

**FORSYTH COUNTY BOARD OF EDUCATION**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE**  
**FISCAL YEAR ENDED JUNE 30, 2015**

**FORSYTH COUNTY BOARD OF EDUCATION  
ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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## **I. FINANCIAL SECTION**



## INDEPENDENT AUDITOR'S REPORT

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**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, 2015, 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.

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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, 2015, 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.

### ***Emphasis of Matter***

As discussed in Notes K and P, the Forsyth County Board of Education implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as well as Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, as of July 1, 2014. These standards significantly changed the accounting for the Forsyth County Board of Education’s net pension liability and the related disclosures. Our opinions are not modified with respect to this matter.

### ***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 12 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.

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*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 the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 April 19, 2016 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  
April 19, 2016

**FORSYTH COUNTY BOARD OF EDUCATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**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, 2015. 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 2015 are as follows:

- On the district-wide financial statements, the assets and deferred outflow of resources of the School District exceeded liabilities and deferred inflow of resources by \$173.8 million.
- The School District had \$376.5 million in expenses relating to governmental activities; only \$226.1 million of these expenses are offset by program specific charges for services, grants and contributions. General revenues (primarily property and sales taxes) of \$198 million were adequate to provide for these programs.
- As stated above, general revenues accounted for \$198 million or 47% of all revenues totaling \$424.1 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 \$47.6 million.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of the following parts; the auditor's report, management's discussion and analysis, the basic financial statements, required supplementary information, 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, Capital Projects Fund, and the Debt Service Fund are reported as major funds.



**FORSYTH COUNTY BOARD OF EDUCATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. Required supplementary information includes information regarding the School District's pension plans. 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 School 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 and deferred outflows of resources and 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, 2015**

**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE**

**Table 1**  
**Net Position**

	Governmental Activities	
	Fiscal Year 2014	Fiscal Year 2015
<b>ASSETS</b>		
Current and other assets	\$ 119,277,872	\$ 209,814,253
Capital assets	591,479,962	620,801,601
Total assets	710,757,834	830,615,854
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred charges on refunding	8,741,000	7,765,439
Pension related items	21,494,467	32,350,286
Total deferred outflows of resources	30,235,467	40,115,725
<b>LIABILITIES</b>		
Current liabilities	26,525,661	35,619,725
Long-term liabilities	588,202,562	585,698,341
Total liabilities	614,728,223	621,318,066
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension related items	-	75,566,155
Total deferred inflows of resources	-	75,566,155
<b>NET POSITION</b>		
Net investment in capital assets	317,531,192	326,626,722
Restricted	33,580,526	70,220,186
Unrestricted	(224,846,640)	(222,999,544)
Total net position	\$ 126,265,078	\$ 173,847,364

**FORSYTH COUNTY BOARD OF EDUCATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**Table 2**  
**Change in Net Position**

	Governmental Activities	
	Fiscal Year 2014	Fiscal Year 2015
<u>Revenues</u>		
Program revenues:		
Charges for services	\$ 10,006,194	\$ 10,043,652
Operating grants and contributions	178,334,679	215,441,746
Capital grants and contributions	108,000	650,852
General revenues:		
Taxes:		
Property taxes		
For maintenance and operations	120,569,371	127,063,701
For debt service	18,403,199	19,536,606
Sales taxes	31,605,359	34,337,071
Other taxes:		
Intangible taxes	4,071,156	5,418,825
Real estate transfer taxes	1,814,058	1,937,627
Title ad valorem tax	6,779,213	8,073,358
Unrestricted investment earnings	105,107	224,522
Other	406,899	1,359,489
Total revenues	<u>372,203,235</u>	<u>424,087,449</u>
<u>Expenses</u>		
Instruction	244,130,302	258,553,235
Support services:		
Pupil services	8,118,610	8,871,100
Improvement of instructional services	5,095,395	6,174,345
Educational media services	3,482,237	3,081,917
Federal grant administration	392,616	363,332
General administration	893,756	928,109
School administration	18,058,541	19,480,956
Business administration	1,853,604	1,895,038
Maintenance and operation of plant	23,471,557	25,793,744
Student transportation services	16,203,806	16,542,790
Central support services	5,869,847	6,374,179
Other support services	555,792	493,575
Food services operations	16,122,639	16,110,782
Community services operations	1,505,466	1,736,035
Interest on long-term debt	8,743,742	10,106,026
Total expenses	<u>354,497,910</u>	<u>376,505,163</u>
Change in net position	17,705,325	47,582,286
Net position, beginning of year, restated	108,559,753	126,265,078
Net position, end of year	<u>\$ 126,265,078</u>	<u>\$ 173,847,364</u>

**FORSYTH COUNTY BOARD OF EDUCATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**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	
	2014	2015	2014	2015
Instruction	\$ 244,130,302	\$ 258,553,235	\$ 126,586,874	\$ 88,044,706
Support services:				
Pupil services	8,118,610	8,871,100	5,200,932	5,716,508
Improvement of instructional services	5,095,395	6,174,345	2,523,019	3,744,114
Educational media services	3,482,237	3,081,917	(1,501,363)	(2,152,081)
Federal grant administration	392,616	363,332	-	363,332
General administration	893,756	928,109	(3,677,765)	(3,753,469)
School administration	18,058,541	19,480,956	9,755,617	10,850,952
Business administration	1,853,604	1,895,038	1,127,059	1,858,026
Maintenance and operation of plant	23,471,557	25,793,744	5,862,917	12,759,529
Student transportation services	16,203,806	16,542,790	9,360,886	14,799,100
Central support services	5,869,847	6,374,179	3,980,902	6,191,366
Other support services	555,792	493,575	78,845	76,171
Food services operations	16,122,639	16,110,782	(1,992,628)	1,764,633
Community services operations	1,505,466	1,736,035	-	-
Interest on long-term debt	8,743,742	10,106,026	8,743,742	10,106,026
<b>Total expenses</b>	<b>\$ 354,497,910</b>	<b>\$ 376,505,163</b>	<b>\$ 166,049,037</b>	<b>\$ 150,368,913</b>

**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 \$570.5 million and total expenditures and other financing uses of \$488.8 million.

**Major Funds:**

**General Fund**

The General Fund is the operating fund of the District. Revenue from state and federal sources accounted for 53.9% of the districts revenues. The other 46.1% is from local sources, primarily ad valorem taxes.

The student population of the district continues to grow. There was an increase in FTE of 1,715 when comparing state QBE allotment sheets for fiscal years 2014 and 2015. Overall state and federal funding rose by \$18.8 million over the prior year.

