

FORSYTH COUNTY BOARD OF EDUCATION
ANNUAL FINANCIAL REPORT
FOR THE
FISCAL YEAR ENDED JUNE 30, 2005

**FORSYTH COUNTY BOARD OF EDUCATION
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

TABLE OF CONTENTS

<u>I. FINANCIAL SECTION</u>	<u>Page</u>
Independent Auditor’s Report	1 and 2
Management’s Discussion and Analysis	3-10
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet – Governmental Funds	13
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
General Fund - Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	16
Statement of Fiduciary Net Assets - Fiduciary Funds	17
Notes to Financial Statements	18-36
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet – Nonmajor Governmental Funds	37
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	38
Schedule of Expenditures of Special Purpose Local Option Sales Tax Proceeds	39
 <u>II. SINGLE AUDIT SECTION</u> 	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	40 and 41
Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133	42 and 43
Schedule of Expenditures of Federal Awards	44-46
Schedule of Findings and Questioned Costs	47 and 48

I. FINANCIAL SECTION



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS, LLC

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Forsyth County Board of Education** as of and for the year ended June 30, 2005, which collectively comprise the Forsyth County Board of Education's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Forsyth County Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Forsyth County Board of Education as of June 30, 2005, and the respective changes in financial position, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2005 on our consideration of the Forsyth County Board of Education's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis (on pages 3 through 10) is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed 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 and individual nonmajor fund financial statements and schedules 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 of the Forsyth County Board of Education. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Forsyth County Board of Education. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mauldin & Jenkins, LLC

**FORSYTH COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

INTRODUCTION

Our discussion and analysis of the Forsyth County School District's financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2005. 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 2005 are as follows:

- On the district-wide financial statements, the assets of the School District exceeded liabilities by \$214 million. Of this amount, \$54.9 million is unrestricted and is available for spending at the School District's discretion.
- The School District had \$200.5 million in expenses relating to governmental activities; only \$96.5 million of these expenses are offset by program specific charges for services, grants and contributions. General revenues (primarily property and sales taxes) of \$136.9 million were adequate to provide for these programs.
- As stated above, general revenues accounted for \$136.9 million or 59% of all revenues totaling \$233.4 million. Program specific revenues in the form of charges for services, grants and contributions accounted for the rest.
- During the year the voters of Forsyth County approved the issuance of \$170 million of general obligation bonds. The bonds were issued for the construction of new facilities and for the renovation of the existing facilities as well for technology upgrades.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

**FORSYTH COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

District-Wide Statements

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

These two statements report the School District's net assets and any changes in those assets. The change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the results of many factors, including those not under the School District's control, such as the property tax base, facility conditions, required educational programs and other factors.

The Statement of Net Assets and the Statement of Activities reflects the School District's governmental activities.

Fund Financial Statements

The School District uses many funds to account for a multitude of financial transactions during the fiscal year. However, the fund financial statements presented in this report provide detail information about only the School District's significant or 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 method of accounting** which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds are reconciled to the financial statements.

**FORSYTH COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

**Table 1
Net Assets**

	Governmental Activities	
	Fiscal Year 2004	Fiscal Year 2005
Assets		
Current and Other assets	\$ 111,549,909	\$ 308,713,627
Capital Assets, Net	287,569,739	308,587,159
Total Assets	399,119,648	617,300,786
Liabilities		
Current and Other Liabilities	38,288,685	46,276,759
Long-Term Liabilities	179,680,841	356,991,654
Total Liabilities	217,969,526	403,268,413
Net Assets		
Invested in Capital Assets, Net of Related Debt	95,928,448	134,835,662
Restricted	46,019,472	24,266,360
Unrestricted	39,202,202	54,930,351
Total Net Assets	\$ 181,150,122	\$ 214,032,373

**FORSYTH COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Table 2 shows the Changes in Net Assets for this fiscal year.

**Table 2
Change in Net Assets**

	Governmental Activities	
	Fiscal Year 2004	Fiscal Year 2005
Revenues		
Program Revenues		
Charges for Services and Sales	\$ 11,172,774	\$ 12,129,486
Operating Grants and Contributions	73,588,559	75,998,944
Capital Grants and Contributions	7,647,952	8,346,886
Total Program Revenues	\$ 92,409,285	\$ 96,475,316
General Revenues		
Taxes		
Property Taxes		
For Maintenance and Operations	\$ 88,170,623	\$ 93,717,915
For Debt Service	10,503,657	11,388,144
Sales Taxes		
Special Purpose Local Option Sales Tax	23,463,169	23,991,972
Real Estate Tax	3,931,569	2,074,437
Investment Earnings	1,283,081	5,515,400
Miscellaneous	104,881	244,477
Total General Revenues	\$ 127,456,980	\$ 136,932,345
Total Revenues	\$ 219,866,265	\$ 233,407,661
Program Expenses		
Instruction	\$ 112,009,584	\$ 131,745,224
Support Services		
Pupil Services	3,132,484	3,467,798
Improvement of Instructional Services	2,990,895	3,396,509
Educational Media Services	2,451,654	2,658,624
General Administration	1,031,644	1,057,594
School Administration	9,086,507	10,202,375
Business Administration	1,112,447	1,204,728
Maintenance and Operation of Plant	13,859,653	14,256,095
Student Transportation Services	7,756,996	8,084,537
Central Support Services	3,652,618	5,122,703
Other Support Services	163,741	574,822
Operations of Non-Instructional Services		
Food Services	7,181,591	7,954,506
Community Service Operation		2,326
Other Non-Instructional Services	5,847,685	346,237
Interest on Short-Term and Long-term Debt	10,596,685	10,451,332
Total Expenses	\$ 180,874,184	\$ 200,525,410
Increase in Net Assets	\$ 38,992,081	\$ 32,882,251

**FORSYTH COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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
Governmental Activities**

