FORSYTH COUNTY BOARD OF EDUCATION

ANNUAL FINANCIAL REPORT

FOR THE

FISCAL YEAR ENDED JUNE 30, 2010

FORSYTH COUNTY BOARD OF EDUCATION
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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I. FINANCIAL SECTION

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

INDEPENDENT AUDITOR'S REPORT

To the Superintendent and Members of
the Forsyth County Board of Education
Cumming, Georgia

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Forsyth County Board of Education** as of and for the year ended June 30, 2010, which collectively comprise the Forsyth County Board of Education's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Forsyth County Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Forsyth County Board of Education as of June 30, 2010, and the respective changes in financial position, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2011 on our consideration of the Forsyth County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis (on pages 3 through 12) is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Forsyth County Board of Education's basic financial statements. The combining nonmajor fund financial statements and schedule as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Forsyth County Board of Education. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Forsyth County Board of Education. The combining nonmajor fund financial statements and schedule and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mauldin & Jenkins, LLC

Atlanta, Georgia
February 28, 2011

FORSYTH COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

INTRODUCTION

Our discussion and analysis of the Forsyth County School District's ("School District") financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2010 are as follows:

- On the district-wide financial statements, the assets of the School District exceeded liabilities by $339.0 million. Of this amount, $53.5 million is unrestricted and is available for spending at the School District's discretion.

- The School District had $335.2 million in expenses relating to governmental activities; only $154.8 million of these expenses are offset by program specific charges for services, grants and contributions. General revenues (primarily property and sales taxes) of $180.8 million were adequate to provide for these programs.

- As stated above, general revenues accounted for $180.8 million or 54% of all revenues totaling $335.6 million. Program specific revenues in the form of charges for services, grants and contributions accounted for the remaining revenues.

- Net assets for the School District rose by $372,272.

- In light of significant state and local revenue declines, the General Fund's equity balance was increased by only $38,571 in fiscal year 2010. This was accomplished through a combination of employee furlough days, the reduction of health insurance rates and by system departments reducing their budgeted expenditures

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts; management's discussion and analysis, the basic financial statements and supplementary information. The basic financial statements include two levels of statements that present different views of the School District. These include the district-wide and fund financial statements.

The district-wide financial statements include the Statement of Net Assets and Statement of Activities. These statements provide information about the activities of the School District presenting both short-term and long-term information about the School District's overall financial status.

The fund financial statements focus on individual parts of the School District, reporting the School District's operation in more detail. The Governmental Funds statements disclose how basic services are financed in the short-term as well as what remains for future spending. The fund financial statements reflect the School District's major funds. In the case of the Forsyth County School District, the General Fund, Capital Projects Fund, and Debt Service Fund are the most significant funds.

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

District-Wide Statements

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

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

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

Fund Financial Statements

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

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

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Table 1
Net Assets

	Governmental Activities	
	Fiscal Year 2009	Fiscal Year 2010
Assets		
Current and Other Assets	$ 140,195,823	$ 129,177,819
Capital Assets	664,306,669	646,937,431
Total assets	804,502,492	776,115,250
Liabilities		
Current Liabilities	56,908,721	58,219,640
Long-Term Liabilities	408,937,188	378,866,755
Total Liabilities	465,845,909	437,086,395
Net Assets		
Invested in Capital Assets	265,975,862	273,064,922
Restricted	19,987,212	12,483,248
Unrestricted	52,693,509	53,480,685
Total Net Assets	$ 338,656,583	$ 339,028,855

Table 2
Changes in Net Assets

	Governmental Activities	
	Fiscal Year 2009	Fiscal Year 2010
Revenues		
Program Revenues:		
Charges for Services	$ 9,210,646	$ 9,247,090
Operating Grants and Contributions	132,870,389	143,897,557
Capital Grants and Contributions	15,322,105	1,669,767
General Revenues:		
Taxes:		
Property Taxes		
For Maintenance and Operations	135,882,666	135,387,007
For Debt Service	12,881,915	12,649,555
Sales Taxes:		
Special Purpose Local Option Sales Tax	26,172,462	27,914,776
Other Taxes:		
Intangible Taxes	4,310,829	3,297,883
Real Estate Transfer Taxes	750,961	726,007
Unrestricted Investment Earnings	1,907,261	282,498
Other	597,444	538,287
Total Revenues	339,906,678	335,610,427
Expenses		
Instruction	214,811,869	221,650,334
Support Services:		
Pupil Services	6,830,420	7,807,190
Improvement of Instructional Services	5,366,870	4,850,502
Educational Media Services	4,002,795	4,919,737
General Administration	1,397,631	1,436,090
School Administration	15,591,263	16,460,500
Business Administration	1,643,311	1,602,860
Maintenance and Operation of Plant	22,450,266	22,729,101
Student Transportation Services	12,643,804	13,606,767
Central Support Services	5,747,890	5,886,798
Other Support Services	708,367	344,215
Food Services Operations	12,756,638	14,579,002
Community Services Operations	719,813	871,613
Interest on Long-Term Debt	18,195,525	18,493,446
Total Expenses	322,866,462	335,238,155
Change in Net Assets	17,040,216	372,272
Net Assets, beginning of year	321,616,367	338,656,583
Net Assets, end of year	$ 338,656,583	$ 339,028,855

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting these services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. Net cost of services can be defined as the total cost less fees generated by the activities and intergovernmental revenue provided for specific programs. The net cost reflects the financial burden on the School District's taxpayers by each activity.

Table 3
Costs of Services

	Governmental Activities			
	Total Cost of Services		Net Cost of Services	
	2009	2010	2009	2010
Instruction	$ 214,811,869	221,650,334	$ 103,667,271	$ 114,027,386
Support Services:				
Pupil Services	6,830,420	7,807,190	4,390,417	4,735,523
Improvement of Instructional Services	5,366,870	4,850,502	3,107,798	3,026,573
Educational Media Services	4,002,795	4,919,737	(269,004)	612,216
General Administration	1,397,631	1,436,090	(2,434,407)	(2,970,357)
School Administration	15,591,263	16,460,500	9,143,222	9,253,586
Business Administration	1,643,311	1,602,860	1,613,330	1,594,633
Maintenance and Operation of Plant	22,450,266	22,729,101	12,589,223	12,370,558
Student Transportation Services	12,643,804	13,606,767	9,514,473	11,785,719
Central Support Services	5,747,890	5,886,798	5,560,963	5,717,987
Other Support Services	708,367	344,215	590,341	89,277
Food Services Operations	12,756,638	14,579,002	(854,948)	888,707
Community Services Operations	719,813	871,613	649,118	798,487
Interest on Long-Term Debt	18,195,525	18,493,446	18,195,525	18,493,446
Total expenditures	$ 322,866,462	$ 335,238,155	$ 165,463,322	$ 180,423,741

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The governmental funds had total revenues and other financing sources of $363.2 million and total expenditures and other financing uses of $373.0 million. The difference was due primarily to debt service expenditures being greater than the debt service revenues for fiscal year 2010.

General Fund Budgeting Highlights

The School District's budget is prepared according to Georgia Law. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2010, the School District amended its General Fund budget as needed. The School district uses site-based budgeting as a part of the budget process. The budgeting systems are designed to control total site budgets but provide flexibility for the site management.

