

FORSYTH COUNTY BOARD OF EDUCATION
ANNUAL FINANCIAL REPORT
FOR THE
FISCAL YEAR ENDED JUNE 30, 2016

**FORSYTH COUNTY BOARD OF EDUCATION
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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I. FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2016, and the related notes to the financial statements, which collectively comprise the Forsyth County Board of Education's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Forsyth County Board of Education as of June 30, 2016, and the respective changes in financial position and the budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 13 and the Schedule of Proportionate Share of Net Pension Liability – Teachers Retirement System of Georgia, Schedule of Contributions – Teachers Retirement System of Georgia, and Schedule of Proportionate Share of Net Pension Liability – Public Schools Employees Retirement System of Georgia on pages 49, 50, and 51 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Forsyth County Board of Education's basic financial statements. The combining fund statements, the schedule of expenditures of special purpose local option sales tax proceeds, as required by the Official Code of Georgia 48-8-121, and the accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund statements, the schedule of expenditures of special purpose local option sales tax proceeds, and the schedule of expenditures of federal awards (collectively the "supplementary information") are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2017 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* in considering the Forsyth County Board of Education's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Atlanta, Georgia
January 26, 2017

FORSYTH COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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, 2016. 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 2016 are as follows:

- On the district-wide financial statements, the assets and deferred outflows of resources of the School District exceeded liabilities and deferred inflows of resources by \$239.6 million.
- The School District had \$410.8 million in expenses relating to governmental activities; only \$247.5 million of these expenses are offset by program specific charges for services, grants and contributions. General revenues (primarily property and sales taxes) of \$229 million were adequate to provide for these programs.
- As stated above, general revenues accounted for \$229 million or 48% of all revenues totaling \$476.5 million. Program specific revenues in the form of charges for services, grants and contributions accounted for the remaining revenues.
- Net position for the School District rose by \$65.8 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 Position 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 and Capital Projects Fund are reported as major funds.

FORSYTH COUNTY BOARD OF EDUCATION
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FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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 Position and the Statement of Activities provides the basis for answering this question. These financial statements include all of the School District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources 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 position and any changes in the net position. The change in net position 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 Position 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 Position and the Statement of Activities) and governmental funds are reconciled in the financial statements.

FORSYTH COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Table 1
Net Position

| | Governmental Activities | |
|---------------------------------------|----------------------------|---------------------|
| | Fiscal Year 2015 | Fiscal Year 2016 |
| ASSETS | | |
| Current and other assets | \$ 209,814,253 | \$ 234,667,747 |
| Capital assets | 620,801,610 | 739,476,314 |
| Total assets | 830,615,863 | 974,144,061 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred charges on refunding | 7,765,439 | 6,789,878 |
| Pension related items | 32,350,283 | 45,086,305 |
| Total deferred outflows of resources | 40,115,722 | 51,876,183 |
| LIABILITIES | | |
| Current liabilities | 35,619,725 | 35,183,540 |
| Long-term liabilities | 585,698,341 | 725,833,187 |
| Total liabilities | 621,318,066 | 761,016,727 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Pension related items | 75,566,155 | 25,406,475 |
| Total deferred inflows of resources | 75,566,155 | 25,406,475 |
| NET POSITION | | |
| Net investment in capital assets | 326,626,722 | 379,920,745 |
| Restricted | 70,220,186 | 59,458,057 |
| Unrestricted | (222,999,544) | (199,781,760) |
| Total net position | \$ 173,847,364 | \$ 239,597,042 |

FORSYTH COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Table 2
Change in Net Position

| | Governmental Activities | |
|---------------------------------------|----------------------------|-----------------------|
| | Fiscal Year 2015 | Fiscal Year 2016 |
| <u>Revenues</u> | | |
| Program revenues: | | |
| Charges for services | \$ 10,043,652 | \$ 11,161,745 |
| Operating grants and contributions | 215,441,746 | 217,562,396 |
| Capital grants and contributions | 650,852 | 18,757,344 |
| General revenues: | | |
| Taxes: | | |
| Property taxes | | |
| For maintenance and operations | 127,063,701 | 151,689,639 |
| For debt service | 19,536,606 | 22,278,753 |
| Sales taxes | 34,337,071 | 35,197,960 |
| Other taxes: | | |
| Intangible taxes | 5,418,825 | 6,102,996 |
| Real estate transfer taxes | 1,937,627 | 2,256,589 |
| Title ad valorem tax | 8,073,358 | 9,659,511 |
| Unrestricted investment earnings | 224,522 | 413,286 |
| Other | 1,359,489 | 1,463,108 |
| Total revenues | <u>424,087,449</u> | <u>476,543,327</u> |
| <u>Expenses</u> | | |
| Instruction | 258,553,235 | 282,209,538 |
| Support services: | | |
| Pupil services | 8,871,100 | 9,563,024 |
| Improvement of instructional services | 6,174,345 | 7,180,895 |
| Educational media services | 3,081,917 | 3,155,445 |
| Federal grant administration | 363,332 | 368,595 |
| General administration | 928,109 | 985,515 |
| School administration | 19,480,956 | 21,022,025 |
| Business administration | 1,895,038 | 2,208,290 |
| Maintenance and operation of plant | 25,793,744 | 27,173,956 |
| Student transportation services | 16,542,790 | 18,178,980 |
| Central support services | 6,374,179 | 7,114,502 |
| Other support services | 493,575 | 571,033 |
| Food services operations | 16,110,782 | 16,841,652 |
| Community services operations | 1,736,035 | 1,812,285 |
| Interest on long-term debt | 10,106,026 | 12,407,914 |
| Total expenses | <u>376,505,163</u> | <u>410,793,649</u> |
| Change in net position | 47,582,286 | 65,749,678 |
| Net position, beginning of year | 126,265,078 | 173,847,364 |
| Net position, end of year | <u>\$ 173,847,364</u> | <u>\$ 239,597,042</u> |

FORSYTH COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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 | |
| | 2015 | 2016 | 2015 | 2016 |
| Instruction | \$ 258,553,235 | \$ 282,209,538 | \$ 88,044,706 | \$ 97,131,676 |
| Support services: | | | | |
| Pupil services | 8,871,100 | 9,563,024 | 5,716,508 | 6,057,804 |
| Improvement of instructional services | 6,174,345 | 7,180,895 | 3,744,114 | 4,469,773 |
| Educational media services | 3,081,917 | 3,155,445 | (2,152,081) | (2,582,015) |
| Federal grant administration | 363,332 | 368,595 | 363,332 | 368,595 |
| General administration | 928,109 | 985,515 | (3,753,469) | (4,004,533) |
| School administration | 19,480,956 | 21,022,025 | 10,850,952 | 11,868,337 |
| Business administration | 1,895,038 | 2,208,290 | 1,858,026 | 2,153,992 |
| Maintenance and operation of plant | 25,793,744 | 27,173,956 | 12,759,529 | 13,554,054 |
| Student transportation services | 16,542,790 | 18,178,980 | 14,799,100 | 15,192,648 |
| Central support services | 6,374,179 | 7,114,502 | 6,191,366 | 6,917,765 |
| Other support services | 493,575 | 571,033 | 76,171 | 87,336 |
| Food services operations | 16,110,782 | 16,841,652 | 1,764,633 | 398,650 |
| Community services operations | 1,736,035 | 1,812,285 | - | (709,832) |
| Interest on long-term debt | 10,106,026 | 12,407,914 | 10,106,026 | 12,407,914 |
| Total expenses | \$ 376,505,163 | \$ 410,793,649 | \$ 150,368,913 | \$ 163,312,164 |

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 \$633.5 million and total expenditures and other financing uses of \$612.2 million.

Major Funds:

General Fund

The General Fund is the operating fund of the District. Revenue from state and federal sources accounted for 46% of the districts revenues. The other 54% is from local sources, primarily ad valorem taxes.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

The student population of the district continues to grow. There was an increase in FTE of 1,836 when comparing state QBE allotment sheets for fiscal years 2015 and 2016. Overall state and federal funding rose by \$15.3 million over the prior year.

Expenditures rose by \$121.1 million over the prior year. The primary cause of the increase was increase capital outlay spending of \$92.3 million. This was due to the construction of two new schools and the renovation of several existing schools. The maintenance and operations millage rate was increased from 16.3 mills to 17.3 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 2016 revenues. Those funds were transferred to the Debt Services Fund for the payment of bonds which were designated in the SPLOST referendum.

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. The Debt Services millage rate remained at 2.418 mills.

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 2016, 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 of \$353.4 million were more than the original budgeted amounts of \$346.2 million by \$7.2 million.

Total budget basis actual total revenues had a \$2.4 million favorable variance when compared to the final budgeted revenue total.

The budget basis actual expenditures of \$341.1 million were more than the original budgeted amount of \$335.2 million by \$5.9 million.

The budget basis actual expenditures had a \$2.8 million favorable variance when compared to the final budgeted expenditures.