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	Fiscal Year 2004	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2005
Instruction	\$ 112,009,584	\$ 49,124,757	\$ 131,745,224	\$ 64,492,699
Support Services				
Pupil Services	3,132,484	1,729,586	3,467,798	1,862,231
Improvement of Instructional Services	2,990,895	1,917,069	3,396,509	2,225,455
Educational Media Services	2,451,654	567,118	2,658,624	768,628
General Administration	1,031,644	742,400	1,057,594	756,905
School Administration	9,086,507	5,981,354	10,202,375	6,949,747
Business Administration	1,112,447	916,827	1,204,728	996,427
Maintenance and Operation of Plant	13,859,653	8,989,167	14,256,095	4,797,910
Student Transportation Services	7,756,996	6,010,013	8,084,537	6,400,349
Central Support Services	3,652,618	2,872,485	5,122,703	4,153,334
Other Support Services	163,741	66,922	574,822	468,006
Operations of Non-Instructional Services				
Food Services	7,181,591	(998,023)	7,954,506	(619,166)
Community Service Operation			2,326	
Other Non-Instructional Services	5,847,685	(51,461)	346,237	346,237
Interest on Short-Term and Long-term Debt	10,596,685	10,596,685	10,451,332	10,451,332
Total Expenses	\$ 180,874,184	\$ 88,464,899	\$ 200,525,410	\$ 104,050,094

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 \$541.8 million and total expenditures and other financing uses of \$355 million. The large difference was due primarily to a new bond issue resulting in net proceeds of \$181 million.

**FORSYTH COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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 2005, 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 \$170.1 million exceeded the original budgeted amounts of \$163.1 million by \$7 million. This difference (budget basis actual vs. original budget) was due primarily due to an increase in state revenues over original budget by \$3.8 million and local revenues over original budget by \$3.5 million. The Board received a QBE mid-term adjustment of 5.3 million which was 1.3 million more than the amount originally budgeted. An increase in salary accruals at year's end resulted in an additional accrual of QBE revenue of \$1.1 million. Other state grants also increased by \$800,000 over the original budget. The local revenues over original budget were primarily due to the increase in the tax revenues of \$2.1 million and an increase in investment earnings of \$825,000 over the amounts originally budgeted.

The budget basis actual expenditures and other financing uses of \$162.2 million were more than the original budgeted amount of \$160.7 million. This difference (budget basis actual vs. original budget) was primarily due to increase in salary accruals at year's end as well as increases in other state grants over the amounts originally budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At fiscal year ended June 30, 2005, the School District had \$308.6 million invested in capital assets, all in governmental activities. Capital assets increased \$21 million over the balance at June 30, 2004. Note G reflects a summary of these balances net of accumulated depreciation.

**FORSYTH COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**Table 4
Capital Assets
(Net of Depreciation)**

	Governmental Activities	
	Fiscal Year 2004	Fiscal Year 2005
Land	\$ 30,221,804	\$ 36,074,182
Construction in Progress	14,876,018	18,476,320
Buildings and Improvements	214,894,826	221,788,821
Equipment	20,957,024	23,714,682
Land Improvements	6,620,067	8,533,153
Total	\$ 287,569,739	\$ 308,587,158

Due to the ongoing growth in the county, the School District has numerous construction projects including new buildings, additions and renovations.

Debt

At fiscal year ended June 30, 2005, the School District had \$366.1 million in bonds outstanding and 1.8 million in capital leases outstanding. The Board issued new general obligation bonds totaling \$170 million to be used for construction purposes. Also, the Board partially refunded the 1999 bond issue to take advantage of reduced interest rates on the new bonds. Note H summarizes the School District's debt for general obligation bonds and capital leases.

**Table 5
Debt at June 30**

	Governmental Activities	
	Fiscal Year 2004	Fiscal Year 2005
Bonds and Notes Payable	\$ 189,745,000	\$ 366,125,211
Capital Leases	1,896,291	1,783,925
Total	\$ 191,641,291	\$ 367,909,136

**FORSYTH COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

At June 30, 2005, the School District's assigned bond ratings was "Aa2" and "AA" as determined by Moody's Investors Services, Inc. and Standard and Poor's Rating Services.

CURRENT ISSUES

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

- 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 and anticipated annual receipts of capital outlay funds from the State of Georgia Department of Education. The School District regularly monitors anticipated capital outlay needs.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

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

FORSYTH COUNTY BOARD OF EDUCATION

STATEMENT OF NET ASSETS

JUNE 30, 2005

ASSETS	Governmental Activities
Cash and cash equivalents	\$ 132,306,526
Investments	151,550,313
Receivables:	
Accounts	71,927
Intergovernmental	12,805,036
Taxes	9,418,982
Inventory	205,453
Deferred charges	2,355,390
Capital assets (nondepreciable)	54,550,502
Capital assets (net of accumulated depreciation)	254,036,657
Total assets	<u>617,300,786</u>
LIABILITIES	
Accounts payable	5,251,768
Salaries payable	20,986,527
Accrued interest payable	6,066,194
Accrued payroll and payroll withholdings	1,451,450
Retainage payable	1,603,338
Bonds payable due within one year	9,730,000
Bonds payable due in more than one year	356,395,211
Capital leases due within one year	1,187,482
Capital leases due in more than one year	596,443
Total liabilities	<u>403,268,413</u>
NET ASSETS	
Investment in capital assets, net of related debt	134,835,662
Restricted for:	
Debt service	24,266,360
Unrestricted	54,930,351
Total net assets	<u>\$ 214,032,373</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, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Instruction	\$ 131,745,224	\$ 6,481,466	\$ 57,223,938	\$ 3,547,121	\$ (64,492,699)
Support services:					
Pupil services	3,467,798	-	1,605,567	-	(1,862,231)
Improvement of instructional services	3,396,509	-	1,171,054	-	(2,225,455)
Educational media services	2,658,624	-	1,723,073	166,923	(768,628)
General administration	1,057,594	-	300,689	-	(756,905)
School administration	10,202,375	-	3,127,436	125,192	(6,949,747)
Business administration	1,204,728	-	208,301	-	(996,427)
Maintenance and operation of plant	14,256,095	-	5,284,382	4,173,803	(4,797,910)
Student transportation services	8,084,537	-	1,684,188	-	(6,400,349)
Central support services	5,122,703	-	969,369	-	(4,153,334)
Other support services	574,822	-	106,816	-	(468,006)
Food services operation	7,954,506	5,648,020	2,591,805	333,847	619,166
Community service operation	2,326	-	2,326	-	-
Other non-instructional services	346,237	-	-	-	(346,237)
Interest on long-term debt	10,451,332	-	-	-	(10,451,332)
Total governmental activities	200,525,410	12,129,486	75,998,944	8,346,886	(104,050,094)
General revenues:					
Property taxes, levied for general purposes					88,461,850
Property taxes, levied for debt service					11,388,144
Sales taxes					23,991,972
Intangible Taxes					5,256,065
Transfer Taxes					2,074,437
Unrestricted investment earnings					5,515,400
Gain on sale of capital assets					18,062
Other					226,415
Total general revenues					136,932,345
Change in net assets					32,882,251
Net assets, beginning of year					181,150,122
Net assets, end of year					\$ 214,032,373

