

**FORSYTH COUNTY BOARD OF EDUCATION**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE**  
**FISCAL YEAR ENDED JUNE 30, 2013**

**FORSYTH COUNTY BOARD OF EDUCATION  
ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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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, 2013, 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, 2013, and the respective changes in financial position, and the budgetary comparisons for the General Fund and Federal Programs 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 A and O, the Forsyth County Board of Education implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, as well as Statement No. 65, *Items Previously Reported as Assets and Liabilities*, as of July 1, 2012. 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 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, schedule of expenditures of special purpose local option sales tax proceeds, as required by the Official Code of Georgia 48-8-21, 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, 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 February 13, 2014 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  
February 13, 2014

**FORSYTH COUNTY BOARD OF EDUCATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**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, 2013. 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 2013 are as follows:

- On the district-wide financial statements, the assets and deferred outflows of resources of the School District exceeded liabilities by \$376.8 million. Of this amount, \$55 million is unrestricted and is available for spending at the School District's discretion.
- The School District had \$341.5 million in expenses relating to governmental activities; only \$181.2 million of these expenses are offset by program specific charges for services, grants and contributions. General revenues (primarily property and sales taxes) of \$180.4 million were adequate to provide for these programs.
- As stated above, general revenues accounted for \$180.4 million or 50% of all revenues totaling \$361.6 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 \$20.2 million.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

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

**FORSYTH COUNTY BOARD OF EDUCATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**District-Wide Statements**

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

These two statements report the School District's net 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, 2013**

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

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

	Governmental Activities	
	Fiscal Year 2012	Fiscal Year 2013
<b>ASSETS</b>		
Current and other assets	\$ 109,649,537	\$ 116,733,023
Capital assets	624,491,269	608,114,486
Total assets	734,140,806	724,847,509
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred charges on refunding	-	9,716,561
<b>LIABILITIES</b>		
Current liabilities	28,657,100	29,773,671
Long-term liabilities	348,806,575	327,946,571
Total liabilities	377,463,675	357,720,242
<b>NET POSITION</b>		
Net investment in capital assets	287,954,693	300,898,646
Restricted	21,896,902	20,865,446
Unrestricted	46,825,536	55,079,736
Total net position	\$ 356,677,131	\$ 376,843,828

**FORSYTH COUNTY BOARD OF EDUCATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

	Governmental Activities	
	Fiscal Year 2012	Fiscal Year 2013
<u>Revenues</u>		
Program revenues:		
Charges for services	\$ 10,900,853	\$ 10,858,379
Operating grants and contributions	157,241,523	169,594,902
Capital grants and contributions	6,718,661	794,405
General revenues:		
Taxes:		
Property taxes		
For maintenance and operations	125,844,208	121,741,077
For debt service	18,563,628	18,137,973
Sales taxes	30,162,666	30,905,077
Other taxes:		
Intangible taxes	4,228,678	5,654,098
Real estate transfer taxes	885,912	1,364,696
Title ad valorem tax	-	1,400,903
Unrestricted investment earnings	195,569	122,810
Other	913,061	1,043,072
Total revenues	<u>355,654,759</u>	<u>361,617,392</u>
<u>Expenses</u>		
Instruction	229,467,869	231,832,816
Support services:		
Pupil services	7,580,212	7,505,113
Improvement of instructional services	5,140,775	3,635,347
Educational media services	3,995,809	3,678,212
Federal grant administration	330,784	343,963
General administration	945,670	873,836
School administration	16,682,256	17,185,432
Business administration	1,676,302	1,743,637
Maintenance and operation of plant	21,706,709	21,565,666
Student transportation services	14,320,052	15,056,211
Central support services	5,632,217	5,709,422
Other support services	307,865	460,674
Food services operations	16,172,456	15,918,487
Community services operations	1,224,344	1,416,367
Interest on long-term debt	14,589,207	14,525,512
Total expenses	<u>339,772,527</u>	<u>341,450,695</u>
Change in net position	15,882,232	20,166,697
Net position, beginning of year, restated	340,794,899	356,677,131
Net position, end of year	<u>\$ 356,677,131</u>	<u>\$ 376,843,828</u>

**FORSYTH COUNTY BOARD OF EDUCATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**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	
	2012	2013	2012	2013
Instruction	\$ 229,467,869	\$ 231,832,816	\$ 87,014,584	\$ 89,674,899
Support services:				
Pupil services	7,580,212	7,505,113	7,580,212	7,505,113
Improvement of instructional services	5,140,775	3,635,347	5,140,775	3,635,347
Educational media services	3,995,809	3,678,212	1,564,463	365,447
Federal grant administration	330,784	343,963	330,784	343,963
General administration	945,670	873,836	945,670	873,836
School administration	16,682,256	17,185,432	12,433,207	11,543,306
Business administration	1,676,302	1,743,637	1,676,302	1,743,637
Maintenance and operation of plant	21,706,709	21,565,666	15,905,655	13,523,925
Student transportation services	14,320,052	15,056,211	13,328,345	13,868,368
Central support services	5,632,217	5,709,422	3,320,716	2,402,834
Other support services	307,865	460,674	307,865	(172,605)
Food services operations	16,172,456	15,918,487	773,705	369,427
Community services operations	1,224,344	1,416,367	-	-
Interest on long-term debt	14,589,207	14,525,512	14,589,207	14,525,512
Total expenses	<u>\$ 339,772,527</u>	<u>\$ 341,450,695</u>	<u>\$ 164,911,490</u>	<u>\$ 160,203,009</u>

**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 \$564.8 million and total expenditures and other financing uses of \$558.6 million.

**Major Funds:**

**General Fund**

The General Fund is the operating fund of the District. Revenue from state and federal sources accounted for 52% of the districts revenues. The other 48% is from local sources, primarily ad valorem taxes.

The student population of the district continues to grow. There was an increase in FTE of 1,608 when comparing state QBE allotment sheets for fiscal years 2012 and 2013. Overall state and federal funding rose by \$11.6 million over the prior year.

Expenditures rose by \$9.7 million over the prior year. This was primarily due to increases on the employers cost of health insurance and teachers retirement. Additions to staffing were also made for the increase in the student population. The maintenance and operations millage rate remained at 16.3 mills.

**FORSYTH COUNTY BOARD OF EDUCATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**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 2013 revenues. Those funds were transferred to the Debt Services Fund for the payment of bonds which were designated in the SPLOST referendum. This resulted in a decrease of fund balance of \$4.7 million.

**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, along with transfers from the Capital Projects Fund. The Debt Services millage rate remained at 2.418 mills. A portion of the 2005 general obligation bonds were refunded during 2013. This resulted in a net present value long-term savings of \$22.1 million. Fund balance was increased by nearly \$8.5 million as a result of residual SPLOST funds transferred to the fund to pay for a June 2014 debt service payment.