FORSYTH COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

| | Budget | | Actual | Variance with Final Budget |
|--|----------------------|----------------------|----------------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| State sources | \$ 179,970,510 | \$ 183,327,353 | \$ 183,574,544 | \$ 247,191 |
| Federal sources | - | - | 87,212 | 87,212 |
| Local sources and other funds | 166,260,483 | 166,968,969 | 169,060,236 | 2,091,267 |
| On behalf payments | - | 670,153 | 670,153 | - |
| Total revenues | <u>346,230,993</u> | <u>350,966,475</u> | <u>353,392,145</u> | <u>2,425,670</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Instruction | 247,511,029 | 249,619,603 | 248,806,370 | 813,233 |
| Support services: | | | | |
| Pupil services | 6,889,394 | 7,072,929 | 6,906,710 | 166,219 |
| Improvement of instructional services | 4,936,194 | 5,398,855 | 5,233,597 | 165,258 |
| Educational media services | 2,966,503 | 2,953,254 | 2,859,465 | 93,789 |
| General administration | 918,286 | 944,740 | 908,320 | 36,420 |
| School administration | 19,856,462 | 21,138,902 | 20,735,930 | 402,972 |
| Business administration | 2,096,191 | 2,191,808 | 2,180,691 | 11,117 |
| Maintenance and operation of plant | 27,122,365 | 28,198,574 | 27,127,712 | 1,070,862 |
| Student transportation services | 15,883,490 | 16,481,967 | 16,419,577 | 62,390 |
| Central support services | 6,940,360 | 7,005,011 | 6,993,992 | 11,019 |
| Other support services | 92,824 | 93,245 | 88,070 | 5,175 |
| Food services operations | - | 137,428 | 137,428 | - |
| Debt service: | | | | |
| Principal retirement | - | 2,474,515 | 2,474,514 | 1 |
| Interest and fiscal charges | - | 249,036 | 249,036 | - |
| Total expenditures | <u>335,213,098</u> | <u>343,959,867</u> | <u>341,121,412</u> | <u>2,838,455</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>11,017,895</u> | <u>7,006,608</u> | <u>12,270,733</u> | <u>5,264,125</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from sale of capital assets | 99,750 | 99,750 | 175,002 | 75,252 |
| Proceeds from capital lease | - | 1,751,850 | 1,751,850 | - |
| Transfers in | - | - | 3,500,000 | 3,500,000 |
| Transfers out | - | - | (576,669) | (576,669) |
| Total of other financing sources (uses) | <u>99,750</u> | <u>1,851,600</u> | <u>4,850,183</u> | <u>2,998,583</u> |
| Net change in fund balances | 11,117,645 | 8,858,208 | 17,120,916 | 8,262,708 |
| FUND BALANCES, beginning of year | <u>36,755,634</u> | <u>36,755,634</u> | <u>36,755,634</u> | <u>-</u> |
| FUND BALANCES, end of year | <u>\$ 47,873,279</u> | <u>\$ 45,613,842</u> | <u>\$ 53,876,550</u> | <u>\$ 8,262,708</u> |

FORSYTH COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At fiscal year ended June 30, 2016, the School District had \$739.4 million invested in capital assets, all in governmental activities. Capital assets increased \$118.7 million over the balance at June 30, 2015.

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

Table 5
Capital Assets
(Net of Accumulated Depreciation)

| | Governmental Activities | |
|--------------------------|----------------------------|---------------------|
| | Fiscal Year 2015 | Fiscal Year 2016 |
| Land | \$ 96,384,643 | \$ 96,493,008 |
| Land Improvements | 21,545,442 | 20,010,011 |
| Construction in Progress | 27,553,473 | 133,089,809 |
| Buildings | 443,151,863 | 454,330,096 |
| Furniture and Equipment | 32,166,189 | 35,553,390 |
| Total | \$ 620,801,610 | \$ 739,476,314 |

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Debt

At fiscal year ended June 30, 2016, the School District had \$440.9 million in bonds outstanding and \$3.9 million in capital leases outstanding.

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

Table 6
Debt Summary

| | Governmental Activities | |
|------------------------------|----------------------------|---------------------|
| | Fiscal Year 2015 | Fiscal Year 2016 |
| General Obligation Bonds | \$ 358,231,414 | \$ 440,942,179 |
| Capital Leases | 4,642,454 | 3,919,790 |
| Total General Long-Term Debt | \$ 362,873,868 | \$ 444,861,969 |

During FY 2016 there was one new bond issue.

The issue was for \$100,830,000 in general obligation bonds. It was the second phase of the bonds approved in the 2014 bond resolution.

Subsequent to year end, the District issued \$25,320,000 in revenue bonds. Those bonds were issued by the Forsyth County Public Facilities Authority. The bond proceeds are to be used for the construction of the new Alliance Academy that will open in FY 2018.

At June 30, 2016, 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 position or results of operations are as follows:

Funding Issues - The economy has shown an upturn and property values have begun to rise. In fiscal year 2016 the Board increased the M&O millage rate from 16.3 to 17.3 mills. This was primarily based on the systems' fund balance needs. The balance had been reduced during the downturn in the economy over the last several years rather than raising millage rates.

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FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Also, two new schools will open in fiscal year 2017. Brandywine Elementary School and DeSana Middle School. Funds were needed to aid the in staffing needs of these new schools as well as for the staffing of the new Denmark High School and the new Alliance Academy which opens in FY 2018.

The State of Georgia has continued to impose austerity reductions to all school districts. In fiscal year 2016, the austerity reduction was \$10.7 million, and in fiscal year 2017, it is will be reduced to only \$3.9 million. Hopefully, it will be reduced to zero in fiscal year 2018.

Locally, the value of the ad valorem tax digest has finally shown growth in the last few years. For fiscal year 2016 the digest showed an increase of 18.88% and for fiscal year 2017 it shows an increase of 5.9%.

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. Rick Gunn, Chief Financial Officer at Forsyth County School District, 1120 Dahlonega Highway, Cumming, Georgia 30040. You may also email your questions to Mr. Gunn at rgunn@forsyth.k12.ga.us.

FORSYTH COUNTY BOARD OF EDUCATION

STATEMENT OF NET POSITION

JUNE 30, 2016

| ASSETS | <u>Governmental Activities</u> |
|---|---|
| Cash and cash equivalents | \$ 193,885,215 |
| Receivables: | |
| Accounts | 552,214 |
| Intergovernmental | 32,260,589 |
| Taxes, net of allowances | 7,386,100 |
| Inventory | 536,244 |
| Prepaid Items | 47,385 |
| Capital assets (nondepreciable) | 229,582,817 |
| Capital assets (depreciable, net of accumulated depreciation) | 509,893,497 |
| Total assets | <u>974,144,061</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred charges on refunding | 6,789,878 |
| Pension related items | 45,086,305 |
| Total deferred outflows of resources | <u>51,876,183</u> |
| LIABILITIES | |
| Accounts payable | 11,145,855 |
| Salaries and benefits payable | 24,037,685 |
| Accrued interest payable | 7,429,220 |
| Accrued claims payable due within one year | 470,382 |
| Accrued claims payable due in more than one year | 313,587 |
| Bonds payable due within one year | 37,185,000 |
| Bonds payable due in more than one year | 403,757,179 |
| Capital leases due within one year | 2,346,168 |
| Capital leases due in more than one year | 1,573,622 |
| Net pension liability | 272,758,029 |
| Total liabilities | <u>761,016,727</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Pension related items | 25,406,475 |
| Total deferred inflows of resources | <u>25,406,475</u> |
| NET POSITION | |
| Net investment in capital assets | 379,920,745 |
| Restricted for: | |
| Capital projects | 42,414,628 |
| Debt service | 11,794,543 |
| Federal programs | 164,911 |
| School food services | 5,083,975 |
| Unrestricted | (199,781,760) |
| Total net position | <u>\$ 239,597,042</u> |

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, 2016**

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | | <u>Net (Expense) Revenue and Changes in Net Position Governmental Activities</u> |
|---|-----------------------|---------------------------------|---|---|--|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> | |
| Governmental activities: | | | | | |
| Instruction | \$ 282,209,538 | \$ 164,051 | \$ 168,687,035 | \$ 16,226,776 | \$ (97,131,676) |
| Support services: | | | | | |
| Pupil services | 9,563,024 | - | 3,499,094 | 6,126 | (6,057,804) |
| Improvement of instructional services | 7,180,895 | - | 2,695,926 | 15,196 | (4,469,773) |
| Educational media services | 3,155,445 | - | 5,494,355 | 243,105 | 2,582,015 |
| Federal grant administration | 368,595 | - | - | - | (368,595) |
| General administration | 985,515 | - | 4,979,260 | 10,788 | 4,004,533 |
| School administration | 21,022,025 | - | 8,951,705 | 201,983 | (11,868,337) |
| Business administration | 2,208,290 | - | 34,813 | 19,485 | (2,153,992) |
| Maintenance and operation of plant | 27,173,956 | - | 13,578,475 | 41,427 | (13,554,054) |
| Student transportation services | 18,178,980 | - | 1,767,253 | 1,219,079 | (15,192,648) |
| Central support services | 7,114,502 | - | 164,930 | 31,807 | (6,917,765) |
| Other support services | 571,033 | - | 483,697 | - | (87,336) |
| Food services operation | 16,841,652 | 9,185,409 | 6,516,021 | 741,572 | (398,650) |
| Community services operation | 1,812,285 | 1,812,285 | 709,832 | - | 709,832 |
| Interest on long-term debt | 12,407,914 | - | - | - | (12,407,914) |
| Total governmental activities | <u>\$ 410,793,649</u> | <u>\$ 11,161,745</u> | <u>\$ 217,562,396</u> | <u>\$ 18,757,344</u> | <u>(163,312,164)</u> |
| | | | | | |
| General revenues: | | | | | |
| Property taxes, levied for general purposes | | | | | 151,689,639 |
| Property taxes, levied for debt service | | | | | 22,278,753 |
| Sales taxes | | | | | 35,197,960 |
| Intangible taxes | | | | | 6,102,996 |
| Real estate transfer taxes | | | | | 2,256,589 |
| Title ad valorem tax | | | | | 9,659,511 |
| Unrestricted investment earnings | | | | | 413,286 |
| Other | | | | | 1,463,108 |
| Total general revenues | | | | | <u>229,061,842</u> |
| Change in net position | | | | | 65,749,678 |
| Net position, beginning of year | | | | | 173,847,364 |
| Net position, end of year | | | | | <u>\$ 239,597,042</u> |