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

FORSYTH COUNTY BOARD OF EDUCATION

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005**

ASSETS	General	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 48,213,964	\$ 53,898,416	\$ 24,266,360	\$ 5,927,786	\$ 132,306,526
Investments	-	151,550,313		-	151,550,313
Receivables:					
Accounts	70,016	-	-	1,911	71,927
Intergovernmental	10,651,154	-	-	2,153,882	12,805,036
Taxes	4,229,252	4,651,616	538,114	-	9,418,982
Due from other funds	1,588,078	-	-	-	1,588,078
Inventory	-	-	-	205,453	205,453
Total assets	<u>\$ 64,752,464</u>	<u>\$ 210,100,345</u>	<u>\$ 24,804,474</u>	<u>\$ 8,289,032</u>	<u>\$ 307,946,315</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 985,355	\$ 4,190,845	\$ -	\$ 75,568	\$ 5,251,768
Bonds payable	-	-	3,815,000	-	3,815,000
Accrued interest payable	-	-	1,729,649	-	1,729,649
Salaries and benefits payable	19,792,156	-	-	1,194,371	20,986,527
Retainage Payable	-	1,603,338	-	-	1,603,338
Arbitrage payable	-	-	-	-	-
Due to other funds	-	-	-	1,588,078	1,588,078
Accrued payroll and payroll withholdings	1,451,450	-	-	-	1,451,450
Deferred revenue	1,028,698	-	142,958	-	1,171,656
Total liabilities	<u>23,257,659</u>	<u>5,794,183</u>	<u>5,687,607</u>	<u>2,858,017</u>	<u>37,597,466</u>
FUND BALANCES					
Reserved for:					
Inventory	-	-	-	205,453	205,453
Capital outlay	-	204,306,162	-	-	204,306,162
Debt service	-	-	19,116,867	-	19,116,867
Unreserved:					
Undesignated	41,494,805	-	-	5,225,562	46,720,367
Total fund balances	<u>41,494,805</u>	<u>204,306,162</u>	<u>19,116,867</u>	<u>5,431,015</u>	<u>270,348,849</u>
Total liabilities and fund balances	<u>\$ 64,752,464</u>	<u>\$ 210,100,345</u>	<u>\$ 24,804,474</u>	<u>\$ 8,289,032</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Cost	390,611,348	
Less accumulated depreciation	(82,024,189)	308,587,159

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

Property taxes		1,171,656
----------------	--	-----------

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

Bonds	(343,631,154)	
Bond premium, net of amortization	(18,679,057)	
Bond issuance costs, net of amortization	2,355,390	
Accrued interest	(4,336,545)	
Capital leases	(1,783,925)	(366,075,291)

Net assets of governmental activities		<u>\$ 214,032,373</u>
---------------------------------------	--	-----------------------

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

FORSYTH COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	General	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
State funds	\$ 72,525,828	\$ -	\$ -	\$ 2,591,904	\$ 75,117,732
Federal funds	53,892	-	-	5,396,017	5,449,909
Local and other funds	97,491,818	30,661,647	14,180,531	11,795,731	154,129,727
On behalf payments	1,606,188	-	-	-	1,606,188
Total revenues	<u>171,677,726</u>	<u>30,661,647</u>	<u>14,180,531</u>	<u>19,783,652</u>	<u>236,303,556</u>
EXPENDITURES					
Current:					
Instruction	114,456,555	-	-	9,419,486	123,876,041
Support services:					
Pupil services	2,777,254	-	-	680,295	3,457,549
Improvement of instructional services	2,567,936	-	-	804,703	3,372,639
Educational media services	2,614,497	-	-	-	2,614,497
General administration	887,334	-	-	144,881	1,032,215
School administration	10,096,206	-	-	-	10,096,206
Business administration	1,181,286	-	-	-	1,181,286
Maintenance and operation of facilities	14,365,146	-	-	-	14,365,146
Student transportation services	7,816,864	-	-	50,127	7,866,991
Central support services	5,076,700	-	-	65,710	5,142,410
Other support services	69,681	-	-	106,816	176,497
Food services operation	16,586	-	-	7,936,068	7,952,654
Community services operation	-	-	-	2,326	2,326
Other non-instructional services	199,789	-	5,028	-	204,817
Capital outlay	110,000	30,904,170	-	-	31,014,170
On behalf payments	1,606,188	-	-	-	1,606,188
Debt service:					
Principal retirement	-	-	6,355,000	-	6,355,000
Interest and fees	-	-	9,563,708	-	9,563,708
Bond issuance cost	-	1,723,100	-	-	1,723,100
Total expenditures	<u>163,842,022</u>	<u>32,627,270</u>	<u>15,923,736</u>	<u>19,210,412</u>	<u>231,603,440</u>
Excess (deficiency) of revenues over (under) expenditures	<u>7,835,704</u>	<u>(1,965,623)</u>	<u>(1,743,205)</u>	<u>573,240</u>	<u>4,700,116</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from capital lease	1,058,402	-	-	-	1,058,402
Operating transfers in	-	-	8,644,409	-	8,644,409
Operating transfers out	-	(8,644,409)	-	-	(8,644,409)
Capital bonds issued	-	181,112,385	-	-	181,112,385
Refunding bonds issued	-	-	114,723,491	-	114,723,491
Payment to refunded bond escrow agent	-	-	(114,723,491)	-	(114,723,491)
Total other financing sources (uses)	<u>1,058,402</u>	<u>172,467,976</u>	<u>8,644,409</u>	<u>-</u>	<u>182,170,787</u>
Net change in fund balances	8,894,106	170,502,353	6,901,204	573,240	186,870,903
FUND BALANCE, beginning of year	<u>32,600,699</u>	<u>33,803,809</u>	<u>12,215,663</u>	<u>4,857,775</u>	<u>83,477,946</u>
FUND BALANCE, end of year	<u>\$ 41,494,805</u>	<u>\$ 204,306,162</u>	<u>\$ 19,116,867</u>	<u>\$ 5,431,015</u>	<u>\$ 270,348,849</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, 2005**

