	14,728,136	-	-
Federal and Other State Aid not Restricted to Specific Programs	-	-	9,411,373	-	1,347,241
Interest and Investment Earnings	1,996,307	4,858,043	7,316,985	13,315,151	14,015,739
Local School Activity	-	-	-	-	-
Miscellaneous	3,786,290	5,900,535	6,073,779	15,129,339	10,363,939
Loss on Sale of Assets	-	-	2,746,146	3,129,377	-
Transfers	(1,592,485)	(1,796,292)	(1,030,966)	(16,416,074)	(9,400,000)
Special Items (See Note P)	-	-	-	-	-
Proceeds from sale of assets	-	-	-	-	-
Extra ordinary items	-	-	-	(1,981,811)	-
Total Governmental Activities	463,281,416	477,180,353	506,416,146	572,663,913	603,252,793
Business-Type Activities					
Interest and Investment Earnings	-	-	-	-	-
Miscellaneous	-	-	59,712	-	79,445
Transfers	1,592,485	1,796,292	1,038,966	16,416,074	9,400,000
Loss on Sale of Assets	-	-	-	(9,325)	-
Total Business-Type Activities	1,592,485	1,796,292	1,098,678	16,486,964	9,400,000
Total Primary Government Activities	464,873,901	478,976,645	507,514,824	589,150,877	612,652,793
Change in Net Assets					
Governmental Activities	53,717,283	58,706,839	65,457,119	129,219,724	120,963,565
Business-Type Activities	(2,743,259)	(2,321,413)	231,848	16,392,287	9,357,609
Total Primary Government	50,974,024	56,385,426	65,688,967	145,612,011	130,321,174

Source: Atlanta Board of Education Financial Reports for previous years and fiscal year ended June 30, 2008

ATLANTA INDEPENDENT SCHOOL SYSTEM
Fund Balances, Governmental Funds

Last Ten Fiscal Years

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Fund										
Reserved	22,431,466	37,852,719	15,826,687	16,933,754	11,938,879	11,159,630	7,325,684	9,291,804	17,944,268	20,198,038
Unreserved	45,060,582	7,945,023	61,608,320	38,418,253	62,084,468	37,292,448	68,098,575	77,736,772	90,504,800	131,566,427
Total General Fund	67,492,048	45,797,742	77,435,007	55,352,007	74,023,347	48,452,078	75,424,259	87,028,576	108,449,068	151,764,465
All Other Governmental Funds										
Reserved	43,302,459	43,516,273	57,281,761	156,758,830	80,968,852	70,077	70,078	22,216,155	106,980,588	168,205,200
Unreserved, reported in:										
Capital Project Funds	163,023,596	73,976,485	111,530,754	12,000,000	12,000,000	32,778,625	30,060,165	39,513,397	34,183,429	24,121,107
Special Revenue Funds	38,528,193	61,010,424	25,073,172	22,558,744	18,027,458	17,571,631	11,868,263	12,226,577	11,958,498	14,193,822
Total All Other Governmental Funds	244,854,248	178,503,182	193,885,687	191,317,574	110,996,310	50,420,333	41,998,506	73,956,129	153,122,515	206,520,129
Total	312,346,296	224,300,924	271,320,694	246,669,581	185,019,657	98,872,411	117,422,765	160,984,705	261,571,583	358,284,594

Source: Atlanta Board of Education Financial Reports for previous years and fiscal year ended June 30, 2008