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

FORSYTH COUNTY BOARD OF EDUCATION

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016**

| ASSETS | General | Capital Projects | Nonmajor Governmental Funds | Total Governmental Funds |
|---|----------------------|-----------------------|-----------------------------------|--------------------------------|
| Cash and cash equivalents | \$ 54,680,431 | \$ 119,724,941 | \$ 19,479,843 | \$ 193,885,215 |
| Receivables: | | | | |
| Accounts | 484,325 | - | 67,889 | 552,214 |
| Intergovernmental | 26,725,202 | 3,036,644 | 2,498,743 | 32,260,589 |
| Taxes, net of allowances | 3,759,958 | 3,136,024 | 490,118 | 7,386,100 |
| Due from other funds | 1,598,583 | - | - | 1,598,583 |
| Inventory | 335,279 | - | 200,965 | 536,244 |
| Prepaid Items | 47,385 | - | - | 47,385 |
| Total assets | <u>\$ 87,631,163</u> | <u>\$ 125,897,609</u> | <u>\$ 22,737,558</u> | <u>\$ 236,266,330</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Accounts payable | \$ 9,370,696 | \$ 1,714,384 | \$ 60,775 | \$ 11,145,855 |
| Salaries and benefits payable | 22,715,007 | - | 1,322,678 | 24,037,685 |
| Due to other funds | - | - | 1,598,583 | 1,598,583 |
| Total liabilities | <u>32,085,703</u> | <u>1,714,384</u> | <u>2,982,036</u> | <u>36,782,123</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable revenue - property taxes | 1,668,910 | - | 202,422 | 1,871,332 |
| Unavailable revenue - state grants | - | 3,036,644 | - | 3,036,644 |
| Total deferred inflows of resources | <u>1,668,910</u> | <u>3,036,644</u> | <u>202,422</u> | <u>4,907,976</u> |
| FUND BALANCES | | | | |
| Nonspendable: | | | | |
| Inventory | 335,279 | - | 200,965 | 536,244 |
| Prepays | 47,385 | - | - | 47,385 |
| Restricted: | | | | |
| Capital projects | - | 117,894,506 | - | 117,894,506 |
| Debt service | - | 3,252,075 | 8,340,046 | 11,592,121 |
| Federal programs | - | - | 164,911 | 164,911 |
| School food services | - | - | 4,883,010 | 4,883,010 |
| Committed: | | | | |
| School activities | - | - | 5,964,168 | 5,964,168 |
| Unassigned | 53,493,886 | - | - | 53,493,886 |
| Total fund balances | <u>53,876,550</u> | <u>121,146,581</u> | <u>19,553,100</u> | <u>194,576,231</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 87,631,163</u> | <u>\$ 125,897,609</u> | <u>\$ 22,737,558</u> | |
| Amounts reported for governmental activities in the statement of net position are different because | | | | |
| Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. | | | | |
| | | | \$ 1,006,181,294 | |
| | | | (266,704,980) | 739,476,314 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds | | | | |
| | | | | 4,907,976 |
| The net pension liability, and related balances, are not expected to be paid with current financial resources and are therefore not reported in governmental funds. | | | | |
| | | | (272,758,029) | |
| | | | (25,406,475) | |
| | | | 45,086,305 | (253,078,199) |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds | | | | |
| | | | (382,085,000) | |
| | | | (58,857,179) | |
| | | | 6,789,878 | |
| | | | (7,429,220) | |
| | | | (783,969) | |
| | | | (3,919,790) | (446,285,280) |
| Net position of governmental activities | | | | <u>\$ 239,597,042</u> |

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, 2016

| | General | Capital Projects | Nonmajor Governmental Funds | Total Governmental Funds |
|--|----------------------|-----------------------|-----------------------------------|--------------------------------|
| REVENUES | | | | |
| State funds | \$ 183,574,544 | \$ 15,720,700 | \$ 372,504 | \$ 199,667,748 |
| Federal funds | 87,212 | - | 17,012,574 | 17,099,786 |
| Local and other funds | 170,872,521 | 36,207,030 | 48,082,613 | 255,162,164 |
| On behalf payments | 670,153 | - | - | 670,153 |
| Total revenues | <u>355,204,430</u> | <u>51,927,730</u> | <u>65,467,691</u> | <u>472,599,851</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Instruction | 248,806,370 | - | 20,543,617 | 269,349,987 |
| Support services: | | | | |
| Pupil services | 6,906,710 | - | 2,647,637 | 9,554,347 |
| Improvement of instructional services | 5,233,597 | - | 1,925,774 | 7,159,371 |
| Educational media services | 2,859,465 | - | - | 2,859,465 |
| Federal grant administration | - | - | 368,595 | 368,595 |
| General administration | 908,320 | - | 61,915 | 970,235 |
| School administration | 20,735,930 | - | - | 20,735,930 |
| Business administration | 2,180,691 | - | - | 2,180,691 |
| Maintenance and operation of plant | 27,127,712 | - | - | 27,127,712 |
| Student transportation services | 16,419,577 | - | 141,474 | 16,561,051 |
| Central support services | 6,993,992 | - | 75,457 | 7,069,449 |
| Other support services | 88,070 | - | 482,963 | 571,033 |
| Food services operation | 137,428 | - | 15,693,133 | 15,830,561 |
| Community services operation | 1,812,285 | - | - | 1,812,285 |
| Capital outlay | - | 141,797,116 | - | 141,797,116 |
| Debt service: | | | | |
| Principal retirement | 2,474,514 | - | 35,310,000 | 37,784,514 |
| Interest | 249,036 | - | 15,209,912 | 15,458,948 |
| Total expenditures | <u>342,933,697</u> | <u>141,797,116</u> | <u>92,460,477</u> | <u>577,191,290</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>12,270,733</u> | <u>(89,869,386)</u> | <u>(26,992,786)</u> | <u>(104,591,439)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from sale of capital assets | 175,002 | - | - | 175,002 |
| Bond issuance | - | 100,830,000 | - | 100,830,000 |
| Premium on bond issuance | - | 23,180,790 | - | 23,180,790 |
| Issuance of capital lease | 1,751,850 | - | - | 1,751,850 |
| Transfers in | 3,500,000 | - | 31,483,544 | 34,983,544 |
| Transfers out | (576,669) | (30,906,875) | (3,500,000) | (34,983,544) |
| Total other financing sources (uses) | <u>4,850,183</u> | <u>93,103,915</u> | <u>27,983,544</u> | <u>125,937,642</u> |
| Net change in fund balances | 17,120,916 | 3,234,529 | 990,758 | 21,346,203 |
| FUND BALANCES, beginning of year | <u>36,755,634</u> | <u>117,912,052</u> | <u>18,562,342</u> | <u>173,230,028</u> |
| FUND BALANCES, end of year | <u>\$ 53,876,550</u> | <u>\$ 121,146,581</u> | <u>\$ 19,553,100</u> | <u>\$ 194,576,231</u> |

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, 2016**

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

| | | |
|--|----|------------|
| Net change in fund balances - total governmental funds | \$ | 21,346,203 |
|--|----|------------|

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 capital outlay exceeded depreciation expense is as follows:

| | | | |
|----------------------|---------------------|--|-------------|
| Capital outlay | \$ 142,184,692 | | |
| Depreciation expense | <u>(22,369,094)</u> | | 119,815,598 |

The net effect of the disposal of capital assets is to decrease net position.

| | | | |
|-------------------------------|--|--|-------------|
| Net book value of assets sold | | | (1,140,894) |
|-------------------------------|--|--|-------------|

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

| | | | |
|----------------|------------------|--|-----------|
| Property taxes | \$ 906,832 | | |
| State grants | <u>3,036,644</u> | | 3,943,476 |

In the governmental funds, current year expenditures related to pensions are comprised solely of amounts contributed to the plan for the current year. However, in the statement of activities, expenses related to pensions include amounts that do not require the use of current financial resources. This amount represents the difference in the required accounting treatment of pensions and related items.

6,894,875

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 position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

| | | | |
|--|--------------------|--|--------------|
| Principal payments | \$ 37,784,514 | | |
| Amortization of bond premium | 5,990,025 | | |
| Amortization of deferred loss from refunding | (975,561) | | |
| Issuance of bonds | (100,830,000) | | |
| Premium on bond issuance | (23,180,790) | | |
| Issuance of capital lease | <u>(1,751,850)</u> | | (82,963,662) |

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.

| | | | |
|---|--------------------|--|-------------|
| Claims payable | \$ (182,488) | | |
| Change in accrued interest | | | |
| Accrued interest payable, June 30, 2015 | 5,465,790 | | |
| Accrued interest payable, June 30, 2016 | <u>(7,429,220)</u> | | (2,145,918) |

| | | |
|--|----|-------------------|
| Change in net position - governmental activities | \$ | <u>65,749,678</u> |
|--|----|-------------------|

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, 2016**

| | Budget | | Actual | Variance With Final Budget |
|---|----------------------|----------------------|----------------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| State sources | \$ 179,970,510 | \$ 183,327,353 | \$ 183,574,544 | \$ 247,191 |
| Federal sources | - | - | 87,212 | 87,212 |
| Local sources and other funds | 166,260,483 | 166,968,969 | 169,060,236 | 2,091,267 |
| On behalf payments | - | 670,153 | 670,153 | - |
| Total revenues | <u>346,230,993</u> | <u>350,966,475</u> | <u>353,392,145</u> | <u>2,425,670</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Instruction | 247,511,029 | 249,619,603 | 248,806,370 | 813,233 |
| Support services: | | | | |
| Pupil services | 6,889,394 | 7,072,929 | 6,906,710 | 166,219 |
| Improvement of instructional services | 4,936,194 | 5,398,855 | 5,233,597 | 165,258 |
| Educational media services | 2,966,503 | 2,953,254 | 2,859,465 | 93,789 |
| General administration | 918,286 | 944,740 | 908,320 | 36,420 |
| School administration | 19,856,462 | 21,138,902 | 20,735,930 | 402,972 |
| Business administration | 2,096,191 | 2,191,808 | 2,180,691 | 11,117 |
| Maintenance and operation of plant | 27,122,365 | 28,198,574 | 27,127,712 | 1,070,862 |
| Student transportation services | 15,883,490 | 16,481,967 | 16,419,577 | 62,390 |
| Central support services | 6,940,360 | 7,005,011 | 6,993,992 | 11,019 |
| Other support services | 92,824 | 93,245 | 88,070 | 5,175 |
| Food service operations | - | 137,428 | 137,428 | - |
| Debt service: | | | | |
| Principal retirement | - | 2,474,515 | 2,474,514 | 1 |
| Interest and fiscal charges | - | 249,036 | 249,036 | - |
| Total expenditures | <u>335,213,098</u> | <u>343,959,867</u> | <u>341,121,412</u> | <u>2,838,455</u> |
| Excess of revenues over expenditures | <u>11,017,895</u> | <u>7,006,608</u> | <u>12,270,733</u> | <u>5,264,125</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from sale of capital assets | 99,750 | 99,750 | 175,002 | 75,252 |
| Issuance of capital lease | - | 1,751,850 | 1,751,850 | - |
| Transfers in | - | - | 3,500,000 | 3,500,000 |
| Transfers out | - | - | (576,669) | (576,669) |
| Total other financing sources (uses) | <u>99,750</u> | <u>1,851,600</u> | <u>4,850,183</u> | <u>2,998,583</u> |
| Net change in fund balances | 11,117,645 | 8,858,208 | 17,120,916 | 8,262,708 |
| FUND BALANCES, beginning of year | <u>36,755,634</u> | <u>36,755,634</u> | <u>36,755,634</u> | <u>-</u> |
| FUND BALANCES, end of year | <u>\$ 47,873,279</u> | <u>\$ 45,613,842</u> | <u>\$ 53,876,550</u> | <u>\$ 8,262,708</u> |

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

FORSYTH COUNTY BOARD OF EDUCATION

STATEMENT OF FIDUCIARY NET POSITION

AGENCY FUND

JUNE 30, 2016

| | ASSETS | <u>Agency Fund</u> |
|-------------------|--------------------|--------------------------|
| Cash | | <u>\$ 793,733</u> |
| Total assets | | <u><u>\$ 793,733</u></u> |
| | LIABILITIES | |
| Due to others | | <u>\$ 793,733</u> |
| Total liabilities | | <u><u>\$ 793,733</u></u> |

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

FORSYTH COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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 no component units.