**FORSYTH COUNTY BOARD OF EDUCATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Expenditures rose by \$28.1 million over the prior year. The primary cause of the increase was the staffing needs due to the increase in the number of FTE's. Employer costs for both the state health insurance plan and the teacher's retirement plan also contributed to the increase. The maintenance and operations millage rate remained at 16.3 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 2015 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 2015, the School District amended its General Fund budget as needed. The School district uses site-based budgeting as a part of the budget process. The budgeting systems are designed to control total site budgets but provide flexibility for the site management.

For the General Fund, the budget basis revenues and other financing sources of \$314.6 million were more than the original budgeted amounts of \$299.6 million by \$15 million.

Total budget basis actual total revenues had a \$637,162 favorable variance when compared to the final budgeted revenue total.

The budget basis actual expenditures of \$317.7 million were more than the original budgeted amount of \$309.2 million by \$8.5 million.

The budget basis actual expenditures had a \$530,203 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, 2015**

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

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
State sources	\$ 164,794,735	\$ 166,059,424	\$ 167,600,208	\$ 1,540,784
Federal sources	-	-	84,681	84,681
Local sources and other funds	134,776,732	143,627,657	142,639,354	(988,303)
On behalf payments	-	665,620	665,620	-
Total revenues	<u>299,571,467</u>	<u>310,352,701</u>	<u>310,989,863</u>	<u>637,162</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	227,048,793	231,876,676	231,815,063	61,613
Support services:				
Pupil services	6,902,637	7,068,456	6,617,384	451,072
Improvement of instructional services	4,438,121	4,612,935	4,606,719	6,216
Educational media services	3,187,964	2,789,472	2,785,937	3,535
General administration	927,069	948,089	859,818	88,271
School administration	18,613,215	19,198,430	19,193,469	4,961
Business administration	1,821,929	1,861,949	1,861,909	40
Maintenance and operation of plant	24,901,039	25,470,410	25,845,039	(374,629)
Student transportation services	14,852,710	14,988,176	14,977,207	10,969
Central support services	6,404,748	6,501,175	6,238,795	262,380
Other support services	92,279	92,711	76,936	15,775
Food services operations	-	141,270	141,270	-
Debt service:				
Principal retirement	-	2,656,654	2,656,654	-
Interest and fixed charges	-	35,135	35,135	-
Total expenditures	<u>309,190,504</u>	<u>318,241,538</u>	<u>317,711,335</u>	<u>530,203</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(9,619,037)</u>	<u>(7,888,837)</u>	<u>(6,721,472)</u>	<u>1,167,365</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets	-	579,392	584,642	5,250
Proceeds from capital lease	-	3,651,630	3,651,630	-
Transfers out	-	-	(3,961,597)	(3,961,597)
Total of other financing sources (uses)	<u>-</u>	<u>4,231,022</u>	<u>274,675</u>	<u>(3,956,347)</u>
Net change in fund balances	(9,619,037)	(3,657,815)	(6,446,797)	(2,788,982)
<b>FUND BALANCES, beginning of year</b>	<u>43,202,431</u>	<u>43,202,431</u>	<u>43,202,431</u>	<u>-</u>
<b>FUND BALANCES, end of year</b>	<u>\$ 33,583,394</u>	<u>\$ 39,544,616</u>	<u>\$ 36,755,634</u>	<u>\$ (2,788,982)</u>

**FORSYTH COUNTY BOARD OF EDUCATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At fiscal year ended June 30, 2015, the School District had \$620.8 million invested in capital assets, all in governmental activities. Capital assets increased \$29.3 million over the balance at June 30, 2014.

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

**Table 5**  
**Capital Assets**  
**(Net of Accumulated Depreciation)**

	Governmental Activities	
	Fiscal Year 2014	Fiscal Year 2015
Land	\$ 83,121,353	\$ 96,384,643
Land Improvements	23,104,931	21,545,442
Construction in Progress	1,231,898	27,553,473
Buildings	455,805,554	443,151,863
Furniture and Equipment	28,216,226	32,166,189
Total	\$ 591,479,962	\$ 620,801,610

**Debt**

At fiscal year ended June 30, 2015, the School District had \$358.2 million in bonds outstanding and \$4.6 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 2014	Fiscal Year 2015
General Obligation Bonds	\$ 289,208,707	\$ 358,231,414
Capital Leases	3,647,478	4,642,454
Total General Long-Term Debt	\$ 292,856,185	\$ 362,873,868

**FORSYTH COUNTY BOARD OF EDUCATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

At June 30, 2015, 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 economic downturn nationally and locally has significantly impacted the funding sources of the School District. The State of Georgia has continued to impose austerity reductions to all school districts. In FY 2015, the austerity reduction was \$16.7 million, and in FY16, it is \$10.7 million.

Locally, the value of the ad valorem tax digest has finally shown some growth. For fiscal year 2015 the digest showed an increase of 4.7% and for fiscal year 2016 it shows an increase of 18.88% due to a one mill increase and growth in property values.

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](mailto:rgunn@forsyth.k12.ga.us).



**FORSYTH COUNTY BOARD OF EDUCATION**

**STATEMENT OF NET POSITION**

**JUNE 30, 2015**

<b>ASSETS</b>	<b>Governmental Activities</b>
Cash and cash equivalents	\$ 159,419,025
Receivables:	
Accounts	584,111
Intergovernmental	42,849,283
Taxes, net of allowances	6,307,328
Inventory	596,013
Prepaid Items	58,493
Capital assets (nondepreciable)	123,938,116
Capital assets (depreciable, net of accumulated depreciation)	496,863,494
Total assets	830,615,863
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred charges on refunding	7,765,439
Pension related items	32,350,283
Total deferred outflows of resources	40,115,722
<b>LIABILITIES</b>	
Accounts payable	13,420,339
Salaries and benefits payable	22,163,970
Accrued interest payable	5,465,790
Accrued claims payable due within one year	360,888
Accrued claims payable due in more than one year	240,593
Unearned revenues	35,416
Bonds payable due within one year	35,310,000
Bonds payable due in more than one year	322,921,414
Capital leases due within one year	1,931,756
Capital leases due in more than one year	2,710,698
Net pension liability	216,757,202
Total liabilities	621,318,066
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension related items	75,566,155
Total deferred inflows of resources	75,566,155
<b>NET POSITION</b>	
Net investment in capital assets	326,626,722
Restricted for:	
Capital projects	49,390,336
Debt service	15,494,782
Federal programs	121,963
School food services	5,213,105
Unrestricted	(222,999,544)
Total net position	\$ 173,847,364