ATLANTA INDEPENDENT SCHOOL SYSTEM

Changes in Fund Balances, Governmental Funds

Last Ten Fiscal Years

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Revenues										
Local Taxes	\$441,763,375	\$405,622,567	\$448,069,734	\$313,659,063	\$348,788,390	\$365,523,133	\$370,256,829	\$369,492,043	\$415,867,665	\$471,313,094
Sales Taxes				93,920,742	79,256,916	85,604,948	91,202,368	115,956,835	121,560,835	106,562,802
State Revenues	192,755,358	166,078,281	214,552,078	190,093,723	177,702,841	152,497,189	137,310,865	141,840,201	151,924,389	164,239,703
Federal Revenues	57,435,724	52,250,677	56,428,717	18,910,046	11,616,090	1,995,307	4,658,043	68,535,863	71,858,231	71,651,548
Investment Income				472,438	436,094	709,320	858,963	949,286	913,723	1,512,799
Facility Rental Fees				176,055	30,800	45,748	11,707	243,868	274,333	114,350
Tuition Charges								904,128	2,071,921	586,080
Charges for Other Services				24,324,599	11,875,018	9,545,822	9,576,368	15,066,259	13,941,263	15,528,251
Other										
Total Revenues	681,954,457	643,949,625	721,047,629	684,505,852	685,246,154	679,615,841	679,013,079	718,104,604	791,355,631	845,564,366
Expenditures										
Current										
Instruction	240,068,454	238,210,463	335,112,802	353,337,682	387,299,503	405,869,137	395,383,620	358,003,139	405,016,875	370,883,918
Support Services										
Pupil Services	18,795,534	19,485,052	20,968,352	22,590,159	21,612,774	21,651,555	23,672,046	28,286,328	23,654,225	33,246,109
Improvement of Institution	23,756,809	16,495,237	25,957,664	49,379,326	32,991,161	21,161,674	20,071,786	31,811,061	31,501,827	36,541,885
Educational Media	6,874,394	7,174,165	9,151,162	12,351,085	7,601,808	8,739,907	7,060,214	11,128,439	9,119,000	10,399,562
General Administration	8,565,990	5,922,162	16,253,607	10,663,333	13,504,910	13,504,910	9,832,227	15,066,526	15,833,121	16,906,206
School Administration	20,212,405	15,405,246	25,319,655	30,642,476	35,496,730	24,230,800	23,525,692	35,579,029	28,207,534	30,868,586
Business Services	5,590,366	3,828,292	16,210,243	6,452,828	5,482,196	6,796,941	12,959,596	15,632,318	22,032,314	22,837,460
Maintenance & Operation of Facilities	49,431,249	50,969,195	52,988,342	61,193,777	62,044,673	81,539,387	48,442,054	59,941,395	60,202,420	62,837,460
Student Transportation	12,065,120	11,249,423	20,044,651	16,088,475	14,295,463	13,022,959	12,815,478	18,331,040	17,344,114	43,811,667
Central Support	13,148,014	10,918,711	38,447,863	25,991,753	26,284,962	30,515,657	26,383,782	26,567,407	28,690,154	28,809,037
Community Services	10,200	14,210	72,905	3,214,167	8,582,226	528,684	220,262	-	6,748	983,284
Nutrition										
Other	1,061,187	1,624,196	2,861,537	681,496	141,088,759	169,069,406	-	796,364	-	-
Food Services Operation	24,356,354	24,252,316	24,379,053							
Enterprise Operations	3,227,293	891,101	7,579,712					48,270	2,386,576	801,501
Other Operations of Non-Instructional Service	136,723	121,183	15,376							2,096,831
Employee Benefits	89,082,771	95,403,205	103,657							
Other Uses	83,072,665	73,868,397	57,968,692	78,153,025			107,635,321	78,371,573	56,735,939	67,911,786
Capital Outlays										
Debt Service										
Interest	2,270,709	2,268,350	2,045,429	977,215		690,836	538,613	403,268	2,638,168	1,575,569
Capital Lease Principal	2,490,000	2,385,000	2,600,000	10,225,534	8,417,828	6,066,632	4,396,236	2,700,668	1,199,662	2,387,590
Advance Refunding Escrow			110,501,066	37,991,609						
Total Expenditures	604,221,047	580,603,914	768,190,018	721,839,094	765,135,174	780,292,860	687,093,174	681,004,041	698,158,679	763,695,325
Excess / (Deficiency) of Revenues over Expenditure	87,733,410	63,446,611	(47,142,489)	(37,333,242)	(79,889,010)	(100,777,019)	(8,080,095)	37,100,563	93,196,952	81,869,041
Other Financing Sources (Uses)										
Proceeds from Capital Leases	3,446,681	22,227,750	6,178,613	4,112,800	3,814,304	2,952,010		3,131,786	2,638,066	20,070,443
From Sale of Assets								40,000	3,189,238	909,104
From Notes								40,000	10,115,000	1,265,274
From Bonds								3,907,894	3,921,678	
Transfers in	78,950,368	64,724,963	83,207,278	42,589,027	2,482,792	18,158,072	18,128,500	19,874,172	27,635,695	25,307,215
Transfers out	(78,130,816)	(83,922,489)	(83,207,278)	(42,589,027)	(2,482,792)	(19,750,557)	(19,924,792)	(19,874,172)	(44,051,769)	(34,707,215)
Total Other Financing	4,266,233	23,030,224	6,178,613	4,112,800	5,943,857	14,629,773	10,079,623	7,079,682	3,427,906	12,844,821
Extraordinary Item									(1,981,811)	
Net Change in Fund Balances	91,999,643	86,475,035	(40,963,876)	(33,220,442)	(73,945,153)	(88,147,246)	1,999,428	44,180,245	94,642,949	94,713,882
Fund Balance at Beginning of Year	220,311,410	138,072,273	312,346,296	279,690,024	259,964,810	185,019,657	115,423,338	116,292,413	160,970,954	261,571,583
FUND BALANCE AT END OF YEAR	312,311,053	224,548,108	271,382,420	246,669,582	185,019,657	98,872,411	117,422,766	160,970,954	261,571,683	356,284,694
Decrease in Inventory Reserve	35,243	247,184	61,726					498,296	5,957,680	1,999,149
RECORDED FUND BALANCE AT END OF YEAR	\$312,275,810	\$224,300,924	\$271,320,694	\$246,669,582	\$185,019,657	\$98,872,411	\$117,422,766	\$160,970,954	\$261,571,683	\$359,284,594