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 Position 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.

FORSYTH COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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 one hundred and eighty 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.

FORSYTH COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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 inflows are sales taxes and bond proceeds.

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 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.

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 by the Board of Education to be used to support the schools' activities.

The special revenue funds are used to account for federal and state funded grants and school food service operations.

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, 2016, 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.

FORSYTH COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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 their federally assigned value at the date of donation. 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 position 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 acquisition 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:

| <u>Assets</u> | <u>Years</u> |
|-----------------------|--------------|
| Land improvements | 20-40 |
| Buildings | 25-50 |
| Building improvements | 10-30 |
| Vehicles | 8-15 |
| Equipment | 5-20 |

FORSYTH COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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 statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bond using the effective interest method. Bond issuance costs are reported as expenses in the period during which the debt is issued.

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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District has two items that qualify for reporting in this category. One is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded debt or the refunding debt. The other relates to the reporting of the net pension liability reported in the government-wide statement of net position. The Governmental Activities report (1) a deferred outflow of resources for the School District's actual contributions to the pension plan during the fiscal year ended June 30, 2016 which is subsequent to the measurement date and will be applied to the net pension liability in fiscal year 2017; and (2) a deferred outflow of resources for the changes in proportion and the difference between the School District's actual contributions towards the pension plan and the School District's proportionate share of contributions, which will be amortized over the remaining service period.

FORSYTH COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Deferred Outflows/Inflows of Resources - Continued

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District has one item, which arises only under a modified accrual basis of accounting, for the unavailable revenues from property taxes. Unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes, as these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available. The School District also has two items that qualify for reporting in this category which occurs only in the governmental activities. The Governmental Activities report a deferred inflow of resources for the net difference between projected and actual investment earnings on the pension assets. This difference will be amortized over a five year period. The Governmental Activities report a deferred inflow of resources for experience gains or losses from periodic studies by the actuary, which will be amortized over the remaining service life.

Fund Equity

Fund equity at the governmental fund financial reporting level is classified as “fund balance.” Fund equity for all other reporting is classified as “net position.”

Fund Balance – Generally, fund balance represents the difference between the assets and liabilities and deferred inflows of resources 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.
- ***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, also through a resolution.

FORSYTH COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund Equity - Continued

- ***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 Position - Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in reporting which utilizes the economic resources measurement focus. Net investment in capital assets 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 position is reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net position balances 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 position balances are available.

FORSYTH COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers Retirement System of Georgia (TRS) and additions to/deductions from TRS's fiduciary net position have been determined on the same basis as they are reported by TRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public School Employees Retirement System of Georgia (PSERS) and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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.

**FORSYTH COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - CONTINUED

Budgetary/GAAP Basis Reconciliation

In the General Fund, accounting principles used in developing the budget 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.

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

| | |
|---|-----------------------|
| Actual Revenues GAAP Basis | \$ 355,204,430 |
| Community Service Activity (not budgeted) | (1,812,285) |
| Actual Revenues, Budgetary Basis | <u>\$ 353,392,145</u> |
| | |
| Expenditures GAAP Basis | \$ 342,933,697 |
| Community Service Activity (not budgeted) | (1,812,285) |
| Actual Expenditures, Budgetary Basis | <u>\$ 341,121,412</u> |
| | |
| Net Change in Fund Balance, Budgetary Basis | <u>\$ 17,120,916</u> |
| | |
| Net Change in Fund Balance, GAAP Basis | <u>\$ 17,120,916</u> |

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FORSYTH COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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.

The local government investment pool, “Georgia Fund 1” created by OCGA 36-83-8 is a stable asset value investment pool, which follows Standard and Poor’s criteria for AAAf rated money market funds and is regulated by the Georgia Office of the State Treasurer. The pool is not registered with the SEC as an investment company. The pool’s primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal (\$1 per share). The asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and determines participants’ shares sold and redeemed based on \$1 per share. The pool also adjusts the value of its investments to fair market value as of year-end and the School District’s investment in Georgia Fund 1 is reported at fair value.

Increases or decreases in the fair value during the year are recognized as a component of interest income.

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, 2016, the School District’s cash accounts and investments were collateralized as required by State statutes.

At June 30, 2016, the School District had the following investments:

| Investment | Maturities | Fair Value |
|-------------------|-------------------------|-------------------|
| Georgia Fund 1 | 42 day weighted average | \$ 129,430,835 |

Credit risk. At June 30, 2016, 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 \$129,430,835 is at fair value. These investments are considered cash equivalents.

Interest rate risk. The School District 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.

FORSYTH COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE C - DEPOSITS AND INVESTMENTS – CONTINUED

Fair Value Measurements. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The Georgia Fund 1 is an investment pool which does not meet the criteria of GASB Statement No. 79 and is thus valued at fair value in accordance with GASB Statement No. 31. As a result, the District does not disclose its investment in the Georgia Fund within the fair value hierarchy.

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, 2016.

NOTE E - TAXES RECEIVABLE

Taxes receivable include property taxes and sales taxes due to the School District. Property taxes were levied on August 11, 2015, based on property values assessed as of January 1, 2015, and were payable on or before November 15, 2015. 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 \$39,999 in the General Fund and \$5,455 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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FORSYTH COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE F - CAPITAL ASSETS

Changes in capital assets used in the School District's governmental activities during the year ended June 30, 2016 were as follows:

| | <u>Balance July 1, 2015</u> | <u>Increases</u> | <u>Transfers</u> | <u>Decreases</u> | <u>Balance June 30, 2016</u> |
|---|-------------------------------------|-----------------------|--------------------|-----------------------|--------------------------------------|
| Capital assets not being depreciated | | | | | |
| Land and improvements | \$ 96,384,643 | \$ 108,365 | \$ - | \$ - | \$ 96,493,008 |
| Construction in progress | <u>27,553,473</u> | <u>114,351,717</u> | <u>(8,815,381)</u> | <u>-</u> | <u>133,089,809</u> |
| Total capital assets not being depreciated | <u>123,938,116</u> | <u>114,460,082</u> | <u>(8,815,381)</u> | <u>-</u> | <u>229,582,817</u> |
| Capital assets being depreciated | | | | | |
| Land improvements | 37,760,569 | 237,671 | - | - | 37,998,240 |
| Buildings | 591,312,199 | 15,969,768 | 8,815,381 | - | 616,097,348 |
| Furniture and equipment | <u>116,609,221</u> | <u>11,517,171</u> | <u>-</u> | <u>(5,623,503)</u> | <u>122,502,889</u> |
| Total capital assets being depreciated | <u>745,681,989</u> | <u>27,724,610</u> | <u>8,815,381</u> | <u>(5,623,503)</u> | <u>776,598,477</u> |
| Less accumulated depreciation for | | | | | |
| Land improvements | (16,215,127) | (1,773,102) | - | - | (17,988,229) |
| Buildings | (148,160,336) | (13,606,916) | - | - | (161,767,252) |
| Furniture and equipment | <u>(84,443,032)</u> | <u>(6,989,076)</u> | <u>-</u> | <u>4,482,609</u> | <u>(86,949,499)</u> |
| Total accumulated depreciation | <u>(248,818,495)</u> | <u>(22,369,094)</u> | <u>-</u> | <u>4,482,609</u> | <u>(266,704,980)</u> |
| Total capital assets being depreciated, net | <u>496,863,494</u> | <u>5,355,516</u> | <u>8,815,381</u> | <u>(1,140,894)</u> | <u>509,893,497</u> |
| Total governmental activities capital assets, net | <u>\$ 620,801,610</u> | <u>\$ 119,815,598</u> | <u>\$ -</u> | <u>\$ (1,140,894)</u> | <u>\$ 739,476,314</u> |

Depreciation expense was charged to the functions as follows:

| | |
|---------------------------------------|----------------------|
| Instruction | \$ 18,784,720 |
| Support Services: | |
| Pupil Services | 8,677 |
| Improvement of Instructional Services | 21,524 |
| Educational Media Services | 344,341 |
| General Administration | 15,280 |
| School Administration | 286,095 |
| Business Administration | 27,599 |
| Maintenance and Operation of Plant | 58,678 |
| Student Transportation Services | 1,726,742 |
| Central Support Services | 45,053 |
| Food Services Operation | 1,050,385 |
| | <u>\$ 22,369,094</u> |