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

Net change in fund balances - total governmental funds	\$	186,870,903
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over		
Capital outlay	\$ 32,974,584	
Depreciation expense	<u>(11,722,566)</u>	21,252,018
The net effect of the sale of fixed assets is to decrease net assets		(234,598)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes		(1,055,109)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Principal payments - bonds	\$ 6,355,000	
Principal payments - capital leases	1,170,768	
Issuance of general obligation debt	(170,000,000)	
Bond premium	(11,112,385)	
Bond premium amortization expense	610,884	
Bond issuance costs	1,723,100	
Bond issuance costs amortization expense	(141,420)	
Capital lease proceeds	<u>(1,058,402)</u>	(172,452,455)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in accrued interest		<u>(1,498,508)</u>
	<u>\$</u>	<u>32,882,251</u>

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

FORSYTH COUNTY BOARD OF EDUCATION
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
State sources	\$ 69,073,174	\$ 72,482,084	\$ 72,525,828	\$ 43,744
Federal sources	40,000	40,000	53,892	13,892
Local sources and other funds	93,966,016	95,641,418	97,491,818	1,850,400
Total revenues	<u>163,079,190</u>	<u>168,163,502</u>	<u>170,071,538</u>	<u>1,908,036</u>
EXPENDITURES				
Current:				
Instruction	113,156,373	115,193,857	114,566,555	627,302
Support services:				
Pupil services	3,112,626	3,029,935	2,777,254	252,681
Improvement of instructional services	2,382,063	2,627,303	2,567,936	59,367
Educational media services	2,660,394	2,668,703	2,614,497	54,206
General administration	893,465	903,300	887,334	15,966
School administration	10,022,620	10,170,122	10,096,206	73,916
Business administration	1,234,891	1,234,891	1,181,286	53,605
Maintenance and operation of plant	14,148,032	14,163,032	14,365,146	(202,114)
Student transportation services	7,808,089	7,820,089	7,816,864	3,225
Central support services	5,186,900	5,176,900	5,076,700	100,200
Other support services	74,806	77,811	69,681	8,130
Food services operation	-	17,000	16,586	414
Community services operation	-	199,789	199,789	-
Total expenditures	<u>160,680,259</u>	<u>163,282,732</u>	<u>162,235,834</u>	<u>1,046,898</u>
Excess of revenues over expenditures	<u>\$ 2,398,931</u>	<u>\$ 4,880,770</u>	<u>\$ 7,835,704</u>	<u>\$ 2,954,934</u>

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

FORSYTH COUNTY BOARD OF EDUCATION

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

JUNE 30, 2005

	ASSETS	<u>Agency Funds</u>
Cash		\$ 114,587
Total assets		<u>\$ 114,587</u>
	LIABILITIES	
Due to others		<u>\$ 114,587</u>
Total liabilities		<u>\$ 114,587</u>

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

FORSYTH COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Forsyth County Board of Education (the "School System") 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 System's accounting policies are summarized below.

Reporting Entity

The School System 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 System 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 System in the development, financing, construction, acquisition, reconstruction, and operation of capital projects and equipment. Activity of the Corporation is included in the general fund and the long-term debt of the School System. Members of School System's Board serve as directors of the Corporation.

Government-wide and Fund Financial Statements

The School System's financial statements for the year ended June 30, 2005 have been prepared in accordance with the Governmental Accounting Standards Board Statement 34 - *Basic Financial Statements and Managements Discussion and Analysis for State and Local Governments*. GASB Statement 34 substantially changed the School System' financial statement reporting model from that used in prior years. A description of the significant features of the new financial reporting model follows.

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the School System. 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. The School System does not consider any of its activities to be business-type activities.

FORSYTH COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Government-wide and Fund Financial Statements - Continued

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.

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. 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 considered to be available when they are collectible within one year of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The School System reports the following major governmental funds:

The General Fund is the School System's primary operating fund. The General Fund is used to account for all financial transactions of the School System except those required to be accounted for in another fund.

FORSYTH COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

The Capital Projects Fund accounts for resources which are used exclusively for acquiring school sites, constructing and equipping new school facilities, and renovating existing facilities. The major revenue sources are proceeds from general obligation bonds and sales taxes.

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 and special option sales taxes levied specifically for debt service.

Additionally, the School System reports the following fund types:

The Special Revenue Funds are used to account for federal and state funded grants. These grants are awarded to the School System for the purpose of accomplishing specific educational tasks as defined in the grant agreements. These funds also contain several locally funded programs whose expenditures are limited to specified purposes. School Activity Funds are also reported as Special Revenue Funds. The School Activity Funds are 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 System, for collecting, controlling, disbursing, and accounting for his or her school's funds. All resources of the fund, including any earnings on invested resources, may be used to support the schools' activities.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The School System has neither business-type activities nor enterprise funds. Therefore, the School System has not followed subsequent private-sector guidance.

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

FORSYTH COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

When both restricted and unrestricted resources are available for use, it is the School System's policy to use restricted resources first, then unrestricted resources as they are needed.

Investments

Investments are reported at fair value based upon quoted market prices.

Inventories

The costs of governmental fund-type inventories are recorded as expenditures when purchased.

Receivables and Payables

During the course of its operations, the School System 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."

Receivables such as property taxes are shown net of an allowance for estimated uncollectible amounts.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the governmental activities in the government-wide statement of net assets and depreciated over their estimated useful lives in the government-wide statement of changes in net assets. Capital assets are defined by the School System as assets with an initial, individual cost of \$10,000. 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 textbooks, 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.

FORSYTH COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Capital Assets - Continued

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend lives are not capitalized. Interest costs incurred during construction of fixed assets 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	20-30
Buildings	25-50
Building improvements	20-30
Vehicles	8-15
Office equipment	5
Computer equipment	5

Compensated Absences

Vacation leave must be used in the fiscal year in which it is earned. Accordingly, there is no liability for vacation leave at year end.