Source: Atlanta Board of Education Financial Reports for previous years and fiscal year ended June 30, 2008

ATLANTA INDEPENDENT SCHOOL SYSTEM

**GENERAL FUND REVENUES BY SOURCE
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Local Taxes</u>	<u>State Grants</u>	<u>Federal Grants</u>	<u>Other</u>	<u>Total</u>
1999	280,128,295	174,112,971	1,430,311	11,468,511	467,140,088
2000	307,556,808	173,618,365	1,047,792	10,730,838	492,953,803
2001	305,699,801	193,545,040	1,063,223	7,224,034	507,532,098
2002	313,659,063	175,553,782	1,069,298	20,302,508	510,584,651
2003	346,768,390	170,033,573	427,849	14,822,888	532,052,700
2004	362,726,900	141,848,193	1,153,791	8,086,373	513,815,257
2005	370,256,829	124,113,881	1,326,039	13,084,964	508,781,713
2006	384,221,179	133,943,879	3,870,753	15,437,607	537,473,418
2007	429,521,632	145,105,716	1,112,951	19,069,159	594,809,458
2008	480,152,929	154,892,058	1,347,241	17,353,301	653,745,529

**Source: Atlanta Board of Education Financial Reports
Year Ended June 30, 2008**

ATLANTA INDEPENDENT SCHOOL SYSTEM
ASSESSED AND ESTIMATED ACTUAL VALUE OF
TAXABLE PROPERTY

LAST FIVE FISCAL YEARS

Fiscal Year ¹	Residential Property	Commercial Property	Industrial Property	Other Property ²	Less Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
2004	10,282,698,452	7,433,699,007	308,725,135	1,626,457,946	1,732,722,383	16,292,400,211	31.00
2005	10,842,205,309	7,255,025,020	618,322,584	1,590,005,363	186,756,118	18,528,796,795	30.09
2006	11,954,278,920	8,069,483,015	699,409,813	1,621,488,855	1,720,017,791	19,003,153,957	32.13
2007	13,202,618,136	9,744,120,546	776,908,905	1,595,456,173	1,887,341,520	21,836,306,607	31.61
2008	13,980,076,949	13,067,992,615	1,031,326,231	1,615,241,347	2,093,949,974	25,985,445,821	30.49

Notes: ¹ Fiscal Years 2004-2005 are as of December 31 and fiscal years 2006-2007 are as of June 30.

² Other Property consist of Historical, Agricultural, Conservation, Utility, Motor Vehicle, Heavy Equipment, Timber, Motor Homes, etc., and is not included in total assessed value.