FORSYTH COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016:

| | <u>Balance July 1, 2015</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance June 30, 2016</u> | <u>Due within One Year</u> |
|--|-------------------------------------|-----------------------|----------------------|--------------------------------------|------------------------------------|
| 1992 Series general obligation bonds maturing on July 1, 2016, with interest rates ranging from 6.0% to 6.25% | \$ 3,815,000 | \$ - | \$ 1,845,000 | \$ 1,970,000 | \$ 1,970,000 |
| 2004 Series general obligation bonds maturing on February 1, 2019, with interest rates ranging from 2.35% to 5.0% | 42,245,000 | - | 9,860,000 | 32,385,000 | 10,300,000 |
| 2007 Series general obligation bonds maturing on June 1, 2017, with interest rates ranging from 3.75% to 5.00% | 30,950,000 | - | 15,145,000 | 15,805,000 | 15,805,000 |
| 2011 Series general obligation bonds maturing on July 1, 2016, with interest rates ranging from 3.00% to 5.00% | 10,670,000 | - | 5,205,000 | 5,465,000 | 5,465,000 |
| 2013 Series general obligation bonds maturing on February 1, 2025, with interest rates ranging from 4.00% to 5.00% | 134,715,000 | - | 3,255,000 | 131,460,000 | 3,645,000 |
| 2014 Series general obligation bonds maturing on February 1, 2033, with interest rates ranging from 4.00% to 5.00% | 94,170,000 | - | - | 94,170,000 | - |
| 2016 Series general obligation bonds maturing on February 1, 2033, with interest rates of 5.00% | <u>-</u> | <u>100,830,000</u> | <u>-</u> | <u>100,830,000</u> | <u>-</u> |
| General obligation bonds | 316,565,000 | 100,830,000 | 35,310,000 | 382,085,000 | 37,185,000 |
| Plus bond premium | <u>41,666,414</u> | <u>23,180,790</u> | <u>5,990,025</u> | <u>58,857,179</u> | <u>-</u> |
| Subtotal | 358,231,414 | 124,010,790 | 41,300,025 | 440,942,179 | 37,185,000 |
| Capitalized lease obligations at interest rates ranging from 3.96% to 6.35% | <u>4,642,454</u> | <u>1,751,850</u> | <u>2,474,514</u> | <u>3,919,790</u> | <u>2,346,168</u> |
| Total general long-term debt | <u>\$ 362,873,868</u> | <u>\$ 125,762,640</u> | <u>\$ 43,774,539</u> | <u>\$ 444,861,969</u> | <u>\$ 39,531,168</u> |

FORSYTH COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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 is considered defeased at June 30, 2016 was \$5,475,000.

In the fiscal year 2013, the School District issued \$134,715,000 of general obligation refunding bonds, Series 2013, for the purpose of advance refunding a portion of the balance of the Series 2005 general obligation bonds. The bonds were issued on May 16, 2013 with a premium of \$30,949,906 and interest rates ranging from 4% to 5%. The reacquisition price exceeded the net carrying amount of the old debt by \$9,053,171. This amount is being amortized over the remaining life of the refunding bonds. The refunding was undertaken to reduce total debt service payments by \$24,593,775 and resulted in an economic gain and a present value cash flow of \$22,128,494. 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 is considered defeased at June 30, 2016 was \$146,300,000.

In the fiscal year 2015, the School District issued \$94,170,000 of general obligation bonds, Series 2014, for the purposes of funding construction projects for the School District. The bonds were issued October 23, 2014 with a premium of \$15,007,792 and interest rates ranging from 4% to 5%. The interest payments are due semiannually beginning February 1, 2015 and principal payments beginning in 2018. The bonds are scheduled to mature on February 1, 2033.

In the fiscal year 2016, the School District issued \$100,830,000 of general obligation bonds, Series 2016, for the purposes of funding construction projects for the District. The bonds were issued February 11, 2016 with a premium of \$23,180,790 and an interest rate of 5%. The interest payments are due semiannually beginning August 1, 2016 and principal payments beginning in 2018. The bonds are schedule to mature on February 1, 2033.

FORSYTH COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

General Obligation Bonds - continued

At June 30, 2016, principal and interest payments due by fiscal year for General Obligation Bonds are as follows:

| Fiscal Year Ending June 30, | Principal | Interest | Total |
|--|-----------------------|-----------------------|-----------------------|
| 2017 | \$ 37,185,000 | \$ 18,363,796 | \$ 55,548,796 |
| 2018 | 29,490,000 | 16,872,600 | 46,362,600 |
| 2019 | 30,865,000 | 15,398,100 | 46,263,100 |
| 2020 | 24,935,000 | 13,854,850 | 38,789,850 |
| 2021 | 26,065,000 | 12,608,100 | 38,673,100 |
| 2022-2026 | 128,965,000 | 42,253,500 | 171,218,500 |
| 2027-2031 | 70,880,000 | 17,758,000 | 88,638,000 |
| 2032-2033 | 33,700,000 | 2,310,000 | 36,010,000 |
| Total | <u>\$ 382,085,000</u> | <u>\$ 139,418,946</u> | <u>\$ 521,503,946</u> |

Capital Leases

During the years ended June 30, 2014, 2015 and 2016, the School District entered into several capital lease agreements for financing the acquisition of computer equipment. The lease agreements carry interest rates ranging from 3.92% - 6.35%. 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.

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, 2016:

| Fiscal Year Ending June 30, | |
|--|---------------------|
| 2017 | \$ 2,540,121 |
| 2018 | 1,448,528 |
| 2019 | 206,718 |
| Total minimum lease payments | <u>4,195,367</u> |
| Less amount representing interest | <u>(275,577)</u> |
| Present value of future minimum lease payments | <u>\$ 3,919,790</u> |

As of June 30, 2016 the School District has various computers with original cost of \$10,313,530 and accumulated depreciation of \$4,130,609 which are currently financed under a capital lease. The current year amortization expense for the leased assets is included in the depreciation expense for capital assets.

FORSYTH COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016 are as follows:

| Receivable Fund | Payable Fund | Amount |
|------------------------|---------------------|---------------|
| General Fund | Nonmajor Govt Funds | \$ 1,598,583 |

Transfers are used to (1) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and (2) move SPLOST proceeds from the Capital Projects Fund to Debt Service Fund to fund debt service as allowed in the referendum. The transfer into the General Fund is to return an unused allocation of funds that the General Fund transferred out in prior years. Interfund transfers for the year ended June 30, 2016 are as follows:

| Transfer In | Transfer Out | Amount |
|---------------------|-----------------------|---------------|
| General Fund | Nonmajor Govt Funds | \$ 3,500,000 |
| Nonmajor Govt Funds | General Fund | 576,669 |
| Nonmajor Govt Funds | Capital Projects Fund | 30,906,875 |
| | | \$ 34,983,544 |

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 \$568,947. Future minimum lease payments on these leases are as follows:

| Year ending June 30, | |
|-----------------------------|--------------|
| 2017 | 568,614 |
| 2018 | 568,614 |
| 2019 | 568,614 |
| 2020 | 284,307 |
| Total | \$ 1,990,149 |

FORSYTH COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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:

| | <u>Beginning of Year Liability</u> | | <u>Current Year Claims Accrual</u> | | <u>Claims Paid</u> | | <u>End of Year Liability</u> | | <u>Due Within One Year</u> |
|------|--|----|--|----|------------------------|----|----------------------------------|----|--------------------------------|
| 2016 | \$ 601,481 | \$ | 1,664,670 | \$ | 1,482,182 | \$ | 783,969 | \$ | 470,382 |
| 2015 | \$ 903,739 | \$ | 757,621 | \$ | 1,059,879 | \$ | 601,481 | \$ | 360,888 |

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:

| | <u>Beginning of Year Liability</u> | | <u>Current Year Unemployment Accrual</u> | | <u>Unemployment Paid</u> | | <u>End of Year Liability</u> |
|------|--|----|--|----|------------------------------|----|----------------------------------|
| 2016 | \$ - | \$ | 9,735 | \$ | 9,735 | \$ | - |
| 2015 | \$ - | \$ | 21,591 | \$ | 21,591 | \$ | - |

FORSYTH COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE K - RETIREMENT PLANS

General Information About the Teachers Retirement System of Georgia (TRS)

Plan description: All teachers of the School District as defined in §47-3-60 of the Official Code of Georgia Annotated (O.C.G.A.) and certain other support personnel as defined by §47-3-63 are provided a pension through the Teachers Retirement System of Georgia (TRS). TRS, a cost-sharing multiple-employer defined benefit pension plan, is administered by the TRS Board of Trustees (TRS Board). Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. TRS issues a publicly available financial report that can be obtained at www.trsga.com/publications.

Benefits provided: TRS provides service retirement, disability retirement, and death benefits. Normal retirement benefits are determined as 2% of the average of the employee's two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. An employee 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. Ten years of service is required for disability and death benefits eligibility. Disability benefits are based on the employee's creditable service and compensation up to the time of disability. Death benefits equal the amount that would be payable to the employee's beneficiary had the employee retired on the date of death. Death benefits are based on the employee's creditable service and compensation up to the date of death.

Contributions: Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Pursuant to O.C.G.A. §47-3-63, the employer contributions for certain full-time public school support personnel are funded on behalf of the employer by the State of Georgia. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6.00 % of their annual pay during fiscal year 2016. The School District's contractually required contribution rate for the year ended June 30, 2016 was 14.27% of annual School District payroll. District contributions to TRS were \$28,857,232 for the year ended June 30, 2016.

FORSYTH COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE K - RETIREMENT PLANS - CONTINUED

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the School District reported a liability for its proportionate share of the net pension liability that reflected a reduction for support provided to the School District by the State of Georgia for certain public school support personnel. The amount recognized by the School District as its proportionate share of the net pension liability, the related State of Georgia support, and the total portion of the net pension liability that was associated with the School District were as follows:

| | |
|---|------------------------------|
| School District's proportionate share of the net pension liability | \$ 272,758,029 |
| State of Georgia's proportionate share of the net pension liability associated with the School District | <u>360,504</u> |
| Total | <u><u>\$ 273,118,533</u></u> |

The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2014. An expected total pension liability as of June 30, 2015 was determined using standard roll-forward techniques. The School District's proportion of the net pension liability was based on contributions to TRS during the fiscal year ended June 30, 2015. At June 30, 2015, the School District's proportion was 1.791631%, which was an increase of 0.075922% from its proportion measured as of June 30, 2014.