**Federal Programs Fund**

The Federal Programs Fund is used to account for various grant programs which are primarily funded with federal grants. The revenues exceeded the fund's expenditures by approximately \$48,000.

**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 2013, 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 \$267.3 million were more than the original budgeted amounts of \$262 million by \$5.3 million.

Total budget basis actual total revenues had a \$6.3 million positive variance when compared to the final budgeted revenue total.

The budget basis expenditures of \$275.7 million were more than the original budgeted amount of \$272.6 million by \$3.1 million.

The budget basis actual expenditures had a \$3.5 million positive variance when compared to the final budgeted expenditures.

The general fund has an assigned fund balance of \$11.4 million that is to be used in fiscal year 2014 to cover the anticipated revenue shortfall for that year. This was taken into account during the development of the fiscal year 2014 budget.

**FORSYTH COUNTY BOARD OF EDUCATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
State sources	\$ 136,713,347	\$ 138,994,582	\$ 140,757,323	\$ 1,762,741
Federal sources	50,000	50,000	97,139	47,139
Local sources and other funds	125,285,167	125,622,860	130,161,626	4,538,766
On behalf payments	-	577,323	577,323	-
Total revenues	<u>262,048,514</u>	<u>265,244,765</u>	<u>271,593,411</u>	<u>6,348,646</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	197,085,074	198,584,503	197,652,717	931,786
Support services:				
Pupil services	5,952,698	5,997,031	5,749,166	247,865
Improvement of instructional services	4,158,918	4,272,352	3,915,389	356,963
Educational media services	3,835,366	3,430,086	3,288,852	141,234
General administration	925,808	924,526	795,769	128,757
School administration	16,853,580	17,009,338	16,902,595	106,743
Business administration	1,704,272	1,710,903	1,710,508	395
Maintenance and operation of plant	22,940,643	22,966,949	21,548,149	1,418,800
Student transportation services	13,236,883	13,490,364	13,607,656	(117,292)
Central support services	5,702,877	5,711,629	5,569,564	142,065
Other support services	89,366	94,636	92,358	2,278
Capital outlay	109,000	109,000	-	109,000
Debt service:				
Principal retirement	-	1,376,838	1,376,838	-
Interest and fixed charges	-	44,325	44,325	-
Total expenditures	<u>272,594,485</u>	<u>275,722,480</u>	<u>272,253,886</u>	<u>3,468,594</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(10,545,971)</u>	<u>(10,477,715)</u>	<u>(660,475)</u>	<u>9,817,240</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets	-	-	186,430	186,430
Proceeds from capital lease	-	2,025,000	2,025,000	-
Transfers out	-	-	(203,622)	(203,622)
Total of other financing sources (uses)	<u>-</u>	<u>2,025,000</u>	<u>2,007,808</u>	<u>(17,192)</u>
Net change in fund balances	(10,545,971)	(8,452,715)	1,347,333	9,800,048
<b>FUND BALANCES, beginning of year</b>	<u>46,098,770</u>	<u>46,098,770</u>	<u>46,098,770</u>	<u>-</u>
<b>FUND BALANCES, end of year</b>	<u>\$ 35,552,799</u>	<u>\$ 37,646,055</u>	<u>\$ 47,446,103</u>	<u>\$ 9,800,048</u>

**FORSYTH COUNTY BOARD OF EDUCATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At fiscal year ended June 30, 2013, the School District had \$608.1 million invested in capital assets, all in governmental activities. Capital assets decreased \$16.4 million over the balance at June 30, 2012.

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

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

	Governmental Activities	
	Fiscal Year 2012	Fiscal Year 2013
	Land	\$ 83,122,019
Land Improvements	25,595,131	24,389,697
Construction in Progress	15,149,153	2,843,587
Buildings	469,896,044	468,870,428
Furniture and Equipment	30,728,922	28,888,755
Total	\$ 624,491,269	\$ 608,114,486

**Debt**

At fiscal year ended June 30, 2013, the School District had \$326.3 million in bonds outstanding and \$1.6 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 2012	Fiscal Year 2013
	General Obligation Bonds	\$ 348,702,820
Capital Leases	988,275	1,636,437
Total General Long-Term Debt	\$ 349,691,095	\$ 327,946,571

At June 30, 2013, 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.

**FORSYTH COUNTY BOARD OF EDUCATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**CURRENT ISSUES**

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

Funding Issues - The economic downturn nationally and locally has significantly impacted the funding sources of the School District. The State of Georgia has continued to impose austerity reductions to all school districts.

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

Locally, the value of the ad valorem tax digest has finally shown an increase with the 2013 digest that is used to form the 2014 budget. It shows an increase of 2.19%. The digest showed decreases in each of the last four years.

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

**CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT**

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

# FORSYTH COUNTY BOARD OF EDUCATION

## STATEMENT OF NET POSITION

JUNE 30, 2013

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 78,969,823
Receivables:	
Accounts	96,901
Intergovernmental	23,890,925
Taxes	5,921,911
Inventory	724,812
Prepaid items	7,128,651
Capital assets (nondepreciable)	85,965,606
Capital assets (depreciable, net of accumulated depreciation)	522,148,880
Total assets	<u>724,847,509</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred charges on refunding	9,716,561
Total deferred outflows of resources	<u>9,716,561</u>
<b>LIABILITIES</b>	
Accounts payable	5,224,734
Salaries and benefits payable	19,375,163
Accrued interest payable	4,460,516
Accrued claims payable due within one year	426,461
Accrued claims payable due in more than one year	284,307
Unearned revenues	2,490
Bonds payable due within one year	32,855,000
Bonds payable due in more than one year	293,455,134
Capital leases due within one year	839,757
Capital leases due in more than one year	796,680
Total liabilities	<u>357,720,242</u>
<b>NET POSITION</b>	
Net investment in capital assets	300,898,646
Restricted for:	
Capital projects	7,235,800
Debt service	6,931,173
Federal programs	208,941
School food services	6,489,532
Unrestricted	55,079,736
Total net position	<u>\$ 376,843,828</u>

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



**FORSYTH COUNTY BOARD OF EDUCATION**

**STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

<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	\$ 231,832,816	\$ 189,094	\$ 141,174,418	\$ 794,405	\$ (89,674,899)
Support services:					
Pupil services	7,505,113	-	-	-	(7,505,113)
Improvement of instructional services	3,635,347	-	-	-	(3,635,347)
Educational media services	3,678,212	-	3,312,765	-	(365,447)
Federal grant administration	343,963	-	-	-	(343,963)
General administration	873,836	-	-	-	(873,836)
School administration	17,185,432	-	5,642,126	-	(11,543,306)
Business administration	1,743,637	-	-	-	(1,743,637)
Maintenance and operation of plant	21,565,666	-	8,041,741	-	(13,523,925)
Student transportation services	15,056,211	-	1,187,843	-	(13,868,368)
Central support services	5,709,422	-	3,306,588	-	(2,402,834)
Other support services	460,674	-	633,279	-	172,605
Food services operation	15,918,487	9,252,918	6,296,142	-	(369,427)
Community services operation	1,416,367	1,416,367	-	-	-
Interest on long-term debt	14,525,512	-	-	-	(14,525,512)
Total governmental activities	<u>\$ 341,450,695</u>	<u>\$ 10,858,379</u>	<u>\$ 169,594,902</u>	<u>\$ 794,405</u>	<u>(160,203,009)</u>

