FORSYTH COUNTY BOARD OF EDUCATION

ANNUAL FINANCIAL REPORT

FOR THE

FISCAL YEAR ENDED JUNE 30, 2012

FORSYTH COUNTY BOARD OF EDUCATION
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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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, 2012, 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 previously 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, 2012, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2013 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 financial statements. The combining fund statements 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 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 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 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 combining fund statements, the Schedule of Expenditures of Special Purpose Local Option Sales Tax Proceeds, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.



Atlanta, Georgia
January 18, 2013

FORSYTH COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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, 2012. 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 2012 are as follows:

- On the district-wide financial statements, the assets of the School District exceeded liabilities by $358.2 million. Of this amount, $48.3 million is unrestricted and is available for spending at the School District's discretion.

- The School District had $340.1 million in expenses relating to governmental activities; only $174.9 million of these expenses are offset by program specific charges for services, grants and contributions. General revenues (primarily property and sales taxes) of $180.8 million were adequate to provide for these programs.

- As stated above, general revenues accounted for $180.8 million or 51% of all revenues totaling $355.7 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 $15.6 million.

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 2011	Fiscal Year 2012
Assets		
Current and Other Assets	$ 115,933,632	$ 111,144,919
Capital Assets	637,843,460	624,491,269
Total assets	753,777,092	735,636,188
Liabilities		
Current Liabilities	28,824,315	28,657,100
Long-Term Liabilities	382,373,490	348,806,575
Total Liabilities	411,197,805	377,463,675
Net Assets		
Invested in Capital Assets, net of Related Debt	279,783,805	287,954,693
Restricted	7,795,192	21,896,902
Unrestricted	55,000,290	48,320,918
Total Net Assets	$ 342,579,287	$ 358,172,513

Table 2
Changes in Net Assets

	Governmental Activities	
	Fiscal Year 2011	Fiscal Year 2012
Revenues		
Program Revenues:		
Charges for Services	$ 9,606,818	$ 10,900,853
Operating Grants and Contributions	162,335,868	157,241,523
Capital Grants and Contributions	430,982	6,718,661
General Revenues:		
Taxes:		
Property Taxes		
For Maintenance and Operations	127,854,184	125,844,208
For Debt Service	11,868,898	18,563,628
Sales Taxes:		
Special Purpose Local Option Sales Tax	27,145,923	30,162,666
Other Taxes:		
Intangible Taxes	3,378,995	4,228,678
Real Estate Transfer Taxes	607,239	885,912
Unrestricted Investment Earnings	230,374	195,569
Gain on Sale of Capital Assets	273,965	335,616
Other	1,032,523	577,445
Total Revenues	344,765,769	355,654,759
Expenses		
Instruction	222,926,366	229,467,869
Support Services:		
Pupil Services	7,723,775	7,580,212
Improvement of Instructional Services	4,927,863	5,140,775
Educational Media Services	4,240,533	3,995,809
Federal Grant Administration	-	330,784
General Administration	1,269,243	945,670
School Administration	16,927,736	16,682,256
Business Administration	1,633,241	1,676,302
Maintenance and Operation of Plant	21,893,323	21,706,709
Student Transportation Services	13,986,282	14,320,052
Central Support Services	5,783,357	5,632,217
Other Support Services	414,706	307,865
Food Services Operations	15,682,801	16,172,456
Community Services Operations	818,568	1,224,344
Interest on Long-Term Debt	17,497,544	14,878,213
Total Expenses	335,725,338	340,061,533
Change in Net Assets	9,040,431	15,593,226
Net Assets, beginning of year	333,538,856	342,579,287
Net Assets, end of year	$ 342,579,287	$ 358,172,513

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	
	2011	2012	2011	2012
Instruction	222,926,366	229,467,869	$ 81,767,588	$ 87,014,584
Support services:				
Pupil services	7,723,775	7,580,212	7,723,775	7,580,212
Improvement of instructional services	4,927,863	5,140,775	4,927,863	5,140,775
Educational media services	4,240,533	3,995,809	1,752,326	1,564,463
Federal grant administration	-	330,784	-	330,784
General administration	1,269,243	945,670	1,269,243	945,670
School administration	16,927,736	16,682,256	12,593,396	12,433,207
Business administration	1,633,241	1,676,302	1,633,241	1,676,302
Maintenance and operation of plant	21,893,323	21,706,709	15,950,118	15,905,655
Student transportation services	13,986,282	14,320,052	12,966,145	13,328,345
Central support services	5,783,357	5,632,217	3,414,995	3,320,716
Other support services	414,706	307,865	414,706	307,865
Food services operations	15,682,801	16,172,456	1,440,730	773,705
Community services operations	818,568	1,224,344	-	-
Interest on long-termd debt	17,497,544	14,878,213	17,497,544	14,878,213
Total expenses	$ 335,725,338	$ 340,061,533	$ 163,351,670	$ 165,200,496

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 $385.2 million and total expenditures and other financing uses of $391.3 million.