Sick and personal leave does not vest with the employee and unused accumulated sick and personal leave is forfeited upon retirement or termination of employment. Therefore, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

Long-Term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

In the fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from actual proceeds, are reported as debt service expenditures.

FORSYTH COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund Equity/Net Assets

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative plans for future use of financial resources.

In the Statement of Net Assets, equity is reported as net assets and consists of amounts invested in capital assets, net of related debt, amounts restricted by outside parties for specific purposes and unrestricted amounts.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The School System adopts an annual budget for its general, special revenue and debt service funds. 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, such 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 System employs encumbrance accounting. However, all appropriations lapse at year end and encumbrances are rebudgeted in the subsequent year.

NOTE C - CASH

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 System 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.

FORSYTH COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE C – CASH – CONTINUED

Deposits. As of June 30, 2005, the carrying amount of the District's deposits was \$132,306,526 and the bank balance was \$142,151,311. Of the District's deposits, the entire \$142,151,311 is either insured by federal depository insurance or collateralized in an amount equal to 110% of uninsured deposits. The collateral must be placed with the Federal Reserve Bank or a third party bank, which serves as the District's agent. The collateral placed with the Federal Reserve Bank or the third party bank is in the name of the District and the District is responsible for the release of the collateral securities.

At June 30, 2005, all investments of the 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 \$48,672,457 is fair value. These investments are considered cash equivalents.

Credit risk. 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; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia. As of June 30, 2005, the Government's investment in Georgia Fund 1 was rated AAAM by Standard & Poor's.

At June 30, 2005, the District had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Georgia Fund 1	24 day weighted average	\$ 48,672,457
U.S. Treasury	July 22, 2005	151,500,313
Total		<u>\$ 200,172,770</u>

FORSYTH COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE C – CASH – CONTINUED

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

Custodial credit risk – deposits. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities.

NOTE E - 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.

NOTE F - TAXES RECEIVABLE

Taxes receivable includes property taxes and sales tax due to the School System. Property taxes were levied on September 7, 2004, based on property values assessed as of January 1, 2004, and were payable on or before November 15, 2004. An interest penalty of 10% per annum is charged on property taxes paid after that date. Property taxes became an enforceable lien on April 16, 2004. Property tax receivables are shown net of an allowance for uncollectibles of \$14,092 in the General Fund and \$1,836 in the Debt Service Fund. Sales tax receivable is included in the Capital Projects Fund relative to Special Purpose Local Option Sales Tax revenue.

FORSYTH COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE G – CAPITAL ASSETS

Changes in capital assets used in the School System’s governmental funds during the year ended June 30, 2005 were as follows:

	<u>Balance July 1, 2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2005</u>
Capital assets not being depreciated				
Land and improvements	\$ 30,221,804	\$ 5,965,455	\$ (113,077)	\$ 36,074,182
Construction in progress	14,876,018	20,074,297	(16,473,995)	18,476,320
Total capital assets not being depreciated	45,097,822	26,039,752	(16,587,072)	54,550,502
Capital assets being depreciated				
Land improvements	9,639,240	2,333,117	-	11,972,357
Buildings	250,298,886	12,564,627	-	262,863,513
Furniture and equipment	52,835,414	8,511,083	(260,853)	61,085,644
Total capital assets being depreciated	312,773,540	23,408,827	(260,853)	335,921,514
Less accumulated depreciation for				
Land improvements	(3,019,173)	(420,031)	-	(3,439,204)
Buildings	(35,404,060)	(5,670,632)	-	(41,074,692)
Furniture and equipment	(31,878,390)	(5,631,904)	139,333	(37,370,961)
Total accumulated depreciation	(70,301,623)	(11,722,567)	139,333	(81,884,857)
Total capital assets being depreciated, net	242,471,917	11,686,260	(121,520)	254,036,657
Total governmental activities capital assets, net	<u>\$ 287,569,739</u>	<u>\$ 37,726,012</u>	<u>\$ (16,708,592)</u>	<u>\$ 308,587,159</u>

Instruction	\$ 9,640,405
Pupil Services	10,249
Improvement of Instruction	23,870
Media Services	435,421
General Administration	25,379
School Administration	106,169
Business Services	23,442
Maintenance and Operations	50,723
Transportation	942,963
Central Support	63,768
School Food Services	398,325
Non-functional	1,852
	<u>\$ 11,722,566</u>

FORSYTH COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE H - GENERAL LONG-TERM DEBT AND CAPITAL LEASE

General Obligation Bonds. The School System issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. During the year ended June 30, 2005, the School System issued General Obligation Refunding Bonds, Series 2004 for the amount of \$88,125,000 to partially refund General Obligation Bonds, Series 1999. The bond proceeds will be used to purchase various U.S. Treasury Obligations, which will be placed in an irrevocable trust for the purpose of generating resources for payment of the General Obligation Bonds, series 1999 consisting of the Series 1999 Bonds maturing February 1, 2011 and thereafter and \$3,000,000 of the \$5,540,000 aggregate principal Series 1999 Bonds that matured February 1, 2005. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets. This advance refunding was undertaken to reduce the total debt service payments over the next 15 years by \$4,659,737 and resulted in an economic gain of \$4,635,030. As of June 30, 2005, the amount of all defeased debt is \$131,115,000.

In addition, the School System issued General Obligation Bonds, Series 2005 in the amount of \$170,000,000 for the purpose of financing the costs of acquiring, constructing, and equipping new school facilities, adding to, renovating, repairing, improving, and equipping existing school facilities, acquiring instructional and administrative technology improvements, and acquiring land for future expansions.

FORSYTH COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

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

General Obligation Bonds (Continued).

