FORSYTH COUNTY BOARD OF EDUCATION

ANNUAL FINANCIAL REPORT

FOR THE

FISCAL YEAR ENDED JUNE 30, 2011

FORSYTH COUNTY BOARD OF EDUCATION
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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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, 2011, 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, 2011, and the respective changes in financial position 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.

As discussed in Note A, the Forsyth County Board of Education implemented Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, as of July 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2012 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 should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 schedules, and the Schedule of Expenditures of Special Purpose Local Option Sales Tax Proceeds are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Mauldin & Jenkins, LLC

Atlanta, Georgia
February 23, 2012

FORSYTH COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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, 2011. 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 2011 are as follows:

- On the district-wide financial statements, the assets of the School District exceeded liabilities by $342.6 million. Of this amount, $55 million is unrestricted and is available for spending at the School District's discretion.

- The School District had $335.7 million in expenses relating to governmental activities; only $172.4 million of these expenses are offset by program specific charges for services, grants and contributions. General revenues (primarily property and sales taxes) of $172.4 million were adequate to provide for these programs.

- As stated above, general revenues accounted for $172.4 million or 50% of all revenues totaling $344.8 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 $9 million.

- The district has determined that a restatement of beginning net assets of the Governmental Activities was necessary to correct the unamortized deferred loss on previous bond refunding which should have been amortized over the shorter of the life of the new refunding or the old refunded bonds and should have been fully amortized. This adjustment resulted in a change to the beginning net assets of the Governmental Activities as follows:

Fiscal year 2010 net assets a previously reported	$ 339,028,855
Effect of proper reporting of deferred loss on refundings	(5,489,999)
Fiscal year 2010 net assets, as restated	$ 333,538,856

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 reported as major 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 net 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 separate columns of detailed information about only the School District's 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 basis of accounting** which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School 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 in the financial statements.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Table 1
Net Assets

	Governmental Activities	
	Fiscal Year 2010	Fiscal Year 2011
Assets		
Current and Other Assets	$ 129,177,819	$ 115,933,632
Capital Assets	646,937,431	637,843,460
Total assets	776,115,250	753,777,092
Liabilities		
Current Liabilities	30,108,783	28,824,315
Long-Term Liabilities	412,467,611	382,373,490
Total Liabilities	442,576,394	411,197,805
Net Assets		
Invested in Capital Assets, net of Related Debt	267,574,923	279,783,805
Restricted	12,483,248	7,795,192
Unrestricted	53,480,685	55,000,290
Total Net Assets	$ 333,538,856	$ 342,579,287

Table 2
Changes in Net Assets

	Governmental Activities	
	Fiscal Year 2010	Fiscal Year 2011
Revenues		
Program Revenues:		
Charges for Services	$ 9,247,090	$ 9,606,818
Operating Grants and Contributions	143,897,557	162,335,868
Capital Grants and Contributions	1,669,767	430,982
General Revenues:		
Taxes:		
Property Taxes		
For Maintenance and Operations	135,387,007	127,854,184
For Debt Service	12,649,555	11,868,898
Sales Taxes:		
Special Purpose Local Option Sales Tax	27,914,776	27,145,923
Other Taxes:		
Intangible Taxes	3,297,883	3,378,995
Real Estate Transfer Taxes	726,007	607,239
Unrestricted Investment Earnings	282,498	230,374
Gain on Sale of Capital Assets	-	273,965
Other	538,287	1,032,523
Total Revenues	335,610,427	344,765,769
Expenses		
Instruction	221,650,334	222,926,366
Support Services:		
Pupil Services	7,807,190	7,723,775
Improvement of Instructional Services	4,850,502	4,927,863
Educational Media Services	4,919,737	4,240,533
General Administration	1,436,090	1,269,243
School Administration	16,460,500	16,927,736
Business Administration	1,602,860	1,633,241
Maintenance and Operation of Plant	22,729,101	21,893,323
Student Transportation Services	13,606,767	13,986,282
Central Support Services	5,886,798	5,783,357
Other Support Services	344,215	414,706
Food Services Operations	14,579,002	15,682,801
Community Services Operations	871,613	818,568
Interest on Long-Term Debt	18,493,446	17,497,544
Total Expenses	335,238,155	335,725,338
Change in Net Assets	372,272	9,040,431
Net Assets, beginning of year	333,166,584	333,538,856
Net Assets, end of year	$ 333,538,856	$ 342,579,287

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	
	2010	2011	2010	2011
Instruction	$ 221,650,334	222,926,366	$ 114,027,386	$ 81,767,588
Support Services:				
Pupil Services	7,807,190	7,723,775	4,735,523	7,723,775
Improvement of Instructional Services	4,850,502	4,927,863	3,026,573	4,927,863
Educational Media Services	4,919,737	4,240,533	612,216	1,752,326
General Administration	1,436,090	1,269,243	(2,970,357)	1,269,243
School Administration	16,460,500	16,927,736	9,253,586	12,593,396
Business Administration	1,602,860	1,633,241	1,594,633	1,633,241
Maintenance and Operation of Plant	22,729,101	21,893,323	12,370,558	15,950,118
Student Transportation Services	13,606,767	13,986,282	11,785,719	12,966,145
Central Support Services	5,886,798	5,783,357	5,717,987	3,414,995
Other Support Services	344,215	414,706	89,277	414,706
Food Services Operations	14,579,002	15,682,801	888,707	1,440,730
Community Services Operations	871,613	818,568	798,487	-
Interest on Long-Term Debt	18,493,446	17,497,544	18,493,446	17,497,544
Total expenditures	$ 335,238,155	$ 335,725,338	$ 180,423,741	$ 163,351,670

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 $404.8 million and total expenditures and other financing uses of $415.3 million. The difference was due primarily to debt service expenditures being greater than the debt service revenues for fiscal year 2011.

Major Funds:

General Fund

The General Fund is the operating fund of the District. Revenue from state and federal sources accounted for 50% of the districts revenues. The other 50% is from local sources, primarily ad valorem taxes. The student population of the district continues to grow. There was an increase in FTE of 1,835 when comparing state QBE allotment sheets for fiscal years 2010 and 2011. Overall state and federal funding rose by $13.9 million over the prior year. In fiscal year 2011 the District also received $6.5 million in federal ARRA related funding. However, local revenues declined by $4.7 million. This was the result of the continued decline in the local tax digest's value. For fiscal year 2012 the Board has increased the maintenance and operation millage from 15.395 mills to 16.30 mills.