Source: City of Atlanta, Georgia 2008 Comprehensive Annual Financial Report

ATLANTA INDEPENDENT SCHOOL SYSTEM

PROPERTY TAXES - ALL OVERLAPPING GOVERNMENTS
(Per \$1,000 Assessed Value) Last Ten Fiscal Years

Year	City Direct Rates						Overlapping Rates						
	General Levy	School Levy	Parks Levy	City Bond Levy	School Bond Levy*	Total Direct Tax Rate	Atlanta/DeKalb County Special Tax District	Downtown Improvement District Special Tax District (1)	County Levy	County Bond Levy	Fulton County, Georgia Hospital Levy	Georgia State Levy	Total
1999	6.57	25.43	0.50	1.32	1.00	34.82	2.06	2.02	9.14	0.66	3.89	0.25	13.94
2000	6.57	24.93	0.50	1.32	1.00	34.32	1.96	2.22	9.14	0.66	3.89	0.25	13.94
2001	6.28	23.84	0.48	1.27	0.96	32.83	1.86	2.22	13.31 (3)	0.38	0.00	0.25	13.94
2002	6.19	21.94	0.44	0.74	0.12	29.43	1.47	2.22	12.53 (3)	0.30	0.00	0.25	13.59
2003	9.02	21.67	0.50	1.34	0.11	32.64	1.30	2.50	12.53 (3)	0.28	0.00	0.25	13.06
2004	8.71	21.46	0.50	1.30	0.11	32.08	1.14	3.60	12.05 (3)	0.27	0.00	0.25	12.57
2005	8.25	20.87	0.50	1.27	0.11	31.00	1.05	4.20	11.59 (3)	0.07	0.00	0.25	11.91
2006	7.64	20.42	0.50	1.43	0.10	30.09	2.05	5.00	11.58 (3)	0.06	0.00	0.25	11.90
2007	7.09	22.64	0.50	1.33	0.05	31.61	0.96	5.00	10.28 (3)	0.057	0.00	0.25	10.59
2008	7.12	21.64	0.50	1.18	0.05	30.49	0.83	5.00	10.28 (3)	0.00	0.00	0.25	10.53

(1) Tax imposed by property owners in the district pursuant to state authorization.

(2) Reduced by debt service payment of \$3,052,000 by the Atlanta Board of Education using its existing resources.

(3) Hospital levy included in County levy.

Source: City of Atlanta, Georgia Comprehensive Annual Financial Report
For the Year Ended June 30, 2008

**ATLANTA INDEPENDENT SCHOOL SYSTEM
PRINCIPAL PROPERTY TAXPAYERS
JUNE 30, 2008 AND NINE YEARS AGO**

2008

<u>Tax Payer</u>	<u>Type of Business</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value ₁</u>
Bell South	Communication Service	\$ 244,693,204	1	0.83%
Georgia Power Company	Utility Service	\$ 197,766,434	2	0.67%
Development Authority of Fulton County	Economic Development	\$ 181,620,042	3	0.62%
Coca-Cola Company	Marketing and Manufacturing	\$ 172,011,442	4	0.59%
Post Apartment Homes	Residential Real Estate	\$ 154,997,343	5	0.53%
BF ATL, LLC		\$ 135,349,359	6	0.46%
Sun Trust Plaza Association	Commercial Real Estate	\$ 115,924,129	7	0.39%
Georgia Pacific Company	Pulp and Paper Manufacturing	\$ 104,165,251	8	0.35%
Georgia Promenade, LLC		\$ 84,941,760	9	0.29%
Hines One Atlantic Center, LP	Investment	\$ 83,995,120	10	0.29%
		<u>\$ 1,475,464,084</u>		<u>2.99%</u>

1999

<u>Tax Payer</u>	<u>Type of Business</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>
Bell South	Communication Service	\$ 312,435,314	1	2.42%
Coca-Cola Company	Marketing and Manufacturing	155,802,140	2	1.21%
Georgia Power Company	Utility Service	152,322,369	3	1.18%
AT&T	Communication Service	135,061,777	4	1.05%
Georgia Pacific Company	Pulp and Paper Manufacturing	81,202,870	5	0.63%
CSC Associates	Commercial Real Estate	79,010,070	6	0.61%
One Ninety One Peachtree Association	Commercial Real Estate	76,178,120	7	0.59%
Sprint	Communication Service	33,365,121	8	0.26%
Norfolk Southern	Commercial Real Estate/Hospitality	29,011,609	9	0.22%
MCI Telecom	Communication Service	27,328,391	10	0.21%
Total		<u>\$ 1,081,717,781</u>		<u>8.38%</u>

Notes: 1.- Total City taxable assessed value for 2008 is based on preliminary data from Fulton County