General revenues:	
Property taxes, levied for general purposes	121,741,077
Property taxes, levied for debt service	18,137,973
Sales taxes	30,905,077
Intangible taxes	5,654,098
Real estate transfer taxes	1,364,696
Title ad valorem tax	1,400,903
Unrestricted investment earnings	122,810
Gain on disposal of capital assets	3,942
Other	1,039,130
Total general revenues	<u>180,369,706</u>
Change in net position	20,166,697
Net position, beginning of year, restated	356,677,131
Net positoin, end of year	<u>\$ 376,843,828</u>

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

**FORSYTH COUNTY BOARD OF EDUCATION**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013**

ASSETS	General	Capital Projects	Debt Service	Federal Programs	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 41,825,778	\$ 15,770,788	\$ 10,507,993	\$ -	\$ 10,865,264	\$ 78,969,823
Receivables:						
Accounts	96,901	-	-	-	-	96,901
Intergovernmental	20,519,321	-	-	3,229,762	141,842	23,890,925
Taxes	3,034,445	2,526,022	361,444	-	-	5,921,911
Due from other funds	6,434,319	-	67,086	-	-	6,501,405
Prepaid items	47,495	-	7,081,156	-	-	7,128,651
Inventory	456,490	-	-	-	268,322	724,812
Total assets	<u>\$ 72,414,749</u>	<u>\$ 18,296,810</u>	<u>\$ 18,017,679</u>	<u>\$ 3,229,762</u>	<u>\$ 11,275,428</u>	<u>\$ 123,234,428</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ 5,165,244	\$ 46,840	\$ -	\$ 12,650	\$ -	\$ 5,224,734
Salaries and benefits payable	18,232,813	-	-	576,712	565,638	19,375,163
Due to other funds	67,086	-	4,005,350	2,428,969	-	6,501,405
Unearned revenue - federal grants	-	-	-	2,490	-	2,490
Total liabilities	<u>23,465,143</u>	<u>46,840</u>	<u>4,005,350</u>	<u>3,020,821</u>	<u>565,638</u>	<u>31,103,792</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue - property taxes	1,503,503	-	208,665	-	-	1,712,168
Unavailable revenue - federal grants	-	-	-	-	141,737	141,737
Total deferred inflows of resources	<u>1,503,503</u>	<u>-</u>	<u>208,665</u>	<u>-</u>	<u>141,737</u>	<u>1,853,905</u>
<b>FUND BALANCES</b>						
Non spendable:						
Inventory	456,490	-	-	-	268,322	724,812
Prepays	47,495	-	7,081,156	-	-	7,128,651
Restricted:						
Capital projects	-	18,249,970	-	-	-	18,249,970
Debt service	-	-	6,722,508	-	-	6,722,508
Federal programs	-	-	-	208,941	-	208,941
School food services	-	-	-	-	6,079,473	6,079,473
Committed:						
School activities	-	-	-	-	4,220,258	4,220,258
Assigned:						
Use of fund balance in 2014 budget	11,381,926	-	-	-	-	11,381,926
Unassigned	35,560,192	-	-	-	-	35,560,192
Total fund balances	<u>47,446,103</u>	<u>18,249,970</u>	<u>13,803,664</u>	<u>208,941</u>	<u>10,568,053</u>	<u>90,276,731</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 72,414,749</u>	<u>\$ 18,296,810</u>	<u>\$ 18,017,679</u>	<u>\$ 3,229,762</u>	<u>\$ 11,275,428</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	818,004,469	
Less accumulated depreciation	(209,889,983)	608,114,486

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

1,853,905

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

Bonds payable	(289,930,000)	
Bond premium, net of amortization	(36,380,134)	
Deferred loss on refunding	9,716,561	
Accrued interest	(4,460,516)	
Accrued claims payable	(710,768)	
Capital leases	(1,636,437)	(323,401,294)

Net position of governmental activities

\$ 376,843,828

**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, 2013**

	General	Capital Projects	Debt Service	Federal Programs	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
State funds	\$ 140,757,323	\$ 794,405	\$ -	\$ 45,000	\$ 405,722	\$ 142,002,450
Federal funds	97,139	-	-	9,671,124	5,748,683	15,516,946
Local and other funds	131,577,993	31,775,094	19,083,836	81,000	21,156,749	203,674,672
On behalf payments	577,323	-	-	-	-	577,323
Total revenues	<u>273,009,778</u>	<u>32,569,499</u>	<u>19,083,836</u>	<u>9,797,124</u>	<u>27,311,154</u>	<u>361,771,391</u>
<b>EXPENDITURES</b>						
Current:						
Instruction	197,652,717	-	-	5,595,203	11,488,336	214,736,256
Support services:						
Pupil services	5,749,166	-	-	1,747,270	-	7,496,436
Improvement of instructional services	3,915,389	-	-	1,390,029	-	5,305,418
Educational media services	3,288,852	-	-	-	-	3,288,852
Federal grant administration	-	-	-	343,963	-	343,963
General administration	795,769	-	-	62,787	-	858,556
School administration	16,902,595	-	-	813	-	16,903,408
Business administration	1,710,508	-	-	-	-	1,710,508
Maintenance and operation of plant	21,548,149	-	-	-	-	21,548,149
Student transportation services	13,607,656	763,466	-	65,594	-	14,436,716
Central support services	5,569,564	-	-	174,652	-	5,744,216
Other support services	92,358	-	-	368,316	-	460,674
Food services operation	-	-	-	-	14,877,033	14,877,033
Community services operation	1,416,367	-	-	-	-	1,416,367
Capital outlay	-	1,536,706	-	-	-	1,536,706
Debt service:						
Principal retirement	1,376,838	-	29,245,000	-	-	30,621,838
Interest	44,325	-	16,988,706	-	-	17,033,031
Total expenditures	<u>273,670,253</u>	<u>2,300,172</u>	<u>46,233,706</u>	<u>9,748,627</u>	<u>26,365,369</u>	<u>358,318,127</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(660,475)</u>	<u>30,269,327</u>	<u>(27,149,870)</u>	<u>48,497</u>	<u>945,785</u>	<u>3,453,264</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds from sale of capital assets	186,430	-	-	-	-	186,430
Issuance of bonds	-	-	134,715,000	-	-	134,715,000
Payment to refunded bond escrow agent	-	-	(165,146,960)	-	-	(165,146,960)
Premium on bonds issued	-	-	30,949,906	-	-	30,949,906
Issuance of capital lease	2,025,000	-	-	-	-	2,025,000
Transfers in	-	-	35,178,235	-	-	35,178,235
Transfers out	(203,622)	(34,974,613)	-	-	-	(35,178,235)
Total other financing sources (uses)	<u>2,007,808</u>	<u>(34,974,613)</u>	<u>35,696,181</u>	<u>-</u>	<u>-</u>	<u>2,729,376</u>
Net change in fund balances	1,347,333	(4,705,286)	8,546,311	48,497	945,785	6,182,640
<b>FUND BALANCES, beginning of year</b>	<u>46,098,770</u>	<u>22,955,256</u>	<u>5,257,353</u>	<u>160,444</u>	<u>9,622,268</u>	<u>84,094,091</u>
<b>FUND BALANCES, end of year</b>	<u>\$ 47,446,103</u>	<u>\$ 18,249,970</u>	<u>\$ 13,803,664</u>	<u>\$ 208,941</u>	<u>\$ 10,568,053</u>	<u>\$ 90,276,731</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, 2013**