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 1,316 when comparing state QBE allotment sheets for fiscal years 2011 and 2012. Overall state and federal funding rose by $7 million over the prior year. Local revenues declined by $2.5 million. This was the result of the continued decline in the local tax digest's value. For fiscal year 2012 the Board 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 2012 revenues. Those funds were transferred to the Debt Services Fund for the payment of bonds which were designated in the SPLOST referendum. Kelley Mill Elementary was under construction during 2012 and the Board received $6.7 million in GSFIC funding from the state of Georgia. Project expenditures accounted for the majority of the $13 million expended in the capital projects fund overall. The balance of the expenditures for the new school was paid with existing funds that were on hand at June 30, 2011.

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. For fiscal year 2012 The Board increased the debt service millage rate from 1.418 mills to 2.418 mills in order to meet current and future debt service payments.
As a result the ad valorem tax revenues rose by $6.4 million.

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 2012, 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 $264.6 million were more than the original budgeted amounts of $258.8 million by 5.8 million.

Total budget basis actual total revenues had an $.7 million positive variance when compared to the final budgeted revenue total.

The budget basis actual expenditures of $262.8 million were less than the original budgeted amount of $263.2 million by $.4 million.

The budget basis actual expenditures had a $2.1 million positive variance when compared to the final budgeted expenditures.

The general fund has an assigned fund balance of $8.5 million that is to be used in fiscal year 2013 to cover the anticipated revenue shortfall for that year. This was taken into account during the development of the fiscal year 2013 budget.

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

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
State sources	$ 128,917,610	$ 128,982,190	$ 129,358,164	$ 375,974
Federal sources	50,000	50,000	163,540	113,540
Local sources and other funds	129,783,160	130,292,476	130,538,908	246,432
On behalf payments	-	358,337	358,337	-
Total revenues	258,750,770	259,683,003	260,418,949	735,946
EXPENDITURES				
Current:				
Instruction	190,346,715	190,743,461	189,480,722	1,262,739
Support services:				
Pupil services	5,514,124	5,628,875	5,546,079	82,796
Improvement of instructional services	3,834,523	4,027,500	3,972,704	54,796
Educational media services	3,748,783	3,771,721	3,528,979	242,742
General administration	918,311	919,375	845,689	73,686
School administration	16,383,912	16,490,609	16,404,302	86,307
Business administration	1,599,670	1,639,957	1,643,173	(3,216)
Maintenance and operation of plant	22,002,730	22,019,997	21,636,661	383,336
Student transportation services	12,288,001	12,325,100	12,558,406	(233,306)
Central support services	5,499,305	5,505,004	5,401,888	103,116
Other support services	88,902	88,940	86,002	2,938
Capital outlay	-	660,540	663,236	(2,696)
Debt service:				
Principal retirement	927,654	927,654	927,654	-
Interest and fiscal charges	74,985	74,985	74,985	-
Total expenditures	263,227,615	264,823,718	262,770,480	2,053,238
Excess (deficiency) of revenues over expenditures	(4,476,845)	(5,140,715)	(2,351,531)	2,789,184
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	-	107,150	107,150
Transfers in	-	-	4,061,600	4,061,600
Transfers out	-	-	(6,294,000)	(6,294,000)
Total of other financing sources (uses)	-	-	(2,125,250)	(2,125,250)
Net change in fund balances	(4,476,845)	(5,140,715)	(4,476,781)	663,934
FUND BALANCES, beginning of year	50,575,551	50,575,551	50,575,551	-
FUND BALANCES, end of year	$ 46,098,706	$ 45,434,836	$ 46,098,770	$ 663,934

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At fiscal year ended June 30, 2012, the School District had $624.5 million invested in capital assets, all in governmental activities. Capital assets decreased $13.4 million over the balance at June 30, 2011.

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

Table 5
Capital Assets
(Net of Accumulated Depreciation)

	Governmental Activities	
	Fiscal Year 2011	Fiscal Year 2012
Land	$ 83,122,019	$ 83,122,019
Land Improvements	26,988,851	25,595,131
Construction in Progress	6,040,802	15,149,153
Buildings	480,621,723	469,896,044
Furniture and Equipment	41,070,065	30,728,922
Total	$ 637,843,460	$ 624,491,269

Debt

At fiscal year ended June 30, 2012, the School District had $347.8 million in bonds outstanding and $1 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 2011	Fiscal Year 2012
General Obligation Bonds	$ 380,457,561	$ 347,818,300
Capital Leases	1,915,929	988,275
Total General Long-Term Debt	$ 382,373,490	$ 348,806,575

At June 30, 2012, 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.

Increases in state health insurance premiums impacted the current year's budget as well. State Health insurance rates for classified staff have risen substantially. The Board has been notified of substantial rate increase for the next three fiscal years. This will affect every school system in the state.