ATLANTA INDEPENDENT SCHOOL SYSTEM

**PROPERTY TAX LEVIES AND COLLECTIONS
LAST FIVE FISCAL YEARS**

<u>Fiscal Period Ended</u>	<u>Taxes Levies for the Fiscal Year</u>	<u>Collected within the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Years</u>	<u>Total Collections To Date</u>	
		<u>Amount (1)</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
December 31, 2003	\$ 178,909,014	\$ 166,815,658	93.24%	\$ 11,462,115 ²	\$ 178,277,773	99.65%
December 31, 2004	180,733,587	170,502,285	94.34%	9,752,408 ²	180,254,693	99.74%
December 31, 2005	178,703,068	160,301,279	89.70%	17,909,963 ²	178,211,242	99.72%
June 30, 2006	6,750,195	6,750,195	100.00%	-	6,750,195	100.00%
June 30, 2007	179,606,933	164,976,460	91.85%	11,685,144 ²	176,661,604	98.36%
June 30, 2008	182,020,745	173,030,142	95.06%	-	173,030,142	95.1%

Notes:

- 1 Does not include tax revenues retained by Fulton and Dekalb County for administrative expenses, therefore the collection rate shown is slightly less than actual.
2. Adjusted to collection in subsequent year.

**Source: City of Atlanta, Georgia Comprehensive Annual Financial Report
For the Year Ended June 30, 2008**

ATLANTA INDEPENDENT SCHOOL SYSTEM
COMPARISON OF PROPERTY TAX MILLAGE RATES
FOR
METROPOLITAN ATLANTA SCHOOL DISTRICTS
June 30, 2008

	<u>TOTAL RATE</u>	<u>MAINTENANCE AND OPERATION</u>	<u>DEBT SERVICE</u>
Atlanta Public Schools	21.694	21.64	0.054
Clayton County	19.84	19.84	0.00
Cobb County	18.90	18.90	0.00
DeKalb County	22.98	22.98	0.00
Douglas County	20.05	18.70	1.35
Fulton County	16.61	16.61	0.00
Gwinnett County	20.55	19.25	1.30
Rockdale County	21.00	21.00	0.00

All tax rates are per \$1000 assessed valuation

**Source: Georgia Department of Revenue- Local Government Services Division- 2008
Tax digest Millage Rates**

ATLANTA INDEPENDENT SCHOOL SYSTEM

**TAX MILLAGE RATES
LAST TEN FISCAL YEARS**

Tax Year	Maintenance and Operations	Sinking Bond Fund	Total Levy	Comments
1999	24.93	1.00	25.93	Decrease of .5 mills, which is continued efforts to fulfill commitment to SPLOST Roll-Back.
2000	23.84	0.96	24.80	Millage rate roll-back of \$1.09 on every \$1,000 levied for Education
2001	21.94	0.12	22.06	Decrease of 2.74 mills due to: o Roll-Back Operating - 1.9 mills o Defeasement Bond Sinking .77 mills o Roll-Back Bond Sinking .07 mills
2002	21.67	0.11	21.78	Decrease of 0.276 mills
2003	21.46	0.11	21.57	Decrease of 0.215 mills
2004	20.87	0.11	20.98	Decrease of 0.58 mills
2005	20.42	0.11	20.53	Decrease of 0.45 mills
2006	22.65	0.05	22.70	Increase of 2.17 mills
2007	22.64	0.054	22.694	Decrease of 0.006 mills
2008	21.64	0.054	21.694	Decrease of 1.000 mills

**Source: For Fiscal Year 2008- Georgia Department of Revenue- Local Government Services Division- 2008
Tax digest Millage Rates**

ATLANTA INDEPENDENT SCHOOL SYSTEM

DEMOGRAPHIC STATISTICS
LAST FIVE FISCAL YEARS

Fiscal Year	Population ¹	Personal Income (thousands of dollars) ¹	Per Capita Personal Income ¹	Median Age ¹	School Enrollment ²	Unemployment Rate ³
2004	432,900	14,419,033	33,308	31.9	52,103	7.9%
2005	434,900	16,258,737	37,385	31.9	50,188	7.5%
2006	442,100	16,070,777	36,351	31.9	50,770	6.6%
2007	451,600	184,186	35,846	34.7	49,707	4.5%
2008	439,275	168,252	44,163	35.0	48,532	5.9%

Source:

1. For Fiscal Year 2008 - U. S. Census Bureau, 2005-2007 American Community Survey-3-Year Estimates
2. For Fiscal Year 2008- Georgia Department of Education- Enrollment by Grade report (count 3 FY2008)
3. For Fiscal Year 2008- U. S. Department of Labor, Bureau of Labor Statistics, Local Area Unemployment statistics as of June 2008

ATLANTA INDEPENDENT SCHOOL SYSTEM

**GENERAL FUND EXPENDITURES BY FUNCTION
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Instruction</u>	<u>Pupil Services</u>	<u>School and Admin. Services</u>	<u>Business Services</u>	<u>Capital Outlay</u>	<u>Other</u>	<u>Total</u>
1999	209,485,082	15,836,529	29,355,086	60,849,538	11,087,862	113,312,057	439,926,154
2000	205,362,018	14,490,090	37,064,898	60,170,176	7,098	115,427,286	432,521,566
2001	296,112,778	16,895,530	70,616,896	70,386,212	-	38,237,302	492,248,718
2002	315,472,276	18,373,267	62,467,052	71,978,407	-	41,681,449	509,972,451
2003	343,085,735	17,131,932	59,678,758	69,558,556	-	27,740,683	517,195,664
2004	359,444,397	15,259,936	52,257,050	68,966,619	-	37,341,209	533,269,211
2005	360,922,790	15,635,773	23,265,642	65,285,140	3,029,090	34,293,523	502,431,958
2006	328,733,992	20,886,301	42,964,459	85,768,267	-	31,105,339	509,458,358
2007	371,342,407	10,491,218	34,463,418	87,247,400	2,638,066	30,551,580	536,734,089
2008	342,169,640	16,194,602	39,534,269	152,844,201	8,257,558	32,777,688	591,777,958

Source: Atlanta Board of Education Financial Reports
Year Ended June 30, 2008

ATLANTA INDEPENDENT SCHOOL SYSTEM

**GENERAL FUND PER PUPIL COST
LAST TEN FISCAL YEARS
(\$000)**

<u>Fiscal Year</u>	<u>Expenditures¹</u>	<u>Active Enrollment²</u>	<u>Cost Per Pupil Enrolled</u>	<u>Average Daily Attendance³</u>	<u>Cost Per Pupil Attended</u>
1999	439,926	58,984	7.458	53,662	8.198
2000	432,522	58,097	7.445	52,684	8.210
2001	492,249	56,955	8.643	54,411	9.047
2002	509,972	56,586	9.012	54,961	9.279
2003	517,196	54,946	9.413	52,398	9.871
2004	533,269	52,103	10.235	49,565	10.759
2005	502,432	51,377	9.779	49,138	10.225
2006	509,458	50,631	10.062	44,534	11.440
2007	536,734	49,773	10.784	48,720	11.017
2008	591,778	48,532	12.194	44,935	13.170

Sources: 1. Atlanta Public Schools- Financial Statements
 2. GA Department of Education Enrollment by Grade report
 3. APS Average Daily attendance report for Fiscal Year 2008

**ATLANTA INDEPENDENT SCHOOL SYSTEM
SCHOOL BREAKFAST PROGRAM
LAST TEN FISCAL YEARS**

MEALS SERVED

<u>Fiscal Year</u>	<u>Total</u>	<u>Free</u>	<u>Reduced</u>	<u>Paid</u>
1999	3,551,307	3,249,526	105,205	196,576
2000	3,301,943	2,868,928	91,094	341,921
2001	3,132,092	2,784,088	75,298	272,706
2002	3,247,865	3,018,458	76,582	152,825
2003	3,022,747	2,744,137	71,277	207,333
2004	3,249,614	2,935,318	72,924	241,372
2005	2,788,851	2,499,934	83,064	205,853
2006	2,707,493	2,435,219	85,014	187,260
2007	2,782,559	2,490,514	105,082	186,963
2008	2,854,746	2,597,420	85,533	171,793

Source: APS Nutrition Department-
For the Year Ended June 30, 2008

ATLANTA INDEPENDENT SCHOOL SYSTEM

**SCHOOL LUNCH PROGRAM
LAST TEN FISCAL YEARS**

MEALS SERVED

<u>Fiscal Year</u>	<u>Total</u>	<u>Free</u>	<u>Reduced</u>	<u>Paid</u>
1999	7,671,908	6,394,028	343,010	934,870
2000	7,317,974	5,746,033	307,254	1,264,687
2001	7,173,947	5,786,478	273,307	1,114,162
2002	7,073,273	6,043,275	282,511	747,487
2003	6,834,927	5,720,433	260,505	853,989
2004	6,597,114	5,420,054	230,992	946,068
2005	6,040,086	4,929,194	283,294	827,598
2006	5,980,314	4,924,894	289,292	766,128
2007	5,938,199	4,886,222	314,070	737,907
2008	5,894,475	4,943,800	272,290	678,385