Capital Projects Fund

The Capital Projects Fund is used to account for school construction and improvement projects. Special Purpose Local Option Sales Tax (SPLOST) made up the majority of the 2011 revenues. Those funds were transferred to the Debt Services Fund for the payment of bonds which were designated in the SPLOST referendum.

The Capital Projects Fund expenditures were made primarily with funds that were on hand at June 30, 2010. The District began construction of a new elementary school in fiscal year 2011. Those expenditures totaled $3.5 million. The District also purchased land for a future elementary school as well as a future middle school. Those expenditures totaled $5.7 million. The remaining expenditures were related to the continuation of projects related to previous bond issues.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources and payments of principal and interest for general obligation bond issues of the District. Ad valorem taxes make up the majority of revenues in the Debt Services Fund. In fiscal year 2011 those revenues declined by $0.7 million. The General Fund had to transfer $2.5 million to the Debt Services Fund at June 30, 2011 in order for the fund to be able to meet bond payment requirements that were due on July 1, 2011. SPLOST collections have not met revenue projections and the Debt Services Fund also had to cover part of the expense related to those bond issues as well. For fiscal year 2012, the Board has increased the debt service millage rate from 1.418 mills to 2.418 mills in order to meet the future debt service payments.

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 2011, 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 budget basis revenues and other financing sources of $269.9 million were more than the original budgeted amounts of $260 million by $9.9 million. This difference (budget basis actual vs. original budget) was due primarily due to an increase in state and federal revenues over the original budget by $9.4 million. Of the $9.4 million $4.1 million was an increase in the federal funding of the Education Jobs Fund program. The other $5.3 million was due to an increase in the QBE formula earnings based on the school systems growth as well as additional State Grants allotted to the school system during the year.

As a result of the nation's continuing economic downturn and interest rates remaining low the local revenues were reduced. The local revenues (under) the original budget were primarily due to decreases in ad valorem tax revenues of $0.5 million.

Total budget basis actual total revenues had an $8.9 million positive variance when compared to the final budgeted revenue total.

The budget basis actual expenditures of $258.3 million were less than the original budgeted amount of $259.3 million by $1.0 million. This difference (budget basis actual vs. original budget) was primarily due to departmental budget reductions.

The budget basis actual expenditures had a $1.8 million positive variance when compared to the final budgeted expenditures.

There were two areas that did have negative variances. Both of which were caused primarily by an increase in state health insurance rates after the final approval of the fiscal year 2011 budget.

In addition, the board had to transfer $2.5 million to the debt services fund at June 30, 2011. The debt services fund did not have the funds on hand to make the bond payments which were due on July 1, 2011. The net effect resulted in an overall positive variance of $8.5 million to the ending fund balance of the general fund.

The general fund has an assigned fund balance of $8.7 million that is to be used in fiscal year 2012 to cover the anticipated revenue shortfall for that year. This was taken into account during the development of the fiscal year 2012 budget.

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

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
State sources	$ 123,774,899	$ 124,351,906	$ 129,600,553	$ 5,248,647
Federal sources	2,465,138	2,465,138	6,585,610	4,120,472
Local sources and other funds	133,808,733	133,957,071	133,451,455	(505,616)
Total revenues	260,048,770	260,774,115	269,637,618	8,863,503
EXPENDITURES				
Current:				
Instruction	184,375,655	185,122,678	184,972,731	149,947
Support services:				
Pupil services	5,577,586	5,679,053	5,485,475	193,578
Improvement of instructional services	3,910,530	4,013,312	3,907,265	106,047
Educational media services	3,901,122	3,894,634	3,694,700	199,934
General administration	909,466	922,394	796,837	125,557
School administration	16,184,608	16,376,446	16,594,525	(218,079)
Business administration	1,584,277	1,584,277	1,594,548	(10,271)
Maintenance and operation of plant	23,556,468	22,892,928	21,855,645	1,037,283
Student transportation services	11,979,269	12,313,021	12,117,591	195,430
Central support services	5,566,172	5,584,773	5,549,339	35,434
Other support services	90,156	90,156	82,944	7,212
Debt service:				
Principal retirement	1,612,907	1,612,907	1,612,907	-
Interest and fixed charges	60,802	60,802	60,802	-
Total expenditures	259,309,018	260,147,381	258,325,309	1,822,072
Excess (deficiency) of revenues over (under) expenditures	739,752	626,734	11,312,309	10,685,575
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	-	333,905	333,905
Transfers out	-	-	(2,500,000)	(2,500,000)
Total of other financing sources (uses)	-	-	(2,166,095)	(2,166,095)
Net change in fund balances	739,752	626,734	9,146,214	8,519,480
FUND BALANCES, beginning of year	41,429,337	41,429,337	41,429,337	-
FUND BALANCES, end of year	$ 42,169,089	$ 42,056,071	$ 50,575,551	$ 8,519,480

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At fiscal year ended June 30, 2011, the School District had $637.8 million invested in capital assets, all in governmental activities. Capital assets decreased $9.1 million over the balance at June 30, 2010.

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

Table 5
Capital Assets
(Net of Accumulated Depreciation)

	Governmental Activities	
	Fiscal Year 2010	Fiscal Year 2011
Land	$ 77,589,394	$ 83,122,019
Land Improvements	28,534,836	26,988,851
Construction in Progress	3,256,297	6,040,802
Buildings	490,669,026	480,621,723
Furniture and Equipment	46,887,878	41,070,065
Total	$ 646,937,431	$ 637,843,460

Debt

At fiscal year ended June 30, 2011, the School District had $380.5 million in bonds outstanding and $1.9 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 2010	Fiscal Year 2011
General Obligation Bonds	$ 411,316,355	$ 380,457,561
Capital Leases	1,151,256	1,915,929
Total General Long-Term Debt	$ 412,467,611	$ 382,373,490

A restatement of beginning balance for the general obligation bonds outstanding was necessary to correct the unamortized loss on previous bond refunding which should have been amortized over the shorter of the life of the new refunding or the old refunded bonds and should have been fully amortized. This adjustment resulted in a change to the beginning balance for the general obligation bonds as follows:

Fiscal year 2010 general obligation bonds as previously reported	$ 405,826,356
Effect of proper reporting of deferred loss on refundings	5,489,999
Fiscal year 2010 general obligation bonds as restated	$ 411,316,355

At June 30, 2011, 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.

Unanticipated increases in state health insurance premiums impacted the current year's budget as well. Rates were increased after the beginning of the fiscal year. This affected every school system in the state.

The Board has been told to expect significant increases in state health insurance rates in fiscal years 2012 thru 2015.