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 1.68%. The 2012 tax digest that was used in the development of the fiscal year 2013 budget decreased by another 3.83%. 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, 2012

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 81,716,257
Receivables:	
Accounts	86,274
Intergovernmental	20,779,970
Taxes	6,135,419
Inventory	601,422
Prepaid items	330,195
Deferred charges	1,495,382
Capital assets (nondepreciable)	98,271,172
Capital assets (depreciable, net of accumulated depreciation)	526,220,097
Total assets	735,636,188
LIABILITIES	
Accounts payable	4,363,712
Salaries and benefits payable	19,160,461
Accrued interest payable	4,470,362
Unearned revenue	19,427
Accrued claims payable due within one year	385,883
Accrued claims payable due in more than one year	257,255
Bonds payable due within one year	29,245,000
Bonds payable due in more than one year	318,573,300
Capital leases due within one year	725,031
Capital leases due in more than one year	263,244
Total liabilities	377,463,675
NET ASSETS	
Invested in capital assets, net of related debt	287,954,693
Restricted for:	
Capital projects	10,685,257
Debt service	5,505,565
Federal programs	160,444
School food services	5,545,636
Unrestricted	48,320,918
Total net assets	$ 358,172,513

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, 2012

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	$ 229,467,869	$ 248,528	$ 135,486,096	$ 6,718,661	$ (87,014,584)
Support services:					
Pupil services	7,580,212	-	-	-	(7,580,212)
Improvement of instructional services	5,140,775	-	-	-	(5,140,775)
Educational media services	3,995,809	-	2,431,346	-	(1,564,463)
Federal grant administration	330,784	-	-	-	(330,784)
General administration	945,670	-	-	-	(945,670)
School administration	16,682,256	-	4,249,049	-	(12,433,207)
Business adminstration	1,676,302	-	-	-	(1,676,302)
Maintenance and operation of plant	21,706,709	-	5,801,054	-	(15,905,655)
Student transportation services	14,320,052	-	991,707	-	(13,328,345)
Central support services	5,632,217	-	2,311,501	-	(3,320,716)
Other support services	307,865	-	-	-	(307,865)
Food services operation	16,172,456	9,427,981	5,970,770	-	(773,705)
Community services operation	1,224,344	1,224,344	-	-	-
Interest on long-term debt	14,878,213	-	-	-	(14,878,213)
Total governmental activities	$ 340,061,533	$ 10,900,853	$ 157,241,523	$ 6,718,661	(165,200,496)

General revenues:	
Property taxes, levied for general purposes	125,844,208
Property taxes, levied for debt service	18,563,628
Sales taxes	30,162,666
Intangible taxes	4,228,678
Real estate transfer taxes	885,912
Unrestricted investment earnings	195,569
Other	577,445
Gain on sale of capital assets	335,616
Total general revenues	180,793,722
Change in net assets	15,593,226
Net assets, beginning of year	342,579,287
Net assets, end of year	$ 358,172,513

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

FORSYTH COUNTY BOARD OF EDUCATION

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

ASSETS	General	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents	$ 46,123,767	$ 20,634,538	$ 5,081,702	$ 9,876,250	$ 81,716,257
Receivables:					
Accounts	84,401	-	-	1,873	86,274
Intergovernmental	19,042,805	-	-	1,737,165	20,779,970
Taxes	3,078,149	2,633,407	423,863	-	6,135,419
Due from other funds	926,892	-	-	-	926,892
Prepaid items	330,195	-	-	-	330,195
Inventory	329,553	-	-	271,869	601,422
Total assets	$ 69,915,762	$ 23,267,945	$ 5,505,565	$ 11,887,157	$ 110,576,429
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ 4,024,606	$ 312,689	$ -	$ 26,417	$ 4,363,712
Salaries and benefits payable	18,028,752	-	-	1,131,709	19,160,461
Due to other funds	-	-	-	926,892	926,892
Deferred revenue	1,763,634	-	248,212	19,427	2,031,273
Total liabilities	23,816,992	312,689	248,212	2,104,445	26,482,338
FUND BALANCES					
Non spendable:					
Inventory	329,553	-	-	271,869	601,422
Prepaids	330,195	-	-	-	330,195
Restricted:					
Capital projects	-	22,955,256	-	-	22,955,256
Debt service	-	-	5,257,353	-	5,257,353
Federal programs	-	-	-	160,444	160,444
School food services	-	-	-	5,545,636	5,545,636
Committed:					
School activities	-	-	-	3,804,763	3,804,763
Assigned:					
Use of fund balance in 2013 budget	8,474,968	-	-	-	8,474,968
Unassigned	36,964,054	-	-	-	36,964,054
Total fund balances	46,098,770	22,955,256	5,257,353	9,782,712	84,094,091
Total liabilities and fund balances	$ 69,915,762	$ 23,267,945	$ 5,505,565	$ 11,887,157	