The following is a summary of long-term debt transactions of the School System for the year ended June 30, 2005:

	<u>Balance July 1, 2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2005</u>	<u>Due Within One Year</u>
1992 Series general obligation bonds maturing on July 1, 2016, with interest rates ranging from 5.8% to 6.75%	\$ 16,830,000	\$ -	\$ -	\$ 16,830,000	\$ 950,000
1995 Series general obligation bonds maturing on July 1, 2016, with interest rates ranging from 4.30% to 5.55%	2,595,000	-	2,595,000	-	2,595,000
1998 Series general obligation refunding bonds maturing on July 1, 2016, with interest rates ranging from 4.00% to 5.125%	48,200,000	-	260,000	47,940,000	270,000
1999 Series general obligation bonds maturing on February 1, 2010, with interest rates ranging from 2.35% to 5.0%	120,025,000	-	88,070,000	31,955,000	5,800,000
2004 Series general obligation refunding bonds maturing on February 1, 2019, with interest rates ranging from 2.35% to 5.0%	-	88,125,000	-	88,125,000	115,000
2005 Series general obligation bonds maturing on February 1, 2025, with interest rates ranging from 3.0% to 5.25%	-	170,000,000	-	170,000,000	-
General obligation bonds	187,650,000	258,125,000	90,925,000	354,850,000	9,730,000
Less deferred loss on refunding	-	(7,973,373)	569,527	(7,403,846)	
Plus bond premium	-	19,859,468	1,180,411	18,679,057	-
Subtotal	187,650,000	270,011,095	92,674,938	366,125,211	9,730,000
Capitalized lease obligations at interest rates ranging from 6.22% to 6.23%	1,896,291	1,058,402	1,170,768	1,783,925	1,187,482
Total general long-term debt	<u>\$ 189,546,291</u>	<u>\$ 271,069,497</u>	<u>\$ 93,845,706</u>	<u>\$ 367,909,136</u>	<u>10,917,482</u>

**FORSYTH COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

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

General Obligation Bonds (Continued).

At June 30, 2005, principal and interest payments due by fiscal year for General Obligation Bonds are as follows:

Payments due in Fiscal Year Ending June 30,	Principal	Interest	Total
2006	\$ 9,730,000	\$ 20,570,455	\$ 30,300,455
2007	11,065,000	17,285,056	28,350,056
2008	11,590,000	16,764,506	28,354,506
2009	13,335,000	16,200,778	29,535,778
2010	14,735,000	15,541,113	30,276,113
2011-2016	89,460,000	65,658,708	155,118,708
2017-2021	108,225,000	39,192,336	147,417,336
2021-2025	96,710,000	12,778,850	109,488,850
Total	\$ 354,850,000	\$ 203,991,802	\$ 558,841,802

Capital Lease. During the year ended June 30, 2005, the School System entered into a capital lease agreement for financing the acquisition of computer equipment. The lease agreement qualifies as a capital lease for accounting purposes (title transfers at the end of the lease term) and, therefore, has 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, 2005:

Fiscal Year Ending June 30,	
2006	\$ 1,288,972
2007	547,380
2008	84,671
Total minimum lease payments	<u>1,921,023</u>
Less amount representing interest	137,098
Present value of future minimum lease payments	<u>1,783,925</u>
Less current maturities	1,187,482
Net of current maturities	<u>\$ 596,443</u>

FORSYTH COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE I - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

During the course of its operations, the School System 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.

Interfund receivable and payable balances at June 30, 2005 are as follows:

	Interfund Receivable	Interfund Payable
General Fund	\$ 1,588,078	\$ -
Special Revenue Funds	-	1,588,078
	\$ 1,588,078	\$ 1,588,078

NOTE J - OPERATING LEASES

The Board is committed under various leases for equipment. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the year totaled approximately \$601,000. Future minimum lease payments on these leases are as follows:

<u>Year ending June 30,</u>			
2006	\$	649,981	
2007		649,981	
2008		649,981	
2009		649,981	
		649,981	
Total	\$	2,599,924	

FORSYTH COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE K - RISK MANAGEMENT

The School System 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 System is self-insured for workers' compensation, unemployment claims and dental insurance. The School System 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 System is self-insured for workers' compensation claims. The School System 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>
2005	\$ 612,768	\$ 212,730	\$ 256,327	\$ 569,171
2004	628,639	286,679	302,550	612,768

Unemployment Claims

The School System is self insured with regard to unemployment compensation claims. These claims are accounted for in the School System'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>
2005	\$ -	\$ 10,561	\$ 10,561	\$ -
2004	-	17,085	17,085	-

**FORSYTH COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE K - RISK MANAGEMENT - CONTINUED

Dental Insurance Claims

The School System became self-insured for dental insurance claims during 1998. The School System accounts for dental insurance claims in the General Fund. Dental insurance claims expenditures and liabilities are reported when it is probable that a loss has occurred, and the amount of the 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 dental insurance claims liability during the last two fiscal years are as follows:

		<u>Beginning of Year Liability</u>	<u>Current Year Accrual</u>	<u>Claims Paid</u>	<u>End of Year Liability</u>
2005	\$	110,000	\$ 1,634,313	\$ 1,649,313	\$ 95,000
2004		115,000	1,549,842	1,554,842	110,000

NOTE L - RETIREMENT PLANS

Teachers Retirement System of Georgia (TRS)

Plan Description

Substantially all teachers, administrative and clerical personnel employed by local school systems are covered by the Teachers Retirement System of Georgia (TRS), which is a cost-sharing multiple employer public employee retirement system.

TRS provides service retirement, disability retirement and survivors benefits for its members. A member is eligible for service retirement after 30 years of service, regardless of age, or after 10 years of service and attainment of age 60.

A member applying for service retirement who has less than 30 years of service and retires between the ages of 60 and 62 receive a reduced benefit. Retirement benefits paid to members are equal to 2% of the average of the member's two consecutive highest paid years of service multiplied by the number of years of creditable service up to 40 years. The normal retirement pension is payable monthly for life. Options are available for distribution of the member's monthly pension at a reduced rate to a designated beneficiary on the member's death.

**FORSYTH COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE L - RETIREMENT PLANS - CONTINUED

Retirement benefits also include death and disability benefits whereby the disabled member or surviving spouse is entitled to receive annually an amount equal to the member's service retirement benefit or disability retirement, whichever is greater. The benefit is based on member's creditable service (minimum of 10 years) and compensation up to the date of death.

TRS issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by calling (404) 352- 6400.

Funding Policy

Employees of the School System who are covered by TRS are required to pay 5% of their gross earnings to TRS. The School System makes monthly employer contributions to TRS at rates adopted by the TRS Board of Trustees as advised by their independent actuary. The employer contribution rate was 9.24%, 9.24% and 11.29% for 2005, 2004 and 2003, respectively.