For the General Fund, the final budgeted revenues and other financing sources of $264.0 million were less than the original budgeted amounts of $269.4 million by $5.4 million. This difference (final budget vs. original budget) was due primarily due to a decrease in state and federal revenues (under) the original budget by $5.5 million and local revenues (under) original budget by $2.5 million.

Once again in fiscal year 2010 state QBE formula earnings were reduced several times during the year. The reductions were in the form of additional austerity adjustments and in the changes in health insurance rates. The health insurance rate reductions also resulted in the reduction of the actual health insurance costs.

As a result of the nation's continuing economic downturn and interest rates remaining low the local revenues were reduced. The actual local revenues (under) the final budget were primarily due to decreases in ad valorem tax revenues of $1 million, intangible and real estate transfer taxes of $1.6 million.

Total budget basis actual total revenues had a $2.7 million negative variance when compared to the final budgeted revenue total.

The final budgeted expenditures and other financing uses of $265.5 million were less than the original budgeted amount of $269.5 million by $4.0 million. This difference (final budget vs. original budget) was primarily due to state revenue reductions. The system had to adopt calendars with three less working days than were originally scheduled. This amount was approximately $3 million in savings. The reduction in health insurance rates saved another $2 million. The remaining balance of $2.2 million was the result of departmental budget reductions.

The budget basis actual expenditures had a $4.1 million positive variance when compared to the final budgeted expenditures.

Table 4
General Fund
Changes in Fund Balances – Budget and Actual

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
State sources	$ 127,826,650	$ 108,436,597	$ 108,719,236	$ 282,639
Federal sources	50,000	13,773,655	13,666,032	(107,623)
Local sources and other funds	141,571,305	141,865,268	138,993,473	(2,871,795)
Total revenues	269,447,955	264,075,520	261,378,741	(2,696,779)
EXPENDITURES				
Current:				
Instruction	192,519,331	188,740,172	187,567,265	1,172,907
Support services:				
Pupil services	5,320,124	5,518,507	5,505,940	12,567
Improvement of instructional services	3,551,911	4,050,568	3,918,311	132,257
Educational media services	4,485,039	4,413,715	4,486,076	(72,361)
General administration	1,176,748	1,207,380	1,054,523	152,857
School administration	16,617,181	16,387,184	16,266,711	120,473
Business administration	1,625,846	1,587,492	1,575,172	12,320
Maintenance and operation of plant	25,619,568	25,076,163	22,667,819	2,408,344
Student transportation services	11,903,195	11,901,957	12,007,807	(105,850)
Central support services	6,002,846	5,909,333	5,690,694	218,639
Other support services	96,859	96,859	89,591	7,268
Community services operations	597,361	597,361	597,361	-
Total expenditures	269,516,009	265,486,691	261,427,270	4,059,421
Excess (deficiency) of revenues over (under) expenditures	$ (68,054)	$ (1,411,171)	$ (48,529)	$ 1,362,642

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At fiscal year ended June 30, 2010, the School District had $646.9 million invested in capital assets, all in governmental activities. Capital assets decreased $17.4 million over the balance at June 30, 2009.

Note F reflects a summary of these balances net of accumulated depreciation.

Table 5
Capital Assets
(Net of Accumulated Depreciation)

	Governmental Activities	
	Fiscal Year 2009	Fiscal Year 2010
Land	$ 77,471,625	$ 77,589,394
Land Improvements	19,605,401	28,534,836
Construction in Progress	141,901,731	3,256,297
Buildings	372,452,125	490,669,026
Furniture and Equipment	52,875,787	46,887,878
Total	$ 664,306,669	$ 646,937,431

Debt

At fiscal year ended June 30, 2010, the School District had $405.8 million in bonds outstanding and $1.2 million in capital leases outstanding.

Note G summarizes the School District's debt for general obligation bonds and capital leases.

Table 6
Debt Summary

	Governmental Activities	
	Fiscal Year 2009	Fiscal Year 2010
General Obligation Bonds	$ 434,405,932	$ 405,826,356
Capital Leases	2,598,125	1,151,256
Total General Long-Term Debt	$ 437,004,057	$ 406,977,612

At June 30, 2010, the School District's assigned bond ratings were "Aa1" and "AA+" as determined by Moody's Investors Services, Inc. and Standard and Poor's Rating Services.

CURRENT ISSUES

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

Funding Issues - The economic downturn nationally and locally has significantly impacted the funding sources of the School District. The State of Georgia has continued to impose austerity reductions to all school districts and in fiscal year 2010 also added reductions through employee furlough days.

Further state reductions are expected in fiscal years 2011 and 2012.

The local revenues sources have been impacted as well. The declining housing market has caused the collection of intangible taxes and real estate transfer taxes to drop. Interest earned on account balances has also been severely reduced due to the federal government maintaining low key interest rates.

Capital Improvements - The School District plans capital improvements as future capital needs arise due to increased student population and facility repair and maintenance needs. Specific capital expenditure plans are formalized in conjunction with individual general obligation bond issues, anticipated annual receipts of capital outlay funds from the State of Georgia Department of Education and collections from the Special Purpose Local Option Sales Tax. The School District regularly monitors anticipated capital outlay needs.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. Dan W. Jones, Chief Financial Officer at Forsyth County Board of Education, 1120 Dahlonega Highway, Cumming, Georgia 30040. You may also email your question to Mr. Jones at djones@forsyth.k12.ga.us.

FORSYTH COUNTY BOARD OF EDUCATION

STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 94,132,719
Receivables:	
Accounts	166,461
Intergovernmental	18,445,814
Taxes	9,122,077
Inventory	657,976
Prepaid items	4,859,738
Deferred charges	1,793,034
Capital assets (nondepreciable)	80,845,691
Capital assets (net of accumulated depreciation)	566,091,740
Total assets	776,115,250
LIABILITIES	
Accounts payable	5,624,519
Salaries and benefits payable	18,214,268
Accrued interest payable	4,416,163
Accrued claims payable due within one year	1,043,614
Accrued claims payable due in more than one year	695,742
Retainage payable	114,477
Bonds payable due within one year	28,225,000
Bonds payable due in more than one year	377,601,356
Capital leases due within one year	929,471
Capital leases due in more than one year	221,785
Total liabilities	437,086,395
NET ASSETS	
Invested in capital assets, net of related debt	273,064,922
Restricted for:	
Debt service	12,483,248
Unrestricted	53,480,685
Total net assets	$ 339,028,855

The accompanying notes are an integral part of these financial statements.

FORSYTH COUNTY BOARD OF EDUCATION

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets Governmental Activities
Governmental activities:					
Instruction	$ 221,650,334	$ 783,338	$ 105,428,343	$ 1,411,267	$ (114,027,386)
Support services:					
Pupil services	7,807,190	-	3,070,863	804	(4,735,523)
Improvement of instructional services	4,850,502	-	1,822,058	1,871	(3,026,573)
Educational media services	4,919,737	-	4,265,647	41,874	(612,216)
General administration	1,436,090	-	4,404,752	1,695	2,970,357
School administration	16,460,500	-	7,191,202	15,712	(9,253,586)
Business adminstration	1,602,860	-	5,522	2,705	(1,594,633)
Maintenance and operation of plant	22,729,101	-	10,352,290	6,253	(12,370,558)
Student transportation services	13,606,767	-	1,697,449	123,599	(11,785,719)
Central support services	5,886,798	-	163,210	5,601	(5,717,987)
Other support services	344,215	-	254,938	-	(89,277)
Food services operation	14,579,002	8,463,752	5,168,157	58,386	(888,707)
Community services operation	871,613	-	73,126	-	(798,487)
Interest on long-term debt	18,493,446	-	-	-	(18,493,446)
Total governmental activities	$ 335,238,155	$ 9,247,090	$ 143,897,557	$ 1,669,767	(180,423,741)
General revenues:					
Property taxes, levied for general purposes					135,387,007
Property taxes, levied for debt service					12,649,555
Sales taxes					27,914,776
Intangible taxes					3,297,883
Real estate transfer taxes					726,007
Unrestricted investment earnings					282,498
Other					538,287
Total general revenues					180,796,013
Change in net assets					372,272
Net assets, beginning of year					338,656,583
Net assets, end of year					$ 339,028,855

The accompanying notes are an integral part of these financial statements.