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	814,244,183	
	Less accumulated depreciation	(189,752,914)	624,491,269
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.			
	Property taxes		2,011,846
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.			
	Bonds, net of deferred loss on refunding	(334,375,480)	
	Bond premium, net of amortization	(13,442,820)	
	Bond issuance costs, net of amortization	1,495,382	
	Accrued interest	(4,470,362)	
	Accrued claims payable	(643,138)	
	Capital leases	(988,275)	(352,424,693)
Net assets of governmental activities			$ 358,172,513

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, 2012

	General	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
State funds	$ 129,358,164	$ 6,718,661	$ -	$ 389,748	$ 136,466,573
Federal funds	163,540	-	-	15,638,446	15,801,986
Local and other funds	131,763,252	30,210,784	18,935,009	20,573,791	201,482,836
On behalf payments	358,337	-	-	-	358,337
Total revenues	261,643,293	36,929,445	18,935,009	36,601,985	354,109,732
EXPENDITURES					
Current:					
Instruction	189,480,722	-	-	16,759,106	206,239,828
Support services:					
Pupil services	5,546,079	-	-	2,025,456	7,571,535
Improvement of instructional services	3,972,704	-	-	1,146,547	5,119,251
Educational media services	3,528,979	-	-	-	3,528,979
Federal grant administration	-	-	-	330,784	330,784
General administration	845,689	-	-	84,701	930,390
School administration	16,404,302	-	-	-	16,404,302
Business administration	1,643,173	-	-	-	1,643,173
Maintenance and operation of plant	21,636,661	-	-	-	21,636,661
Student transportation services	12,558,406	-	-	160,612	12,719,018
Central support services	5,401,888	-	-	181,740	5,583,628
Other support services	86,002	-	-	221,863	307,865
Food services operation	-	-	-	15,145,519	15,145,519
Community services operation	1,224,344	-	-	-	1,224,344
Capital outlay	663,236	13,040,533	-	-	13,703,769
Debt service:					
Principal retirement	927,654	-	29,855,000	-	30,782,654
Interest	74,985	-	17,415,953	-	17,490,938
Total expenditures	263,994,824	13,040,533	47,270,953	36,056,328	360,362,638
Excess (deficiency) of revenues over (under) expenditures	(2,351,531)	23,888,912	(28,335,944)	545,657	(6,252,906)
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	107,150	-	-	-	107,150
Transfers in	4,061,600	-	26,922,250	-	30,983,850
Transfers out	(6,294,000)	(24,689,850)	-	-	(30,983,850)
Total other financing sources (uses)	(2,125,250)	(24,689,850)	26,922,250	-	107,150
Net change in fund balances	(4,476,781)	(800,938)	(1,413,694)	545,657	(6,145,756)
FUND BALANCES, beginning of year	50,575,551	23,756,194	6,671,047	9,237,055	90,239,847
FUND BALANCES, end of year	$ 46,098,770	$ 22,955,256	$ 5,257,353	$ 9,782,712	$ 84,094,091

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, 2012

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

Net change in fund balances - total governmental funds		$ (6,145,756)
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	$ 13,693,303	
Depreciation expense	(27,273,960)	(13,580,657)
The net effect of the sales and trade-in allowances of capital assets is to increase net assets		
Trade-in allowance	$ 541,799	
Net book value of assets sold	(313,333)	228,466
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		1,209,411
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	$ 30,782,654	
Amortization of bond premium	3,005,391	
Amortization of deferred charges	(221,130)	
Amortization of bond issuance costs	(289,006)	
Claims payable	486,383	33,764,292
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, 2011	$ 4,587,832	
Accrued interest payable, June 30, 2012	(4,470,362)	117,470
Change in net assets - governmental activities		$ 15,593,226

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, 2012

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
State sources	$ 128,917,610	$ 128,982,190	$ 129,358,164	$ 375,974
Federal sources	50,000	50,000	163,540	113,540
Local sources and other funds	129,783,160	130,292,476	130,538,908	246,432
On behalf payments	-	358,337	358,337	-
Total revenues	258,750,770	259,683,003	260,418,949	735,946
EXPENDITURES				
Current:				
Instruction	190,346,715	190,743,461	189,480,722	1,262,739
Support services:				
Pupil services	5,514,124	5,628,875	5,546,079	82,796
Improvement of instructional services	3,834,523	4,027,500	3,972,704	54,796
Educational media services	3,748,783	3,771,721	3,528,979	242,742
General administration	918,311	919,375	845,689	73,686
School administration	16,383,912	16,490,609	16,404,302	86,307
Business adminstration	1,599,670	1,639,957	1,643,173	(3,216)
Maintenance and operation of plant	22,002,730	22,019,997	21,636,661	383,336
Student transportation services	12,288,001	12,325,100	12,558,406	(233,306)
Central support services	5,499,305	5,505,004	5,401,888	103,116
Other support services	88,902	88,940	86,002	2,938
Capital outlay	-	660,540	663,236	(2,696)
Debt service:				
Principal retirement	927,654	927,654	927,654	-
Interest and fiscal charges	74,985	74,985	74,985	-
Total expenditures	263,227,615	264,823,718	262,770,480	2,053,238
Excess (deficiency) of revenues over expenditures	(4,476,845)	(5,140,715)	(2,351,531)	2,789,184
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	-	107,150	107,150
Transfers in	-	-	4,061,600	4,061,600
Transfers out	-	-	(6,294,000)	(6,294,000)
Total other financing sources (uses)	-	-	(2,125,250)	(2,125,250)
Net change in fund balances	(4,476,845)	(5,140,715)	(4,476,781)	663,934
FUND BALANCES, beginning of year	50,575,551	50,575,551	50,575,551	-
FUND BALANCES, end of year	$ 46,098,706	$ 45,434,836	$ 46,098,770	$ 663,934