FORSYTH COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE K - RETIREMENT PLANS - CONTINUED

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - Continued

For the year ended June 30, 2016, the School District recognized pension expense of \$21,962,357 and revenue of \$21,276 for support provided by the State of Georgia for certain support personnel. At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Net difference between projected and actual earnings on pension plan investments | \$ - | \$ 23,007,427 |
| Experience Differences | | 2,399,048 |
| Changes in proportion and differences between School District contributions and proportionate share of contributions | 16,229,073 | - |
| School District contributions subsequent to the measurement date | <u>28,857,232</u> | <u>-</u> |
| Total | <u>\$ 45,086,305</u> | <u>\$ 25,406,475</u> |

School District contributions subsequent to the measurement date of \$28,857,232 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended June 30: | |
|----------------------------|-----------------------|
| 2017 | \$ (7,067,002) |
| 2018 | (7,067,002) |
| 2019 | (7,067,020) |
| 2020 | 11,640,317 |
| 2021 | 383,305 |
| Total | <u>\$ (9,177,402)</u> |

FORSYTH COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE K - RETIREMENT PLANS - CONTINUED

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - Continued

Actuarial assumptions: The total pension liability as of June 30, 2015 was determined by an actuarial valuation as of June 30, 2014 using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|--|
| Inflation | 3.00% |
| Salary increases | 3.75 – 7.00%, average, including inflation |
| Investment rate of return | 7.50%, net of pension plan investment expense, including inflation |

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females set back two years for males and set back three years for females.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2004 – June 30, 2009.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| <u>Asset class</u> | <u>Target allocation</u> | <u>Long-term expected real rate of return*</u> |
|---|--------------------------|--|
| Fixed income | 30.00% | 3.00% |
| Domestic large equities | 39.70 | 6.50 |
| Domestic mid equities | 3.70 | 10.00 |
| Domestic small equities | 1.60 | 13.00 |
| International developed market equities | 18.90 | 6.50 |
| International emerging market equities | 6.10 | 11.00 |
| Total | <u>100.00%</u> | |

* Rates shown are net of the 3.00% assumed rate of inflation

FORSYTH COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE K - RETIREMENT PLANS - CONTINUED

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - Continued

Discount rate: The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that Plan member contributions will be made at the current contribution rate and that employer and State of Georgia contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the School District's proportionate share of the net pension liability to changes in the discount rate: The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

| | 1% Decrease (6.50%) | Current discount rate (7.50%) | 1% Increase (8.50%) |
|---|---------------------------|-------------------------------------|---------------------------|
| School District's proportionate share of the net pension liability | \$ 468,714,050 | \$ 272,758,029 | \$ 111,243,641 |

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued TRS financial report which is publically available at www.trsga.com/publications.

FORSYTH COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE K - RETIREMENT PLANS - CONTINUED

General Information About the Public School Employees Retirement System (PSERS)

Plan description: PSERS is a cost-sharing multiple-employer defined benefit pension plan established by the Georgia General Assembly in 1969 for the purpose of providing retirement allowances for public school employees who are not eligible for membership in the Teachers Retirement System of Georgia. The ERS Board of Trustees, plus two additional trustees, administers PSERS. Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. PSERS issues a publicly available financial report that can be obtained at www.ers.ga.gov/formspubs/formspubs.

Benefits provided: 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. A member may choose to receive reduced benefits after age 60 and upon completion of ten years of service.

Upon retirement, the member will receive a monthly benefit of \$14.75, multiplied by the number of years of creditable service. Death and disability benefits are also available through PSERS. Additionally, PSERS may make periodic cost-of-living adjustments to the monthly benefits. Upon termination of employment, member contributions with accumulated interest are refundable upon request by the member. However, if an otherwise vested member terminates and withdraws his/her member contribution, the member forfeits all rights to retirement benefits.

Contributions: The general assembly makes an annual appropriation to cover the employer contribution to PSERS on behalf of local school employees (bus drivers, cafeteria workers, and maintenance staff). The annual employer contribution required by statute is actuarially determined and paid directly to PSERS by the State Treasurer in accordance with O.C.G.A. §47-4-29(a) and 60(b). Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Individuals who became members prior to July 1, 2012 contribute \$4 per month for nine months each fiscal year. Individuals who became members on or after July 1, 2012 contribute \$10 per month for nine months each fiscal year. The State of Georgia, although not the employer of PSERS members, is required by statute to make employer contributions actuarially determined and approved and certified by the PSERS Board of Trustees.

FORSYTH COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE K - RETIREMENT PLANS - CONTINUED

General Information About the Public School Employees Retirement System (PSERS) - Continued

Pension Liabilities and Pension Expense

At June 30, 2016, the School District did not have a liability for a proportionate share of the net pension liability because of the related State of Georgia support. The amount of the State's proportionate share of the net pension liability associated with the School District is as follows:

| | |
|--|---------------------|
| State of Georgia's proportionate share of the Net Pension Liability associated with the School District | \$ <u>2,968,319</u> |
|--|---------------------|

The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2014. An expected total pension liability as of June 30, 2015 was determined using standard roll-forward techniques. The State's proportion of the net pension liability associated with the School District was based on actuarially determined contributions paid by the State during the fiscal year ended June 30, 2015.

For the year ended June 30, 2016, the School District recognized pension expense of \$177,014 and revenue of \$177,014 for support provided by the State of Georgia.

Actuarial assumptions: The total pension liability was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|---|
| Inflation | 3.0% |
| Salary increase | N/A |
| Investment rate of return | 7.50%, net of pension plan investment expense, including inflation |

Mortality rates were based on the RP-2000 Combined Mortality Table set forward one year for males for the period after service retirement, for dependent beneficiaries, and for deaths in active service, and the RP-2000 Disabled Mortality Table set back two years for males and set forward one year for females for the period after disability retirement.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2004 – June 30, 2009.

FORSYTH COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE K - RETIREMENT PLANS - CONTINUED

General Information About the Public School Employees Retirement System (PSERS) - Continued

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| <u>Asset class</u> | <u>Target allocation</u> | <u>Long-term expected real rate of return*</u> |
|---------------------------------------|--------------------------|--|
| Fixed income | 30.00% | 3.00% |
| Domestic large stocks | 39.70 | 6.50 |
| Domestic mid stocks | 3.70 | 10.00 |
| Domestic small stocks | 1.60 | 13.00 |
| International developed market stocks | 18.90 | 6.50 |
| International emerging market stocks | 6.10 | 11.00 |
| Total | <u>100.00%</u> | |

* Rates shown are net of the 3.00% assumed rate of inflation

Discount rate: The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that Plan member contributions will be made at the current contribution rate and that employer and nonemployer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

FORSYTH COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE K - RETIREMENT PLANS - CONTINUED

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, 2016, 2015, and 2014 the School District contributed \$302,372, \$295,281, and \$278,040, respectively, to the Plan on behalf of its employees. For the years ended June 30, 2016, 2015, and 2014, employees contributed \$451,163, \$423,414, and \$395,877, respectively, to the plan.

NOTE L - CONTINGENCIES AND COMMITMENTS

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.

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.

Commitments

The School District has outstanding construction commitments of \$1,155,608 as of June 30, 2016. This amount is not reflected in the basic financial statements.

FORSYTH COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE M - ON-BEHALF PAYMENTS FOR FRINGE BENEFITS

The School District has recognized revenue and expenditures in the amount of \$670,153 for retirement contributions and health insurance premiums 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 \$634,159.

Paid by the Georgia Department of Education to the Teachers Retirement System for Teachers Retirement (TRS) in the amount of \$35,994.

NOTE N - POSTEMPLOYMENT BENEFITS

Georgia School Personnel Postemployment Health Benefit Fund

Plan Description. The Georgia School Personnel Postemployment Health Benefit Fund (School OPEB Fund) is a cost-sharing multiple-employer defined benefit postemployment healthcare plan that covers eligible former employees of public school systems, libraries and regional educational service agencies. The School OPEB Fund provides health insurance benefits to eligible former employees and their qualified beneficiaries through the State Employees Health Benefit Plan administered by the Department of Community Health. The Official Code of Georgia Annotated (O.C.G.A.) assigns the authority to establish and amend the benefit provisions of the group health plans, including benefits for retirees, to the Board of Community Health (Board). The Department of Community Health, which includes the School OPEB Fund, issues a separate stand alone financial audit report and a copy can be obtained from the Georgia Department of Audits and Accounts at www.audits.ga.gov/SGD/CAFR.html.

Funding Policy. The contribution requirements of plan members and participating employers are established by the Board in accordance with the current Appropriations Act and may be amended by the Board. Contributions of plan members or beneficiaries receiving benefits vary based on plan election, dependent coverage, and Medicare eligibility and election. For members with fewer than five years of service as of January 1, 2013, contributions also vary based on years of service. On average, members with five years or more of service as of January 1, 2013, pay approximately 25 percent of the cost of the health insurance coverage. In accordance with the Board resolution dated December 8, 2011, for members with fewer than five years of service as of January 1, 2013, the State provides a premium subsidy in retirement that ranges from 0% for fewer than 10 years of service to 75% (but no greater than the subsidy percentage offered to active employees) for 30 or more years of service. The subsidy for eligible dependents ranges from 0% to 55% (but no greater than the subsidy percentage offered to dependents of active employees minus 20%). No subsidy is available to Medicare eligible members not enrolled in a Medicare Advantage Option. The Board of Community Health sets all member premiums by resolution and in accordance with the law and applicable revenue and expense projections. Any subsidy policy adopted by the Board may be changed at any time by Board resolution and does not constitute a contract or promise of any amount of subsidy.

FORSYTH COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE N - POSTEMPLOYMENT BENEFITS - CONTINUED

Georgia School Personnel Postemployment Health Benefit Fund - continued

Participating employers are statutorily required to contribute in accordance with the employer contribution rates established by the Board. The contribution rates are established to fund all benefits due under the health insurance plans for both active and retired employees based on projected "pay-as-you-go" financing requirements. Contributions are not based on the actuarially calculated annual required contribution (ARC) which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The combined active and retiree contribution rates established by the Board for employers participating in the School OPEB Fund were as follows for the fiscal year ended June 30, 2016:

For certificated teachers, librarians and regional educational service agencies and certain other eligible participants:

July 1, 2015 – June 30, 2016 \$945.00 per member per month

For non-certificated school personnel:

July 1, 2015 – June 30, 2016 \$746.20 per member per month

No additional contribution was required by the Board for fiscal year 2016 nor contributed to the School OPEB Fund to prefund retiree benefits. Such additional contribution amounts are determined annually by the Board in accordance with the School District plan for other postemployment benefits and are subject to appropriation.