FORSYTH COUNTY BOARD OF EDUCATION

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

ASSETS	General	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents	$ 42,529,881	$ 35,308,924	$ 7,150,369	$ 9,143,545	$ 94,132,719
Receivables:			-		
Accounts	165,530	-	-	931	166,461
Intergovernmental	16,744,101	-	-	1,701,713	18,445,814
Taxes	5,037,775	3,611,161	473,141	-	9,122,077
Due from other funds	971,421	-	-	-	971,421
Prepaid items	-	-	4,859,738	-	4,859,738
Inventory	356,090	-	-	301,886	657,976
Advances to other funds	135,000	-	-	-	135,000
Total assets	$ 65,939,798	$ 38,920,085	$ 12,483,248	$ 11,148,075	$ 128,491,206
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ 5,565,596	$ 34,497	$ -	$ 24,426	$ 5,624,519
Salaries and benefits payable	17,082,640	-	-	1,131,628	18,214,268
Retainage payable	-	114,477	-	-	114,477
Due to other funds	-	-	-	971,421	971,421
Advances from other funds	-	-	-	135,000	135,000
Deferred revenue	1,862,225	613,579	179,677	-	2,655,481
Total liabilities	24,510,461	762,553	179,677	2,262,475	27,715,166
FUND BALANCES					
Reserved for:					
Advance	135,000	-	-	-	135,000
Inventory	356,090	-	-	301,886	657,976
Capital outlay	72,722	38,157,532	-	-	38,230,254
Debt service	-	-	12,303,571	-	12,303,571
Unreserved, reported in:					
General fund	40,865,525	-	-	-	40,865,525
Special revenue funds	-	-	-	8,583,714	8,583,714
Total fund balances	41,429,337	38,157,532	12,303,571	8,885,600	100,776,040
Total liabilities and fund balances	$ 65,939,798	$ 38,920,085	$ 12,483,248	$ 11,148,075	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
	Cost	789,760,474	
	Less accumulated depreciation	(142,823,043)	646,937,431
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.			
	Property taxes	2,041,902	
	Sales taxes	613,579	2,655,481
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.			
	Bonds	(389,500,001)	
	Bond premium, net of amortization	(16,326,355)	
	Bond issuance costs, net of amortization	1,793,034	
	Accrued interest	(4,416,163)	
	Accrued claims payable	(1,739,356)	
	Capital leases	(1,151,256)	(411,340,097)
Net assets of governmental activities			$ 339,028,855

The accompanying notes are an integral part of these financial statements.

FORSYTH COUNTY BOARD OF EDUCATION

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	General	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
State funds	$ 108,719,236	$ 1,669,765	$ -	$ 455,592	$ 110,844,593
Federal funds	13,666,032	-	-	14,533,043	28,199,075
Local and other funds	138,993,473	27,410,881	12,856,446	17,525,501	196,786,301
On behalf payments	547,771	-	-	-	547,771
Total revenues	261,926,512	29,080,646	12,856,446	32,514,136	336,377,740
EXPENDITURES					
Current:					
Instruction	187,567,265	-	-	14,011,625	201,578,890
Support Services:					
Pupil services	5,505,940	-	-	2,293,020	7,798,960
Improvement of instructional service	3,918,311	-	-	913,043	4,831,354
Educational media services	4,486,076	-	-		4,486,076
General administration	1,054,523	-	-	367,584	1,422,107
School administration	16,266,711	-	-	486	16,267,197
Business administration	1,575,172	-	-	-	1,575,172
Maintenance and operation of plant	22,667,819	-	-	-	22,667,819
Student transportation services	12,007,807	-	-	215,288	12,223,095
Central support services	5,690,694	-	-	143,714	5,834,408
Other support services	89,591	-	-	254,624	344,215
On behalf payments	547,771	-	-	-	547,771
Food services operation	-	-	-	13,850,264	13,850,264
Community services operation	597,361	-	31,745	-	629,106
Capital outlay	-	3,424,274	-	-	3,424,274
Debt service:					
Principal retirement	-	1,446,869	26,620,000	-	28,066,869
Interest	-	118,802	20,631,180	-	20,749,982
Total expenditures	261,975,041	4,989,945	47,282,925	32,049,648	346,297,559
Excess (deficiency) of revenues over (under) expenditures	(48,529)	24,090,701	(34,426,479)	464,488	(9,919,819)
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	87,100	-	-	-	87,100
Transfers in	-	-	26,742,838	-	26,742,838
Transfers out	-	(26,742,838)	-	-	(26,742,838)
Total other financing sources (uses)	87,100	(26,742,838)	26,742,838	-	87,100
Net change in fund balances	38,571	(2,652,137)	(7,683,641)	464,488	(9,832,719)
FUND BALANCE, beginning of year	41,390,766	40,809,669	19,987,212	8,421,112	110,608,759
FUND BALANCE, end of year	$ 41,429,337	$ 38,157,532	$ 12,303,571	$ 8,885,600	$ 100,776,040

The accompanying notes are an integral part of these financial statements.

FORSYTH COUNTY BOARD OF EDUCATION

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Amounts reported for governmental activities in the statement of activities are different because:			
Net change in fund balances - total governmental funds			$ (9,832,719)
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. The amount by which depreciation expense exceeded capital outlays is as follows:			
Capital outlay	$ 6,970,914		
Depreciation expense	(24,203,903)		(17,232,989)
The net effect of the sale of capital assets is to decrease net assets			(136,249)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Property taxes and Sales taxes			(767,313)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.			
Principal payments - bonds	$ 26,620,000		
Principal payments - capital leases	1,446,869		
Deferred loss on refunding amortization expense	(512,041)		
Bond premium amortization expense	2,471,617		
Bond issuance costs amortization expense	(242,507)		
Claims payable	(1,739,356)		28,044,582
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.			
Change in accrued interest			
Accrued interest payable, June 30, 2009	$ 4,713,123		
Accrued interest payable, June 30, 2010	(4,416,163)		296,960
Change in net assets - governmental activities			$ 372,272

The accompanying notes are an integral part of these financial statements.