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

Net change in fund balances - total governmental funds	\$	6,182,640
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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 depreciation expense exceeded capital outlays is as follows:

Capital outlay	\$ 6,083,328		
Depreciation expense	<u>(22,277,623)</u>		(16,194,295)

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

Net book value of assets sold			(182,488)
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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	(299,678)		
Intergovernmental revenue	<u>141,737</u>		(157,941)

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	\$ 30,621,838		
Amortization of bond premium	2,718,803		
Amortization of deferred loss from refunding	(221,130)		
Original issue premium	(30,949,906)		
Proceeds from capital lease	(2,025,000)		
Proceeds from bond issuance	(134,715,000)		
Deposit with escrow agent for bond refunding	<u>165,146,960</u>		30,576,565

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	(67,630)		
Change in accrued interest			
Accrued interest payable, June 30, 2012	\$ 4,470,362		
Accrued interest payable, June 30, 2013	<u>(4,460,516)</u>		(57,784)

Change in net position - governmental activities	\$	<u><u>20,166,697</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, 2013

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
State sources	\$ 136,713,347	\$ 138,994,582	\$ 140,757,323	\$ 1,762,741
Federal sources	50,000	50,000	97,139	47,139
Local sources and other funds	125,285,167	125,622,860	130,161,626	4,538,766
On behalf payments	-	577,323	577,323	-
Total revenues	262,048,514	265,244,765	271,593,411	6,348,646
<b>EXPENDITURES</b>				
Current:				
Instruction	197,085,074	198,584,503	197,652,717	931,786
Support services:				
Pupil services	5,952,698	5,997,031	5,749,166	247,865
Improvement of instructional services	4,158,918	4,272,352	3,915,389	356,963
Educational media services	3,835,366	3,430,086	3,288,852	141,234
General administration	925,808	924,526	795,769	128,757
School administration	16,853,580	17,009,338	16,902,595	106,743
Business administration	1,704,272	1,710,903	1,710,508	395
Maintenance and operation of plant	22,940,643	22,966,949	21,548,149	1,418,800
Student transportation services	13,236,883	13,490,364	13,607,656	(117,292)
Central support services	5,702,877	5,711,629	5,569,564	142,065
Other support services	89,366	94,636	92,358	2,278
Capital outlay	109,000	109,000	-	109,000
Debt service:				
Principal retirement	-	1,376,838	1,376,838	-
Interest and fiscal charges	-	44,325	44,325	-
Total expenditures	272,594,485	275,722,480	272,253,886	3,468,594
Deficiency of revenues over expenditures	(10,545,971)	(10,477,715)	(660,475)	9,817,240
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets	-	-	186,430	186,430
Issuance of capital lease	-	2,025,000	2,025,000	-
Transfers out	-	-	(203,622)	(203,622)
Total other financing sources (uses)	-	2,025,000	2,007,808	(17,192)
Net change in fund balances	(10,545,971)	(8,452,715)	1,347,333	9,800,048
<b>FUND BALANCES, beginning of year</b>	46,098,770	46,098,770	46,098,770	-
<b>FUND BALANCES, end of year</b>	\$ 35,552,799	\$ 37,646,055	\$ 47,446,103	\$ 9,800,048

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

**FORSYTH COUNTY BOARD OF EDUCATION**

**FEDERAL PROGRAMS FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (GAAP)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
State sources	\$ 45,000	\$ 45,000	\$ 45,000	\$ -
Federal sources	13,171,123	14,369,943	9,671,124	(4,698,819)
Local sources and other funds	81,000	81,000	81,000	-
Total revenues	<u>13,297,123</u>	<u>14,495,943</u>	<u>9,797,124</u>	<u>(4,698,819)</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	8,323,674	9,111,358	5,595,203	3,516,155
Support services:				
Pupil services	2,097,268	2,202,118	1,747,270	454,848
Improvement of instructional services	1,673,923	1,825,421	1,390,029	435,392
Federal grant administration	371,799	375,129	343,963	31,166
General administration	63,988	63,988	62,787	1,201
School administration	1,220	1,220	813	407
Student transportation services	172,222	172,394	65,594	106,800
Central support services	228,153	228,153	174,652	53,501
Other support services	316,379	467,665	368,316	99,349
Total expenditures	<u>13,248,626</u>	<u>14,447,446</u>	<u>9,748,627</u>	<u>4,698,819</u>
Net change in fund balances	48,497	48,497	48,497	-
<b>FUND BALANCES, beginning of year</b>	<u>160,444</u>	<u>160,444</u>	<u>160,444</u>	<u>-</u>
<b>FUND BALANCES, end of year</b>	<u>\$ 208,941</u>	<u>\$ 208,941</u>	<u>\$ 208,941</u>	<u>\$ -</u>

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

**FORSYTH COUNTY BOARD OF EDUCATION**

**STATEMENT OF FIDUCIARY NET POSITION**

**AGENCY FUND**

**JUNE 30, 2013**

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	<b>ASSETS</b>	<u>Agency Fund</u>
Cash		<u>\$ 617,558</u>
Total assets		<u><u>\$ 617,558</u></u>
	<b>LIABILITIES</b>	
Due to others		<u>\$ 617,558</u>
Total liabilities		<u><u>\$ 617,558</u></u>

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

**FORSYTH COUNTY BOARD OF EDUCATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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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, 2013**

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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 sixty days of year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, are recorded only when payment is due.