**Source: APS Nutrition Department-
For the Year Ended June 30, 2008**

ATLANTA INDEPENDENT SCHOOL SYSTEM

**NUMBER OF SCHOOLS
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Total</u>	<u>Elementary</u>	<u>Middle</u>	<u>High</u>
1999	96	69	16	11
2000	96	68	17	11
2001	95	68	16	11
2002	92	66	16	10
2003	89	63	16	10
2004	89	63	16	10
2005	85	59	16	10
2006	89	59	16	14
2007	94	58	16	20
2008	93	57	17	19

Source: Atlanta Public Schools - Web Page - Fast Facts for the 2008/2009 year

FINDINGS AND QUESTIONED COSTS

ATLANTA INDEPENDENT SCHOOL SYSTEM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

COMMUNICATION OF INTERNAL CONTROL DEFICIENCIES

The auditor is required to communicate to management and those charged with governance control deficiencies identified during the course of the financial statement audit that, in the auditor's judgment, constitute significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the Atlanta Independent School System's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Atlanta Independent School System's financial statements that is more than inconsequential will not be prevented or detected by the Atlanta Independent School System's internal control.

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

Any identified deficiencies in internal controls that we did not consider to be significant deficiencies and/or material weaknesses have been communicated to management and those charged with governance within a separate management letter dated October 8, 2009. The internal control deficiency identified during the course of this engagement that is considered to be a material weakness is presented below:

EXPENDITURES/LIABILITIES/DISBURSEMENTS

CAPITAL ASSETS

Failure to Properly Account for Construction Project Activity

Material Weakness

Finding Control Number: FS-7611-08-01

Condition: The School District did not properly account for expenditure, liability and capital assets activity related to major construction projects.

Criteria: Chapter 10 *Expenditure and Disbursement Accounting* of the Financial Management for Georgia Local Units of Administration states that expenditures related to construction projects should be recognized when incurred.

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

ATLANTA INDEPENDENT SCHOOL SYSTEM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

EXPENDITURES/LIABILITIES/DISBURSEMENTS

CAPITAL ASSETS

Failure to Properly Account for Construction Project Activity

Material Weakness

Finding Control Number: FS-7611-08-01

Questioned Cost: N/A

Information: A review of subsequent period invoices related to major construction projects revealed expenditure/expense activity that had occurred during fiscal year 2008 but had not been properly accrued as of June 30, 2008. Adjusting entries were made to properly reflect this activity on the financial statements.

A review of construction contracts revealed projects that were not properly capitalized in accordance with the School District's capitalization policy. Additionally, a review of projects capitalized as construction in progress revealed construction projects that were completed as of June 30, 2008, but, had not been properly transferred to buildings or building improvements. Adjusting entries were made to properly reflect this activity on the financial statements.

Cause: Adequate accounting procedures were not in place to properly account for activity related to major construction projects.

Effect: Expenditures and accrued liabilities for the Capital Projects Fund were understated. Accrued liabilities and capital assets for governmental activities were understated.

Recommendation: The School District should establish accounting procedures to ensure that activity related to major construction projects are adequately reviewed and properly reflected in the financial statements in accordance with generally accepted accounting principles.

MANAGEMENT'S RESPONSES

ATLANTA INDEPENDENT SCHOOL SYSTEM
SCHEDULE OF MANAGEMENT'S RESPONSES
YEAR ENDED JUNE 30, 2008

Finding Control Number: FS-7611-08-01

We concur with this finding. During fiscal year 2009, the Atlanta Board of Education enacted new capital assets regulations related to capitalization thresholds. Management has also strengthened internal controls over capital assets and related liabilities to ensure proper reporting of such transactions. Further, management has engaged an outside vendor to confirm proper reporting of balances.

Contact Person: Nader Sohrab, Executive Director, Accounting/Controller
Telephone: (404) 802-2416
Fax: (404) 802-1403
Email: nsohrab@atlanta.k12.ga.us