FORSYTH COUNTY BOARD OF EDUCATION

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
State sources	$ 127,826,650	$ 108,436,597	$ 108,719,236	$ 282,639
Federal sources	50,000	13,773,655	13,666,032	(107,623)
Local sources and other funds	141,571,305	141,865,268	138,993,473	(2,871,795)
Total revenues	269,447,955	264,075,520	261,378,741	(2,696,779)
EXPENDITURES				
Current:				
Instruction	192,519,331	188,740,172	187,567,265	1,172,907
Support services:				
Pupil services	5,320,124	5,518,507	5,505,940	12,567
Improvement of instructional services	3,551,911	4,050,568	3,918,311	132,257
Educational media services	4,485,039	4,413,715	4,486,076	(72,361)
General administration	1,176,748	1,207,380	1,054,523	152,857
School administration	16,617,181	16,387,184	16,266,711	120,473
Business adminstration	1,625,846	1,587,492	1,575,172	12,320
Maintenance and operation of plant	25,619,568	25,076,163	22,667,819	2,408,344
Student transportation services	11,903,195	11,901,957	12,007,807	(105,850)
Central support services	6,002,846	5,909,333	5,690,694	218,639
Other support services	96,859	96,859	89,591	7,268
Community services operations	597,361	597,361	597,361	-
Total expenditures	269,516,009	265,486,691	261,427,270	4,059,421
Excess (deficiency) of revenues over (under) expenditures	$ (68,054)	$ (1,411,171)	$ (48,529)	$ 1,362,642

The accompanying notes are an integral part of these financial statements.

FORSYTH COUNTY BOARD OF EDUCATION

STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUND
JUNE 30, 2010

	Agency Fund
ASSETS	
Cash	$ 337,747
Total assets	$ 337,747
LIABILITIES	
Due to others	$ 337,747
Total liabilities	$ 337,747

The accompanying notes are an integral part of these financial statements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The School District is governed by an elected five member board (the "Board"). Board members are elected by the public and have the authority to make decisions, the power to approve selection of management personnel, the ability to significantly influence operations, and the primary accountability for fiscal matters. The Board determines the millage rate at which school taxes are levied and may incur bonded indebtedness with voters' approval. The School District has one blended component unit, the Forsyth County School District Governmental Finance Corporation (the "Corporation"). The Corporation was formed as a nonprofit corporation to engage and assist the School District in the development, financing, construction, acquisition, and reconstruction of capital projects and equipment. There was no activity for the Corporation during the current year. Members of School District's Board serve as directors of the Corporation.

Government-wide and Fund Financial Statements

The School District's financial statements for the year ended June 30, 2010 have been prepared in accordance with the Governmental Accounting Standards Board Statement 34 - *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments.*

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

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

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the fiduciary funds. Agency funds are custodial in nature and do not present results of operations or have a measurement focus. 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 when all requirements imposed by the provider have been met.

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

Revenue from grants and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School System must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School System on a reimbursement basis.

The State of Georgia reimburses the School System for teachers' salaries and operating costs through the Quality Basic Education Formula Earnings program (QBE). Generally teachers are contracted for the school year (July 1 – June 30) and paid over a twelve month contract period, generally September 1 through August 31. In accordance with the respective rules and regulations of the QBE program, the State of Georgia reimburses the School System over the same twelve month period in which teachers are paid. At June 30, the amount of teachers' salaries incurred but not paid until July and August of the subsequent year are accrued. Since the State of Georgia recognizes its QBE liability for the July and August salaries at June 30, the School System recognizes the same QBE as a receivable and revenue, consistent with symmetrical recognition.

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

The School District reports the following major governmental funds:

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

The Capital Projects Fund accounts for resources which are used exclusively for acquiring school sites, constructing and equipping new school facilities, and renovating existing facilities. The major revenue sources are sales taxes and bond proceeds.

The Debt Service Fund accounts for the accumulation of resources for, and the payment of general long-term debt principal, interest, and related costs. The primary revenue sources are local property taxes levied specifically for debt service.

Additionally, the School District reports the following fund types:

The Agency Fund is used to account for school activity funds that the School District holds for others in an agency capacity.

The special revenue funds are used to account for federal and state funded grants. These grants are awarded to the School District for the purpose of accomplishing specific educational tasks as defined in the grant agreements. These funds also contain several locally funded programs whose expenditures are limited to specified purposes. The School Activity Fund is also reported as a special revenue fund. The School Activity Fund is used to account for funds collected primarily through the fund raising efforts of the individual schools. Each school's principal is responsible, under the authority of the School District, for collecting, controlling, disbursing, and accounting for his or her school's funds. All resources of the fund, including any earnings on invested resources, may be used to support the schools' activities.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The School District has neither business-type activities nor enterprise funds. Therefore, the School District has not followed subsequent private-sector guidance.

The effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

Investments

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2010, are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is reserved as this amount is not available for general appropriation.

Inventories

Inventories of the School Food Services Fund are stated at cost using the first-in, first-out method. Donated food commodities are recorded at fair value. The School District utilizes the consumption method to recognize inventory usage. Under the consumption method, inventories are recorded as expenses/expenditures when used rather than when purchased.

Interfund Receivables and Payables

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

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

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

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the governmental activities in the government-wide statement of net assets and depreciated over their estimated useful lives in the government-wide statement of activities. Capital assets are defined by the School District as assets with an initial, individual cost of $10,000 and useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. However, all additions to land and buildings are capitalized. Items such as furniture and

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Capital Assets - Continued

computer equipment purchased in groups costing more than $10,000 are capitalized by type as a group. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

Assets	Years
Land improvements	20-30
Buildings	25-50
Building improvements	20-30
Vehicles	8-15
Office equipment	5
Computer equipment	5-7

Compensated Absences

Vacation leave must be used in the fiscal year in which it is earned. Accordingly, there is no liability for vacation leave at year end.

Sick and personal leave does not vest with the employee and unused accumulated sick and personal leave is forfeited upon retirement or termination of employment. Therefore, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

Long-Term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bond using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund Equity/Net Assets

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative plans for future use of financial resources.

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

Use of Estimates in the Preparation of Financial Statements

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

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The School District adopts an annual budget for its general, special revenue and debt service funds. The budget is prepared in accordance with provisions of the Quality Basic Education Act, OCGA Section 20-2-167. After the Board of Education has tentatively adopted the budget, such budget is advertised at least one time in a local newspaper of general circulation. At the next regular meeting of the Board after advertisement, the budget is revised as necessary and adopted as the final budget.

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

Budgetary/GAAP Basis Reconciliation

In the General Fund, accounting principles used in developing on a budgetary basis differ from those used in preparing financial statements in conformity with generally accepted accounting principles (GAAP). The recording of revenues and expenditures for on-behalf pension benefits and health insurance benefits from the State of Georgia were not considered in the budget period.

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - CONTINUED

Thus, there is an accounting basis difference between the budget and actual Statement of Revenues, Expenditures and changes in Fund Balances in the General Fund that is reconciled as follows:

Actual Revenues GAAP Basis	$ 261,926,512	
On-Behalf Benefit Contribution	(547,771)	
Budgeted Revenues, Budgetary Basis		$ 261,378,741
Expenditures GAAP Basis	$ 261,975,041	
On-Behalf Benefits Expenditure	(547,771)	
Budgeted Expenditures, Budgetary Basis		261,427,270
Excess (Deficiency) Revenues Over (Under) Expenditures Sources (Uses), Budgetary Basis		$ (48,529)
Excess (Deficiency) Revenues Over (Under) Expenditures Sources (Uses), GAAP Basis		$ (48,529)

NOTE C - DEPOSITS AND INVESTMENTS

Composition

Cash consists of deposits (including certificates of deposit, savings accounts and interest bearing checking accounts) in authorized financial institutions. Georgia Law authorizes the School District to deposit its funds in one or more solvent banks, insured federal savings and loan associations, or insured state chartered building and loan associations. The placement of proceeds from bond issues in certificates of deposits is limited to financial institutions located within this state.