**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, 2015**

<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	\$ 258,553,235	\$ 190,596	\$ 169,667,081	\$ 650,852	\$ (88,044,706)
Support services:					
Pupil services	8,871,100	-	3,154,592	-	(5,716,508)
Improvement of instructional services	6,174,345	-	2,430,231	-	(3,744,114)
Educational media services	3,081,917	-	5,233,998	-	2,152,081
Federal grant administration	363,332	-	-	-	(363,332)
General administration	928,109	-	4,681,578	-	3,753,469
School administration	19,480,956	-	8,630,004	-	(10,850,952)
Business administration	1,895,038	-	37,012	-	(1,858,026)
Maintenance and operation of plant	25,793,744	-	13,034,215	-	(12,759,529)
Student transportation services	16,542,790	-	1,743,690	-	(14,799,100)
Central support services	6,374,179	-	182,813	-	(6,191,366)
Other support services	493,575	-	417,404	-	(76,171)
Food services operation	16,110,782	8,117,021	6,229,128	-	(1,764,633)
Community services operation	1,736,035	1,736,035	-	-	-
Interest on long-term debt	10,106,026	-	-	-	(10,106,026)
Total governmental activities	<u>\$ 376,505,163</u>	<u>\$ 10,043,652</u>	<u>\$ 215,441,746</u>	<u>\$ 650,852</u>	<u>(150,368,913)</u>
General revenues:					
Property taxes, levied for general purposes					127,063,701
Property taxes, levied for debt service					19,536,606
Sales taxes					34,337,071
Intangible taxes					5,418,825
Real estate transfer taxes					1,937,627
Title ad valorem tax					8,073,358
Unrestricted investment earnings					224,522
Other					1,359,489
Total general revenues					<u>197,951,199</u>
Change in net position					47,582,286
Net position, beginning of year, restated					126,265,078
Net position, end of year					<u>\$ 173,847,364</u>

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

**FORSYTH COUNTY BOARD OF EDUCATION**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015**

ASSETS	General	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 38,103,032	\$ 102,875,608	\$ 7,530,267	\$ 10,910,118	\$ 159,419,025
Receivables:					
Accounts	534,152	-	-	49,959	584,111
Intergovernmental	24,014,019	17,314,051	-	1,521,213	42,849,283
Taxes, net of allowances	3,000,530	2,930,458	376,340	-	6,307,328
Due from other funds	643,972	-	-	-	643,972
Inventory	288,001	-	-	308,012	596,013
Prepaid Items	58,493	-	-	-	58,493
Total assets	<u>\$ 66,642,199</u>	<u>\$ 123,120,117</u>	<u>\$ 7,906,607</u>	<u>\$ 12,789,302</u>	<u>\$ 210,458,225</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 8,108,976	\$ 5,208,065	\$ -	\$ 103,298	\$ 13,420,339
Salaries and benefits payable	20,930,580	-	-	1,233,390	22,163,970
Due to other funds	-	-	-	643,972	643,972
Unearned revenue - federal grants	-	-	-	35,416	35,416
Total liabilities	<u>29,039,556</u>	<u>5,208,065</u>	<u>-</u>	<u>2,016,076</u>	<u>36,263,697</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - property taxes	847,009	-	117,491	-	964,500
Total deferred inflows of resources	<u>847,009</u>	<u>-</u>	<u>117,491</u>	<u>-</u>	<u>964,500</u>
<b>FUND BALANCES</b>					
Nonspendable:					
Inventory	288,001	-	-	308,012	596,013
Prepays	58,493	-	-	-	58,493
Restricted:					
Capital projects	-	110,323,877	-	-	110,323,877
Debt service	-	7,588,175	7,789,116	-	15,377,291
Federal programs	-	-	-	121,963	121,963
School food services	-	-	-	4,905,093	4,905,093
Committed:					
School activities	-	-	-	5,438,158	5,438,158
Unassigned	36,409,140	-	-	-	36,409,140
Total fund balances	<u>36,755,634</u>	<u>117,912,052</u>	<u>7,789,116</u>	<u>10,773,226</u>	<u>173,230,028</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 66,642,199</u>	<u>\$ 123,120,117</u>	<u>\$ 7,906,607</u>	<u>\$ 12,789,302</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	
Cost	869,620,105
Less accumulated depreciation	<u>(248,818,495)</u>
	620,801,610

Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds 964,500

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.

Net pension liability	(216,757,202)	
Deferred inflows of resources - pensions	(75,566,155)	
Deferred outflows of resources - pensions	<u>32,350,283</u>	(259,973,074)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds

Bonds payable	(316,565,000)	
Bond premium, net of amortization	(41,666,414)	
Deferred loss on refunding	7,765,439	
Accrued interest	(5,465,790)	
Accrued claims payable	(601,481)	
Capital leases	<u>(4,642,454)</u>	(361,175,700)

Net position of governmental activities \$ 173,847,364

**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, 2015**

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
State funds	\$ 167,600,208	\$ 17,299,621	\$ -	\$ 441,889	\$ 185,341,718
Federal funds	84,681	-	-	16,032,808	16,117,489
Local and other funds	144,375,389	35,157,236	20,535,690	22,163,764	222,232,079
On behalf payments	665,620	-	-	-	665,620
Total revenues	<u>312,725,898</u>	<u>52,456,857</u>	<u>20,535,690</u>	<u>38,638,461</u>	<u>424,356,906</u>
<b>EXPENDITURES</b>					
Current:					
Instruction	231,815,063	-	-	18,860,379	250,675,442
Support services:					
Pupil services	6,617,384	-	-	2,245,039	8,862,423
Improvement of instructional services	4,606,719	-	-	1,546,102	6,152,821
Educational media services	2,785,937	-	-	-	2,785,937
Federal grant administration	-	-	-	363,332	363,332
General administration	859,818	-	-	53,011	912,829
School administration	19,193,469	-	-	1,392	19,194,861
Business administration	1,861,909	-	-	-	1,861,909
Maintenance and operation of plant	25,845,039	-	-	-	25,845,039
Student transportation services	14,977,207	-	-	115,297	15,092,504
Central support services	6,238,795	-	-	89,205	6,328,000
Other support services	76,936	-	-	416,639	493,575
Food services operation	141,270	-	-	14,958,344	15,099,614
Community services operation	1,736,035	-	-	-	1,736,035
Capital outlay	-	49,514,365	-	-	49,514,365
Debt service:					
Principal retirement	2,656,654	-	34,680,000	-	37,336,654
Interest	35,135	-	13,768,721	-	13,803,856
Total expenditures	<u>319,447,370</u>	<u>49,514,365</u>	<u>48,448,721</u>	<u>38,648,740</u>	<u>456,059,196</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,721,472)</u>	<u>2,942,492</u>	<u>(27,913,031)</u>	<u>(10,279)</u>	<u>(31,702,290)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from sale of capital assets	584,642	-	-	-	584,642
Bond issuance	-	94,170,000	-	-	94,170,000
Premium on bond issuance	-	15,007,792	-	-	15,007,792
Issuance of capital lease	3,651,630	-	-	-	3,651,630
Transfers in	-	-	32,729,430	-	32,729,430
Transfers out	(3,961,597)	(28,767,833)	-	-	(32,729,430)
Total other financing sources (uses)	<u>274,675</u>	<u>80,409,959</u>	<u>32,729,430</u>	<u>-</u>	<u>113,414,064</u>
Net change in fund balances	(6,446,797)	83,352,451	4,816,399	(10,279)	81,711,774
<b>FUND BALANCES, beginning of year</b>	<u>43,202,431</u>	<u>34,559,601</u>	<u>2,972,717</u>	<u>10,783,505</u>	<u>91,518,254</u>
<b>FUND BALANCES, end of year</b>	<u>\$ 36,755,634</u>	<u>\$ 117,912,052</u>	<u>\$ 7,789,116</u>	<u>\$ 10,773,226</u>	<u>\$ 173,230,028</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, 2015**