Locally, the value of the ad valorem tax digest has decreased the last two years. The 2010 tax digest which was used in the development of the fiscal year 2011 budget decreased by 5.17%. The 2011 tax digest that was used in the development of the fiscal year 2012 budget decreased by another 7.14%.
As a result of the continuing decreases in the tax digest the Board increased the maintenance and operation millage rate for the fiscal year 2012 budget year from 15.395 mills to 16.30 mills. The Board also increased the debt service millage rate from 1.418 mills to 2.418 mills.

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 School District, 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, 2011

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 83,711,875
Receivables:	
Accounts	163,383
Intergovernmental	19,667,052
Taxes	5,686,415
Inventory	572,041
Prepaid items	4,348,478
Deferred charges	1,784,388
Capital assets (nondepreciable)	89,162,821
Capital assets (net of accumulated depreciation)	548,680,639
Total assets	753,777,092
LIABILITIES	
Accounts payable	4,276,539
Salaries and benefits payable	18,394,286
Accrued interest payable	4,587,832
Accrued claims payable due within one year	677,712
Accrued claims payable due in more than one year	451,809
Retainage payable	436,137
Bonds payable due within one year	32,540,000
Bonds payable due in more than one year	347,917,561
Capital leases due within one year	927,654
Capital leases due in more than one year	988,275
Total liabilities	411,197,805
NET ASSETS	
Invested in capital assets, net of related debt	279,783,805
Restricted for:	
Debt service	2,389,786
Federal programs	124,652
School food services	5,280,754
Unrestricted	55,000,290
Total net assets	$ 342,579,287

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, 2011

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	$ 222,926,366	$ 199,165	$ 140,528,631	$ 430,982	$ (81,767,588)
Support services:					
Pupil services	7,723,775	-	-	-	(7,723,775)
Improvement of instructional services	4,927,863	-	-	-	(4,927,863)
Educational media services	4,240,533	-	2,488,207	-	(1,752,326)
General administration	1,269,243	-	-	-	(1,269,243)
School administration	16,927,736	-	4,334,340	-	(12,593,396)
Business adminstration	1,633,241	-	-	-	(1,633,241)
Maintenance and operation of plant	21,960,281	-	5,943,205	-	(16,017,076)
Student transportation services	13,986,282	-	1,020,137	-	(12,966,145)
Central support services	5,783,357	-	2,368,362	-	(3,414,995)
Other support services	414,706	-	-	-	(414,706)
Food services operation	15,615,842	8,589,085	5,652,986	-	(1,373,771)
Community services operation	818,568	818,568	-	-	-
Interest on long-term debt	17,497,545	-	-	-	(17,497,545)
Total governmental activities	$ 335,725,338	$ 9,606,818	$ 162,335,868	$ 430,982	(163,351,670)

General revenues:	
Property taxes, levied for general purposes	127,854,184
Property taxes, levied for debt service	11,868,898
Sales taxes	27,145,923
Intangible taxes	3,378,995
Real estate transfer taxes	607,239
Unrestricted investment earnings	230,374
Gain on sale of capital assets	273,965
Other	1,032,523
Total general revenues	172,392,101
Change in net assets	9,040,431
Net assets, beginning of year, as restated	333,538,856
Net assets, end of year	$ 342,579,287

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

FORSYTH COUNTY BOARD OF EDUCATION

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

ASSETS	General	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents	$ 50,235,109	$ 22,002,643	$ 2,122,999	$ 9,351,124	$ 83,711,875
Receivables:					
Accounts	157,142	-	-	6,241	163,383
Intergovernmental	18,233,360	-	-	1,433,692	19,667,052
Taxes	2,861,144	2,555,068	270,203	-	5,686,415
Due from other funds	646,448	-	-	-	646,448
Prepaid items	-	-	4,348,478	-	4,348,478
Inventory	289,131	-	-	282,910	572,041
Total assets	$ 72,422,334	$ 24,557,711	$ 6,741,680	$ 11,073,967	$ 114,795,692
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ 3,894,830	$ 365,380	$ 3,416	$ 12,913	$ 4,276,539
Salaries and benefits payable	17,216,735	-	-	1,177,551	18,394,286
Retainage payable	-	436,137	-	-	436,137
Due to other funds	-	-	-	646,448	646,448
Deferred revenue	735,218	-	67,217	-	802,435
Total liabilities	21,846,783	801,517	70,633	1,836,912	24,555,845
FUND BALANCES					
Non spendable:					
Inventory	289,131	-	-	282,910	572,041
Prepaids	-	-	4,348,478	-	4,348,478
Restricted:					
Capital projects	-	23,756,194	-	-	23,756,194
Debt service	-	-	2,322,569	-	2,322,569
Federal programs	-	-	-	124,652	124,652
School food services	-	-	-	5,280,754	5,280,754
Committed:					
School activities	-	-	-	3,548,739	3,548,739
Assigned:					
Capital outlay projects	660,540	-	-	-	660,540
Use of fund balance in 2012 budget	8,668,036	-	-	-	8,668,036
Unassigned	40,957,844	-	-	-	40,957,844
Total fund balances	50,575,551	23,756,194	6,671,047	9,237,055	90,239,847
Total liabilities and fund balances	$ 72,422,334	$ 24,557,711	$ 6,741,680	$ 11,073,967	

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	803,072,548	
	Less accumulated depreciation	(165,229,088)	637,843,460
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.			
	Property taxes		802,435
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.			
	Bonds	(364,009,350)	
	Bond premium, net of amortization	(16,448,211)	
	Bond issuance costs, net of amortization	1,784,388	
	Accrued interest	(4,587,832)	
	Accrued claims payable	(1,129,521)	
	Capital leases	(1,915,929)	(386,306,455)
Net assets of governmental activities			$ 342,579,287