Credit risk. At June 30, 2010, all investments of the School District were invested in Georgia Fund 1, the local government investment pool administered by the State of Georgia, and U.S. Treasury Notes. The Georgia Fund 1 investment pool is not subject to credit risk classification and the carrying amount of $33,105,103 is at fair value. These investments are considered cash equivalents.

State statutes authorize the Government to invest in obligations of the State of Georgia or other states; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime banker's acceptances; repurchase agreements; obligations of other political subdivisions of the State of Georgia; and the Local Government Investment Pool of the State of Georgia ("Georgia Fund 1"). Georgia Fund I and Georgia Extended Asset Statement Investment Pool (GEAP) are not registered with the Securities and Exchange Commission (SEC) but operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. As of June 30, 2010, the School District's investment in Georgia Fund 1 was rated AAAm by Standard & Poor's.

NOTE C - DEPOSITS AND INVESTMENTS – CONTINUED

At June 30, 2010, the District had the following investments:

Investment	Maturities	Fair Value
Georgia Fund 1	46 day weighted average	$ 33,105,103
Total		$ 33,105,103

Custodial credit risk. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the School District will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of June 30, 2010, the School District's cash accounts and investments were properly collateralized as required by State statutes.

Interest rate risk. The Government does 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.

NOTE D - DUE FROM OTHER GOVERNMENTS

Due from other governments consists of grant reimbursements due from federal, state or other grantors for expenditures made but not yet reimbursed. The Georgia Department of Education is the main government agency that grants are due from as of June 30, 2010.

NOTE E - TAXES RECEIVABLE

Taxes receivable includes property taxes and sales tax due to the School District. Property taxes were levied on July 30, 2009, based on property values assessed as of January 1, 2009, and were payable on or before November 15, 2009. An interest penalty of 10% per annum is charged on property taxes paid after that date. Property taxes became an enforceable lien on April 14, 2009. Property tax receivables are shown net of an allowance for uncollectibles of $88,410 in the General Fund and $8,329 in the Debt Service Fund. Sales tax receivable is included in the Capital Projects Fund relative to Special Puprose Local Option Sales Tax revenue.

NOTE F – CAPITAL ASSETS

Changes in capital assets used in the School District's governmental activities during the year ended June 30, 2010 were as follows:

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010
Capital assets not being depreciated				
Land and improvements	$ 77,471,625	$ 117,769	$ -	$ 77,589,394
Construction in progress	141,901,731	2,119,904	(140,765,338)	3,256,297
Total capital assets not being depreciated	219,373,356	2,237,673	(140,765,338)	80,845,691
Capital assets being depreciated				
Land improvements	25,750,983	10,347,941	-	36,098,924
Buildings	442,917,747	129,503,687	-	572,421,434
Furniture and equipment	95,589,214	5,646,951	(841,740)	100,394,425
Total capital assets being depreciated	564,257,944	145,498,579	(841,740)	708,914,783
Less accumulated depreciation for				
Land improvements	(6,145,582)	(1,418,506)	-	(7,564,088)
Buildings	(70,465,622)	(11,286,786)	-	(81,752,408)
Furniture and equipment	(42,713,427)	(11,498,611)	705,491	(53,506,547)
Total accumulated depreciation	(119,324,631)	(24,203,903)	705,491	(142,823,043)
Total capital assets being depreciated, net	444,933,313	121,294,676	(136,249)	566,091,740
Total governmental activities capital assets, net	$ 664,306,669	$ 123,532,349	$ (140,901,587)	$ 646,937,431

Depreciation expense was charged to functions as follows:

Instruction	$ 20,657,692
Support Services:	
Pupil Services	10,159
Improvement of Instructional Services	23,635
Educational Media Services	535,288
General Administration	17,260
School Administration	238,603
Business Administration	34,177
Maintenance and Operation of Plant	75,643
Student Transportation Services	1,660,911
Central Support Services	64,667
Food Services Operation	885,868
	$ 24,203,903

NOTE G - GENERAL LONG TERM DEBT AND CAPITAL LEASE

The following is a summary of long-term debt transactions of the School District for the year ended June 30, 2010.

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010	Due within One Year
1992 Series general obligation bonds maturing on July 1, 2016, with interest rates ranging from 6.0% to 6.25%	$ 12,625,000	$ -	$ 1,235,000	$ 11,390,000	$ 1,320,000
1998 Series general obligation refunding bonds maturing on July 1, 2016, with interest rates ranging from 4.00% to 5.125%	36,940,000	-	3,885,000	33,055,000	4,055,000
1999 Series general obligation bonds maturing on February 1, 2010, with interest rates ranging from 5.0% to 6.0%	7,025,000	-	7,025,000	-	-
2004 Series general obligation bonds maturing on February 1, 2019, with interest rates ranging from 2.35% to 5.0%	86,335,000	-	590,000	85,745,000	7,990,000
2005 Series general obligation bonds maturing on February 1, 2025, with interest rates ranging from 3.0% to 5.25%	168,800,000	-	2,000,000	166,800,000	2,500,000
2007 Series general obligation bonds maturing on June 1, 2017, with interest rates ranging from 3.75% to 5.00%	109,885,000	-	11,885,000	98,000,000	12,360,000
General obligation bonds	421,610,000	-	26,620,000	394,990,000	28,225,000
Less deferred loss on refunding	(6,002,040)	-	512,041	(5,489,999)	-
Plus bond premium	18,797,972	-	2,471,617	16,326,355	-
Subtotal	434,405,932	-	29,603,658	405,826,356	28,225,000
Capitalized lease obligations at interest rates ranging from 4.87% to 6.393%	2,598,125	-	1,446,869	1,151,256	929,471
Total general long-term debt	$ 437,004,057	$ -	$ 31,050,527	$ 406,977,612	$ 29,154,471

NOTE G - GENERAL LONG TERM DEBT AND CAPITAL LEASE- CONTINUED

General Obligation Bonds (Continued)

At June 30, 2010, principal and interest payments due by fiscal year for General Obligation Bonds are as follows:

Payments due in Fiscal Year Ending June 30,	Principal	Interest	Total
2011	$ 28,225,000	$ 18,935,008	$ 47,160,008
2012	29,855,000	17,563,030	47,418,030
2013	31,025,000	16,143,745	47,168,745
2014	32,790,000	14,578,425	47,368,425
2015	34,615,000	12,929,000	47,544,000
2016-2020	139,175,000	41,228,286	180,403,286
2021-2025	99,305,000	15,234,950	114,539,950
Total	$ 394,990,000	$ 136,612,444	$ 531,602,444

Capital Lease. During the year ended June 30, 2010, the School District entered into a capital lease agreement for financing the acquisition of computer equipment. The lease agreement qualifies as a capital lease for accounting purposes (title transfers at the end of the lease term) and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception.