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

Net change in fund balances - total governmental funds	\$	81,711,774
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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	\$	52,816,515	
Depreciation expense		<u>(22,066,130)</u>	30,750,385

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

Net book value of assets sold	(1,428,737)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes	(269,457)
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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.

8,311,001

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	\$	37,336,654	
Amortization of bond premium		5,475,085	
Amortization of deferred loss from refunding		(975,561)	
Issuance of bonds		(94,170,000)	
Premium on bond issuance		(15,007,792)	
Issuance of capital lease		<u>(3,651,630)</u>	(70,993,244)

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	\$	302,258	
Change in accrued interest			
Accrued interest payable, June 30, 2014		4,664,096	
Accrued interest payable, June 30, 2015		<u>(5,465,790)</u>	(499,436)

Change in net position - governmental activities	\$	<u><u>47,582,286</u></u>
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**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, 2015

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
State sources	\$ 164,794,735	\$ 166,059,424	\$ 167,600,208	\$ 1,540,784
Federal sources	-	-	84,681	84,681
Local sources and other funds	134,776,732	143,627,657	142,639,354	(988,303)
On behalf payments	-	665,620	665,620	-
Total revenues	299,571,467	310,352,701	310,989,863	637,162
<b>EXPENDITURES</b>				
Current:				
Instruction	227,048,793	231,876,676	231,815,063	61,613
Support services:				
Pupil services	6,902,637	7,068,456	6,617,384	451,072
Improvement of instructional services	4,439,121	4,612,935	4,606,719	6,216
Educational media services	3,187,964	2,789,472	2,785,937	3,535
General administration	927,069	948,089	859,818	88,271
School administration	18,613,215	19,198,430	19,193,469	4,961
Business administration	1,821,929	1,861,949	1,861,909	40
Maintenance and operation of plant	24,901,039	25,470,410	25,845,039	(374,629)
Student transportation services	14,852,710	14,988,176	14,977,207	10,969
Central support services	6,404,748	6,501,175	6,238,795	262,380
Other support services	92,279	92,711	76,936	15,775
Food service operations	-	141,270	141,270	-
Debt service:				
Principal retirement	-	2,656,654	2,656,654	-
Interest and fiscal charges	-	35,135	35,135	-
Total expenditures	309,191,504	318,241,538	317,711,335	530,203
Deficiency of revenues over expenditures	(9,620,037)	(7,888,837)	(6,721,472)	1,167,365
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets	-	579,392	584,642	5,250
Issuance of capital lease	-	3,651,630	3,651,630	-
Transfers out	-	-	(3,961,597)	(3,961,597)
Total other financing sources (uses)	-	4,231,022	274,675	(3,956,347)
Net change in fund balances	(9,620,037)	(3,657,815)	(6,446,797)	(2,788,982)
<b>FUND BALANCES, beginning of year</b>	43,202,431	43,202,431	43,202,431	-
<b>FUND BALANCES, end of year</b>	\$ 33,582,394	\$ 39,544,616	\$ 36,755,634	\$ (2,788,982)

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, 2015**

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	<b>ASSETS</b>	<u>Agency Fund</u>
Cash		<u>\$ 757,266</u>
Total assets		<u><u>\$ 757,266</u></u>
	<b>LIABILITIES</b>	
Due to others		<u>\$ 757,266</u>
Total liabilities		<u><u>\$ 757,266</u></u>

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

**FORSYTH COUNTY BOARD OF EDUCATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Reporting Entity**

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

**Government-wide and Fund Financial Statements**

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

The government-wide financial statements (i.e., the Statement of Net 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, 2015**

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**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, 2015**

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**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.

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

Additionally, the School District reports the following fund types:

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

The 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, 2015, 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, 2015**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Inventories**

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

**Interfund Receivables and Payables**

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

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

**Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the governmental activities in the government-wide statement of net 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 fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend lives are not capitalized.

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

<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**  
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**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, 2015 which is subsequent to the measurement date and will be applied to the net pension liability in fiscal year 2016; and (2) a deferred outflow of resources for 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, 2015**

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**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 one item that qualifies 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.

**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**  
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**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, 2015**

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**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, 2015**

**NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - CONTINUED**

The following functions had excesses of actual expenditures over appropriations in the amount shown for the fiscal year ended June 30, 2015:

General Fund:		
Support services:		
Maintenance and operation of plant	\$	374,629

These over expenditures were funded by greater than anticipated revenues.

**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	\$	312,725,898
Community Service Activity		(1,736,035)
Actual Revenues, Budgetary Basis	\$	<u>310,989,863</u>
Expenditures GAAP Basis	\$	319,447,370
Community Service Activity		(1,736,035)
Actual Expenditures, Budgetary Basis	\$	<u>317,711,335</u>
Net Change in Fund Balance, Budgetary Basis	\$	<u>(6,446,797)</u>
Net Change in Fund Balance, GAAP Basis	\$	<u>(6,446,797)</u>



**FORSYTH COUNTY BOARD OF EDUCATION**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE C - DEPOSITS AND INVESTMENTS**

**Composition**

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

**Credit risk.** At June 30, 2015, 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 \$101,955,660 is at fair value. These investments are considered cash equivalents.