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, 2011

	General	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
State funds	$ 129,600,553	$ 430,982	$ -	$ 410,642	$ 130,442,177
Federal funds	6,585,610	-	-	16,027,743	22,613,353
Local and other funds	134,270,023	27,835,099	12,339,272	18,193,933	192,638,327
On behalf payments	650,993	-	-	-	650,993
Total revenues	271,107,179	28,266,081	12,339,272	34,632,318	346,344,850
EXPENDITURES					
Current:					
Instruction	187,350,311	-	-	15,402,205	202,752,516
Support services:					
Pupil services	5,496,890	-	-	2,217,196	7,714,086
Improvement of instructional services	3,917,640	-	-	986,995	4,904,635
Educational media services	3,705,194	-	-	-	3,705,194
General administration	799,317	-	-	454,207	1,253,524
School administration	16,641,056	-	-	360	16,641,416
Business administration	1,598,621	-	-	-	1,598,621
Maintenance and operation of plant	21,888,220	-	-	-	21,888,220
Student transportation services	12,145,070	-	-	160,692	12,305,762
Central support services	5,559,543	-	-	165,558	5,725,101
Other support services	83,017	-	-	331,689	414,706
On behalf payments	495,293	-	-	-	495,293
Food services operation	-	-	-	14,561,961	14,561,961
Community services operation	818,568	-	-	-	818,568
Capital outlay	-	15,023,994	-	-	15,023,994
Debt service:					
Principal retirement	1,612,907	-	28,225,000	-	29,837,907
Interest	60,803	-	19,398,470	-	19,459,273
Bond issuance cost	-	-	226,571	-	226,571
Total expenditures	262,172,450	15,023,994	47,850,041	34,280,863	359,327,348
Excess (deficiency) of revenues over (under) expenditures	8,934,729	13,242,087	(35,510,769)	351,455	(12,982,498)
OTHER FINANCING SOURCES (USES)					
Issuance of capital lease	2,377,580	-	-	-	2,377,580
Proceeds from sale of capital assets	333,905	-	-	-	333,905
Proceeds from bonds issued	-	-	23,110,000	-	23,110,000
Premium on bonds	-	-	2,490,470	-	2,490,470
Payment to bond escrow agent	-	-	(25,865,650)	-	(25,865,650)
Transfers in	-	-	30,143,425	-	30,143,425
Transfers out	(2,500,000)	(27,643,425)	-	-	(30,143,425)
Total other financing sources (uses)	211,485	(27,643,425)	29,878,245	-	2,446,305
Net change in fund balances	9,146,214	(14,401,338)	(5,632,524)	351,455	(10,536,193)
FUND BALANCES, beginning of year	41,429,337	38,157,532	12,303,571	8,885,600	100,776,040
FUND BALANCES, end of year	$ 50,575,551	$ 23,756,194	$ 6,671,047	$ 9,237,055	$ 90,239,847

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, 2011

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds		$ (10,536,193)
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	$ 16,662,985	
Depreciation expense	(25,697,016)	(9,034,031)
The net effect of the sale of capital assets is to decrease net assets		(59,940)
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		(1,853,046)
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	$ 29,837,907	
Issuance of general obligation debt	(23,110,000)	
Bond premium	(2,490,470)	
Bond premium amortization expense	2,368,614	
Bond issuance costs	(8,646)	
Payment of refunded general obligation debt into escrow account	25,865,650	
Claims payable	609,835	
Capital lease proceeds	(2,377,580)	30,695,310
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, 2010	$ 4,416,163	
Accrued interest payable, June 30, 2011	(4,587,832)	(171,669)
Change in net assets - governmental activities		$ 9,040,431

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 (BUDGETARY BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
State sources	$ 123,774,899	$ 124,351,906	$ 129,600,553	$ 5,248,647
Federal sources	2,465,138	2,465,138	6,585,610	4,120,472
Local sources and other funds	133,808,733	133,957,071	133,451,455	(505,616)
Total revenues	260,048,770	260,774,115	269,637,618	8,863,503
EXPENDITURES				
Current:				
Instruction	184,375,654	185,122,677	184,972,731	149,946
Support services:				
Pupil services	5,577,586	5,679,053	5,485,475	193,578
Improvement of instructional services	3,910,530	4,013,312	3,907,265	106,047
Educational media services	3,901,122	3,894,634	3,694,700	199,934
General administration	909,466	922,394	796,837	125,557
School administration	16,184,608	16,376,446	16,594,525	(218,079)
Business adminstration	1,584,277	1,584,277	1,594,548	(10,271)
Maintenance and operation of plant	23,556,468	22,892,928	21,855,644	1,037,284
Student transportation services	11,979,269	12,313,021	12,117,591	195,430
Central support services	5,566,172	5,584,773	5,549,339	35,434
Other support services	90,156	90,156	82,944	7,212
Debt service:				
Principal retirement	1,612,907	1,612,907	1,612,907	-
Interest and fiscal charges	60,803	60,803	60,803	-
Total expenditures	259,309,018	260,147,381	258,325,309	1,822,072
Excess of revenues over expenditures	739,752	626,734	11,312,309	10,685,575
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	-	333,905	333,905
Transfers out	-	-	(2,500,000)	(2,500,000)
Total other financing sources (uses)	-	-	(2,166,095)	(2,166,095)
Net change in fund balances	739,752	626,734	9,146,214	8,519,480
FUND BALANCES, beginning of year	41,429,337	41,429,337	41,429,337	-
FUND BALANCES, end of year	$ 42,169,089	$ 42,056,071	$ 50,575,551	$ 8,519,480

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, 2011

	Agency Fund
ASSETS	
Cash	$ 428,284
Total assets	$ 428,284
LIABILITIES	
Due to others	$ 428,284
Total liabilities	$ 428,284

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 the School District's Board serve as directors of the Corporation.

Government-wide and Fund Financial Statements

The School District's financial statements 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. However, 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. 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 District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis.

The State of Georgia reimburses the School District 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 District 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 District 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, have been committed to be used to support the schools' activities.

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2011, 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 reported as nonspendable as this amount is not available for general appropriation.

Inventories

Inventories of the General Fund and 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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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."

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 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.

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

Assets	Years
Land improvements	20-40
Buildings	25-50
Building improvements	10-30
Vehicles	8-15
Equipment	5-20

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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, as well as any premium, is reported as other financing sources. Issuance costs, whether or not withheld from actual proceeds, are reported as debt service expenditures.

Fund Equity/Net Assets

The District implemented GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, as of July 1, 2010. This new standard changed the overall definitions and classifications of governmental fund balances.

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net assets."

Fund Balance – Generally, fund balance represents the difference between the assets and liabilities under the current financial resources measurement focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the Board is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

- ***Nonspendable*** – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund Equity/Net Assets - Continued

- ***Restricted*** – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Board or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

- ***Committed*** – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the Board members through the adoption of a resolution. Only the Board Members may modify or rescind the commitment.

- ***Assigned*** - Fund balances are reported as assigned when amounts are constrained by the Board's intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the Board Members have authorized the Board's Superintendent and Chief Financial Officer to assign fund balances.

- ***Unassigned*** - Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The Board reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all funds.

Flow Assumptions – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the Board's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the Board's policy to use fund balance in the following order:

- Committed
- Assigned
- Unassigned

Net Assets - Net assets represent the difference between assets and liabilities in reporting which utilizes the economic resources measurement focus. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the Board has spent) for the acquisition, construction or improvement of those assets. Net assets are reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net assets are reported as unrestricted.

