

FORSYTH COUNTY BOARD OF EDUCATION
ANNUAL FINANCIAL REPORT
FOR THE
FISCAL YEAR ENDED JUNE 30, 2008

**FORSYTH COUNTY BOARD OF EDUCATION
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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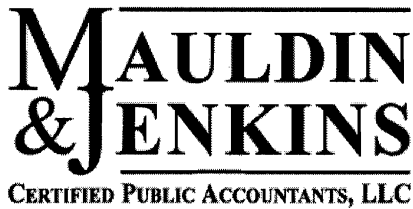
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I. FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

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, 2008, 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, 2008, 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 February 6, 2009 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 important for assessing the results of our audit.

The management's discussion and analysis (on pages 3 through 12) is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. 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 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 nonmajor fund financial statements and schedule 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 nonmajor fund financial statements and schedule 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

Atlanta, Georgia
February 6, 2009

FORSYTH COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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, 2008. 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 2008 are as follows:

- On the district-wide financial statements, the assets of the School District exceeded liabilities by \$321.6 million. Of this amount, \$49.8 million is unrestricted and is available for spending at the School District's discretion.
- The School District had \$326.8 million in expenses relating to governmental activities; only \$152 million of these expenses are offset by program specific charges for services, grants and contributions. General revenues (primarily property and sales taxes) of \$178.6 million were adequate to provide for these programs.
- As stated above, general revenues accounted for \$178.6 million or 54% of all revenues totaling \$330.6 million. Program specific revenues in the form of charges for services, grants and contributions accounted for the rest.
- Net assets for the School District rose by \$3.9 million.
- During fiscal year 2008 four new schools were opened. They were West Forsyth High, Piney Grove Middle, John's Creek Elementary and Shiloh Point Elementary.
- For fiscal year 2008 a planned reduction of \$9.6 million was budgeted for from the General Fund's equity balance. The equity balance had been accumulated in anticipation of the opening of the four new schools in fiscal year 2008. This was done so as to not impact the fiscal year 2008 millage rate.

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.

FORSYTH COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

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

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 supplementary information (not required) which 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-

FORSYTH COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Table 1
Net Assets

	Governmental Activities	
	Fiscal Year 2007	Fiscal Year 2008
Assets		
Current and Other assets	\$ 337,162,669	\$ 219,579,088
Capital Assets, Net	500,684,614	609,742,188
Total Assets	837,847,283	829,321,276
Liabilities		
Current and Other Liabilities	55,720,837	69,985,986
Long-Term Liabilities	464,380,539	437,718,923
Total Liabilities	520,101,376	507,704,909
Net Assets		
Invested in Capital Assets, Net of Related Debt	233,424,879	254,377,695
Restricted	19,345,000	17,448,519
Unrestricted	64,976,028	49,790,153
Total Net Assets	\$ 317,745,907	\$ 321,616,367

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

FORSYTH COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Table 2
Change in Net Assets

	Governmental Activities	
	Fiscal Year 2007	Fiscal Year 2008
Revenues		
Program Revenues		
Charges for Services and Sales	\$ 14,507,865	\$ 9,186,796
Operating Grants and Contributions	113,671,333	140,269,163
Capital Grants and Contributions	22,266,370	2,546,775
Total Program Revenues	150,445,568	152,002,734
General Revenues		
Taxes		
Property Taxes		
For Maintenance and Operations	114,304,857	120,575,511
For Debt Service	13,868,566	14,838,663
Sales Taxes		
Special Purpose Local Option Sales Tax	32,839,805	30,614,221
Real Estate Tax	2,252,906	1,429,669
Investment Earnings	10,893,523	10,768,344
Miscellaneous	1,772,005	417,337
Total General Revenues	175,931,662	178,643,745
Total Revenues	326,377,230	330,646,479
Program Expenses		
Instruction	173,242,803	215,602,375
Support Services		
Pupil Services	4,609,607	6,043,801
Improvement of Instructional Services	4,002,810	5,426,207
Educational Media Services	3,594,082	4,247,127
General Administration	1,430,782	1,656,318
School Administration	12,253,187	14,978,992
Business Administration	1,409,194	1,570,324
Maintenance and Operation of Plant	18,252,911	22,241,796
Student Transportation Services	10,563,534	12,381,553
Central Support Services	5,529,525	6,197,428
Other Support Services	624,778	780,417
Operations of Non-Instructional Services		
Food Services	10,229,217	12,158,097
Other Non-Instructional Services	544,616	607,524
Interest on Short-Term and Long-term Debt	17,419,681	22,884,060
Total Expenses	263,706,727	326,776,019
Increase in Net Assets	\$ 62,670,503	\$ 3,870,460