The following is a schedule of the future minimum lease payments under the capital lease, and the present value of the net minimum lease payments at June 30, 2010:

Fiscal Year Ending June 30,	
2011	$ 990,274
2012	233,283
Total minimum lease payments	1,223,557
Less amount representing interest	72,301
Present value of future minimum lease payments	1,151,256
Less current maturities	929,471
Net of current maturities	$ 221,785

NOTE H - INTERFUND TRANSACTIONS

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Advances to other funds are amounts that are owed, other than for charges for goods and services rendered, to a particular fund by another fund in the government reporting entity and that are not due within one year. Interfund transactions as of the year ended June 30, 2010 are as follows:

Funds	Due From Other Funds	Due To Other Funds
General Fund	$ 971,421	$ -
Nonmajor governmental funds	-	971,421
Total governmental funds	$ 971,421	$ 971,421

Funds	Advance From Other Funds	Advance To Other Funds
General Fund	$ 135,000	$ -
Nonmajor governmental funds	-	135,000
Total governmental funds	$ 135,000	$ 135,000

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that the statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers as of the year ended June 30, 2010 are as follows:

Funds	Transfer In	Transfer Out
Capital Projects Fund	$ -	$ 26,742,838
Debt Service Fund	26,742,838	-
Total governmental funds	$ 26,742,838	$ 26,742,838

Transfers are used to move SPLOST proceeds from the Capital Projects Fund to Debt Service Fund to fund debt service as allowed in the referendum.

NOTE I - OPERATING LEASES

The Board is committed under various leases for equipment. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the year totaled approximately $570,995. Future minimum lease payments on these leases are as follows:

Year ending June 30,	
2011	$ 576,841
2012	576,841
2013	576,841
2014	576,841
2015	576,841
Total	$ 2,884,205

NOTE J - RISK MANAGEMENT

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

Workers' Compensation Claims

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

	Beginning of Year Liability	Current Year Claims Accrual	Claims Paid	End of Year Liability	Due Within One Year
2010	$ 324,315	$ 2,461,345	$ 1,046,304	$ 1,739,356	$ 1,043,614
2009	$ 370,504	$ 163,886	$ 210,075	$ 324,315	$ 324,315

Unemployment Claims

The School District is self insured with regard to unemployment compensation claims. These claims are accounted for in the School District's General Fund. Unemployment compensation expenditures and liabilities are reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported and claims administration expenses. Changes in the unemployment compensation liability during the last two fiscal years are as follows:

	Beginning of Year Liability	Current Year Unemployment Accrual	Unemployment Paid	End of Year Liability
2010	$ -	$ 231,013	$ 231,013	$ -
2009	$ -	$ 4,222	$ 4,222	$ -

NOTE K - RETIREMENT PLANS

Teachers Retirement System of Georgia (TRS)

Plan Description

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

TRS provides service retirement, disability retirement and survivors benefits for its members. A member is eligible for service retirement after 30 years of service, regardless of age, or after 10 years of service and attainment of age 60.

A member applying for service retirement who has less than 30 years of service and retirees between the ages of 60 and 62 receive a reduced benefit. 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) 352-6400.

Funding Policy

TRS is funded by member and employer contributions as adopted and amended by the Board of Trustees. Members become fully vested after 10 years of service. If a member terminates with less than 10 years of service, no vesting of employer contributions occurs, but the member’s contributions may be refunded with interest. Member contributions are limited by State law to not less than 5% or more than 6% of a member’s earnable compensation. Member contributions as adopted by the Board of Trustees for the fiscal year ended June 30, 2010, were 5.25% of annual salary. The member contribution rate will increase to 5.53% effective July 1, 2010. Employer contributions required for fiscal year 2010 were 9.74% of annual salary as required by the June 30, 2008, actuarial valuation. The employer contribution rate will increase to 10.28% effective July 1, 2010.

NOTE K - RETIREMENT PLANS - CONTINUED

Plan Description (Continued)

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

	2010	2009	2008
School System	$ 16,150,843	$ 15,500,504	$ 14,329,971

	2010	2009	2008
Employees	$ 8,702,873	$ 8,351,167	$ 7,720,889

Public School Employees Retirement System of Georgia (PSERS)

Plan Description

Substantially all bus drivers, maintenance, custodial, and lunchroom personnel employed by local school systems are covered by the Public School Employees Retirement System of Georgia (PSERS), which is a cost-sharing multiple employer public employee retirement system. All employer contributions are made by the State of Georgia.

PSERS provides service retirement, disability retirement and survivors benefits for its members. A member is eligible for normal service retirement after 10 years of service and attainment of age 65.

A member applying for service retirement with 10 years of service and retiring between the ages of 60 and 65 receives a reduced benefit. Monthly retirement benefits paid to members are equal to $8.00 multiplied by the number of years of creditable service. 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 provision include death and disability benefits. Disability benefits are the same as if the employee had retired at age 65 as long as the employee has 15 or more years of creditable service. Death benefits are dependent upon the number of years of service. If there are less than ten years of service, a lump sum refund of the employee's contributions and interest are made to the beneficiary.

If there are more than ten years of service, the beneficiary shall receive for life half of what the employee would have received upon retirement.

NOTE K - RETIREMENT PLANS - CONTINUED

Public School Employees Retirement System of Georgia (PSERS) (Continued)

Plan Description (Continued)

Members become fully vested after ten years of service. If a member terminates with less than ten years of service, nonvesting of employer contributions occurs, but the member's contributions are refunded with interest.

PSERS issued a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained calling (404) 352-6400.

Funding Policy

Covered employees are required by State statute to contribute $4.00 a month for the nine-month school year. The School District makes no contribution to PSERS. The State of Georgia is required by statute to make employer contributions actuarially determined and approved by the PSERS's Board of Trustees. Total actual and required contributions from the State of Georgia to PSERS for the School District for fiscal years ended June 30, 2010, 2009 and 2008, were $21,611, $31,096 and $30,176 respectively.

Deferred Compensation Plan

Beginning January 1, 1996, the School District established a deferred compensation plan created in accordance with Internal Revenue Code Section 403(b). The Plan is available to all employees who are not eligible to participate in the Teachers' Retirement System of Georgia and permits them to defer a portion of their salary until future years. Participation in the Plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Contributions to the Plan are invested exclusively in annuity contracts issued by the Variable Annuity Life Insurance Company (VALIC) and any other life insurance companies approved by the School District for use in the Plan and approved for sale in Georgia in the employees' name. The assets are held by VALIC and not recorded in these financial statements.

The School District will match between 1% and 4% of eligible participants' contributions during the year. Employee annual contributions are limited to maximums established by Internal Revenue Service guidelines. For the years ended June 30, 2010, 2009, and 2008 the School District contributed $331,540, $336,159, and $391,287, respecively to the Plan on behalf of its employees. For the years ended June 30, 2010, 2009, and 2008, employees contributed $451,191, $504,498, and $446,714, respecively to the plan.

NOTE L – CONTINGENCIES

Grant Programs

The School District participates in numerous State and Federal grant programs, which are governed by various rules and regulations of the grantor agencies.

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

Construction Contracts

The School District has entered into various construction contracts. At year end, the uncompleted and unpaid portion of these contracts totaled approximately $1,031,130.

Litigation

The School District is a defendant in certain legal actions in the nature of claims for alleged damages to persons and property and other similar types of actions rising in the course of School District operations. While the ultimate results of these legal actions cannot be determined, the School District does not expect that these matters will have a material adverse effect on the financial condition of the School District.