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, 2012

	Agency Fund
ASSETS	
Cash	$ 513,663
Total assets	$ 513,663
LIABILITIES	
Due to others	$ 513,663
Total liabilities	$ 513,663

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 System for teachers' salaries and operating costs through the Quality Basic Education (QBE) Formula Earnings program. State of Georgia law defines the formula driven grant that determines the cost of an academic school year and the State of Georgia's share in this cost. 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 requirements of the enabling legislation of the QBE program, the State of Georgia reimburses the School System over the same twelve month period in which teachers are paid, funding the academic school year expenditures. At June 30, the amount of teachers' salaries incurred but not paid until July and August of the subsequent year are accrued as the State of Georgia has only postponed the final payment of their share of the cost until the subsequent appropriations for cash management purposes. By June 30 of each year, the State of Georgia has a signed appropriation that includes this final amount, which represents the State of Georgia's intent to fund this final payment. Based on guidance in Government Accounting Standards Board (GASB) Statement No. 33, paragraph 74, the State of Georgia recognizes its QBE liability for the July and August salaries at June 30, and the School System recognizes the same QBE as a receivable and revenue, consistent with symmetrical recognition.

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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.

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, 2012, 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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

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

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 School District 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.

- ***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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund Equity/Net Assets - Continued

- ***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 School District's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the School District'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 School District 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 School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

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, 2012.

General Fund:		
Support Services:		
Business administration	$	3,216
Student transportation		233,306
Capital outlay		2,696

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 reported in accordance with GAAP.

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

Actual Revenues GAAP Basis	$ 261,643,293	
Community Service Activity	(1,224,344)	
Actual Revenues, Budgetary Basis		$ 260,418,949
Expenditures GAAP Basis	$ 263,994,824	
Community Service Activity	(1,224,344)	
Actual Expenditures, Budgetary Basis		262,770,480
Net Change in Fund Balance, Budgetary Basis		$ (4,476,781)
Net Change in Fund Balance, GAAP Basis		$ (4,476,781)

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, 2012, 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 $20,901,934 is at fair value. These investments are considered cash equivalents.

State statutes authorize the Government to invest in obligations of the State of Georgia or other states; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime banker's acceptances; repurchase agreements; obligations of other political subdivisions of the State of Georgia; and the Local Government Investment Pool of the State of Georgia ("Georgia Fund 1"). Georgia Fund I 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, 2012, the School District's investment in Georgia Fund 1 was rated AAAm by Standard & Poor's.

At June 30, 2012, the District had the following investments:

Investment	Maturities	Fair Value
Georgia Fund 1	48 day weighted average	$ 20,901,934

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 (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, 2012, 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, 2012.

NOTE E - TAXES RECEIVABLE

Taxes receivable includes property taxes and sales taxes due to the School District. Property taxes were levied on July 21, 2011, based on property values assessed as of January 1, 2011, and were payable on or before November 15, 2011. 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 $56,732 in the General Fund and $7,659 in the Debt Service Fund. Sales tax receivable is included in the Capital Projects Fund relative to Special Purpose Local Option Sales Tax revenue.

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NOTE F – CAPITAL ASSETS

Changes in capital assets used in the School District's governmental activities during the year ended June 30, 2012 were as follows:

	Balance July 1, 2011	Increases	Transfers	Decreases	Balance June 30, 2012
Capital assets not being depreciated					
Land and improvements	$ 83,122,019	$ -	$ -	$ -	$ 83,122,019
Construction in progress	6,040,802	10,355,615	(1,247,264)	-	15,149,153
Total capital assets not being depreciated	89,162,821	10,355,615	(1,247,264)	-	98,271,172
Capital assets being depreciated					
Land improvements	36,232,673	313,146	-	-	36,545,819
Buildings	574,982,464	788,252	1,247,264	(119,309)	576,898,671
Furniture and equipment	102,694,590	2,778,089	-	(2,944,158)	102,528,521
Total capital assets being depreciated	713,909,727	3,879,487	1,247,264	(3,063,467)	715,973,011
Less accumulated depreciation for					
Land improvements	(9,243,822)	(1,706,866)	-	-	(10,950,688)
Buildings	(94,360,741)	(12,670,460)	-	28,574	(107,002,627)
Furniture and equipment	(61,624,525)	(12,896,634)	-	2,721,560	(71,799,599)
Total accumulated depreciation	(165,229,088)	(27,273,960)	-	2,750,134	(189,752,914)
Total capital assets being depreciated, net	548,680,639	(23,394,473)	1,247,264	(313,333)	526,220,097
Total governmental activities capital assets, net	$ 637,843,460	$ (13,038,858)	$ -	$ (313,333)	$ 624,491,269