FORSYTH COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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	Fiscal	Fiscal	Fiscal
	Year 2007	Year 2007	Year 2008	Year 2008
Instruction	\$ 173,242,803	\$ 57,836,794	\$ 215,602,375	\$ 105,293,312
Support Services				
Pupil Services	4,609,607	2,223,607	6,043,801	3,956,919
Improvement of Instructional Services	4,002,810	2,933,850	5,426,207	3,203,580
Educational Media Services	3,594,082	261,157	4,247,127	549,253
General Administration	1,430,782	960,563	1,656,318	(2,096,218)
School Administration	12,253,187	7,335,024	14,978,992	8,861,020
Business Administration	1,409,194	1,125,492	1,570,324	1,561,739
Maintenance and Operation of Plant	18,252,911	11,671,100	22,241,796	12,937,186
Student Transportation Services	10,563,534	8,531,065	12,381,553	10,181,744
Central Support Services	5,529,525	4,330,444	6,197,428	6,047,145
Other Support Services	624,778	557,758	780,417	713,042
Operations of Non-Instructional Services				
Food Services	10,229,217	(2,469,992)	12,158,097	135,150
Other Non-Instructional Services	544,616	544,616	607,524	545,353
Interest on Short-Term and Long-term Debt	17,419,681	17,419,681	22,884,060	22,884,060
Total Expenses	\$ 263,706,727	\$ 113,261,159	\$ 326,776,019	\$ 174,773,285

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 \$360.0 million and total expenditures and other financing uses of \$487.2 million. The difference was due primarily to capital outlay expenditures related to the bond issue in fiscal year 2007 and also the ongoing SPLOST related projects.

FORSYTH COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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 2008, 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 \$241.8 million exceeded the original budgeted amounts of \$240.9 million by \$.9 million. This difference (budget basis actual vs. original budget) was due primarily to an increase in state revenues over original budget by \$2.9 million and local revenues (under) original budget by \$2.1 million. The Board received a QBE mid-term adjustment of \$8.9 million which was \$1.1 million less than the amount originally budgeted. An increase in QBE revenue accruals over the prior year resulted in additional revenue of \$2.1 million. Also, other state grants increased by \$2 million over the amounts originally budgeted.

As a result of the nation's economic downturn and the lowering of key interest rates the local revenues were significantly reduced. The local revenues (under) the original budget were primarily due to decreases in ad valorem tax revenues of \$.4 million, intangible and real estate transfer taxes of \$.9 million and decreases of investment earnings of \$.6 million under the amounts originally budgeted.

Total budget basis actual total revenues had a \$3.1 million negative variance when compared to the final budgeted revenue total.

The budget basis actual expenditures and other financing uses of \$254.2 million were more than the original budgeted amount of \$250.5 million by \$3.7 million. This difference (budget basis actual vs. original budget) was primarily due to an increase in lease proceeds of \$1.3 million for new equipment leases entered into during the year. An increase in state grants accounted for another \$2 million in expenditures. In addition the after school program expenditures were combined in the general fund for reporting purposes. Those expenditures amounted to a total of \$.4 million.

The School District's fuel costs for school buses rose just as they did nationwide. As a result \$.7 million more was expended than was budgeted for.

The budget basis actual expenditures had a \$1.1 million positive variance when compared to the final budgeted expenditures.

FORSYTH COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
State sources	\$ 114,116,799	\$ 117,444,448	\$ 117,065,794	\$ (378,654)
Federal sources	40,000	40,000	50,742	10,742
Local sources and other funds	126,767,264	127,444,299	124,656,618	(2,787,681)
Total revenues	<u>240,924,063</u>	<u>244,928,747</u>	<u>241,773,154</u>	<u>(3,155,593)</u>
EXPENDITURES				
Current:				
Instruction	181,592,111	185,481,910	183,951,200	1,530,710
Support services:				
Pupil services	4,389,266	4,674,751	4,601,516	73,235
Improvement of instructional services	4,462,442	4,775,377	4,579,621	195,756
Educational media services	3,845,953	3,839,115	3,747,614	91,501
General administration	1,313,017	1,313,017	1,332,717	(19,700)
School administration	14,544,859	14,679,762	14,815,237	(135,475)
Business administration	1,654,368	1,654,368	1,541,677	112,691
Maintenance and operation of plant	22,172,821	22,277,821	22,175,335	102,486
Student transportation services	10,056,944	10,059,146	10,933,047	(873,901)
Central support services	6,377,006	6,016,494	5,994,199	22,295
Other support services	93,184	93,900	84,447	9,453
	-	-	-	-
Community services operation	-	418,598	418,598	-
Total expenditures	<u>250,501,971</u>	<u>255,284,259</u>	<u>254,175,208</u>	<u>1,109,051</u>
Excess of revenues over (under)expenditures	<u>\$ (9,577,908)</u>	<u>\$ (10,355,512)</u>	<u>\$ (12,402,054)</u>	<u>\$ (2,046,542)</u>