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 fund, all special revenue funds, and the debt service fund. 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, the 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.

The following functions had excesses of actual expenditures over appropriations in the amount shown for the fiscal year ended June 30, 2011.

General Fund:		
Support Services:		
School administration	$	218,079
Business administration		10,271

These over expenditures were funded by greater than anticipated revenues.

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 following table includes the items that were not considered in the budget period and are needed to reconcile the General Fund budget to the amounts reports in accordance with GAAP.

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - CONTINUED

Budgetary/GAAP Basis Reconciliation - 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	$ 271,107,179	
Community Service Activity	(818,568)	
On-Behalf Benefit Contribution	(650,993)	
Budgeted Revenues, Budgetary Basis		$ 269,637,618
Expenditures GAAP Basis	$ 262,172,450	
Capital Lease Outlay	(2,377,580)	
Community Service Activity	(818,568)	
On-Behalf Benefits Expenditure	(650,993)	
Budgeted Expenditures, Budgetary Basis		258,325,309
Other Financing Sources (Uses), GAAP Basis, Net	211,485	
Capital Lease Proceeds	(2,377,580)	
Other Financing Sources (Uses), Budgetary Basis, Net		(2,166,095)
Net Change in Fund Balance, Budgetary Basis		$ 9,146,214
Net Change in Fund Balance, GAAP Basis		$ 9,146,214

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, 2011, all investments of the School District were invested in Georgia Fund 1, the local government investment pool administered by the State of Georgia. The Georgia Fund 1 investment pool is not subject to credit risk classification and the carrying amount of $24,313,835 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

NOTE C - DEPOSITS AND INVESTMENTS - CONTINUED

Composition - Continued

Local Government Investment Pool of the State of Georgia ("Georgia Fund 1"). Georgia Fund I is not registered with the Securities and Exchange Commission (SEC) but operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. As of June 30, 2011, the School District's investment in Georgia Fund 1 was rated AAAm by Standard & Poor's.

At June 30, 2011, the District had the following investments:

Investment	Maturities	Fair Value
Georgia Fund 1	59 day weighted average	$ 24,313,835

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, 2011, the School District's cash accounts and investments were properly collateralized as required by State statutes.

Interest rate risk. The Government does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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, 2011.

NOTE E - TAXES RECEIVABLE

Taxes receivable includes property taxes and sales taxes due to the School District. Property taxes were levied on August 21, 2010, based on property values assessed as of January 1, 2010, and were payable on or before November 15, 2010. An interest penalty of 10% per annum is charged on property taxes paid after that date. Property tax receivables are shown net of an allowance for uncollectibles of $10,299 in the General Fund and $974 in the Debt Service Fund. Sales tax receivable is included in the Capital Projects Fund relative to Special Purpose 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, 2011 were as follows:

	Balance July 1, 2010	Increases	Transfers	Decreases	Balance June 30, 2011
Capital assets not being depreciated					
Land and improvements	$ 77,589,394	$ 5,532,625	$ -	$ -	$ 83,122,019
Construction in progress	3,256,297	5,253,114	(2,468,609)	-	6,040,802
Total capital assets not being depreciated	80,845,691	10,785,739	(2,468,609)	-	89,162,821
Capital assets being depreciated					
Land improvements	36,098,924	21,041	112,708	-	36,232,673
Buildings	572,421,434	205,129	2,355,901	-	574,982,464
Furniture and equipment	100,394,425	5,651,076	-	(3,350,911)	102,694,590
Total capital assets being depreciated	708,914,783	5,877,246	2,468,609	(3,350,911)	713,909,727
Less accumulated depreciation for					
Land improvements	(7,564,088)	(1,679,734)	-	-	(9,243,822)
Buildings	(81,752,408)	(12,608,333)	-	-	(94,360,741)
Furniture and equipment	(53,506,547)	(11,408,949)	-	3,290,971	(61,624,525)
Total accumulated depreciation	(142,823,043)	(25,697,016)	-	3,290,971	(165,229,088)
Total capital assets being depreciated, net	566,091,740	(19,819,770)	2,468,609	(59,940)	548,680,639
Total governmental activities capital assets, net	$ 646,937,431	$ (9,034,031)	$ -	$ (59,940)	$ 637,843,460

Depreciation expense was charged to functions as follows:

Instruction	$ 22,032,703
Support Services:	
Pupil Services	9,418
Improvement of Instructional Services	22,579
Educational Media Services	520,382
General Administration	15,280
School Administration	278,320
Business Administration	33,653
Maintenance and Operation of Plant	70,048
Student Transportation Services	1,633,568
Central Support Services	56,628
Food Services Operation	1,024,437
	$ 25,697,016

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, 2011.

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011	Due within One Year
1992 Series general obligation bonds maturing on July 1, 2016, with interest rates ranging from 6.0% to 6.25%	$ 11,390,000	$ -	$ 1,320,000	$ 10,070,000	$ 1,410,000
1998 Series general obligation refunding bonds maturing on July 1, 2016, with interest rates ranging from 4.00% to 5.125%	33,055,000	-	28,815,000	4,240,000	4,240,000
2004 Series general obligation bonds maturing on February 1, 2019, with interest rates ranging from 2.35% to 5.0%	85,745,000	-	7,990,000	77,755,000	8,350,000
2005 Series general obligation bonds maturing on February 1, 2025, with interest rates ranging from 3.0% to 5.25%	166,800,000	-	2,500,000	164,300,000	3,000,000
2007 Series general obligation bonds maturing on June 1, 2017, with interest rates ranging from 3.75% to 5.00%	98,000,000	-	12,360,000	85,640,000	12,855,000
2011 Series general obligation bonds maturing on June 1, 2016, with interest rates ranging from 3.00% to 5.00%	-	23,110,000	-	23,110,000	2,685,000
General obligation bonds	394,990,000	23,110,000	52,985,000	365,115,000	32,540,000
Less deferred loss on refunding	-	(1,105,650)	-	(1,105,650)	-
Plus bond premium	16,326,355	2,490,470	2,368,614	16,448,211	-
Subtotal	411,316,355	24,494,820	55,353,614	380,457,561	32,540,000
Capitialized lease obligations at interest rates ranging from 4.68% to 5.06%	1,151,256	2,377,580	1,612,907	1,915,929	927,654
Total general long-term debt	$ 412,467,611	$ 26,872,400	$ 56,966,521	$ 382,373,490	$ 33,467,654

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

General Obligation Bonds

During fiscal year 2011, the School District issued $23,110,000 of general obligation refunding bonds, Series 2011, for the purpose of advance refunding a portion the balance of the Series 1998 general obligation bonds. The bonds were issued on May 26, 2011 with a premium of $2,490,470 and interest rates ranging from 3% to 5%. The reacquisition price exceeded the net carrying amount of the old debt by $1,105,650. This amount is being netted against the new debt and amortized over the remaining life of the refunding bonds. The refunding was undertaken to reduce total debt service payments and resulted in an economic gain and a present value cash flow of $1,950,288. The proceeds from the refunding bonds were placed into trust, along with certain amounts held in sinking funds, to pay the principal and interest on the refunded bonds as they become due. The amount of outstanding bonds considered defeased at June 30, 2011 is 24,760,000.