Depreciation expense was charged to the functions as follows:

Instruction	$ 23,703,958
Support Services:	
Pupil Services	8,677
Improvement of Instructional Services	21,524
Educational Media Services	466,830
General Administration	15,280
School Administration	277,954
Business Administration	33,129
Maintenance and Operation of Plant	70,048
Student Transportation Services	1,601,034
Central Support Services	48,589
Food Services Operation	1,026,937
	$ 27,273,960

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, 2012.

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012	Due within One Year
1992 Series general obligation bonds maturing on July 1, 2016, with interest rates ranging from 6.0% to 6.25%	$ 10,070,000	$ -	$ 1,410,000	$ 8,660,000	$ 1,510,000
1998 Series general obligation refunding bonds maturing on July 1, 2016, with interest rates ranging from 4.00% to 5.125%	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%	77,755,000	-	8,350,000	69,405,000	8,670,000
2005 Series general obligation bonds maturing on February 1, 2025, with interest rates ranging from 3.0% to 5.25%	164,300,000	-	3,000,000	161,300,000	3,000,000
2007 Series general obligation bonds maturing on June 1, 2017, with interest rates ranging from 3.75% to 5.00%	85,640,000	-	12,855,000	72,785,000	13,380,000
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	365,115,000	-	29,855,000	335,260,000	29,245,000
Less deferred loss on refunding	(1,105,650)	-	221,130	(884,520)	-
Plus bond premium	16,448,211	-	3,005,391	13,442,820	-
Subtotal	380,457,561	-	33,081,521	347,818,300	29,245,000
Capitialized lease obligations at interest rates ranging from 4.68% to 5.06%	1,915,929	-	927,654	988,275	725,031
Total general long-term debt	$ 382,373,490	$ -	$ 34,009,175	$ 348,806,575	$ 29,970,031

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

General Obligation Bonds

In the 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 of 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 that are considered defeased at June 30, 2012 was 24,760,000.

At June 30, 2012, principal and interest payments due by fiscal year for General Obligation Bonds are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2013	$ 29,245,000	$ 16,487,023	$ 45,732,023
2014	32,855,000	15,004,400	47,859,400
2015	34,680,000	13,399,319	48,079,319
2016	36,555,000	11,688,323	48,243,323
2017	38,540,000	9,839,138	48,379,138
2018-2022	101,295,000	29,769,050	131,064,050
2023-2025	62,090,000	6,276,000	68,366,000
Total	$ 335,260,000	$ 102,463,253	$ 437,723,253

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, 2012:

Fiscal Year Ending June 30,	
2013	$ 769,356
2014	254,935
2015	21,190
Total minimum lease payments	1,045,481
Less amount representing interest	(57,206)
Present value of future minimum lease payments	$ 988,275

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, 2012 are as follows:

	Due From Other Funds	Due To Other Funds
General Fund	$ 926,892	$ -
Nonmajor governmental funds	-	926,892
Total governmental funds	$ 926,892	$ 926,892

Transfers are used to (1) reimburse the General Fund from the SPLOST Fund for prior debt service payments made by the General Fund that are allowable debt service payments in the SPLOST referendum, (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, 2012 are as follows:

	Transfer In	Transfer Out
General Fund	$ 4,061,600	$ 6,294,000
Debt Service Fund	26,922,250	-
Capital Projects Fund	-	24,689,850
Total governmental funds	$ 30,983,850	$ 30,983,850

NOTE I - OPERATING LEASES

The School District is committed under various leases for equipment. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the year totaled $565,933. Future minimum lease payments on these leases are as follows:

Year ending June 30,	
2013	$ 564,924
2014	564,924
2015	564,924
2016	94,154
Total	$ 1,788,926

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
2012	$ 1,129,521	$ 314,395	$ 800,778	$ 643,138	$ 385,883
2011	1,739,356	653,966	1,263,801	1,129,521	677,712

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
2012	$ -	$ 79,560	$ 79,560	$ -
2011	-	260,784	260,784	-

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, 2012, were 5.53% of annual salary. The member contribution rate will increase to 6.00% effective July 1, 2013. Employer contributions required for fiscal year 2012 were 10.28% of annual salary. The employer contribution rate will increase to 11.41% effective July 1, 2013.