FORSYTH COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At fiscal year ended June 30, 2008, the School District had \$609.7 million invested in capital assets, all in governmental activities. Capital assets increased \$109.1 million over the balance at June 30, 2007. Note F reflects a summary of these balances net of accumulated depreciation.

Table 5
Capital Assets
(Net of Depreciation)

	Governmental Activities	
	Fiscal Year 2007	Fiscal Year 2008
Land	\$ 75,132,529	\$ 75,132,529
Construction in Progress	123,310,270	109,437,954
Buildings	251,458,354	358,445,488
Equipment	40,469,163	48,831,225
Land Improvements	10,314,298	17,894,992
Total	\$ 500,684,614	\$ 609,742,188

Due to the ongoing growth in the county, the School District has numerous construction projects including new buildings, additions and renovations. The balance of the contracts at June 30, 2008 was \$41.5 million.

FORSYTH COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Debt

At fiscal year ended June 30, 2008, the School District had \$461.7 million in bonds outstanding and \$2.3 million in capital leases outstanding. Note G summarizes the School District's debt for general obligation bonds and capital leases.

Table 6
Debt at June 30

	Governmental Activities	
	Fiscal Year 2007	Fiscal Year 2008
Bonds and Notes Payable	\$ 483,693,914	\$ 461,741,572
Capital Leases	3,324,015	2,257,770
Total	\$ 487,017,929	\$ 463,999,342

At June 30, 2008, 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.

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 an austerity reduction to all school districts and has even increased it during fiscal year 2009. In addition an overall reduction of two percent of QBE funds was imposed for fiscal year 2009. With an additional one percent reduction planned for fiscal year 2010.

The funding situation has even resulted in the state relaxing the maximum class sizes in fiscal year 2010 to provide some relief to all of the state's school districts.

The local revenues sources have been impacted as well. The declining housing market has caused the collection of intangible taxes and real estate transfer taxes to drop drastically. Interest earned on account balances has also been severely reduced due to the federal government lowering key interest rates.

FORSYTH COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

There is also the possibility of the state no longer funding the Homestead Tax Payer Relief Grant that is paid to each county government after fiscal year 2008. This reduction would amount to \$3.9 million in local property tax that the school system would no longer receive in fiscal year 2009.

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, 2008

ASSETS	Governmental Activities
Cash and cash equivalents	\$ 160,447,213
Investments	23,569,499
Receivables:	
Accounts	13,581
Intergovernmental	18,307,236
Taxes	8,473,053
Inventory	266,326
Prepaid items	6,195,265
Deferred charges	2,306,915
Capital assets (nondepreciable)	184,570,483
Capital assets (net of accumulated depreciation)	425,171,705
Total assets	<u>829,321,276</u>
 LIABILITIES	
Accounts payable	14,041,054
Salaries and benefits payable	17,196,055
Accrued interest payable	5,808,982
Retainage payable	6,659,476
Bonds payable due within one year	24,770,000
Bonds payable due in more than one year	436,971,572
Capital leases due within one year	1,510,419
Capital leases due in more than one year	747,351
Total liabilities	<u>507,704,909</u>
 NET ASSETS	
Investment in capital assets, net of related debt	254,377,695
Restricted for:	
Debt service	17,448,519
Unrestricted	49,790,153
Total net assets	<u>\$ 321,616,367</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, 2008**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
Instruction	\$ 215,602,375	\$ 1,137,648	\$ 107,278,058	\$ 1,893,357	\$ (105,293,312)
Support services:					
Pupil services	6,043,801	-	2,085,329	1,553	(3,956,919)
Improvement of instructional services	5,426,207	-	2,219,003	3,624	(3,203,580)
Educational media services	4,247,127	-	3,628,879	68,995	(549,253)
General administration	1,656,318	-	3,748,902	3,634	2,096,218
School administration	14,978,992	-	6,099,401	18,571	(8,861,020)
Business administration	1,570,324	-	5,033	3,552	(1,561,739)
Maintenance and operation of plant	22,241,796	-	9,296,031	8,579	(12,937,186)
Student transportation services	12,381,553	-	1,738,210	461,599	(10,181,744)
Central support services	6,197,428	-	139,373	10,910	(6,047,145)
Other support services	780,417	-	67,375	-	(713,042)
Food services operation	12,158,097	8,049,148	3,901,398	72,401	(135,150)
Other non-instructional services	607,524	-	62,171	-	(545,353)
Interest on long-term debt	22,884,060	-	-	-	(22,884,060)
Total governmental activities	<u>\$ 326,776,019</u>	<u>\$ 9,186,796</u>	<u>\$ 140,269,163</u>	<u>\$ 2,546,775</u>	<u>(174,773,285)</u>
General revenues:					
Property taxes, levied for general purposes					115,487,883
Property taxes, levied for debt service					14,838,663
Sales taxes					30,614,221
Intangible taxes					5,087,628
Transfer taxes					1,429,669
Unrestricted investment earnings					10,768,344
Other					417,337
Total general revenues					<u>178,643,745</u>
Change in net assets					3,870,460
Net assets, beginning of year					317,745,907
Net assets, end of year					<u>\$ 321,616,367</u>