At June 30, 2011, principal and interest payments due by fiscal year for General Obligation Bonds are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	$ 32,540,000	$ 17,293,802	$ 49,833,802
2013	31,325,000	15,852,533	47,177,533
2014	33,080,000	14,292,213	47,372,213
2015	34,895,000	12,661,488	47,556,488
2016	36,815,000	10,894,163	47,709,163
2017-2021	115,375,000	34,726,975	150,101,975
2022-2025	81,085,000	10,322,750	91,407,750
Total	$ 365,115,000	$ 116,043,924	$ 481,158,924

Capital Lease. During the years ended June 30, 2010 and 2011, the School District entered into several capital lease agreements for financing the acquisition of computer equipment. The lease agreeements carry interest rates ranging from 4.68% - 5.06%. The lease agreements qualify as capital leases for accounting purposes (title transfers at the end of the lease term) and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of inception.

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

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, 2011:

Fiscal Year Ending June 30,	
2012	$ 1,002,639
2013	769,356
2014	254,935
2015	21,190
Total minimum lease payments	2,048,120
Less amount representing interest	(132,191)
Present value of future minimum lease payments	$ 1,915,929

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. Interfund transactions as of the year ended June 30, 2011 are as follows:

	Due From Other Funds	Due To Other Funds
General Fund	$ 646,448	$ -
Nonmajor governmental funds	-	646,448
Total governmental funds	$ 646,448	$ 646,448

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that the statute or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and (3) move SPLOST proceeds from the Capital Projects Fund to Debt Service Fund to fund debt service as allowed in the referendum. Interfund transfers for the year ended June 30, 2011 are as follows:

	Transfer In	Transfer Out
General Fund	$ -	$ 2,500,000
Debt Service Fund	30,143,425	-
Capital Projects Fund	-	27,643,425
Total governmental funds	$ 30,143,425	$ 30,143,425

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 $568,961. Future minimum lease payments on these leases are as follows:

Year ending June 30,	
2012	$ 565,597
2013	564,924
2014	564,924
2015	564,924
2016	94,154
Total	$ 2,354,523

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 and unemployment claims. 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
2011	$ 1,739,356	$ 653,966	$ 1,263,801	$ 1,129,521	$ 677,712
2010	324,315	2,461,345	1,046,304	1,739,356	1,043,614

NOTE J - RISK MANAGEMENT - CONTINUED

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
2011	$ -	$ 260,784	$ 260,784	$ -
2010	-	231,013	231,013	-

NOTE K - RETIREMENT PLANS

Teachers Retirement System of Georgia (TRS)

Plan Description

The TRS is a cost-sharing multiple-employer defined benefit plan created in 1943 by an act of the Georgia General Assembly to provide retirement benefits for qualifying employees in educational service. A Board of Trustees comprised of active and retired members and ex-officio State employees is ultimately responsible for the administration of TRS. The Teachers Retirement System of Georgia issues a separate stand alone financial audit report and a copy can be obtained from the Georgia Department of Audits and Accounts.

On October 25, 1996, the Board created the Supplemental Retirement Benefits Plan of the Georgia Teachers Retirement System (SRBP-TRS). SRPB-TRS was established as a qualified excess benefit plan in accordance with Section 415 of the Internal Revenue Code (IRC) as a portion of TRS. The purpose of SRBP-TRS is to provide retirement benefits to employees covered by TRS whose benefits are otherwise limited by IRC Section 415. Beginning July 1, 1997, all members and retired former members in TRS are eligible to participate in the SRPB-TRS whenever their benefits under TRS exceed the IRC Section 415 imposed limitation on benefits.

TRS provides service retirement, disability retirement, and survivor's benefits. The benefit structure of TRS is defined and may be amended by State statute. A member is eligible for normal service retirement after 30 years of creditable service, regardless of age, or after 10 years of service and attainment of age 60. A member is eligible for early retirement after 25 years of creditable service.

NOTE K - RETIREMENT PLANS - CONTINUED

Normal retirement (pension) benefits paid to members are equal to 2% of the average of the member's two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. Early retirement benefits are reduced by the lesser of one-twelfth of 7% for each month the member is below age 60 or by 7% for each year or fraction thereof by which the member has less than 30 years of service. It is also assumed that certain cost-of-living adjustments, based on the Consumer Price Index, will be made in future years. Retirement benefits are payable monthly for life. A member may elect to receive a partial lump-sum distribution in addition to a reduced monthly retirement benefit. Death, disability and spousal benefits are also available.

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, 2011, were 5.53% of annual salary. The member contribution rate will increase to 6.00% effective July 1, 2011. Employer contributions required for fiscal year 2011 were 10.28% of annual salary. The employer contribution rate will increase to 11.41% effective July 1, 2011.

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

	2011	2010	2009
Employees	$ 9,019,928	$ 8,702,873	$ 8,351,167
School System	16,769,068	16,150,843	15,500,504

Public School Employees Retirement System of Georgia (PSERS)

Plan Description. Full time employees not eligible to participate in the Teachers Retirement System may participate in the Public School Employees Retirement System (PSERS). The PSERS is a cost sharing, multiple-employer, defined benefit pension plan established by the Georgia Assembly in 1969. Upon retirement, the participating member will receive a monthly benefit of $12.00 multiplied by the number of years of creditable service. Death, disability, and spousal benefits are also available through PSERS. Additionally, PSERS makes periodic cost-of-living adjustments to the monthly benefits. The School Board makes contributions of $4.00 per month for nine months on behalf of the employee members.

NOTE K - RETIREMENT PLANS - CONTINUED

Funding Policy. The State of Georgia, although not the employer of PSERS members, is required by statute to make employer contributions actuarially determined, approved and certified by the Board of the Employee's Retirement System of Georgia. The Board of Employee's Retirement System of Georgia issues a publicly available financial report that includes financial statements and required supplementary information for PSERS. That report may be obtained by writing Public School Employees Retirement System, Two Northside 75, Suite 300, Atlanta, Georgia 30318-7778, or by calling 1-800-805-4609.