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

	2012	2011	2010
Employees	$ 9,120,029	$ 9,019,928	$ 8,702,873
School System	16,952,240	16,769,068	16,150,843

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, which equaled the required contributions, to the PSERS for the years ending June 30, 2012, 2011 and 2010, were $32,004, $32,184 and $32,650 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, 2012, 2011, and 2010 the School District contributed $305,823, $330,728, and $331,540, respecively, to the Plan on behalf of its employees. For the years ended June 30, 2012, 2011, and 2010, employees contributed $432,718, $444,839, and $451,191, 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 $67,556.

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 $358,337 for retirement contributions paid on the School District's behalf as follows:

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 $24,460.

Paid by the Georgia Department of Education to the Teachers Retirement System for Teachers Retirement (TRS) in the amount of $333,877.

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, 2012, were as follows:

Certified employees

July 2011	18.534% of covered payroll for August Coverage
August 2011 – March 2012	24.00% of covered payroll for September – April Coverage
April 2012 – June 2012	3.958% of covered payroll for May – July Coverage

Non-Certificated Employees $296.20 per month at June 30, 2012

No additional contribution was required by the Board of Community Health for fiscal year 2012 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, 2012, 2011 and 2010 were $29,599,355, $34,644,714 and $32,181,983, which equaled the required contribution.

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, 2012

	Special Revenue Funds			
ASSETS	**Federal Programs Fund**	**School Activity Fund**	**School Food Services Fund**	**Total Nonmajor Governmental Funds**
Cash and cash equivalents	$ -	$ 3,804,763	$ 6,071,487	$ 9,876,250
Due from other governments	1,737,165	-	-	1,737,165
Accounts receivable	-	-	1,873	1,873
Inventory	-	-	271,869	271,869
Total assets	$ 1,737,165	$ 3,804,763	$ 6,345,229	$ 11,887,157
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 26,417	$ -	$ -	$ 26,417
Salaries and benefits payable	603,985	-	527,724	1,131,709
Due to other funds	926,892	-	-	926,892
Unearned revenue	19,427	-	-	19,427
Total liabilities	1,576,721	-	527,724	2,104,445
FUND BALANCES				
Nonspendable:				
Inventory	-	-	271,869	271,869
Restricted:				
Federal programs	160,444	-	-	160,444
School food services	-	-	5,545,636	5,545,636
Committed:				
School activities	-	3,804,763	-	3,804,763
Total fund balances	160,444	3,804,763	5,817,505	9,782,712
Total liabilities and fund balances	$ 1,737,165	$ 3,804,763	$ 6,345,229	$ 11,887,157

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, 2012

	Special Revenue Funds			
REVENUES	**Federal Programs Fund**	**School Activity Fund**	**School Food Services Fund**	**Total Nonmajor Governmental Funds**
State funds	$ -	$ -	$ 389,748	$ 389,748
Federal funds	10,057,424	-	5,581,022	15,638,446
Local and other funds	82,400	11,062,801	9,428,590	20,573,791
Total revenues	10,139,824	11,062,801	15,399,360	36,601,985
EXPENDITURES				
Instruction	5,952,329	10,806,777	-	16,759,106
Support services:				
Pupil services	2,025,456	-	-	2,025,456
Improvement of instructional services	1,146,547	-	-	1,146,547
Federal grant administration	330,784	-	-	330,784
General administration	84,701	-	-	84,701
Student transportation services	160,612	-	-	160,612
Central support services	181,740	-	-	181,740
Other support services	221,863	-	-	221,863
Food services operation	-	-	15,145,519	15,145,519
Total expenditures	10,104,032	10,806,777	15,145,519	36,056,328
Net change in fund balances	35,792	256,024	253,841	545,657
FUND BALANCES, beginning of year	124,652	3,548,739	5,563,664	9,237,055
FUND BALANCES, end of year	$ 160,444	$ 3,804,763	$ 5,817,505	$ 9,782,712

FORSYTH COUNTY BOARD OF EDUCATION

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	SPLOST II				
	Original Estimated Cost	Current Estimated Cost	Prior Years	Current Year	Total
Acquisition, construction, renovation and equipping of schools	$ 143,800,000	$ 97,072,545	$ 95,454,795	$ 1,617,750	$ 97,072,545
Debt service	56,200,000	50,113,576	50,113,876	-	50,113,876
	$ 200,000,000	$ 147,186,121	$ 145,568,671	$ 1,617,750	$ 147,186,421

	SPLOST III				
	Original Estimated Cost	Current Estimated Cost	Prior Years	Current Year	Total
Acquisition, construction, renovation and equipping of schools	$ 207,500,000 *	$ 89,145,453	$ 54,346,029 ^	$ 23,693,014	$ 78,039,043
Debt service	57,500,000 *	57,500,000	56,497,995 ^	1,002,005	57,500,000
	$ 265,000,000	$ 146,645,453	$ 110,844,024	$ 24,695,019	$ 135,539,043

Non-SPLOST monies expended in Capital Projects Fund	11,417,614
Total expenditures and transfers of Capital Projects Fund	37,730,383

* The original allocation between funds available for debt service and funds anticipated for capital construction was not correctly allocated and has been corrected in the current year to agree with the original referendum.