The School District's combined active and retiree contributions to the health insurance plans, which equaled the required contribution, were \$49,388,957, \$45,999,165, and \$44,218,405 for the fiscal year ended June 30, 2016, 2015 and 2014, respectively.

NOTE O - SUBSEQUENT EVENTS

On July 28, 2016, the School District, through the Forsyth County Public Facilities Authority, issued Revenue Bonds, Series 2016 in the principal amount of \$25,320,000 with a premium of 4,973,992 to fund the costs of acquiring, constructing, and equipping new school facilities, adding to renovating, repairing, improving, and equipping certain existing school facilities, and acquiring land for future schools, instructional and administrative technology improvements, and school buses. The bonds require semiannual interest payments due August 1 and February 1, commencing February 1, 2017, at an interest rate ranging from 2%-5% and annual principal payments beginning in 2017. The bonds mature in 2031.

FORSYTH COUNTY BOARD OF EDUCATION

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
TEACHERS RETIREMENT SYSTEM OF GEORGIA
FOR THE FISCAL YEAR ENDED JUNE 30**

| | <u>2016</u> | <u>2015</u> |
|--|-----------------------|-----------------------|
| School District's proportion of the net pension liability | 1.791631% | 1.715709% |
| School District's proportionate share of the net pension liability | \$ 272,758,029 | \$ 216,757,202 |
| State of Georgia's proportionate share of the net pension liability associated with the School District | <u>360,504</u> | <u>303,335</u> |
| Total | <u>\$ 273,118,533</u> | <u>\$ 217,060,537</u> |
| School District's covered-employee payroll | \$ 189,117,141 | \$ 189,374,053 |
| School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 144.23% | 114.46% |
| Plan fiduciary net position as a percentage of the total pension liability | 81.44% | 84.03% |

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

FORSYTH COUNTY BOARD OF EDUCATION

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
TEACHERS RETIREMENT SYSTEM OF GEORGIA
FOR THE FISCAL YEAR ENDED JUNE 30**

| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|-------------------|-------------------|-------------------|
| Contractually required contributions | \$ 28,857,232 | \$ 24,868,904 | \$ 21,494,467 |
| Contributions in relation to the contractually required contributions | <u>28,857,232</u> | <u>24,868,904</u> | <u>21,494,467</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| School District's covered-employee payroll | 202,223,069 | 189,117,141 | 189,374,053 |
| Contributions as a percentage of covered-employee payroll | 14.27% | 13.15% | 11.35% |

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

FORSYTH COUNTY BOARD OF EDUCATION

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PUBLIC SCHOOLS EMPLOYEES RETIREMENT SYSTEM OF GEORGIA
FOR THE FISCAL YEAR ENDED JUNE 30**

| | <u>2016</u> | <u>2015</u> |
|--|---------------------|---------------------|
| School District's proportion of the net pension liability | 0.000000% | 0.000000% |
| School District's proportionate share of the net pension liability | \$ - | \$ - |
| State of Georgia's proportionate share of the net pension liability associated with the School District | <u>2,968,319</u> | <u>2,474,142</u> |
| Total | <u>\$ 2,968,319</u> | <u>\$ 2,474,142</u> |
| School District's covered-employee payroll | \$ 12,941,258 | \$ 12,019,629 |
| School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | N/A | N/A |
| Plan fiduciary net position as a percentage of the total pension liability | 87.00% | 88.29% |

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

FORSYTH COUNTY BOARD OF EDUCATION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Teachers Retirement System of Georgia:

Changes of assumptions: In 2010 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In 2010, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

Method and assumptions used in calculations of actuarially determined contributions: The actuarially determined contribution rates in the schedule of contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the contractually required contributions for year ended June 30, 2016 reported in that schedule:

| | |
|-------------------------------|--|
| Valuation date | June 30, 2013 |
| Actuarial cost method | Entry age |
| Amortization method | Level percentage of payroll, closed |
| Remaining amortization period | 30 years |
| Asset valuation method | Five-year smoothed market |
| Inflation rate | 3.00% |
| Salary increases | 3.75 – 7.00%, including inflation |
| Investment rate of return | 7.50%, net of pension plan investment expense, including inflation |

Public Schools Employees Retirement System of Georgia:

Changes of assumptions: The last experience investigation was prepared for the five-year period ending June 30, 2009, and based on the results of the investigation various assumptions and methods were revised and adopted by the board on December 16, 2010. The next experience investigation will be prepared for the period July 1, 2009 through June 30, 2014.

Method and assumptions used in calculations of actuarially determined contributions: The actuarially determined contribution rates in the schedule of contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the contractually required contributions for year ended June 30, 2016 reported in that schedule:

| | |
|-------------------------------|--|
| Valuation date | June 30, 2013 |
| Actuarial cost method | Entry age |
| Amortization method | Level percentage of payroll, closed |
| Remaining amortization period | 25 years |
| Asset valuation method | Five-year smoothed market |
| Inflation rate | 3.00% |
| Salary increases | N/A |
| Investment rate of return | 7.50%, net of pension plan investment expense, including inflation |
| Cost-of-living adjustments | 1.50% semi-annually |

FORSYTH COUNTY BOARD OF EDUCATION

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

SCHOOL ACTIVITY

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

FEDERAL PROGRAMS

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. This fund also contains several locally funded programs whose expenditures are limited to specified purposes.

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.

DEBT SERVICE FUND

DEBT SERVICE

To account 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.

FORSYTH COUNTY BOARD OF EDUCATION

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016**

| ASSETS | Special Revenue Funds | | | | Total Nonmajor Governmental Funds |
|--|----------------------------|-----------------------------|------------------------------------|-------------------------|--|
| | School Activity Fund | Federal Programs Fund | School Food Services Fund | Debt Service Fund | |
| Cash and cash equivalents | \$ 5,964,168 | \$ - | \$ 5,463,325 | \$ 8,052,350 | \$ 19,479,843 |
| Receivables: | | | | | |
| Accounts | - | - | 67,889 | - | 67,889 |
| Intergovernmental | - | 2,498,743 | - | - | 2,498,743 |
| Taxes, net of allowances | - | - | - | 490,118 | 490,118 |
| Inventory | - | - | 200,965 | - | 200,965 |
| Total assets | <u>\$ 5,964,168</u> | <u>\$ 2,498,743</u> | <u>\$ 5,732,179</u> | <u>\$ 8,542,468</u> | <u>\$ 22,737,558</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | | |
| LIABILITIES | | | | | |
| Accounts payable | \$ - | \$ 60,775 | \$ - | \$ - | \$ 60,775 |
| Salaries and benefits payable | - | 674,474 | 648,204 | - | 1,322,678 |
| Due to other funds | - | 1,598,583 | - | - | 1,598,583 |
| Total liabilities | <u>-</u> | <u>2,333,832</u> | <u>648,204</u> | <u>-</u> | <u>2,982,036</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable revenue - property taxes | - | - | - | 202,422 | 202,422 |
| Total deferred inflows of resources | <u>-</u> | <u>-</u> | <u>-</u> | <u>202,422</u> | <u>202,422</u> |
| FUND BALANCES | | | | | |
| Nonspendable: | | | | | |
| Inventory | - | - | 200,965 | - | 200,965 |
| Restricted: | | | | | |
| Federal programs | - | 164,911 | - | - | 164,911 |
| Debt service | - | - | - | 8,340,046 | 8,340,046 |
| School food services | - | - | 4,883,010 | - | 4,883,010 |
| Committed: | | | | | |
| School activities | 5,964,168 | - | - | - | 5,964,168 |
| Total fund balances | <u>5,964,168</u> | <u>164,911</u> | <u>5,083,975</u> | <u>8,340,046</u> | <u>19,553,100</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 5,964,168</u> | <u>\$ 2,498,743</u> | <u>\$ 5,732,179</u> | <u>\$ 8,542,468</u> | <u>\$ 22,737,558</u> |

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, 2016**

| | Special Revenue Funds | | | | Total Nonmajor Governmental Funds |
|--|----------------------------|-----------------------------|------------------------------------|-------------------------|--|
| | School Activity Fund | Federal Programs Fund | School Food Services Fund | Debt Service Fund | |
| REVENUES | | | | | |
| State funds | \$ - | \$ - | \$ 372,504 | \$ - | \$ 372,504 |
| Federal funds | - | 11,006,484 | 6,006,090 | - | 17,012,574 |
| Local and other funds | 15,573,406 | 76,500 | 9,185,409 | 23,247,298 | 48,082,613 |
| Total revenues | <u>15,573,406</u> | <u>11,082,984</u> | <u>15,564,003</u> | <u>23,247,298</u> | <u>65,467,691</u> |
| EXPENDITURES | | | | | |
| Instruction | 15,207,396 | 5,336,221 | - | - | 20,543,617 |
| Support services: | | | | | |
| Pupil services | - | 2,647,637 | - | - | 2,647,637 |
| Improvement of instructional services | - | 1,925,774 | - | - | 1,925,774 |
| Federal grant administration | - | 368,595 | - | - | 368,595 |
| General administration | - | 61,915 | - | - | 61,915 |
| Student transportation services | - | 141,474 | - | - | 141,474 |
| Central support services | - | 75,457 | - | - | 75,457 |
| Other support services | - | 482,963 | - | - | 482,963 |
| Food services operation | - | - | 15,693,133 | - | 15,693,133 |
| Debt service: | | | | | |
| Principal retirement | - | - | - | 35,310,000 | 35,310,000 |
| Interest | - | - | - | 15,209,912 | 15,209,912 |
| Total expenditures | <u>15,207,396</u> | <u>11,040,036</u> | <u>15,693,133</u> | <u>50,519,912</u> | <u>92,460,477</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>366,010</u> | <u>42,948</u> | <u>(129,130)</u> | <u>(27,272,614)</u> | <u>(26,992,786)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | 160,000 | - | - | 31,323,544 | 31,483,544 |
| Transfers out | - | - | - | (3,500,000) | (3,500,000) |
| Total other financing sources (uses) | <u>160,000</u> | <u>-</u> | <u>-</u> | <u>27,823,544</u> | <u>27,983,544</u> |
| Net change in fund balances | 526,010 | 42,948 | (129,130) | 550,930 | 990,758 |
| FUND BALANCES, beginning of year | <u>5,438,158</u> | <u>121,963</u> | <u>5,213,105</u> | <u>7,789,116</u> | <u>18,562,342</u> |
| FUND BALANCES, end of year | <u>\$ 5,964,168</u> | <u>\$ 164,911</u> | <u>\$ 5,083,975</u> | <u>\$ 8,340,046</u> | <u>\$ 19,553,100</u> |