The investment in Georgia Fund 1 represents the School District's portion of a pooled investment account operated by the Office of the State Treasurer. The pool consists of U.S. treasury obligations, securities issued or guaranteed by the U.S. Government or any of its agencies or instrumentalities, banker's acceptances, overnight and term repurchase agreements with highly rated counterparties, and collateralized bank accounts. The investment in Georgia Fund 1 is valued at fair market value.

At June 30, 2015, the School District had the following investments:

<b>Investment</b>	<b>Maturities</b>	<b>Fair Value</b>
Georgia Fund 1	56 day weighted average	\$ 101,955,660

**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, 2015, the School District's cash accounts and investments were properly collateralized as required by State statutes.

**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, 2015**

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**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, 2015.

**NOTE E - TAXES RECEIVABLE**

Taxes receivable include property taxes and sales taxes due to the School District. Property taxes were levied on August 7, 2014, based on property values assessed as of January 1, 2014, and were payable on or before November 15, 2014. 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 \$24,463 in the General Fund and \$3,336 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, 2015**

**NOTE F – CAPITAL ASSETS**

Changes in capital assets used in the School District’s governmental activities during the year ended June 30, 2015 were as follows:

	<b>Balance July 1, 2014</b>	<b>Increases</b>	<b>Transfers</b>	<b>Decreases</b>	<b>Balance June 30, 2015</b>
Capital assets not being depreciated					
Land and improvements	\$ 83,121,353	\$ 13,263,290	\$ -	\$ -	\$ 96,384,643
Construction in progress	1,231,898	26,388,129	(66,554)	-	27,553,473
Total capital assets not being depreciated	<u>84,353,251</u>	<u>39,651,419</u>	<u>(66,554)</u>	<u>-</u>	<u>123,938,116</u>
Capital assets being depreciated					
Land improvements	37,553,039	207,530	-	-	37,760,569
Buildings	590,670,286	575,359	66,554	-	591,312,199
Furniture and equipment	<u>110,305,089</u>	<u>12,382,207</u>	<u>-</u>	<u>(6,078,075)</u>	<u>116,609,221</u>
Total capital assets being depreciated	<u>738,528,414</u>	<u>13,165,096</u>	<u>66,554</u>	<u>(6,078,075)</u>	<u>745,681,989</u>
Less accumulated depreciation for					
Land improvements	(14,448,108)	(1,767,019)	-	-	(16,215,127)
Buildings	(134,864,732)	(13,295,604)	-	-	(148,160,336)
Furniture and equipment	<u>(82,088,863)</u>	<u>(7,003,507)</u>	<u>-</u>	<u>4,649,338</u>	<u>(84,443,032)</u>
Total accumulated depreciation	<u>(231,401,703)</u>	<u>(22,066,130)</u>	<u>-</u>	<u>4,649,338</u>	<u>(248,818,495)</u>
Total capital assets being depreciated, net	<u>507,126,711</u>	<u>(8,901,034)</u>	<u>66,554</u>	<u>(1,428,737)</u>	<u>496,863,494</u>
Total governmental activities capital assets, net	<u>\$ 591,479,962</u>	<u>\$ 30,750,385</u>	<u>\$ -</u>	<u>\$ (1,428,737)</u>	<u>\$ 620,801,610</u>

Depreciation expense was charged to the functions as follows:

Instruction	\$ 18,649,871
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	33,129
Maintenance and Operation of Plant	51,473
Student Transportation Services	1,559,099
Central Support Services	46,179
Food Services Operation	1,050,462
	<u>\$ 22,066,130</u>

**FORSYTH COUNTY BOARD OF EDUCATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**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, 2015:

	<u>Balance July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2015</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%	\$ 5,540,000	\$ -	\$ 1,725,000	\$ 3,815,000	\$ 1,845,000
2004 Series general obligation bonds maturing on February 1, 2019, with interest rates ranging from 2.35% to 5.0%	51,690,000	-	9,445,000	42,245,000	9,860,000
2005 Series general obligation bonds maturing on February 1, 2015, with interest rates ranging from 3.0% to 5.25%	4,000,000	-	4,000,000	-	-
2007 Series general obligation bonds maturing on June 1, 2017, with interest rates ranging from 3.75% to 5.00%	45,470,000	-	14,520,000	30,950,000	15,145,000
2011 Series general obligation bonds maturing on June 1, 2016, with interest rates ranging from 3.00% to 5.00%	15,660,000	-	4,990,000	10,670,000	5,205,000
2013 Series general obligation bonds maturing on February 1, 2025, with interest rates ranging from 4.00% to 5.00%	134,715,000	-	-	134,715,000	3,255,000
2014 Series general obligation bonds maturing on February 1, 2033, with interest rates ranging from 4.00% to 5.00%	<u>-</u>	<u>94,170,000</u>	<u>-</u>	<u>94,170,000</u>	<u>-</u>
General obligation bonds	257,075,000	94,170,000	34,680,000	316,565,000	35,310,000
Plus bond premium	<u>32,133,707</u>	<u>15,007,792</u>	<u>5,475,085</u>	<u>41,666,414</u>	<u>-</u>
Subtotal	289,208,707	109,177,792	40,155,085	358,231,414	35,310,000
Capitalized lease obligations at interest rates ranging from 3.96% to 6.35%	<u>3,647,478</u>	<u>3,651,630</u>	<u>2,656,654</u>	<u>4,642,454</u>	<u>1,931,756</u>
Total general long-term debt	<u>\$ 292,856,185</u>	<u>\$ 112,829,422</u>	<u>\$ 42,811,739</u>	<u>\$ 362,873,868</u>	<u>\$ 37,241,756</u>

**FORSYTH COUNTY BOARD OF EDUCATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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**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, 2015 was \$10,670,000.

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, 2015 was \$150,800,000.

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.