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

The State of Georgia reimburses the School System for teachers' salaries and operating costs through the Quality Basic Education (QBE) Formula Earnings program. State of Georgia law defines the formula driven grant that determines the cost of an academic school year and the State of Georgia's share in this cost. Generally teachers are contracted for the school year (July 1 – June 30) and paid over a twelve month contract period, generally September 1 through August 31. In accordance with the requirements of the enabling legislation of the QBE program, the State of Georgia reimburses the School System over the same twelve month period in which teachers are paid, funding the academic school year expenditures. At June 30, the amount of teachers' salaries incurred but not paid until July and August of the subsequent year are accrued as the State of Georgia has only postponed the final payment of their share of the cost until the subsequent appropriations for cash management purposes. By June 30 of each year, the State of Georgia has a signed appropriation that includes this final amount, which represents the State of Georgia's intent to fund this final payment. Based on guidance in Government Accounting Standards Board (GASB) Statement No. 33, paragraph 74, the State of Georgia recognizes its QBE liability for the July and August salaries at June 30, and the School System recognizes the same QBE as a receivable and revenue, consistent with symmetrical recognition.

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

**FORSYTH COUNTY BOARD OF EDUCATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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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.

The Federal Programs Fund accounts 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.

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 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, 2013, 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, 2013**

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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 applicable governmental activities 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**

The School District implemented GASB Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*, as of July 1, 2012. These new standards establish accounting and financial reporting for deferred outflows / inflows of resources and the concept of net position as the residual of all other elements presented in a statement of net position.

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 one item that qualifies for reporting in this category. This 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.

**FORSYTH COUNTY BOARD OF EDUCATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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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 only one of these items, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and federal grants as these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available.

**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 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.
- ***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.

**FORSYTH COUNTY BOARD OF EDUCATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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

**Fund Equity - Continued**

- ***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.

**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.

**FORSYTH COUNTY BOARD OF EDUCATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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

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

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

The following functions had excesses of actual expenditures over appropriations in the amount shown for the fiscal year ended June 30, 2013.

General Fund:		
Support services:		
Student transportation	\$	117,292

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	\$	273,009,778
Community Service Activity		(1,416,367)
Actual Revenues, Budgetary Basis	\$	<u>271,593,411</u>
Expenditures GAAP Basis	\$	273,670,253
Community Service Activity		(1,416,367)
Actual Expenditures, Budgetary Basis	\$	<u>272,253,886</u>
Net Change in Fund Balance, Budgetary Basis	\$	<u>1,347,333</u>
Net Change in Fund Balance, GAAP Basis	\$	<u>1,347,333</u>

**FORSYTH COUNTY BOARD OF EDUCATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**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, 2013, 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 \$15,008,149 is at fair value. These investments are considered cash equivalents.

State statutes authorize the Government to invest in obligations of the State of Georgia or other states; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime banker's acceptances; repurchase agreements; obligations of other political subdivisions of the State of Georgia; and the Local Government Investment Pool of the State of Georgia ("Georgia Fund 1"). Georgia Fund I is not registered with the Securities and Exchange Commission (SEC) but operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal (\$1 per share value). Net asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and determines participant's shares sold and redeemed based on \$1 per share. As of June 30, 2013, the School District's investment in Georgia Fund 1 was rated AA Af by Standard & Poor's.

At June 30, 2013, the District had the following investments:

<b>Investment</b>	<b>Maturities</b>	<b>Fair Value</b>
Georgia Fund 1	43 day weighted average	\$ 15,008,149

**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, 2013, 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**  
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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, 2013.

**NOTE E - TAXES RECEIVABLE**

Taxes receivable includes property taxes and sales taxes due to the School District. Property taxes were levied on July 20, 2012, based on property values assessed as of January 1, 2012, and were payable on or before November 15, 2012. 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 \$34,925 in the General Fund and \$4,763 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, 2013**

**NOTE F – CAPITAL ASSETS**

Changes in capital assets used in the School District’s governmental activities during the year ended June 30, 2013 were as follows:

	<b>Balance July 1, 2012</b>	<b>Increases</b>	<b>Transfers</b>	<b>Decreases</b>	<b>Balance June 30, 2013</b>
Capital assets not being depreciated					
Land and improvements	\$ 83,122,019	\$ -	\$ -	\$ -	\$ 83,122,019
Construction in progress	15,149,153	1,928,399	(14,233,965)	-	2,843,587
Total capital assets not being depreciated	98,271,172	1,928,399	(14,233,965)	-	85,965,606
Capital assets being depreciated					
Land improvements	36,545,819	75,784	460,106	-	37,081,709
Buildings	576,898,671	92,650	13,568,121	-	590,559,442
Furniture and equipment	102,528,521	3,986,495	205,738	(2,323,042)	104,397,712
Total capital assets being depreciated	715,973,011	4,154,929	14,233,965	(2,323,042)	732,038,863
Less accumulated depreciation for					
Land improvements	(10,950,688)	(1,741,324)	-	-	(12,692,012)
Buildings	(107,002,627)	(12,822,708)	(1,863,679)	-	(121,689,014)
Furniture and equipment	(71,799,599)	(7,713,591)	1,863,679	2,140,554	(75,508,957)
Total accumulated depreciation	(189,752,914)	(22,277,623)	-	2,140,554	(209,889,983)
Total capital assets being depreciated, net	526,220,097	(18,122,694)	14,233,965	(182,488)	522,148,880
Total governmental activities capital assets, net	<u>\$ 624,491,269</u>	<u>\$ (16,194,295)</u>	<u>\$ -</u>	<u>\$ (182,488)</u>	<u>\$ 608,114,486</u>

Depreciation expense was charged to the functions as follows:

Instruction	\$ 18,789,074
Support Services:	
Pupil Services	8,677
Improvement of Instructional Services	21,524
Educational Media Services	389,360
General Administration	15,280
School Administration	282,024
Business Administration	33,129
Maintenance and Operation of Plant	67,017
Student Transportation Services	1,581,495
Central Support Services	48,589
Food Services Operation	1,041,454
	<u>\$ 22,277,623</u>

**FORSYTH COUNTY BOARD OF EDUCATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**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, 2013.

	<u>Balance July 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2013</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%	\$ 8,660,000	\$ -	\$ 1,510,000	\$ 7,150,000	\$ 1,610,000
2004 Series general obligation bonds maturing on February 1, 2019, with interest rates ranging from 2.35% to 5.0%	69,405,000	-	8,670,000	60,735,000	9,045,000
2005 Series general obligation bonds maturing on February 1, 2025, with interest rates ranging from 3.0% to 5.25%	161,300,000	-	153,800,000	7,500,000	3,500,000
2007 Series general obligation bonds maturing on June 1, 2017, with interest rates ranging from 3.75% to 5.00%	72,785,000	-	13,380,000	59,405,000	13,935,000
2011 Series general obligation bonds maturing on June 1, 2016, with interest rates ranging from 3.00% to 5.00%	23,110,000	-	2,685,000	20,425,000	4,765,000
2013 Series general obligation bonds maturing on February 1, 2025, with interest rates ranging from 4.00% to 5.06%	-	134,715,000	-	134,715,000	-
General obligation bonds	335,260,000	134,715,000	180,045,000	289,930,000	32,855,000
Plus bond premium	13,442,820	30,949,906	8,012,592	36,380,134	-
Subtotal	348,702,820	165,664,906	188,057,592	326,310,134	32,855,000
Capitalized lease obligations at interest rates ranging from 4.68% to 5.06%	988,275	2,025,000	1,376,838	1,636,437	839,757
Total general long-term debt	<u>\$ 349,691,095</u>	<u>\$ 167,689,906</u>	<u>\$ 189,434,430</u>	<u>\$ 327,946,571</u>	<u>\$ 33,694,757</u>