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

FORSYTH COUNTY BOARD OF EDUCATION

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008**

ASSETS	General	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 48,322,452	\$ 86,709,730	\$ 17,448,519	\$ 7,966,512	\$ 160,447,213
Investments	-	23,569,499	-	-	23,569,499
Receivables:					
Accounts	10,844	-	-	2,737	13,581
Intergovernmental	17,272,205	-	-	1,035,031	18,307,236
Taxes	2,692,724	5,436,104	344,225	-	8,473,053
Due from other funds	551,343	56,176	-	-	607,519
Prepaid items	-	-	6,195,265	-	6,195,265
Inventory	-	-	-	266,326	266,326
Advances to other funds	225,000	-	-	-	225,000
Total assets	<u>\$ 69,074,568</u>	<u>\$ 115,771,509</u>	<u>\$ 23,988,009</u>	<u>\$ 9,270,606</u>	<u>\$ 218,104,692</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 3,345,759	\$ 10,547,637	\$ 500	\$ 147,158	\$ 14,041,054
Salaries and benefits payable	16,345,332	-	-	850,723	17,196,055
Retainage payable	-	6,659,476	-	-	6,659,476
Due to other funds	56,176	-	-	551,343	607,519
Advances from other funds	-	-	-	225,000	225,000
Deferred revenue	812,486	-	103,637	-	916,123
Total liabilities	<u>20,559,753</u>	<u>17,207,113</u>	<u>104,137</u>	<u>1,774,224</u>	<u>39,645,227</u>
FUND BALANCES					
Reserved for:					
Inventory	-	-	-	266,326	266,326
Capital outlay	-	98,564,396	-	-	98,564,396
Debt service	-	-	23,883,872	-	23,883,872
Unreserved, reported in:					
General fund	48,514,815	-	-	-	48,514,815
Special revenue funds	-	-	-	7,230,056	7,230,056
Total fund balances	<u>48,514,815</u>	<u>98,564,396</u>	<u>23,883,872</u>	<u>7,496,382</u>	<u>178,459,465</u>
Total liabilities and fund balances	<u>\$ 69,074,568</u>	<u>\$ 115,771,509</u>	<u>\$ 23,988,009</u>	<u>\$ 9,270,606</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.					
				711,561,914	
				(101,819,726)	609,742,188
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.					
					916,123
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.					
				(440,684,735)	
				(21,056,837)	
				2,306,915	
				(5,808,982)	
				(2,257,770)	(467,501,409)
					<u>\$ 321,616,367</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, 2008