NOTE M - ON-BEHALF PAYMENTS FOR FRINGE BENEFITS

The School District has recognized revenue and expenditures in the amount of $547,771 for health insurance and retirement contributions paid on the School District's behalf as follows:

Paid by the Georgia Department of Education to the State System of Personnel Administration for Health Insurance of Non-Certified Personnel in the amount of $408,610.

Paid by the Office of Treasury and Fiscal Services to the Public School Employees Retirement System for Public School Employees Retirement (PSERS) in the amount of $21,611.

Paid by the Georgia Department of Education to the Teachers Retirement System for Teachers Retirement (TRS) in the amount of $117,550.

NOTE N – POSTEMPLOYMENT BENEFITS

Georgia School Personnel Post-employment Health Benefit Fund

Plan Description. The School District contributes to the Georgia School Personnel Post-employment Health Benefit Fund ("Benefit Fund"), a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the Department of Community Health. The Benefit Fund provides health insurance benefits to eligible retire**e**s 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 the Benefit Fund. That report may be obtained from the Department of community Health at 2 Peachtree Street, Atlanta, Georgia 30303.

Funding Policy. The contribution requirements of the 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 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, 2010, were as follows:

Certified Employees

July 2009 – 18.534% of covered payroll for August Coverage
August 2009 – October 2009 14.492% of covered payroll for September – November Coverage
November 2009 – June 2010 18.534% of covered payroll for December – July Coverage

Non-Certificated Employees $162.72 per month

No additional contribution was required by the Board of Community Health for fiscal year 2010 nor contributed to the Benefit Fund to prefund retire benefits. Such additional contribution amounts are determined annually by the Board of Community Health in accordance with the State plan for other post-employment benefits and are subject to appropriation. The School District's contribution to the health insurance plans for the fiscal year ended June 30, 2010, 2009 and 2008 were $32,181,983, $25,336,905, and $29,873,717, which equaled the required contribution.

Retiree health benefits were previously funded through the Georgia Retiree Health Benefit Fund (GRHBF). In 2009, the General Assembly revisited the GRHBF and enacted legislation that, effective August 31, 2009, separated the GRHBF into two new funds: the Georgia School Personnel Post-employment Health Benefit Fund and the Georgia State Employees Post-employment Health Benefit Fund. The purpose of this change was to assure employers responsible for planning and funding future retiree health costs that their contributions will be dedicated to their respective retiree populations. Funds in the GRHBF were transferred to the Georgia State Employees Post-employment Health Benefit Fund or the Georgia School Personnel Post-employment Health Benefit Fund as described in the plan financial statements. The statue that created the GRHBF is repealed effective September 1, 2010.

FORSYTH COUNTY BOARD OF EDUCATION

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

FEDERAL PROGRAMS To account for various federal grant monies received by the School District.

SCHOOL ACTIVITY To account for funds collected primarily through the fundraising efforts of individual schools.

SCHOOL FOOD SERVICES To account for the monies and commodities received from the federal and state governments and the School Food Service's cafeteria sales for the purpose of maintaining the School District's breakfast, lunch, and snack programs.

FORSYTH COUNTY BOARD OF EDUCATION

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010

	Special Revenue Funds			
ASSETS	**Federal Programs Fund**	**School Activity Fund**	**School Food Services Fund**	**Total Nonmajor Governmental Funds**
Cash and cash equivalents	$ -	$ 3,072,975	$ 6,070,570	$ 9,143,545
Due from other governments	1,701,713	-	-	1,701,713
Accounts receivable	312	-	619	931
Inventory	-	-	301,886	301,886
Total assets	$ 1,702,025	$ 3,072,975	$ 6,373,075	$ 11,148,075
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 23,648	$ -	$ 778	$ 24,426
Salaries and benefits payable	639,489	-	492,139	1,131,628
Due to other funds	971,421	-	-	971,421
Advances from other funds	-	135,000		135,000
Total liabilities	1,634,558	135,000	492,917	2,262,475
FUND BALANCES				
Reserved for:				
Inventory	-	-	301,886	301,886
Unreserved:				
Undesignated	67,467	2,937,975	5,578,272	8,583,714
Total fund balances	67,467	2,937,975	5,880,158	8,885,600
Total liabilities and fund balances	$ 1,702,025	$ 3,072,975	$ 6,373,075	$ 11,148,075

FORSYTH COUNTY BOARD OF EDUCATION

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Special Revenue Funds			
REVENUES	**Federal Programs Fund**	**School Activity Fund**	**School Food Services Fund**	**Total Nonmajor Governmental Funds**
State funds	$ -	$ -	$ 455,592	$ 455,592
Federal funds	9,820,478	-	4,712,565	14,533,043
Local and other funds	78,874	8,953,090	8,493,537	17,525,501
Total revenues	9,899,352	8,953,090	13,661,694	32,514,136
EXPENDITURES				
Instruction	5,676,128	8,335,497	-	14,011,625
Support services:				
Pupil services	2,293,020	-	-	2,293,020
Improvement of instructional services	913,043	-	-	913,043
General administration	367,584	-	-	367,584
School administration	486	-	-	486
Student transportation services	215,288	-	-	215,288
Central support services	143,714	-	-	143,714
Other support services	254,624	-	-	254,624
Food services operation	-	-	13,850,264	13,850,264
Total expenditures	9,863,887	8,335,497	13,850,264	32,049,648
Excess (deficiency) of revenues over (under) expenditures	35,465	617,593	(188,570)	464,488
FUND BALANCE, beginning of year	32,002	2,320,382	6,068,728	8,421,112
FUND BALANCE, end of year	$ 67,467	$ 2,937,975	$ 5,880,158	$ 8,885,600

FORSYTH COUNTY BOARD OF EDUCATION

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS FOR THE FISCAL YEAR ENDED JUNE 30, 2010

SPLOST II

	Current Estimated Cost	Revised Estimated Cost	Prior Years	Current Year	Total
Acquisition, construction, renovation and equipping of schools	$ 143,800,000	$ 97,693,707	$ 93,595,457	$ 548,126	$ 94,143,583
Debt Service	56,200,000	50,113,576	50,113,876	-	50,113,876
	$ 200,000,000	$ 147,807,283	$ 143,709,333	$ 548,126	$ 144,257,459

SPLOST III

	Current Estimated Cost	Current Estimated Cost	Prior Years	Current Year	Total
Acquisition, construction, renovation and equipping of schools	$ 123,444,767	$ 14,400	$ 4,800	$ 4,800	$ 9,600
Debt Service	141,555,233	128,746,274	56,323,798	26,742,838	83,066,636
	$ 265,000,000	$ 128,760,674	$ 56,328,598	$ 26,747,638	$ 83,076,236

II. SINGLE AUDIT SECTION

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Superintendent and Members of
the Forsyth County Board of Education
Cumming, Georgia

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Forsyth County Board of Education as of and for the year ended June 30, 2010, which collectively comprise the Forsyth County Board of Education's basic financial statements, and have issued our report thereon dated February 28, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Forsyth County Board of Education's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Forsyth County Board of Education's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Forsyth County Board of Education's internal control over financial reporting.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Forsyth County Board of Education's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Forsyth County Board of Education in a separate letter dated February 28, 2011.

This report is intended solely for the information and use of management, the members of the Board, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Mauldin & Jenkins, LLC

Atlanta, Georgia
February 28, 2011

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Superintendent and Members of
the Forsyth County Board of Education
Cumming, Georgia

Compliance

We have audited the Forsyth County Board of Education's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Forsyth County Board of Education's major federal programs for the year ended June 30, 2010. The Forsyth County Board of Education's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Forsyth County Board of Education's management. Our responsibility is to express an opinion on the Forsyth County Board of Education 's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Forsyth County Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Forsyth County Board of Education's compliance with those requirements.