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**FORSYTH COUNTY BOARD OF EDUCATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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

**General Obligation Bonds - continued**

At June 30, 2015, principal and interest payments due by fiscal year for General Obligation Bonds are as follows:

<b><u>Fiscal Year</u></b> <b><u>Ending June 30,</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2016	\$ 35,310,000	\$ 15,265,463	\$ 50,575,463
2017	37,185,000	13,402,338	50,587,338
2018	25,315,000	11,891,100	37,206,100
2019	26,475,000	10,505,350	36,980,350
2020	20,320,000	8,733,600	29,053,600
2021-2025	115,975,000	30,039,000	146,014,000
2026-2030	32,755,000	9,078,900	41,833,900
2031-2033	23,230,000	1,883,200	25,113,200
Total	<u>\$ 316,565,000</u>	<u>\$ 100,798,951</u>	<u>\$ 417,363,951</u>

**Capital Leases**

During the years ended June 30, 2013, 2014 and 2015, the School District entered into several capital lease agreements for financing the acquisition of computer equipment. The lease agreements carry interest rates ranging from 3.96% - 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, 2015:

Fiscal Year Ending June 30,

2016	\$ 2,180,792
2017	1,997,363
2018	905,770
Total minimum lease payments	<u>5,083,925</u>
Less amount representing interest	(441,471)
Present value of future minimum lease payments	<u>\$ 4,642,454</u>

As of June 30, 2015 the School District has various computers with original cost of \$8,561,680 and accumulated depreciation of \$2,243,088 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**  
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**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, 2015 are as follows:

<b>Receivable Fund</b>	<b>Payable Fund</b>	<b>Amount</b>
General Fund	Federal Programs Fund	\$ 643,972

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. Interfund transfers for the year ended June 30, 2015 are as follows:

<b>Transfer In</b>	<b>Transfer Out</b>	<b>Amount</b>
Debt Service Fund	General Fund	\$ 3,961,597
Debt Service Fund	Capital Projects Fund	28,767,833
		\$ 32,729,430

**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 \$617,440. Future minimum lease payments on these leases are as follows:

<b>Year ending June 30,</b>	
2016	\$ 568,947
2017	568,614
2018	568,614
2019	568,614
2020	284,307
Total	\$ 2,559,096

**FORSYTH COUNTY BOARD OF EDUCATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**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>
2015	\$ 903,739	\$	757,621	\$	1,059,879	\$	601,481	\$	360,888
2014	\$ 710,768	\$	614,340	\$	421,369	\$	903,739	\$	542,243

**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>
2015	\$ -	\$	21,591	\$	21,591	\$	-
2014	\$ -	\$	54,131	\$	54,131	\$	-



**FORSYTH COUNTY BOARD OF EDUCATION**  
**NOTES TO FINANCIAL STATEMENTS**  
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**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](http://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 2015. The School District's contractually required contribution rate for the year ended June 30, 2015 was 13.15% of annual School District payroll. District contributions to TRS were \$24,868,904 for the year ended June 30, 2015.

**FORSYTH COUNTY BOARD OF EDUCATION**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE K - RETIREMENT PLANS - CONTINUED**

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

Effective July 1, 2014, the School District implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* as well as Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, which significantly changed the School District’s accounting for pension amounts. The information disclosed below is presented in accordance with these new standards.

At June 30, 2015, 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	\$	216,757,202
State of Georgia’s proportionate share of the net pension liability associated with the School District		303,335
Total	\$	217,060,537

The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2013. An expected total pension liability as of June 30, 2014 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, 2014. At June 30, 2014, the School District’s proportion was 1.715709%, which was an increase of 0.052693% from its proportion measured as of June 30, 2013.

**FORSYTH COUNTY BOARD OF EDUCATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**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, 2015, the School District recognized pension expense of \$16,557,903 and revenue of \$19,663 for support provided by the State of Georgia for certain support personnel. At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
	<u>                    </u>	<u>                    </u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 75,566,155
Changes in proportion and differences between School District contributions and proportionate share of contributions	7,481,379	-
School District contributions subsequent to the measurement date	<u>24,868,904</u>	<u>-</u>
Total	<u>\$ 32,350,283</u>	<u>\$ 75,566,155</u>

School District contributions subsequent to the measurement date of \$24,868,904 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>	
2016	\$ (17,191,221)
2017	(17,191,221)
2018	(17,191,221)
2019	(17,191,238)
2020	<u>680,125</u>
Total	<u>\$ (68,084,776)</u>

**FORSYTH COUNTY BOARD OF EDUCATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**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, 2014 was determined by an actuarial valuation as of June 30, 2013 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, 2013 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	100.00%	

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

**FORSYTH COUNTY BOARD OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

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**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:

	<b>1% Decrease (6.50%)</b>	<b>Current discount rate (7.50%)</b>	<b>1% Increase (8.50%)</b>
School District's proportionate share of the net pension liability	\$ 399,454,440	\$ 216,757,202	\$ 66,309,819

**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](http://www.trsga.com/publications).

**FORSYTH COUNTY BOARD OF EDUCATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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**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](http://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, 2015**

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**NOTE K - RETIREMENT PLANS - CONTINUED**

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

*Pension Liabilities and Pension Expense*

At June 30, 2015, 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>2,474,142</u>
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The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2013. An expected total pension liability as of June 30, 2014 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, 2014.

For the year ended June 30, 2015, the School District recognized pension expense of \$214,863 and revenue of \$214,863 for support provided by the State of Georgia.

**Actuarial assumptions:** The total pension liability was determined by an actuarial valuation as of June 30, 2013, 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, 2013 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, 2015**

**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, 2015**

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**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, 2015, 2014, and 2013 the School District contributed \$295,281, \$278,040, and \$296,006, respectively, to the Plan on behalf of its employees. For the years ended June 30, 2015, 2014, and 2013, employees contributed \$423,414, \$395,877, and \$418,884, respectively, to the plan.

**NOTE L – CONTINGENCIES**

**Grant Programs**

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

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

**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.

**FORSYTH COUNTY BOARD OF EDUCATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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**NOTE M - ON-BEHALF PAYMENTS FOR FRINGE BENEFITS**

The School District has recognized revenue and expenditures in the amount of \$665,620 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 \$633,219.

Paid by the Georgia Department of Education to the Teachers Retirement System for Teachers Retirement (TRS) in the amount of \$32,401.

**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.

*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, 2015**

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**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, 2015:

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

July 1, 2014 – June 30, 2015                      \$945.00 per member per month

For non-certificated school personnel:

July 1, 2014 – June 30, 2015                      \$596.20 per member per month

No additional contribution was required by the Board for fiscal year 2015 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 \$45,999,165, \$44,218,405, and \$41,009,729 for the fiscal year ended June 30, 2015, 2014 and 2013, respectively.

**NOTE O - SUBSEQUENT EVENTS**

On January 21, 2016, the School District issued General Obligation Bonds, Series 2016 in the amount of \$100,830,000 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 August 1, 2016, at an interest rate of 5% and annual principal payments beginning in 2018. The bonds mature in 2033.

**FORSYTH COUNTY BOARD OF EDUCATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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**NOTE P - CHANGE IN ACCOUNTING PRINCIPLE**

In conjunction with the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, the School District is required to change its accounting treatment of pension liabilities and the related pension expense. The new standard requires that the School District’s proportionate share of the Net Pension Liability be recorded on the Statement of Net Position.