	General	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
State funds	\$ 117,065,794	\$ -	\$ -	\$ 585,593	\$ 117,651,387
Federal funds	50,742	-	-	10,532,364	10,583,106
Local and other funds	124,656,618	40,383,102	16,271,202	16,340,219	197,651,141
On behalf payments	5,180,279	-	-	-	5,180,279
Total revenues	<u>246,953,433</u>	<u>40,383,102</u>	<u>16,271,202</u>	<u>27,458,176</u>	<u>331,065,913</u>
EXPENDITURES					
Current:					
Instruction	183,951,200	-	-	12,311,910	196,263,110
Support Services:					
Pupil services	4,601,516	-	-	1,432,126	6,033,642
Improvement of instructional serv	4,579,621	-	-	822,951	5,402,572
Educational media services	3,747,614	-	-	-	3,747,614
General administration	1,332,717	-	-	300,008	1,632,725
School administration	14,815,237	-	-	-	14,815,237
Business administration	1,541,677	-	-	-	1,541,677
Maintenance and operation of fac	22,175,335	-	-	-	22,175,335
Student transportation services	10,933,047	-	-	84,787	11,017,834
Central support services	5,994,199	-	-	127,921	6,122,120
Other support services	84,447	-	-	67,081	151,528
Food services operation	-	-	-	12,158,097	12,158,097
Other non-instructional services	418,598	-	4,559	-	423,157
Capital outlay	-	126,100,239	-	-	126,100,239
On behalf payments	5,180,279	-	-	-	5,180,279
Debt service:					
Principal retirement	-	2,404,145	20,665,000	-	23,069,145
Interest and fees	-	210,110	23,630,488	-	23,840,598
Total expenditures	<u>259,355,487</u>	<u>128,714,494</u>	<u>44,300,047</u>	<u>27,304,881</u>	<u>459,674,909</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(12,402,054)</u>	<u>(88,331,392)</u>	<u>(28,028,845)</u>	<u>153,295</u>	<u>(128,608,996)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from capital lease	-	1,337,900	-	-	1,337,900
Transfers in	-	-	27,555,708	-	27,555,708
Transfers out	-	(27,555,708)	-	-	(27,555,708)
Total other financing sources (uses)	<u>-</u>	<u>(26,217,808)</u>	<u>27,555,708</u>	<u>-</u>	<u>1,337,900</u>
Net change in fund balances	(12,402,054)	(114,549,200)	(473,137)	153,295	(127,271,096)
FUND BALANCE, beginning of year	<u>60,916,869</u>	<u>213,113,596</u>	<u>24,357,009</u>	<u>7,343,087</u>	<u>305,730,561</u>
FUND BALANCE, end of year	<u>\$ 48,514,815</u>	<u>\$ 98,564,396</u>	<u>\$ 23,883,872</u>	<u>\$ 7,496,382</u>	<u>\$ 178,459,465</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, 2008**

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

Net change in fund balances - total governmental funds \$ (127,271,096)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which capital outlays exceeded:

Capital outlay	\$ 127,898,896	
Depreciation expense	<u>(17,854,079)</u>	110,044,817

The net effect of the sale of fixed assets is to decrease net assets (987,243)

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

Property taxes (419,434)

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	\$ 20,665,000	
Principal payments - capital leases	2,404,145	
Deferred loss on refunding amortization expense	(569,527)	
Bond premium amortization expense	1,856,869	
Bond issuance costs amortization expense	(184,367)	
Capital lease proceeds	<u>(1,337,900)</u>	22,834,220

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 (330,804)

\$ 3,870,460

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, 2008

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
State sources	\$ 114,116,799	\$ 117,444,448	\$ 117,065,794	\$ (378,654)
Federal sources	40,000	40,000	50,742	10,742
Local sources and other funds	126,767,264	127,444,299	124,656,618	(2,787,681)
Total revenues	<u>240,924,063</u>	<u>244,928,747</u>	<u>241,773,154</u>	<u>(3,155,593)</u>
EXPENDITURES				
Current:				
Instruction	181,592,111	185,481,910	183,951,200	1,530,710
Support services:				
Pupil services	4,389,266	4,674,751	4,601,516	73,235
Improvement of instructional services	4,462,442	4,775,377	4,579,621	195,756
Educational media services	3,845,953	3,839,115	3,747,614	91,501
General administration	1,313,017	1,313,017	1,332,717	(19,700)
School administration	14,544,859	14,679,762	14,815,237	(135,475)
Business administration	1,654,368	1,654,368	1,541,677	112,691
Maintenance and operation of plant	22,172,821	22,277,821	22,175,335	102,486
Student transportation services	10,056,944	10,059,146	10,933,047	(873,901)
Central support services	6,377,006	6,016,494	5,994,199	22,295
Other support services	93,184	93,900	84,447	9,453
Community services operation	-	418,598	418,598	-
Total expenditures	<u>250,501,971</u>	<u>255,284,259</u>	<u>254,175,208</u>	<u>1,109,051</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (9,577,908)</u>	<u>\$ (10,355,512)</u>	<u>\$ (12,402,054)</u>	<u>\$ (2,046,542)</u>

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

FORSYTH COUNTY BOARD OF EDUCATION

**STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUND
JUNE 30, 2008**

	ASSETS	<u>Agency Fund</u>
Cash		<u>\$ 235,371</u>
Total assets		<u><u>\$ 235,371</u></u>
	LIABILITIES	
Due to others		<u>\$ 235,371</u>
Total liabilities		<u><u>\$ 235,371</u></u>

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

FORSYTH COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

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, and reconstruction of capital projects and equipment. There was no activity for the Corporation during the current year. 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, 2008 have been prepared in accordance with the Governmental Accounting Standards Board Statement 34 - *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the School 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, 2008

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 as are the fiduciary funds. 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.