In our opinion, the Forsyth County Board of Education complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2010-1.

Internal Control Over Compliance

Management of the Forsyth County Board of Education is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Forsyth County Board of Education's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over comliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Forsyth County Board of Education's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify a deficiency in internal control over compliance that we consider to be a material weakness, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 2010-1. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Forsyth County Board of Education's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Forsyth County Board of Education's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of management, the members of the Forsyth County Board of Education, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Mauldin & Jenkins, LLC

Atlanta, Georgia
February 28, 2011

FORSYTH COUNTY BOARD OF EDUCATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

FUNDING AGENCY PROGRAM/GRANT	CFDA NUMBER	PASS-THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD
Agriculture, U.S. Department of:			
Pass-Through From Georgia Department of Education			
Child Nutrition Cluster			
Food and Nutrition Program			
Food Services			
School Breakfast Program - Cash Assistance	10.553	N/A	$ 762,086
National School Lunch Program:			
Cash Assistance	10.555	N/A	3,207,840
Non-Cash Assistance (Commodities)	10.555	N/A	742,638
Total Child Nutrition Cluster			4,712,564
Education, U.S. Department of:			
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Part B-Special Education			
Flow Through	84.027	N/A	3,912,725
High Cost Fund Pool	84.027	N/A	124,719
Preschool	84.173	N/A	35,645
Flow Through - ARRA	84.391	N/A	1,898,362
Preschool - ARRA	84.392	N/A	95,609
Total Special Education Cluster			6,067,060
State Fiscal Stabilization Fund Cluster			
Pass-Through From Georgia Department of Education			
State Fiscal Stabilization Fund - Education State Grants ARRA	84.394A	N/A	13,623,655
Total State Fiscal Stabilization Fund Cluster			13,623,655
Title I Cluster			
Pass-Through From Georgia Department of Education			
Improving Academic Achievemen	84.010	N/A	1,744,980
Distinguished District Awards	84.010	N/A	2,034
Improving Academic Achievement - ARRA	84.389	N/A	450,077
Total Title I Cluster			2,197,091
Education Technology State Grants Cluster			
Pass-Through From Georgia Department of Education			
Title II - Ed Tech Formula Grant	84.318	N/A	29,689
Pass-Through From Georgia Department of Education			
Title I - C			
Migrant Education	84.011	N/A	$ 22,016

FORSYTH COUNTY BOARD OF EDUCATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

FUNDING AGENCY PROGRAM/GRANT	CFDA NUMBER	PASS-THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD
Pass-Through From Georgia Department of Education			
Title II			
Advance Placement Grant	84.367	N/A	$ 7,000
Improving Teacher Quality	84.367	N/A	206,002
Improving Teacher Quality	84.367	N/A	467,700
Total Title I Cluster			680,702
Other Programs			
Pass-Through From Georgia Department of Education			
Title III			
Limited English Proficient	84.365	N/A	266,548
Immigrant	84.365	N/A	111,870
Total Title III			378,418
Title IV			
Safe and Drug Free Schools And Communities	84.186	N/A	19,822
Education of Homeless Children and Youth Cluster			
Pass-Through From Georgia Department of Education			
Stewart B. McKinney Homeless Assistance Act	84.196	N/A	81,330
Vocational Education-Basic Grants to States			
Pass-Through From Georgia Department of Education			
Professional Development	84.048	N/A	19,547
Program Improvement	84.048	N/A	122,734
Education Career Partnerships	84.048	N/A	9,610
Total Vocational Education-Basic Grants to States			151,891
Total U.S. Department of Education			23,251,674
Human Resources, U.S. Department of			
Direct			
Mentors and Motivators	84.186	N/A	85,053
Defense, U.S. Department of			
Direct			
R.O.T.C Program	12.000	N/A	64,582
Total Federal Financial Assistance			$ 28,113,873

FORSYTH COUNTY BOARD OF EDUCATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Notes to the Schedule of Expenditures of Federal Awards

N/A - Not Available

(1) The amounts shown for the Food Distribution Program represents the Federally assigned value of nonmonetary assistance for donated commodities received and/or consumed by the system during the current fiscal year.

The Forsyth County Board of Education did not provide Federal Assistance to any Subrecipient.

BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Forsyth County Board of Education and is presented on the accrual basis of accounting.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State and Local Governments, and Non-Profit Organizations.* Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

FORSYTH COUNTY BOARD OF EDUCATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

SECTION I
SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued	Unqualified
Internal control over financial reporting: Material weaknesses identified?	____ yes __X__ no
Significant deficiencies identified not considered to be material weaknesses?	____ yes __X__ none reported
Noncompliance material to financial statements noted?	____ yes __X__ no

Federal Awards

Internal Control over major programs: Material weaknesses identified?	____ yes __X__ no
Significant deficiencies identified not considered to be material weaknesses?	__X__ yes ____ none reported
Type of auditor's report issued on compliance for major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)?	__X__ yes ____ no

Identification of major program:

CFDA Number	Name of Federal Program or Cluster
84.027, 84.173, 84.391, 84.392	Special Education Cluster
84.394A	American Recovery and Reinvestment Act – State Fiscal Stabilization
84.010, 84.389	Title I, Part A Cluster; Improving Academic Achievement, Distinguished District Awards, and Improving Academic Achievement (ARRA)

Dollar threshold used to distinguish between Type A and Type B programs:	$843,416
Auditee qualified as low-risk auditee?	____ yes __X__ no

FORSYTH COUNTY BOARD OF EDUCATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

None reported.

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

2010-1. Semi – Annual Certification of Time and Efforts Sheets - ***Title I Grants to Local Education Agencies , CFDA #84.010 and 84.389***

Criteria: Per OMB A-87, Cost Principles, an employee who works solely on a single cost objective (i.e., a single Federal program whose administrative funds have not been consolidated) must furnish a semi-annual certification that he/she has been engaged solely in activities supported by the applicable source in accordance with OMB Circular A-87, Attachment B, paragraph 8.h.(3).An employee who works in part on a single cost objective (i.e., a single Federal program whose administrative funds have not been consolidated), and in part on consolidated Federal administrative activities or activities funded from other revenue sources, must maintain time and effort distribution records in accordance with OMB Circular A-87, Attachment B, paragraph 8.h.

Condition and Context: For the year ended June 30, 2010, the School District was not properly maintaining semi-annual certification or time and effort sheets for three out of twenty eight teachers tested.

Questioned Costs: $71,794

Effects or possible effects: Personnel salaries unrelated to Title I services could be funded with Title I funds. Therefore, unallowable costs could be charged to the grant.

Cause: There was a lack of oversight of management in relation to required documentation for the certification.

Recommendation: We recommend the Board of Education maintain semi-annual certifications and time and effort logs that meet all of the OMB A-87 requirements on all employees whose salaries are funded from Title I funds.

Views of Responsible Officials: We concur with this finding. We will ensure all semi-annual certifications and time and effort logs are properly maintained in accordance with OMB A-87, Cost Principles.

FORSYTH COUNTY BOARD OF EDUCATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

SECTION IV
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

None reported.