Members become vested after ten years of creditable service. Upon termination of employment, member contributions are refundable with interest. However, if an otherwise vested member terminates and withdraws their member contributions, no vesting of employer contributions occurs. The employer contributions to the unfunded accrued liability were projected to liquidate the accrued liability within twelve years based upon the actuarial valuation at July 1, 1987. A member may retire and elect to receive normal monthly retirement benefits after completion of ten years of creditable service and attainment of age 65.

If a member chooses, he may begin receiving reduced benefits after age 60 and upon completion of ten years of service. Members retiring before age 65 will receive a benefit reduced by 1/2 of 1 % for each month under age 65. The Government Accounting Standards Board's Statement 27 requires disclosure of the School Board's required contributions for the current year and each of the two preceding years. The School Board's contributions to the PSERS for the years ending June 30, 2011, 2010 and 2009, were $32,184, $32,650 and $31,096 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 eligible participants' contributions up to 4% of their salary. Employee annual contributions are limited to maximums established by Internal Revenue Service guidelines. For the years ended June 30, 2011, 2010, and 2009 the School District contributed $330,728, $331,540, and $336,159, respecively, to the Plan on behalf of its employees. For the years ended June 30, 2011, 2010, and 2009, employees contributed $444,839, $451,191, and $504,498, 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 $9,463,317.

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 $650,993 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 $467,101.

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 $24,246.

Paid by the Georgia Department of Education to the Teachers Retirement System for Teachers Retirement (TRS) in the amount of $159,646.

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 retirees and their qualified beneficiaries. Pursuant to Title 45, Chapter 18 of the Official Code of Georgia Annotated, the authority to establish and amend the benefit provisions of the plan is assigned to the Board of Community Health. The Department of Community Health issues a publicly available financial report that includes financial statements and required supplementary information for 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, 2011, were as follows:

Certified employees

July 2010 – April 2011	21.955% of covered payroll for August – May Coverage
May 2011 – June 2011	1.429% of covered payroll for June – July Coverage

Non-Certificated Employees $246.20 per month at June 30, 2011

No additional contribution was required by the Board of Community Health for fiscal year 2011 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, 2011, 2010 and 2009 were $34,644,714, $32,181,983 and $25,336,905, which equaled the required contribution.

NOTE O – PRIOR PERIOD RESTATEMENT

The District has determined that a restatement of beginning net assets of the Governmental Activities is necessary to correct the unamortized deferred loss on refundings which should be amortized over the shorter of the life of the new refunding bonds or the old refunded bonds and should have been fully amortized. This adjustment results in a change to the beginning net assets of the Governmental Activities as follows:

Net assets, as previously reported	$	339,028,855
Effect of proper reporting of deferred loss on refundings		(5,489,999)
Net assets, as restated	$	333,538,856

FORSYTH COUNTY BOARD OF EDUCATION

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

SCHOOL ACTIVITY To account for funds collected primarily through the fundraising efforts of individual schools, which have been committed by the Board.

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 which are restricted 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, 2011

	Special Revenue Funds			
ASSETS	**Federal Programs Fund**	**School Activity Fund**	**School Food Services Fund**	**Total Nonmajor Governmental Funds**
Cash and cash equivalents	$ -	$ 3,548,739	$ 5,802,385	$ 9,351,124
Due from other governments	1,433,692	-	-	1,433,692
Accounts receivable	-	-	6,241	6,241
Inventory	-	-	282,910	282,910
Total assets	$ 1,433,692	$ 3,548,739	$ 6,091,536	$ 11,073,967
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 3,511	$ -	$ 9,402	$ 12,913
Salaries and benefits payable	659,081	-	518,470	1,177,551
Due to other funds	646,448	-	-	646,448
Total liabilities	1,309,040	-	527,872	1,836,912
FUND BALANCES				
Nonspendable:				
Inventory	-	-	282,910	282,910
Restricted:				
Federal programs	124,652	-	-	124,652
School food services	-	-	5,280,754	5,280,754
Committed:				
School activities	-	3,548,739	-	3,548,739
Total fund balances	124,652	3,548,739	5,563,664	9,237,055
Total liabilities and fund balances	$ 1,433,692	$ 3,548,739	$ 6,091,536	$ 11,073,967

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, 2011

	Special Revenue Funds			
REVENUES	**Federal Programs Fund**	**School Activity Fund**	**School Food Services Fund**	**Total Nonmajor Governmental Funds**
State funds	$ -	$ -	$ 410,642	$ 410,642
Federal funds	10,785,399	-	5,242,344	16,027,743
Local and other funds	87,500	9,513,952	8,592,481	18,193,933
Total revenues	10,872,899	9,513,952	14,245,467	34,632,318
EXPENDITURES				
Instruction	6,499,017	8,903,188	-	15,402,205
Support services:				
Pupil services	2,217,196	-	-	2,217,196
Improvement of instructional services	986,995	-	-	986,995
General administration	454,207	-	-	454,207
School administration	360	-	-	360
Student transportation services	160,692	-	-	160,692
Central support services	165,558	-	-	165,558
Other support services	331,689	-	-	331,689
Food services operation	-	-	14,561,961	14,561,961
Total expenditures	10,815,714	8,903,188	14,561,961	34,280,863
Net change in fund balances	57,185	610,764	(316,494)	351,455
FUND BALANCES, beginning of year	67,467	2,937,975	5,880,158	8,885,600
FUND BALANCES, end of year	$ 124,652	$ 3,548,739	$ 5,563,664	$ 9,237,055

FORSYTH COUNTY BOARD OF EDUCATION

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS FOR THE FISCAL YEAR ENDED JUNE 30, 2011

SPLOST II

	Original Estimated Cost	Current Estimated Cost	Prior Years		Current Year	Total
Acquisition, construction, renovation and equipping of schools	$ 143,800,000	$ 97,072,830	$ 93,543,583	*	$ 1,911,212	$ 95,454,795
Debt Service	56,200,000	50,113,576	50,113,876		-	50,113,876
	$ 200,000,000	$ 147,186,406	$ 143,657,459		$ 1,911,212	$ 145,568,671

SPLOST III

	Original Estimated Cost	Current Estimated Cost	Prior Years	Current Year	Total
Acquisition, construction, renovation and equipping of schools	$ 123,444,767	$ 14,400	$ 9,600	$ 3,899	$ 13,499
Debt Service	141,555,233	128,635,410	83,066,636	27,763,889	110,830,525
	$ 265,000,000	$ 128,649,810	$ 83,076,236	$ 27,767,788	$ 110,844,024

Non-SPLOST monies expended in Capital Projects Fund	12,988,419
Total expenditures and transfers of Capital Projects Fund	42,667,419

* In prior year's the District reported SPLOST expenditures of $600,000 which were subsequently reimbursed by a State grant. Prior years' SPLOST expenditures have been adjusted by this amount to properly reflect expenditures funded from SPLOST revenues.