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, 2008

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 sales taxes and bond proceeds.

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

Additionally, the School 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 the government-wide 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, 2008

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

Inventories of the 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 System 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 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 and equipment, are reported in the governmental activities in the government-wide statement of net assets and depreciated over their estimated useful lives in the government-wide statement of activities. Capital assets are defined by the School System 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 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, 2008

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 capital 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, 2008

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.

The following General Fund functions had excesses of actual expenditures over appropriations in the amount shown for the fiscal year ended June 30, 2008.

Support Services:		
General administration	\$	19,700
School administration		135,475
Student transportation services		873,901

FORSYTH COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

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 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.

Credit risk. At June 30, 2008, all investments of the School System were invested in Georgia Fund 1, the local government investment pool administered by the State of Georgia, and U.S. Treasury Notes. The Georgia Fund 1 investment pool is not subject to credit risk classification and the carrying amount of \$85,065,350 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 and Georgia Extended Asset Statement Investment Pool (GEAP) are not registered with the Securities and Exchange Commission (SEC) but operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. As of June 30, 2008, the School System's investment in Georgia Fund 1 was rated AAAM by Standard & Poor's.

At June 30, 2008, the District had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Georgia Fund 1	40 day weighted average	\$ 85,065,350
U.S. Treasury	July 16, 2008	23,569,499
Total		<u>\$ 108,634,849</u>

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 System 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 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. As of June 30, 2008, the School System's cash accounts and investments were properly collateralized as required by State statutes.

FORSYTH COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE C - DEPOSITS AND INVESTMENTS – CONTINUED

Interest rate risk. The Government does have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

NOTE D - DUE FROM OTHER GOVERNMENTS

Due from other governments consists of grant reimbursements due from federal, state or other grantors for expenditures made but not yet reimbursed. The Georgia Department of Education is the main government agency that grants are due from as of June 30, 2008.

NOTE E - TAXES RECEIVABLE

Taxes receivable includes property taxes and sales tax due to the School System. Property taxes were levied on July 19, 2007, based on property values assessed as of January 1, 2007, and were payable on or before November 15, 2007. An interest penalty of 10% per annum is charged on property taxes paid after that date. Property taxes became an enforceable lien on April 14, 2008. Property tax receivables are shown net of an allowance for uncollectibles of \$77,026 in the General Fund and \$9,940 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, 2008

NOTE F – CAPITAL ASSETS

Changes in capital assets used in the School System’s governmental activities during the year ended June 30, 2008 were as follows:

	Balance July 1, 2007	Increases	Decreases	Balance June 30, 2008
Capital assets not being depreciated				
Land and improvements	\$ 75,132,529	\$ -	\$ -	\$ 75,132,529
Construction in progress	123,310,271	109,860,263	(123,732,580)	109,437,954
Total capital assets not being depreciated	198,442,800	109,860,263	(123,732,580)	184,570,483
Capital assets being depreciated				
Land improvements	14,697,921	8,313,127	-	23,011,048
Buildings	304,645,028	120,059,544	(5,225,424)	419,479,148
Furniture and equipment	68,401,607	18,623,940	(2,524,312)	84,501,235
Total capital assets being depreciated	387,744,556	146,996,611	(7,749,736)	526,991,431
Less accumulated depreciation for				
Land improvements	(4,383,623)	(732,433)	-	(5,116,056)
Buildings	(53,186,677)	(7,846,983)	-	(61,033,660)
Furniture and equipment	(27,932,443)	(9,274,663)	1,537,096	(35,670,010)
Total accumulated depreciation	(85,502,743)	(17,854,079)	1,537,096	(101,819,726)
Total capital assets being depreciated, net	302,241,813	129,142,532	(6,212,640)	425,171,705
Total governmental activities capital assets, net	<u>\$ 500,684,613</u>	<u>\$ 239,002,795</u>	<u>\$ (129,945,220)</u>	<u>\$ 609,742,188</u>

Depreciation expense was charged to functions as follows:

Instruction	\$ 14,970,400
Pupil Services	10,159
Improvement of Instruction	23,635
Media Services	499,513
General Administration	23,593
School Administration	163,755
Business Services	28,647
Maintenance and Operations	66,461
Transportation	1,363,719
Central Support	75,308
School Food Services	628,889
	<u>\$ 17,854,079</u>

FORSYTH COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

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

The following is a summary of long-term debt transactions of the School System for the year ended June 30, 2008:

	<u>Balance July 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2008</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%	\$ 14,865,000	\$ -	\$ 1,085,000	\$ 13,780,000	\$ 1,155,000
1998 Series general obligation refunding bonds maturing on July 1, 2016, with interest rates ranging from 4.00% to 5.125%	44,240,000	-	3,575,000	40,665,000	3,725,000
1999 Series general obligation bonds maturing on February 1, 2010, with interest rates ranging from 2.35% to 5.0%	20,080,000	-	6,370,000	13,710,000	6,685,000
2004 Series general obligation refunding bonds maturing on February 1, 2019, with interest rates ranging from 2.35% to 5.0%	87,465,000	-	560,000	86,905,000	570,000
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	1,200,000
2005 Series general obligation bonds maturing on February 1, 2025, with interest rates ranging from 3.0% to 5.25%	130,395,000	-	9,075,000	121,320,000	11,435,000
General obligation bonds	467,045,000	-	20,665,000	446,380,000	24,770,000
Less deferred loss on refunding	(6,264,792)	-	569,527	(5,695,265)	
Plus bond premium	22,913,706	-	1,856,869	21,056,837	-
Subtotal	483,693,914	-	23,091,396	461,741,572	24,770,000
Capitalized lease obligations at interest rates ranging from 4.87% to 6.393%	3,324,015	1,337,900	2,404,145	2,257,770	1,510,419
Total general long-term debt	<u>\$ 487,017,929</u>	<u>\$ 1,337,900</u>	<u>\$ 25,495,541</u>	<u>\$ 463,999,342</u>	<u>\$ 26,280,419</u>

FORSYTH COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

General Obligation Bonds (Continued)

At June 30, 2008, 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
2009	\$ 24,770,000	\$ 27,063,378
2010	26,620,000	20,235,763
2011	28,225,000	18,935,008
2012	29,855,000	17,563,030
2013	31,025,000	16,143,745
2014-2018	165,285,000	56,016,811
2019-2023	98,320,000	24,774,850
2024-2025	42,280,000	3,179,000
Total	\$ 446,380,000	\$ 183,911,585

Capital Lease. During the year ended June 30, 2008, 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, 2008:

Fiscal Year Ending June 30,	
2009	\$ 1,653,646
2010	670,525
2011	128,601
Total minimum lease payments	<u>2,452,772</u>
Less amount representing interest	<u>195,002</u>
Present value of future minimum lease payments	<u>2,257,770</u>
Less current maturities	<u>1,510,419</u>
Net of current maturities	<u>\$ 747,351</u>

FORSYTH COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE H - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

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 balances as of the year ended June 30, 2008 are as follows:

<u>Funds</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 551,343	\$ 56,176
Capital Projects Fund	56,176	-
Nonmajor governmental funds	-	551,343
Total governmental funds	<u>\$ 607,519</u>	<u>\$ 607,519</u>

<u>Funds</u>	<u>Advance From Other Funds</u>	<u>Advance To Other Funds</u>
General Fund	\$ -	\$ 225,000
Nonmajor governmental funds	225,000	-
Total governmental funds	<u>\$ 225,000</u>	<u>\$ 225,000</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that the statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers as of the year ended June 30, 2008 are as follows:

<u>Funds</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Capital Projects Fund	\$ -	\$ 27,555,708
Debt Service Fund	27,555,708	-
Total governmental funds	<u>\$ 27,555,708</u>	<u>\$ 27,555,708</u>

Transfers are used to move SPLOST proceeds from the Capital Projects Fund to Debt Service Fund to fund debt service as allowed in the referendum.

NOTE I - 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 \$538,112. Future minimum lease payments on these leases are as follows:

<u>Year ending June 30,</u>	
2009	\$ 529,386
2010	529,386
2011	529,386
2012	529,386
2013	137,208
Total	<u>\$ 2,254,752</u>

FORSYTH COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE J - 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>
2008	\$ 307,426	\$ 416,954	\$ 353,876	\$ 370,504
2007	\$ 690,536	\$ 57,662	\$ 440,772	\$ 307,426

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>
2008	\$ -	\$ 10,150	\$ 10,150	\$ -
2007	\$ -	\$ 8,224	\$ 8,224	\$ -

**FORSYTH COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE J - 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>
2008	\$ 127,000	\$ 1,152,814	\$ 1,279,814	\$ -
2007	\$ 125,000	\$ 2,138,411	\$ 2,136,411	\$ 127,000

NOTE K - 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 retirees 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, 2008

NOTE K - RETIREMENT PLANS - CONTINUED

Plan Description (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 9.28%, 9.24% and 9.24% for 2008, 2007 and 2006, respectively.