Therefore, in conjunction with the implementation of Statement No. 68 and Statement No. 71, the following restatement was required to the beginning net position of the Governmental Activities to properly recognize the School District’s Net Pension Liability and related deferred outflows of resources for contributions subsequent to the measurement date as of the end of the prior period:

	Governmental Activities
Net position, as previously reported	\$ 394,549,153
Restatement for implementation of GASB Statement No. 68 and 71:	
Net pension liability as of June 30, 2014	(289,778,542)
Deferred outflows of resources - contributions	21,494,467
Net position, as restated	\$ 126,265,078

**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**

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	<u>2015</u>
School District's proportion of the net pension liability	1.715709%
School District's proportionate share of the net pension liability	\$ 216,757,202
State of Georgia's proportionate share of the net pension liability associated with the School District	<u>303,335</u>
Total	<u><u>\$ 217,060,537</u></u>
School District's covered-employee payroll	\$ 189,374,053
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	114.46%
Plan fiduciary net position as a percentage of the total pension liability	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**

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	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 24,868,904	\$ 21,494,467
Contributions in relation to the contractually required contributions	<u>24,868,904</u>	<u>21,494,467</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
School District's covered-employee payroll	189,117,141	189,374,053
Contributions as a percentage of covered-employee payroll	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**

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	<u>2015</u>
School District's proportion of the net pension liability	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>2,474,142</u>
Total	<u><u>\$ 2,474,142</u></u>
School District's covered-employee payroll	\$ 12,941,258
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	N/A
Plan fiduciary net position as a percentage of the total pension liability	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, 2015**

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**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, 2015 reported in that schedule:

Valuation date	June 30, 2012
Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	30 years
Asset valuation method	Seven-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.



# **FORSYTH COUNTY BOARD OF EDUCATION**

## **NONMAJOR GOVERNMENTAL FUNDS**

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### **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.

**FORSYTH COUNTY BOARD OF EDUCATION**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2015**

	Special Revenue Funds			Total Nonmajor Governmental Funds
	School Activity Fund	Federal Programs Fund	School Food Services Fund	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 5,438,158	\$ -	\$ 5,471,960	\$ 10,910,118
Receivables:				
Accounts	-	-	49,959	49,959
Intergovernmental		1,521,213	-	1,521,213
Inventory	-	-	308,012	308,012
Total assets	<u>\$ 5,438,158</u>	<u>\$ 1,521,213</u>	<u>\$ 5,829,931</u>	<u>\$ 12,789,302</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 92,848	\$ 10,450	\$ 103,298
Salaries and benefits payable	-	627,014	606,376	1,233,390
Due to other funds	-	643,972	-	643,972
Unearned revenue - federal grants	-	35,416	-	35,416
Total liabilities	<u>\$ -</u>	<u>\$ 1,399,250</u>	<u>\$ 616,826</u>	<u>\$ 2,016,076</u>
<b>FUND BALANCES</b>				
Nonspendable:				
Inventory	-	-	308,012	308,012
Restricted:				
Federal Programs	-	121,963	-	121,963
School food services	-	-	4,905,093	4,905,093
Committed:				
School activities	5,438,158	-	-	5,438,158
Total fund balances	<u>5,438,158</u>	<u>121,963</u>	<u>5,213,105</u>	<u>10,773,226</u>
Total liabilities and fund balances	<u>\$ 5,438,158</u>	<u>\$ 1,521,213</u>	<u>\$ 5,829,931</u>	<u>\$ 12,789,302</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, 2015**

	Special Revenue Funds			Total Nonmajor Governmental Funds
	School Activity Fund	Federal Programs Fund	School Food Services Fund	
<b>REVENUES</b>				
State funds	\$ -	\$ 45,000	\$ 396,889	\$ 441,889
Federal funds	-	10,341,839	5,690,969	16,032,808
Local and other funds	13,967,443	79,300	8,117,021	22,163,764
Total revenues	<u>13,967,443</u>	<u>10,466,139</u>	<u>14,204,879</u>	<u>38,638,461</u>
<b>EXPENDITURES</b>				
Instruction	13,264,478	5,595,901	-	18,860,379
Support services:				
Pupil services	-	2,245,039	-	2,245,039
Improvement of instructional services	-	1,546,102	-	1,546,102
Federal grant administration	-	363,332	-	363,332
General administration	-	53,011	-	53,011
School administration	-	1,392	-	1,392
Student transportation services	-	115,297	-	115,297
Central support services	-	89,205	-	89,205
Other support services	-	416,639	-	416,639
Food services operation	-	-	14,958,344	14,958,344
Total expenditures	<u>13,264,478</u>	<u>10,425,918</u>	<u>14,958,344</u>	<u>38,648,740</u>
Net change in fund balances	702,965	40,221	(753,465)	(10,279)
<b>FUND BALANCES, beginning of year</b>	<u>4,735,193</u>	<u>81,742</u>	<u>5,966,570</u>	<u>10,783,505</u>
<b>FUND BALANCES, end of year</b>	<u>\$ 5,438,158</u>	<u>\$ 121,963</u>	<u>\$ 5,213,105</u>	<u>\$ 10,773,226</u>

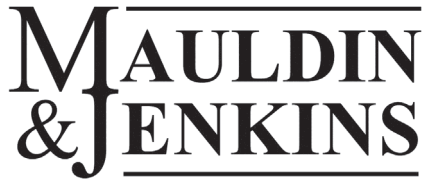
**FORSYTH COUNTY BOARD OF EDUCATION**

**SCHEDULE OF EXPENDITURES OF  
SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**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	\$ 1,750	\$ 4,750	\$ 6,500
Debt service	141,375,075	141,375,075	37,643,062	27,587,450	65,230,512
	<u>\$ 195,000,000</u>	<u>\$ 195,000,000</u>	<u>\$ 37,644,812</u>	\$ 27,592,200	<u>\$ 65,237,012</u>
Non-SPLOST monies transferred to Debt Service Fund for 2014 bonds				\$ 1,180,383	
Non-SPLOST monies expended in Capital Projects Fund				49,509,615	
Total expenditures and transfers of Capital Projects Fund				<u>\$ 78,282,198</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***

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**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, 2015, 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 April 19, 2016. Our report includes a reference to the changes in accounting principle resulting from the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, as well as Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*, as of July 1, 2014.

**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.

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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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **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*.

### **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.

Mauldin & Jenkins, LLC

Atlanta, Georgia  
April 19, 2016



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH  
MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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**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, 2015. 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 the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Forsyth County Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion 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.



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### ***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, 2015.

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2015-002. Our opinion on each major federal program is not modified with respect to this matter.