^ The allocation of the actuals from prior years was misclassified and has been reclassified according to the referendum.

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, 2012, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 18, 2013. 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.

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

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

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 January 18, 2013.

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
January 18, 2013

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, 2012. 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.

As described in item 2012-1 in the accompanying schedule of findings and questioned costs, the Forsyth County Board of Education did not comply with requirements regarding allowable costs that are applicable to its i3 Engage ME PLEASE program (CFDA 84.396). Compliance with such requirements is necessary, in our opinion, for the Forsyth County Board of Education to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance descrbied in the preceding paragraph, 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, 2012.

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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance 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 discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs, as item 2012-1, to be a material weakness.

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

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

Mauldin & Jenkins, LLC

Atlanta, Georgia
January 18, 2013

FORSYTH COUNTY BOARD OF EDUCATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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	$ 1,102,006
National School Lunch Program:			
Cash Assistance	10.555	N/A	3,645,395
Non-Cash Assistance (Commodities)	10.555	N/A	833,621
Total Child Nutrition Cluster			5,581,022
Education, U.S. Department of:			
State Fiscal Stabilization Fund - Innovation Fund, Recovery Act			
i3 Engage ME PLEASE	84.396C	N/A	763,865
Pass-Through from Georgia Department of Education			
Special Education Cluster			
Part B-Special Education			
Flow Through	84.027	N/A	5,664,653
High Cost Fund Pool	84.027	N/A	236,471
Preschool	84.173	N/A	79,518
Flow Through - ARRA	84.391	N/A	25,778
Total Special Education Cluster			6,006,420
Education Jobs Fund	84.410	N/A	83,481
Title I, Part A Cluster			
Improving Academic Achievement	84.010	N/A	2,213,091
Distinguished District Awards	84.010	N/A	1,775
School Improvement	84.010	N/A	3,833
Improving Academic Achievement - ARRA	84.389	N/A	117,742
Total Title I, Part A Cluster			2,336,441
Title I - C			
Migrant Education	84.011	N/A	9,515

FORSYTH COUNTY BOARD OF EDUCATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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	11,190
Improving Teacher Quality	84.367	N/A	294,507
Total Title II Cluster			305,697
Title III			
Limited English Proficient	84.365	N/A	218,625
Immigrant	84.365	N/A	1,955
Total Title III			220,580
Title IV			
Safe and Drug Free Schools And Communities	84.186	N/A	23,032
Education of Homeless Children and Youth	84.196	N/A	50,209
Vocational Education-Basic Grants to States			
Program Improvement	84.048	N/A	148,530
CTE Perkins Plus	84.048	N/A	23,350
Total Vocational Education-Basic Grants to States			171,880
Total U.S. Department of Education			9,971,120
Health and Human Services, U.S. Department of			
Mentors and Motivators	93.959	N/A	71,978
Defense, U.S. Department of			
R.O.T.C Program	12.357	N/A	66,935
Total Federal Financial Assistance			$ 15,691,055

See accompanying notes to the Schedule of Expenditures of Federal Awards.

FORSYTH COUNTY BOARD OF EDUCATION

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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, 2012

SECTION I
SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Federal Awards

Internal Control over major programs: Material weaknesses identified?	__X __ yes ___ 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	Qualified – i3 Engage ME PLEASE Unqualified – Title I, Part A Cluster and Child Nutrition Cluster
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)?	__X___ yes ___ no

Identification of major program:

CFDA Number	Name of Federal Program or Cluster
84.396C	i3 Engage ME PLEASE
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:	$470,732
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, 2012

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

None reported.

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

2012 - 1. Semi – Annual Certifications– *i3 Engage ME PLEASE 84.396C,* Allowable Costs

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).

Condition: For the year ended June 30, 2012, the School District was not properly maintaining semi-annual certifications for the employees paid with funds from the i3 Engage ME PLEASE program.

Context/Cause: During the year ended June 30, 2012, the required certifications were not being completed to justify the grant activity in accordance with program requirements. This was noted to be the case for all personnel costs charged to this program. This was due to the individual overseeing the program compliance not possessing adequate knowledge or experience of all the compliance requirements related to this program.

Effects or possible effects*:* Personnel costs unrelated to the i3 Engage ME PLEASE program could be funded with federal funds, resulting in unallowable costs being charged to the grant.

Questioned Costs: $408,766

Recommendation: We recommend the School District maintain semi-annual certifications and time and effort logs that meet all of the OMB A-87 requirements for all employees whose salaries are funded with i3 Engage ME PLEASE funds.

Auditee's Response: We concur with this finding. We will ensure all semi-annual certifications and time and effort logs are properly maintained in accordance with OMB A-87, Cost Principles.

FORSYTH COUNTY BOARD OF EDUCATION

SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

None reported.