**FORSYTH COUNTY BOARD OF EDUCATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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

**General Obligation Bonds**

In the fiscal year 2011, the School District issued \$23,110,000 of general obligation refunding bonds, Series 2011, for the purpose of advance refunding a portion of the balance of the Series 1998 general obligation bonds. The bonds were issued on May 26, 2011 with a premium of \$2,490,470 and interest rates ranging from 3% to 5%. The reacquisition price exceeded the net carrying amount of the old debt by \$1,105,650. This amount is being netted against the new debt and amortized over the remaining life of the refunding bonds. The refunding was undertaken to reduce total debt service payments and resulted in an economic gain and a present value cash flow of \$1,950,288. The proceeds from the refunding bonds were placed into trust, along with certain amounts held in sinking funds, to pay the principal and interest on the refunded bonds as they become due. The amount of outstanding bonds that are considered defeased at June 30, 2013 was \$20,295,000.

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 are considered defeased at June 30, 2013 was \$150,800,000.

At June 30, 2013, 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>
2014	\$ 32,855,000	\$ 19,226,675	\$ 52,081,675
2015	34,680,000	20,066,069	54,746,069
2016	35,310,000	10,869,373	46,179,373
2017	37,185,000	9,126,238	46,311,238
2018	21,335,000	7,495,000	28,830,000
2019-2023	90,125,000	22,771,750	112,896,750
2024-2025	38,440,000	2,903,750	41,343,750
<b>Total</b>	<b>\$ 289,930,000</b>	<b>\$ 92,458,855</b>	<b>\$ 382,388,855</b>

**FORSYTH COUNTY BOARD OF EDUCATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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

**Capital Lease.** During the years ended June 30, 2010, 2011 and 2013, the School District entered into several capital lease agreements for financing the acquisition of computer equipment. The lease agreements carry interest rates ranging from 4.00% - 5.06%. The lease agreements qualify as capital leases for accounting purposes (title transfers at the end of the lease term) and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of inception.

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, 2013:

Fiscal Year Ending June 30,

2014	\$ 906,742
2015	672,997
2016	<u>162,000</u>
Total minimum lease payments	1,741,739
Less amount representing interest	<u>(105,302)</u>
Present value of future minimum lease payments	<u><u>\$ 1,636,437</u></u>

As of June 30, 2013 the School District has various computers with original cost of \$4,402,580 which are currently financed under a capital lease.

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**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, 2013 are as follows:

<b>Receivable Fund</b>	<b>Payable Fund</b>	<b>Amount</b>
General Fund	Federal Programs Fund	\$ 2,428,969
General Fund	Debt Service Fund	4,005,350
Debt Service Fund	General Fund	67,086
		\$ 6,501,405

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, 2013 are as follows:

<b>Transfer In</b>	<b>Transfer Out</b>	<b>Amount</b>
Debt Service Fund	General Fund	\$ 203,622
Debt Service Fund	Capital Projects Fund	34,974,613
		\$ 35,178,235

**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 \$569,945. Future minimum lease payments on these leases are as follows:

<b>Year ending June 30,</b>		<b>Amount</b>
2014		\$ 569,945
2015		569,945
2016		142,486
	Total	\$ 1,282,376

**FORSYTH COUNTY BOARD OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**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>
2013	\$ 643,138	\$ 294,411	\$ 226,781	\$ 710,768	\$ 426,461
2012	\$ 1,129,521	\$ 314,395	\$ 800,778	\$ 643,138	\$ 385,883

**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>
2013	\$ -	\$ 137,875	\$ 137,875	\$ -
2012	\$ -	\$ 79,560	\$ 79,560	\$ -

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

**Teachers Retirement System of Georgia (TRS)**

**Plan Description**

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

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

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

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



**FORSYTH COUNTY BOARD OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE K - RETIREMENT PLANS - CONTINUED**

**Funding Policy**

TRS is funded by member and employer contributions as adopted and amended by the Board of Trustees. Members become fully vested after 10 years of service. If a member terminates with less than 10 years of service, no vesting of employer contributions occurs, but the member's contributions may be refunded with interest. Member contributions are limited by State law to not less than 5% or more than 6% of a member's earnable compensation. Member contributions as adopted by the Board of Trustees for the fiscal year ended June 30, 2013, were 6.00% of annual salary. The member contribution rate will remain at 6.00% effective July 1, 2014. Employer contributions required for fiscal year 2013 were 11.41% of annual salary. The employer contribution rate will increase to 13.15% effective July 1, 2014.

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

	<b>2013</b>	<b>2012</b>	<b>2011</b>
Employees	\$10,056,184	\$ 9,120,029	\$ 9,019,928
School District	19,121,895	16,952,240	16,769,068

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

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

**FORSYTH COUNTY BOARD OF EDUCATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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**NOTE K - RETIREMENT PLANS - CONTINUED**

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

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

If a member chooses, he may begin receiving reduced benefits after age 60 and upon completion of ten years of service. Members retiring before age 65 will receive a benefit reduced by 1/2 of 1 % for each month under age 65. The Government Accounting Standards Board's Statement 27 requires disclosure of the School Board's required contributions for the current year and each of the two preceding years. The School Board's contributions, which equaled the required contributions, to the PSERS for the years ending June 30, 2013, 2012 and 2011, were \$33,024, \$32,004, and \$32,184 respectively.

**Deferred Compensation Plan**

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

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

The School District will match eligible participants' contributions up to 4% of their salary. Employee annual contributions are limited to maximums established by Internal Revenue Service guidelines. For the years ended June 30, 2013, 2012, and 2011 the School District contributed \$296,006, \$305,823, and \$330,728, respectively, to the Plan on behalf of its employees. For the years ended June 30, 2013, 2012, and 2011, employees contributed \$418,884, \$432,718, and \$444,839, respectively, to the plan.

**FORSYTH COUNTY BOARD OF EDUCATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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**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.

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

The School District has recognized revenue and expenditures in the amount of \$577,323 for retirement contributions paid on the School District's behalf as follows:

Paid by the Office of Treasury and Fiscal Services to the Public School Employees Retirement System for Public School Employees Retirement (PSERS) in the amount of \$549,864.

Paid by the Georgia Department of Education to the Teachers Retirement System for Teachers Retirement (TRS) in the amount of \$27,459.