FORSYTH COUNTY BOARD OF EDUCATION

**SCHEDULE OF EXPENDITURES OF
SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

SPLOST IV

| | <u>Original Estimated Cost</u> | <u>Current Estimated Cost</u> | <u>Prior Years</u> | <u>Current Year</u> | <u>Total</u> |
|--|--|---------------------------------------|------------------------|-------------------------|----------------------|
| Acquisition, construction, renovation and equipping of schools | \$ 53,624,925 | \$ 53,624,925 | \$ 6,500 | \$ 5,250 | \$ 11,750 |
| Debt service | 141,375,075 | 141,375,075 | 65,230,512 | 26,570,775 | 91,801,287 |
| | <u>\$ 195,000,000</u> | <u>\$ 195,000,000</u> | <u>\$ 65,237,012</u> | \$ 26,576,025 | <u>\$ 91,813,037</u> |
| Non-SPLOST monies transferred to Debt Service Fund for 2014 bonds | | | | \$ 4,336,100 | |
| Non-SPLOST monies expended in Capital Projects Fund | | | | 141,792,366 | |
| SPLOST monies expended in Debt Service Fund | | | | (500) | |
| Total expenditures and transfers of Capital Projects Fund | | | | <u>\$ 172,703,991</u> | |

II. SINGLE AUDIT SECTION



**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, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Forsyth County Board of Education, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Forsyth County Board of Education's basic financial statements, and have issued our report thereon dated January 26, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Forsyth County Board of Education's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Forsyth County Board of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of the Forsyth County Board of Education's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2016-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Forsyth County Board of Education's financial statements are free from 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*.

Forsyth County Board of Education's Response to Finding

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. The Forsyth County Board of Education's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Atlanta, Georgia
January 26, 2017



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited the Forsyth County Board of Education's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Forsyth County Board of Education's major federal programs for the year ended June 30, 2016. 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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Forsyth County Board of Education's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Forsyth County Board of Education's compliance.

Opinion on Each Major Federal Program

In our opinion, the Forsyth County Board of Education complied, in all material respects, with the types of 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, 2016.

Report on 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 types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Forsyth County Board of Education's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Forsyth County Board of Education's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Atlanta, Georgia
January 26, 2017

FORSYTH COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

| 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 | \$ 1,069,350 |
| National School Lunch Program: | | | |
| Cash Assistance | 10.555 | N/A | 3,842,594 |
| Non-Cash Assistance (Commodities) | 10.555 | N/A | <u>1,060,554</u> |
| Total Child Nutrition Cluster | | | <u>5,972,498</u> |
| Pass-Through From Georgia Department of Education | | | |
| Warehouse Grant | 10.560 | N/A | <u>33,592</u> |
| Total U.S. Department of Agriculture | | | <u>6,006,090</u> |
| Education, U.S. Department of: | | | |
| State Fiscal Stabilization Fund - Innovation Fund, Recovery Act | | | |
| i3 Engage ME PLEASE | 84.396C | N/A | <u>1,070,983</u> |
| Pass-Through from Georgia Department of Education | | | |
| Special Education Cluster | | | |
| Part B-Special Education | | | |
| Flow Through | 84.027 | N/A | 5,919,720 |
| High Cost Fund Pool | 84.027 | N/A | 139,695 |
| Preschool | 84.173 | N/A | <u>120,233</u> |
| Total Special Education Cluster | | | <u>6,179,648</u> |
| Title I, Part A | | | |
| Improving Academic Achievement | 84.010 | N/A | 2,623,795 |
| Distinguished District Awards | 84.010 | N/A | <u>39,428</u> |
| Total Title I, Part A | | | <u>2,663,223</u> |
| Title I - C | | | |
| Migrant Education | 84.011 | N/A | <u>11,508</u> |
| Title II | | | |
| Advance Placement Grant | 84.367 | N/A | 10,940 |
| Improving Teacher Quality | 84.367 | N/A | <u>416,539</u> |
| Total Title II | | | <u>427,479</u> |
| Title III | | | |
| Immigrant | 84.365 | N/A | 14,129 |
| Limited English Proficient | 84.365 | N/A | <u>173,460</u> |
| Total Title III | | | <u>187,589</u> |

continued

FORSYTH COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

| 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) | | | |
| Education of Homeless Children and Youth | 84.196 | N/A | 32,554 |
| Vocational Education-Basic Grants to States | | | |
| Program Improvement | 84.048 | N/A | 170,997 |
| CTE Perkins Carryover | 84.048 | N/A | 10,529 |
| CTE Perkins Plus | 84.048 | N/A | 24,160 |
| Total Vocational Education-Basic Grants to States | | | 205,686 |
| Total U.S. Department of Education | | | 10,778,670 |
| Health and Human Services, U.S. Department of | | | |
| Mentors and Motivators | 93.959 | N/A | 90,157 |
| Defense, U.S. Department of | | | |
| R.O.T.C Program | 12.357 | N/A | 91,657 |
| Pass-Through from Office of the State Treasurer | | | |
| Payments to States in Lieu of Real Estate Taxes | 12.112 | N/A | 283,018 |
| Total U.S. Department of Defense | | | 374,675 |
| Total Expenditures of Federal Awards | | | \$ 17,249,592 |

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, 2016

Notes to the Schedule of Expenditures of Federal Awards

N/A - Not Available

- (1) The amount 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 School District did not utilize the 10% de minimis indirect cost rate.

The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements of Federal Awards*. 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, 2016

SECTION I
SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP

Unmodified

Internal control over financial reporting:
 Material weaknesses identified?

_____ yes X no

Significant deficiencies identified?

 X yes _____ none reported

Noncompliance material to financial statements noted?

_____ yes X no

Federal Awards

Internal Control over major federal programs:
 Material weaknesses identified?

_____ yes X no

Significant deficiencies identified?

_____ yes X none reported

Type of auditor's report issued on compliance for major federal programs

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) ?

_____ yes X no

Identification of major federal programs:

CFDA Number

Name of Federal Program or Cluster

10.553, 10.555
 84.027, 84.173

Child Nutrition Cluster
 Special Education Cluster (IDEA)

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

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, 2016

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2016-001 Proper Recording of Capital Assets

Criteria: Internal controls should be in place to ensure that all capital asset amounts reported within the financial statements are accurate, in accordance with generally accepted accounting principles, and represent assets that are owned by the School District.

Condition and Context: Internal controls were not sufficient to detect certain misstatements in the reporting of the Governmental Activities' capital assets and related accumulated depreciation.

Cause: During our testing of capital assets, we noted the Governmental Activities improperly capitalized all capital lease debt service payments in fiscal year 2016 totaling \$2,723,550. The District should have only capitalized the newly entered into lease of \$1,751,850, causing an adjustment of \$971,700. The District also capitalized an outdoor classroom and land that were not yet capital assets of the District at June 30, 2016 that caused audit adjustments totaling \$3,165,043.

Effects: Audit adjustments totaling approximately \$4,136,743 were needed to correctly report current year expenses and capital assets of the Governmental Activities as of and for the fiscal year ended June 30, 2016.

Recommendation: We recommend the District carefully review all capital assets accounts and related items to ensure amounts are reported in accordance with generally accepted accounting principles.

Auditee's Response: We concur with the finding. We will take necessary steps to ensure amounts are properly reported in the future.

FORSYTH COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None reported.

FORSYTH COUNTY BOARD OF EDUCATION

STATUS OF PRIOR YEAR FINDINGS FOR THE FISCAL YEAR ENDED JUNE 30, 2016

2015-001 Cash Management
U.S. Department of Education – Passed through Georgia Department of Education
Special Education Cluster - CFDA #84.027 and #84.173

Criteria: The grant agreements for this program require the School District to request cash drawdowns on a reimbursement basis. Federal requirements also require Federal grant recipients establish an effective internal control structure which would ensure compliance with direct and material compliance requirements of Federal programs.

Condition: During our testing of the Special Education program, the School District's internal controls over the cash management process were not consistently being followed. The process calls for preparation of the drawdown request by one individual and review and approval of the drawdown by a separate individual. Of the fourteen (14) drawdowns prepared by the School District for this grant during the fiscal year, we noted that all fourteen of the drawdowns were prepared, approved, and submitted by the same individual without review by a separate individual.

Status: Finding was resolved during the current fiscal year.

2015-002 Procurement and Suspension and Debarment
U.S. Department of Education – Passed through Georgia Department of Education
Special Education Cluster - CFDA #84.027 and #84.173

Criteria: Grant requirements state non-Federal entities are prohibited from contracting with or making sub-awards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. "Covered transactions" include those procurement contracts for goods and services awarded under a nonprocurement transaction that are expected to equal or exceed \$25,000 or meet certain other specified criteria. 2 CFR section 180.220 of the government-wide nonprocurement debarment and suspension guidance contains those additional limited circumstances.

Condition: Prior to purchasing products or services that meet or exceed \$25,000; the vendor is required to specifically confirm their exclusion from the database for contracts funded by the federal programs or the School District may elect to check the Excluded Parties List System (EPLS). Of the eight (8) vendors tested for this grant during the fiscal year, we noted that one (1) of the vendors had not been checked for exclusion from suspension and debarment.

Status: Finding was resolved during the current fiscal year.

FORSYTH COUNTY BOARD OF EDUCATION

MANAGEMENT'S CORRECTIVE ACTION PLAN FOR THE FISCAL YEAR ENDED JUNE 30, 2016

2016-001 Proper Recording of Capital Assets

Name of the Contact Person Responsible for the Corrective Action Plan: Rick Gunn, CFO, and Steve Atha, Finance Director

Corrective Action Plan: The District will review capital asset accounts and related items to ensure capital assets are properly recorded in accordance with generally accepted accounting principles.

Anticipated Completion Date: June 30, 2017