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

	2005	2004	2003
School System	\$ 9,252,222	\$ 8,236,844	\$ 8,084,760
Employees	5,006,624	4,560,982	4,375,514
	\$ 14,258,846	\$ 12,797,826	\$ 12,460,274

Public School Employees Retirement System of Georgia (PSERS)

Plan Description

Substantially all bus drivers, maintenance, custodial, and lunchroom personnel employed by local school systems are covered by the Public School Employees Retirement System of Georgia (PSERS), which is a cost-sharing multiple employer public employee retirement system. All employer contributions are made by the State of Georgia.

FORSYTH COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE L - RETIREMENT PLANS - CONTINUED

PSERS provides service retirement, disability retirement and survivors benefits for its members. A member is eligible for normal service retirement after 10 years of service and attainment of age 65.

A member applying for service retirement with 10 years of service and retiring between the ages of 60 and 65 receives a reduced benefit. Monthly retirement benefits paid to members are equal to \$8.00 multiplied by the number of years of creditable service. Options are available for distribution of the member's monthly pension at a reduced rate to a designated beneficiary on the member's death.

Retirement provision include death and disability benefits. Disability benefits are the same as if the employee had retired at age 65 as long as the employee has 15 or more years of creditable service. Death benefits are dependent upon the number of years of service. If there are less than ten years of service, a lump sum refund of the employee's contributions and interest are made to the beneficiary.

If there are more than ten years of service, the beneficiary shall receive for life half of what the employee would have received upon retirement.

Members become fully vested after ten years of service. If a member terminates with less than ten years of service, nonvesting of employer contributions occurs, but the member's contributions are refunded with interest.

PSERS issued a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained calling (404)352- 6400.

Funding Policy

Covered employees are required by State statute to contribute \$4.00 a month for the nine-month school year. The School System makes no contribution to PSERS. The State of Georgia is required by statute to make employer contributions actuarially determined and approved by the PSERS's Board of Trustees. Total actual and required contributions from the State of Georgia to PSERS for the School System for fiscal years ended June 30, 2005, 2004 and 2003, were \$62,693, \$14,322, and \$252,758, respectively.

FORSYTH COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE L - RETIREMENT PLANS - CONTINUED

Deferred Compensation Plan

Beginning January 1, 1996, the School System 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 System for use in the Plan and approved for sale in Georgia in the employees' name.

The School System will match between 1% and 4% of eligible participants' contributions during the year. Employee annual contributions are limited to maximums established by Internal Revenue Service guidelines. For the year ended June 30, 2005, the School System contributed \$262,057 to the Plan on behalf of its employees.

NOTE M – CONTINGENCIES

Grant Programs

The School System 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 System 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 System, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Construction Contracts

The School System has entered into various construction contracts. At year end, the uncompleted and unpaid portion of these contracts totaled approximately \$35,938,508.

FORSYTH COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE M – CONTINGENCIES - CONTINUED

Litigation

The School System 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 arising in the course of School System operations. While the ultimate results of these legal actions cannot be determined, the School System does not expect that these matters will have a material adverse effect on the financial condition of the School System.

NOTE N - ON-BEHALF PAYMENTS FOR FRINGE BENEFITS

The School System has recognized revenue and expenditures in the amount of \$1,606,188 for health insurance and retirement contributions paid on the School System's behalf as follows:

Paid by the Georgia Department of Education to the State System of Personnel Administration for Health Insurance of Non-Certified Personnel in the amount of \$1,543,495.

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 \$62,692.

FORSYTH COUNTY BOARD OF EDUCATION

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2005**

ASSETS	Federal Programs Fund	School Activity Funds	School Food Services	Total Nonmajor Governmental Funds
Cash and cash equivalents	\$ -	\$ 1,582,931	\$ 4,344,855	\$ 5,927,786
Due from other governments	2,153,882	-	-	2,153,882
Accounts receivable	-	-	1,911	1,911
Inventory	-	-	205,453	205,453
Total assets	\$ 2,153,882	\$ 1,582,931	\$ 4,552,219	\$ 8,289,032
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 18,924	\$ 56,644	\$ -	\$ 75,568
Salaries and benefits payable	546,880	-	647,491	1,194,371
Due to other funds	1,588,078	-	-	1,588,078
Total liabilities	2,153,882	56,644	647,491	2,858,017
FUND BALANCES				
Reserved for:				
Inventory	-	-	205,453	205,453
Unreserved:				
Undesignated	-	1,526,287	3,699,275	5,225,562
Total fund balances	-	1,526,287	3,904,728	5,431,015
Total liabilities and fund balances	\$ 2,153,882	\$ 1,582,931	\$ 4,552,219	\$ 8,289,032

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, 2005**

	Federal Programs Fund	School Activity Funds	School Food Services	Total Nonmajor Governmental Funds
REVENUES				
State funds	\$ -	\$ -	\$ 2,591,904	\$ 2,591,904
Federal funds	5,396,017	-	-	5,396,017
Local and other funds	-	6,045,607	5,750,124	11,795,731
Total revenues	5,396,017	6,045,607	8,342,028	19,783,652
EXPENDITURES				
Instruction	3,541,159	5,878,327	-	9,419,486
Support services:				
Pupil services	680,295	-	-	680,295
Improvement of instructional services	804,703	-	-	804,703
General administration	144,881	-	-	144,881
Student transportation services	50,127	-	-	50,127
Central support services	65,710	-	-	65,710
Other support services	106,816	-	-	106,816
Food services operation	-	-	7,936,068	7,936,068
Community services operation	2,326	-	-	2,326
Other non-instructional services	-	-	-	-
Total expenditures	5,396,017	5,878,327	7,936,068	19,210,412
Net change in fund balances	-	167,280	405,960	573,240
FUND BALANCE, beginning of year	-	1,359,007	3,498,768	4,857,775
FUND BALANCE, end of year	\$ -	\$ 1,526,287	\$ 3,904,728	\$ 5,431,015

FORSYTH COUNTY BOARD OF EDUCATION

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

FEDERAL PROGRAMS

To account for various federal grant monies received by the School System.

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 for the purpose of maintaining the School System's breakfast, lunch, and snack programs.

SCHOOL ACTIVITY FUNDS

To account for funds collected primarily through the fundraising efforts of individual schools.