The Forsyth County Board of Education's response to the noncompliance 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 compliance and, accordingly, we express no opinion on the response.

### **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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Forsyth County Board of Education's internal control over compliance.

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

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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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs, as items 2015-001 and 2015-002, that we consider to be significant deficiencies.

The Forsyth County Board of Education's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Forsyth County Board of Education's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Mauldin & Jenkins, LLC*

Atlanta, Georgia  
April 19, 2016

**FORSYTH COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

FUNDING AGENCY PROGRAM/GRANT	CFDA NUMBER	PASS- THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD
<b>Agriculture, U.S. Department of:</b>			
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	\$ 1,058,693
National School Lunch Program:			
Cash Assistance	10.555	N/A	3,715,475
Non-Cash Assistance (Commodities)	10.555	N/A	916,801
Total Child Nutrition Cluster			5,690,969
<b>Education, U.S. Department of:</b>			
State Fiscal Stabilization Fund - Innovation Fund, Recovery Act			
i3 Engage ME PLEASE	84.396C	N/A	695,099
Pass-Through from Georgia Department of Education			
Special Education Cluster			
Part B-Special Education			
Flow Through	84.027	N/A	5,713,770
High Cost Fund Pool	84.027	N/A	224,897
Preschool	84.173	N/A	123,161
Total Special Education Cluster			6,061,828
Title I, Part A			
Improving Academic Achievement	84.010	N/A	2,347,881
School Improvement	84.010	N/A	13,993
Distinguished District Awards	84.010	N/A	43,416
Total Title I, Part A			2,405,290
Title I - C			
Migrant Education	84.011	N/A	27,687
Title II			
Adance Placement Grant	84.367	N/A	6,300
Improving Teacher Quality	84.367	N/A	426,173
Total Title II			432,473
Title III			
Immigrant	84.365	N/A	20,667
Limited English Proficient	84.365	N/A	227,040
Total Title III			247,707

**continued**

**FORSYTH COUNTY BOARD OF EDUCATION**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

FUNDING AGENCY PROGRAM/GRANT	CFDA NUMBER	PASS- THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD
<b>Education, U.S. Department of (Continued):</b>			
Pass-Through from Georgia Department of Education (Continued)			
Education of Homeless Children and Youth	84.196	N/A	<u>40,671</u>
Vocational Education-Basic Grants to States			
Program Improvement	84.048	N/A	152,599
CTE Perkins Carryover	84.048	N/A	11,935
CTE Perkins Plus	84.048	N/A	<u>22,682</u>
Total Vocational Education-Basic Grants to States			<u>187,216</u>
Race to the Top			
RT3 - Math - ELA Training Grant	84.395	N/A	28,349
RT3 - SLO Development	84.395	N/A	<u>13,950</u>
Total Race to the Top			<u>42,299</u>
Pass-Through from Florida State University			
Research in Special Education (SCERTS)	84.324	N/A	<u>22,028</u>
<b>Total U.S. Department of Education</b>			<u>10,162,298</u>
<b>Health and Human Services, U.S. Department of</b>			
Mentors and Motivators	93.959	N/A	<u>102,553</u>
<b>Defense, U.S. Department of</b>			
R.O.T.C Program	12.357	N/A	<u>76,988</u>
Office of the State Treasurer			
Payments in Lieu of Real Estate Taxes	12.112	N/A	<u>320,382</u>
<b>Total U.S. Department of Defense</b>			<u>397,370</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 16,353,190</u>

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, 2015

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

**FORSYTH COUNTY BOARD OF EDUCATION**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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**SECTION I  
SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued Unmodified

Internal control over financial reporting:  
Material weaknesses identified? \_\_\_\_\_ yes  X  no

Significant deficiencies identified? \_\_\_\_\_ yes  X  none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes  X  no

**Federal Awards**

Internal Control over major programs:  
Material weaknesses identified? \_\_\_\_\_ yes  X  no

Significant deficiencies identified?  X  yes \_\_\_\_\_ none reported

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

Any audit findings disclosed that are required to  
be reported in accordance with OMB Circular  
A-133, Section 510(a)?  X  yes \_\_\_\_\_ no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.027, 84.173	Special Education Cluster
84.010	Title I, Part A

Dollar threshold used to distinguish between  
Type A and Type B programs: \$490,596

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, 2015**

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**SECTION II**  
**FINANCIAL STATEMENT FINDINGS AND RESPONSES**

None reported.

**FORSYTH COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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**SECTION III**  
**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

**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.

*Context/Cause:* Of the fourteen 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.

*Effects:* For all drawdowns requested, the School District was in compliance with Federal requirements in that no funds were drawn down which should not have been; however, if internal controls over compliance are not routinely followed, the risk of noncompliance is increased.

*Questioned Costs:* None noted.

*Recommendation:* We recommend the School District follow its review and approval policies for all grant drawdown requests to ensure compliance with requirements.

*Auditee's Response:* We concur with the finding and will institute additional controls to ensure drawdown requests are properly reviewed and approved prior to submission.



**FORSYTH COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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**SECTION III**  
**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**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.

**Context/Cause:** The School District did not have adequate controls in place to ensure that the contract was not being awarded to a suspended or debarred party.

**Effects:** A contract could have been awarded to an ineligible party; however, during our testing we noted that the vendor selected by the School District was not included on the EPLS.

**Questioned Costs:** None noted.

**Recommendation:** We recommend the School District include specific language relative to the suspension and debarment requirements within the contract and perform a search for the vendor on the EPLS (and maintain documentation of the search), for all federally funded contracts to ensure that contracts are not awarded to suspended or debarred parties.

**Auditee’s Response:** We concur with the finding and will institute additional controls to ensure Suspension and Debarment is checked on all covered transactions.

# FORSYTH COUNTY BOARD OF EDUCATION

## SCHEDULE OF PRIOR YEAR FINDINGS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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### 2014 -001 Suspension and Debarment– *Title I, Part A 84.010, Procurement and Suspension and Debarment*

**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:** For the year ended June 30, 2014, the School District had insufficiently documented the verification process of the awarded vendor’s suspension and debarment status.

**Status:** Finding was resolved during the current fiscal year.

### 2014 -002 Suspension and Debarment– *Special Education Cluster – CFDA #84.027 and #84.173, Procurement and Suspension and Debarment*

**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:** For the year ended June 30, 2014, the School District had insufficiently documented the verification process of the awarded vendor’s suspension and debarment status.

**Status:** Finding was unresolved during the current fiscal year as one (1) of the eight (8) vendors tested were not properly checked for exclusion. See finding 2015-002.