**FORSYTH COUNTY BOARD OF EDUCATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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**NOTE N – POSTEMPLOYMENT BENEFITS**

**Georgia School Personnel Post-employment Health Benefit Fund**

*Plan Description.* The School District contributes to the Georgia School Personnel Post-employment Health Benefit Fund (“Benefit Fund”), a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the Department of Community Health. The Benefit Fund provides health insurance benefits to eligible retirees and their qualified beneficiaries. Pursuant to Title 45, Chapter 18 of the Official Code of Georgia Annotated, the authority to establish and amend the benefit provisions of the plan is assigned to the Board of Community Health. The Department of Community Health issues a publicly available financial report that includes financial statements and required supplementary information for the Benefit Fund. That report may be obtained from the Department of Community Health at 2 Peachtree Street, Atlanta, Georgia 30303.

*Funding Policy.* The contribution requirements of the plan members and participating employers are established and may be amended by the Board of Community Health. Contributions of plan members or beneficiaries receiving benefits vary based on plan election, dependent coverage, and Medicare eligibility and election. On Average, plan members pay approximately twenty-five percent (25%) of the cost of health insurance coverage. Participating employers are statutorily required to contribute in accordance with the employer contribution rate established to fund both the active and retired employee health insurance plans based on projected pay-as-you-go financing requirements. The employer contribution rates for the combined active and retiree plans for the fiscal year ended June 30, 2013, were as follows:

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

July 2012 – February 2013	\$912.34 per member per month
March 2013 – June 2013	\$937.34 per member per month

For non-certificated school personnel:

July 2012 – June 2013	\$446.20 per member per month
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No additional contribution was required by the Board of Community Health for fiscal year 2013 nor contributed to the Benefit Fund to prefund retire benefits. Such additional contribution amounts are determined annually by the Board of Community Health in accordance with the State plan for other post-employment benefits and are subject to appropriation. The School District’s contribution to the health insurance plans for the fiscal year ended June 30, 2013, 2012 and 2011 were \$41,009,729, \$29,599,355, and \$34,644,714, which equaled the required contribution.

**FORSYTH COUNTY BOARD OF EDUCATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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**NOTE O: CHANGE IN ACCOUNTING PRINCIPLE**

In conjunction with the implementation of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the School District is required to change its accounting treatment of debt issuance costs. The new standard requires that debt issuance costs be recognized as an expense in the period incurred rather than accrued and recognized as an expense (amortized) in a systematic and rational manner over the duration of the related debt as was the required treatment in prior reporting periods.

Therefore, in conjunction with the implementation of Statement No. 65, the following restatement was required to the beginning net position of the Governmental Activities to properly recognize debt issuance costs as expenses in the periods in which they were incurred:

Net position, beginning of year, as previously reported	\$ 358,172,513
Recognition of bond issuance costs incurred in prior periods	<u>(1,495,382)</u>
Net position, beginning of year, restated	<u><u>\$ 356,677,131</u></u>

# **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.

#### **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, 2013**

	Special Revenue Funds		Total Nonmajor Governmental Funds
	School Activity Fund	School Food Services Fund	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 4,220,258	\$ 6,645,006	\$ 10,865,264
Accounts receivable	-	141,842	141,842
Inventory	-	268,322	268,322
Total assets	\$ 4,220,258	\$ 7,055,170	\$ 11,275,428
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Salaries and benefits payable	\$ -	\$ 565,638	\$ 565,638
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - federal grants	-	141,737	141,737
<b>FUND BALANCES</b>			
Nonspendable:			
Inventory	-	268,322	268,322
Restricted:			
School food services	-	6,079,473	6,079,473
Committed:			
School activities	4,220,258	-	4,220,258
Total fund balances	4,220,258	6,347,795	10,568,053
Total liabilities, deferred inflows of resources and fund balances	\$ 4,220,258	\$ 7,055,170	\$ 11,275,428

**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, 2013**

	<u>Special Revenue Funds</u>		<b>Total Nonmajor Governmental Funds</b>
	<b>School Activity Fund</b>	<b>School Food Services Fund</b>	
<b>REVENUES</b>			
State funds	\$ -	\$ 405,722	\$ 405,722
Federal funds	-	5,748,683	5,748,683
Local and other funds	11,903,831	9,252,918	21,156,749
Total revenues	<u>11,903,831</u>	<u>15,407,323</u>	<u>27,311,154</u>
<b>EXPENDITURES</b>			
Instruction	11,488,336	-	11,488,336
Food services operation	-	14,877,033	14,877,033
Total expenditures	<u>11,488,336</u>	<u>14,877,033</u>	<u>26,365,369</u>
Net change in fund balances	415,495	530,290	945,785
<b>FUND BALANCES, beginning of year</b>	<u>3,804,763</u>	<u>5,817,505</u>	<u>9,622,268</u>
<b>FUND BALANCES, end of year</b>	<u>\$ 4,220,258</u>	<u>\$ 6,347,795</u>	<u>\$ 10,568,053</u>



**FORSYTH COUNTY BOARD OF EDUCATION**

**SCHEDULE OF EXPENDITURES OF  
SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**SPLOST III**

	<b>Original Estimated Cost</b>	<b>Current Estimated Cost</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total</b>
Acquisition, construction, renovation and equipping of schools	\$ 207,500,000	\$ 78,043,543	\$ 78,039,043	\$ 4,500	\$ 78,043,543
Debt service	57,500,000	57,500,000	57,500,000	-	57,500,000
	<u>\$ 265,000,000</u>	<u>\$ 135,543,543</u>	<u>\$ 135,539,043</u>	<u>\$ 4,500</u>	<u>\$ 135,543,543</u>

**SPLOST IV**

	<b>Original Estimated Cost</b>	<b>Current Estimated Cost</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total</b>
Acquisition, construction, renovation and equipping of schools	\$ 53,624,925	\$ 53,624,925	\$ -	\$ -	\$ -
Debt service	141,375,075	141,559,888	-	23,863,650	23,863,650
	<u>\$ 195,000,000</u>	<u>\$ 195,184,813</u>	<u>\$ -</u>	<u>\$ 23,863,650</u>	<u>\$ 23,863,650</u>

SPLOST III monies transferred to debt service to cover future debt service requirements	\$ 11,110,963
Non-SPLOST monies expended in Capital Projects Fund	2,295,672
Total expenditures and transfers of Capital Projects Fund	<u>\$ 37,274,785</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 the 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, 2013, 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 February 13, 2014. Our report includes a reference to the changes in accounting principle resulting from the implementation of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

**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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be a material weakness.

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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 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. We consider the deficiency described in the accompanying schedule of findings and questioned costs, as item 2013-001, to be a material weakness.