FORSYTH COUNTY BOARD OF EDUCATION

**SCHEDULE OF EXPENDITURES OF
SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Current Estimated Cost</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Acquisition, construction, renovation and equipping of schools	\$ 224,750,616	\$ 91,944,070	\$ 18,034,522	\$ 109,978,592
Debt Service	<u>116,051,706</u>	<u>76,389,253</u>	<u>8,644,409</u>	<u>85,033,662</u>
	<u>\$ 340,802,322</u>	<u>\$ 168,333,323</u>	<u>\$ 26,678,931</u>	<u>\$ 195,012,254</u>

II. SINGLE AUDIT SECTION



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS, LLC

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Forsyth County Board of Education as of and for the year ended June 30, 2005, which collectively comprise the Forsyth County Board of Education's basic financial statements and have issued our report thereon dated December 15, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Forsyth County Board of Education's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting, which we have reported to management of the Forsyth County Board of Education in a separate letter dated December 15, 2005.

Compliance and Other Matters

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

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

Mauldin & Jenkins, LLC

Atlanta, Georgia
December 15, 2005



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS, LLC

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of the Forsyth County Board of Education with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The Forsyth County Board of Education's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Forsyth County Board of Education's management. Our responsibility is to express an opinion on the Forsyth County Board of Education's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on major federal program occurred. An audit includes examining, on a test basis, evidence about the Forsyth County Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Forsyth County Board of Education's compliance with those requirements.

In our opinion, the Forsyth County Board of Education complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of the Forsyth County Board of Education is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Forsyth County Board of Education's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirement of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

We noted other matters involving the internal control over financial reporting, which we have reported to management of the Forsyth County Board of Education in a separate letter dated December 15, 2005.

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

Mauldin & Jenkins, LLC

Atlanta, Georgia
December 15, 2005

FORSYTH COUNTY BOARD OF EDUCATION

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

FUNDING AGENCY PROGRAM/GRANT	CFDA NUMBER	PASS- THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD
Agriculture, U.S. Department of			
Child Nutrition Cluster			
Pass-Through From Georgia Department of Education			
Food and Nutrition Program			
Food Services			
School Breakfast Program	10.553	N/A	\$ 275,925
National School Lunch Program	10.555	N/A	<u>1,445,856</u>
Total Child Nutrition Cluster			<u>1,721,781</u>
Other Programs			
Pass-Through From Georgia Department of Education			
Food and Nutrition Program			
Food Distribution Program (2)	10.550	N/A	<u>460,949</u>
Total U.S. Department of Agriculture			<u>2,182,730</u>
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Individuals with Disabilities Education Act (IDEA)			
Part B-Special Education			
Capacity Building Improvement	84.027	N/A	156,061
Flow Through	84.027	N/A	2,504,798
Preschool	84.173	N/A	<u>98,404</u>
Total Special Education Cluster			<u>2,759,263</u>

FORSYTH COUNTY BOARD OF EDUCATION

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

FUNDING AGENCY PROGRAM/GRANT	CFDA NUMBER	PASS- THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD
Other Programs			
Pass-Through From Georgia Department of Education			
Elementary and Secondary Education Act			
Title I			
Improving Academic Achievement	84.010	N/A	<u>1,414,080</u>
Title II			
Improving Teacher Quality	84.367	N/A	222,402
Improving Teacher Quality	84.367	N/A	362,643
Ed Tech Formula Grant	84.318	N/A	<u>36,885</u>
Subtotal			<u>621,930</u>
Title III			
Limited English Proficient	84.365	N/A	<u>159,775</u>
Title IV			
Safe and Drug Free Schools And Communities	84.186	N/A	<u>61,930</u>
Title V			
Innovative Education Program Strategies	84.298	N/A	<u>86,681</u>
Pass-Through From Georgia Department of Education			
Vocational Education-Basic Grants to States			
Professional Development	84.048	N/A	4,388
Program Improvement	84.048	N/A	<u>85,959</u>
Subtotal			<u>90,347</u>
Pass through from Pioneer Regional Educational Service Agency			
D/B/A Piedmont Migrant Educational Service			
Elementary & Secondary Education Act			
Title I- Migrant Education	84.011	N/A	<u>21,114</u>
Total U.S. Department of Education			<u>5,215,120</u>

FORSYTH COUNTY BOARD OF EDUCATION

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

FUNDING AGENCY PROGRAM/GRANT	CFDA NUMBER	PASS- THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD
Defense, U. S. Department of			
Direct			
Department of the Army			
R.O.T.C. Program	Unknown		58,171
National Flood Control Fund	12.112		73,257
	Subtotal		<u>131,428</u>
Human Resources, U. S. Department of			
Direct			
Mentors and Motivators		Unknown	73,354
	Subtotal		<u>73,354</u>
Total Federal Financial Assistance			<u>\$ 7,602,632</u>

Notes to the Schedule of Expenditures of Federal Awards

N/A - Not Available

The School District 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, 2004

A. SUMMARY OF AUDIT RESULTS

- The auditor's report expresses an unqualified opinion on the basic financial statements of the Forsyth County Board of Education.
- No reportable conditions relating to the audit of the basic financial statements are reported in the 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*.
- No instances of noncompliance relating to the audit of the basic financial statements of the Forsyth County Board of Education are reported in the 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*.
- No reportable conditions relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.
- The auditor's report on compliance for the major federal award programs for the Forsyth County Board of Education expresses an unqualified opinion.
- The programs tested as major programs were:
 - Non-Cluster Program:
 - U.S. Department of Education, Title I, Improving Academic Achievement, CFDA # 84.010*
 - U.S. Department of Education, Title III, Limited English and Proficient, CFDA #84.365*
 - U.S Department of Agriculture, Food Distribution Program, CFDA #10.550*
- The threshold for distinguishing Types A and B programs was \$300,000.
- The Forsyth County Board of Education was determined to be a low-risk auditee.

FORSYTH COUNTY BOARD OF EDUCATION

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

B. FINDINGS: FINANCIAL STATEMENTS AUDIT

None

C. FINDINGS AND QUESTIONED COSTS: MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

D. STATUS OF PRIOR YEAR AUDIT FINDINGS

No findings reported in prior year.