II. SINGLE AUDIT SECTION

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

INDEPENDENT AUDITOR'S 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 (the "District"), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 23, 2012, which references that the District implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective July 1, 2010. 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

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District'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 District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs, as items 2011-1 and 2011-2, to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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 23, 2012.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on them.

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 23, 2012

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

INDEPENDENT AUDITOR'S 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 its major federal programs for the year ended June 30, 2011. 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, 2011.

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 the 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 compliance 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 any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

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 23, 2012

FORSYTH COUNTY BOARD OF EDUCATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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	$ 988,905
National School Lunch Program:			
Cash Assistance	10.555	N/A	3,457,714
Non-Cash Assistance (Commodities)	10.555	N/A	795,725
Total Child Nutrition Cluster			5,242,344
Education, U.S. Department of:			
Engage ME PLEASE	84.396C	N/A	367,170
Pass-Through from Georgia Department of Education			
Special Education Cluster			
Part B-Special Education			
Flow Through	84.027	N/A	2,369,803
High Cost Fund Pool	84.027	N/A	235,140
Preschool	84.173	N/A	84,210
Flow Through - ARRA	84.391	N/A	3,592,528
Preschool - ARRA	84.392	N/A	88,117
Total Special Education Cluster			6,369,798
Education Jobs Fund	84.410	N/A	6,535,166
Title I Cluster			
Improving Academic Achievement	84.010	N/A	2,179,749
Distinguished District Awards	84.010	N/A	3,457
Improving Academic Achievement - ARRA	84.389	N/A	758,636
Total Title I Cluster			2,941,842
Title II - Ed Tech Formula Grant	84.318	N/A	3,424
Title I - C			
Migrant Education	84.011	N/A	23,263

FORSYTH COUNTY BOARD OF EDUCATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

FUNDING AGENCY PROGRAM/GRANT	CFDA NUMBER	PASS-THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD
Education, U.S. Department of (Continued):			
Pass-Through from Georgia Department of Education (Continued)			
Title II			
Advance Placement Grant	84.367	N/A	2,800
Improving Teacher Quality	84.367	N/A	408,355
Total Title II Cluster			411,155
Title III			
Limited English Proficient	84.365	N/A	239,249
Immigrant	84.365	N/A	13,662
Total Title III			252,911
Title IV			
Safe and Drug Free Schools And Communities	84.186	N/A	18,834
Education of Homeless Children and Youth Cluster			
Stewart B. McKinney Homeless Assistance Act	84.196	N/A	29,282
Vocational Education-Basic Grants to States			
Program Improvement	84.048	N/A	158,386
CTE Perkins Plus	84.048	N/A	3,598
Total Vocational Education-Basic Grants to States			161,984
Total U.S. Department of Education			17,114,829
Human Resources, U.S. Department of			
Mentors and Motivators	93.959	N/A	84,028
Defense, U.S. Department of			
R.O.T.C Program	12.357	N/A	66,328
Total Federal Financial Assistance			$ 22,507,529

FORSYTH COUNTY BOARD OF EDUCATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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, 2011

SECTION I
SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued	Unqualified
Internal control over financial reporting: Material weaknesses identified?	__X__ yes ____ 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?	_____ yes __X_ 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)?	_____ yes __X_ no

Identification of major program:

CFDA Number	Name of Federal Program or Cluster
84.027, 84.173, 84.391, 84.392	Special Education Cluster
84.410	Education Jobs Fund
84.010, 84.389	Title I, Part A Cluster
10.553, 10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$675,226
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, 2011

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2011 - 1. Restatement of Prior Year Balances

Criteria: Internal controls should be in place to ensure that financial statements are properly presenting the financial position and results of the District in accordance with generally accepted accounting principles.

Condition: Internal controls were not sufficient to detect material misstatements in the District's financial statements for the year ended June 30, 2010.

Context/Cause: During our audit for the year ended June 30, 2011, a misstatement was identified that caused the need to restate opening net assets (equity) for the year ended June 30, 2010. During our testing of the amortization of the deferred loss on refunding, it was noted the District was not amortizing the loss from previous refunding over the shorter of the life of the new refunding bonds or the old refunded bonds. The long-term debt was restated in governmental activities.

Effects: An audit adjustment totaling approximately $5,490,000 was needed to correctly report the opening balances of equity on the District's statement of net assets.

Recommendation: We recommend the District carefully review the financial statements and its applicable reporting requirements under generally accepted accounting principles to ensure that all information and financial data is being properly reported.

Auditee's Response: We concur with this finding. The accounting treatment of the error had been performed in the same method as in prior years, and was not previously identified and corrected. Corrective action will be taken in order to ensure that items are properly recorded in the future.

FORSYTH COUNTY BOARD OF EDUCATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2011 - 2. Expenditure Recognition

Criteria: Generally, expenditures should be recognized as soon as a liability is incurred, regardless of the timing of the related cash flows in accordance with generally accepted accounting principles. However, debt service expenditures should only be recorded when payment is due.

Condition: Internal controls were not sufficient to detect certain misstatements in the reporting of the District's expenditures and related liabilities.

Context/Cause: During our testing of expenditures, certain audit adjustments were required to correct current year expenditures, as follows:

- In the School Food Services Fund, an adjustment of approximately $115,000 was required to remove accrued expenditures for which the goods were not received prior to the fiscal year end.
- In the Debt Service Fund, an adjustment of approximately $1,749,000 was required to remove accrued expenditures related to debt service requirements which were due subsequent to year end.

Effects: Audit adjustments totaling approximately $1,864,000 were needed to correctly report expenditures and the related liabilities.

Recommendation: We recommend the District carefully review all expenditures and related balance sheet accounts to ensure all necessary transactions are reported in the proper period.

***Auditee's Response*:** We concur with the finding. The adjustment which was posted for the Debt Service Fund, was an unusual entry, as the District typically makes the payments for the debt service prior to June 30 each year. However, this year one of the payments was not remitted until July 1, which is the due date. As such the expenditure was incorrectly accrued back to the 2011 fiscal year. We have implemented new procedures to ensure the expenditures will be reviewed and reported in the proper period.

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None reported.

FORSYTH COUNTY BOARD OF EDUCATION

SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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.

Status: *The finding was resovled in the current year.*