### **Compliance and Other Matters**

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

### **Forsyth County Board of Education's Response to Finding**

The Forsyth County Board of Education's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Forsyth County Board of Education's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

*Mauldin & Jenkins, LLC*

Atlanta, Georgia  
February 13, 2014



**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 Circular A-133 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, 2013. 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, 2013.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2013-002 and 2013-003. Our opinion on each major federal program is not modified with respect to these matters.

The Forsyth County Board of Education's responses to the noncompliance 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.

### **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 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 2013-002 and 2013-003, 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  
February 13, 2014

# FORSYTH COUNTY BOARD OF EDUCATION

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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	\$ 1,173,645
National School Lunch Program:			
Cash Assistance	10.555	N/A	3,771,840
Non-Cash Assistance (Commodities)	10.555	N/A	<u>803,198</u>
Total Child Nutrition Cluster			<u>5,748,683</u>
<b>Education, U.S. Department of:</b>			
State Fiscal Stabilization Fund - Innovation Fund, Recovery Act			
i3 Engage ME PLEASE	84.396C	N/A	<u>778,243</u>
Pass-Through from Georgia Department of Education			
Special Education Cluster			
Part B-Special Education			
Flow Through	84.027	N/A	4,718,815
High Cost Fund Pool	84.027	N/A	160,179
Preschool	84.173	N/A	<u>137,158</u>
Total Special Education Cluster			<u>5,016,152</u>
Education Jobs Fund	84.410	N/A	<u>13,507</u>
Title I, Part A Cluster			
Improving Academic Achievement	84.010	N/A	2,698,078
Distinguished District Awards	84.010	N/A	50,000
School Improvement	84.010	N/A	<u>2,116</u>
Total Title I, Part A Cluster			<u>2,750,194</u>
Title I - C			
Migrant Education	84.011	N/A	<u>19,172</u>

**continued**



**FORSYTH COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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)			
Title II			
Improving Teacher Quality	84.367	N/A	413,763
Total Title II			413,763
Title III			
Limited English Proficient	84.365	N/A	303,494
Total Title III			303,494
Title IV			
Safe and Drug Free Schools And Communities	84.186	N/A	898
Education of Homeless Children and Youth	84.196	N/A	51,366
Vocational Education-Basic Grants to States			
Program Improvement	84.048	N/A	178,426
CTE Perkins Plus	84.048	N/A	15,000
Total Vocational Education-Basic Grants to States			193,426
<b>Total U.S. Department of Education</b>			<b>9,540,215</b>
<b>Health and Human Services, U.S. Department of</b>			
Mentors and Motivators	93.959	N/A	76,951
<b>Defense, U.S. Department of</b>			
R.O.T.C Program	12.357	N/A	67,467
<b>Total Federal Financial Assistance</b>			<b>\$ 15,433,316</b>

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, 2013

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### Notes to the Schedule of Expenditures of Federal Awards

N/A - Not Available

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

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

### **BASIS OF PRESENTATION**

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

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

**FORSYTH COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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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?   X   yes    no

Significant deficiencies identified not considered  
 to be material weaknesses?    yes   X   none reported

Noncompliance material to financial statements noted?    yes   X   no

**Federal Awards**

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

Significant deficiencies identified not considered  
 to be material weaknesses?   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>
84.396C	i3 Engage ME PLEASE
84.027, 84.173	Special Education Cluster
10.553, 10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between  
 Type A and Type B programs: \$462,999

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, 2013**

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

**2013-001 Revenue Recognition and Related Receivables**

**Criteria:** Internal controls should be in place to ensure that revenue and receivables as of the fiscal year end are appropriately recognized within generally accepted accounting principles.

**Condition:** Misstatements were detected in the reporting of the District's revenues and related receivables.

**Context/Cause:** During our testing of revenues and the related receivables, audit adjustments were required to correct current year amounts in the School Food Services Fund. The nature of these adjustments is as follows:

- An audit adjustment of approximately \$142,000 was required to accrue additional receivables and a related deferred inflow of resources for the District's participation in the Healthy Hunger-Free Kids Act, which provides an additional six-cent per lunch reimbursement.
- An audit adjustment of approximately \$79,000 was required to record the revenues related to donated commodities received from the United States Department of Agriculture.

**Effects:** Audit adjustments of approximately \$221,000 were needed to correctly report revenues and receivables in the District's School Food Services Fund.

**Recommendation:** We recommend the District carefully review all revenues and any related receivables and ensure all necessary revenues are recognized in the proper reporting period.

**Auditee's Response:** We concur with the finding. We will take necessary steps in the future to ensure the District's revenues are properly recorded.

**FORSYTH COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

**2013 -002 Indirect Cost– i3 Engage ME PLEASE 84.396C, Allowable Costs**

**Criteria:** Indirect costs are allocated for the grant award based on direct costs, with the exception of equipment, multiplied by the approved indirect cost rate provided by the Georgia Department of Education.

**Condition:** For the year ended June 30, 2013, the School District incorrectly allocated indirect costs to the i3 Engage ME PLEASE program.

**Context/Cause:** During the year ended June 30, 2013, the control of reviewing the indirect calculation entry did not detect the inclusion of the 1<sup>st</sup> quarter expenditures in both periodic allocations of indirect costs within the year. The calculation was prepared at the end of the first quarter based on current expenditures. At the end of the year, the calculation was again prepared using the total expenditures, which included in the first quarter's allocation calculation.

**Effects or possible effects:** The i3 Engage ME PLEASE program is overstating expenses related to indirect costs and the amount could have been material.

**Questioned costs:** \$3,872

**Recommendation:** We recommend the School District calculate the indirect costs allocated to the grant based on the current direct expenditures and have controls in place to ensure the calculation's accuracy.

**Auditee's Response:** We concur with this finding. We will ensure indirect allocations are properly calculated and reviewed.

# FORSYTH COUNTY BOARD OF EDUCATION

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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### SECTION III

#### FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (CONTINUED)

**2013 -003 Suspension and Debarment– *i3 Engage ME PLEASE 84.396C*, 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, 2013, the School District had insufficiently documented the verification process of the awarded vendor’s suspension and debarment status.

**Context/Cause:** During the year ended June 30, 2013, the School District awarded a purchase greater than \$25,000 to a vendor without sufficiently maintaining documentation of the verification process of the vendor’s suspended or debarred status.

**Effects or possible 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 properly document the verification process of all vendors who are awarded federally funded purchases.

**Auditee’s Response:** We concur with this finding. We will properly maintain documentation of the verification process for all federally funded purchases.

# FORSYTH COUNTY BOARD OF EDUCATION

## SCHEDULE OF PRIOR YEAR FINDINGS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

**Criteria:** Per OMB A-87, Cost Principles, an employee who works solely on a single cost objective (i.e., a single Federal program whose administrative funds have not been consolidated) must furnish a semi-annual certification that he/she has been engaged solely in activities supported by the applicable source in accordance with OMB A-87, Attachment B, paragraph 8.h.(3).

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

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