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

	2008	2007	2006
School System	\$ 14,329,971	\$ 12,230,932	\$ 11,066,170
	2008	2007	2006
Employees	\$ 7,720,889	\$ 6,589,402	\$ 5,987,514

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, 2008

NOTE K - RETIREMENT PLANS - CONTINUED

Plan Description (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, 2008, 2007 and 2006, were \$30,176, \$25,996, and \$24,240, respectively.

FORSYTH COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE K - 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 assets are held by VALIC and not recorded in these financial statements.

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, 2008, the School System contributed \$391,287 to the Plan on behalf of its employees. For the year ended June 30, 2008, employees contributed \$446,714 to the plan.

NOTE L – 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 \$41,450,864.

FORSYTH COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE L – 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 rising 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 M - ON-BEHALF PAYMENTS FOR FRINGE BENEFITS

The School System has recognized revenue and expenditures in the amount of \$5,180,279 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 \$5,131,777.

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 \$21,234.

Paid by the Georgia Department of Education to the Teachers Retirement System for Teachers Retirement (TRS) in the amount of \$27,268.

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 ACTIVITY FUNDS

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

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.

FORSYTH COUNTY BOARD OF EDUCATION

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008**

	Special Revenue Funds			
	Federal Programs Fund	School Activity Fund	School Food Services Fund	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ -	\$ 1,999,290	\$ 5,967,222	\$ 7,966,512
Due from other governments	1,035,031	-	-	1,035,031
Accounts receivable	-	-	2,737	2,737
Inventory	-	-	266,326	266,326
Total assets	\$ 1,035,031	\$ 1,999,290	\$ 6,236,285	\$ 9,270,606
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 33,344	\$ -	\$ 113,814	\$ 147,158
Salaries and benefits payable	417,302	-	433,421	850,723
Due to other funds	551,343	-	-	551,343
Advances from other funds	-	225,000	-	225,000
Total liabilities	1,001,989	225,000	547,235	1,774,224
FUND BALANCES				
Reserved for:				
Inventory	-	-	266,326	266,326
Unreserved:				
Undesignated	33,042	1,774,290	5,422,724	7,230,056
Total fund balances	33,042	1,774,290	5,689,050	7,496,382
Total liabilities and fund balances	\$ 1,035,031	\$ 1,999,290	\$ 6,236,285	\$ 9,270,606

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, 2008**

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Federal Programs Fund	School Activity Fund	School Food Services Fund	
REVENUES				
State funds	\$ 39,229	\$ -	\$ 546,364	\$ 585,593
Federal funds	7,104,929	-	3,427,435	10,532,364
Local and other funds	40,350	8,029,918	8,269,951	16,340,219
Total revenues	7,184,508	8,029,918	12,243,750	27,458,176
EXPENDITURES				
Instruction	4,316,592	7,995,318	-	12,311,910
Support services:				
Pupil services	1,432,126	-	-	1,432,126
Improvement of instructional services	822,951	-	-	822,951
General administration	300,008	-	-	300,008
Student transportation services	84,787	-	-	84,787
Central support services	127,921	-	-	127,921
Other support services	67,081	-	-	67,081
Food services operation	-	-	12,158,097	12,158,097
Total expenditures	7,151,466	7,995,318	12,158,097	27,304,881
Excess (deficiency) of revenues over (under) expenditures	33,042	34,600	85,653	153,295
Net change in fund balances	33,042	34,600	85,653	153,295
FUND BALANCE, beginning of year	-	1,739,690	5,603,397	7,343,087
FUND BALANCE, end of year	\$ 33,042	\$ 1,774,290	\$ 5,689,050	\$ 7,496,382

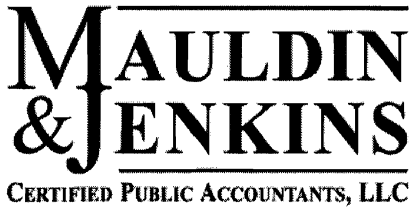
FORSYTH COUNTY BOARD OF EDUCATION

**SCHEDULE OF EXPENDITURES OF
SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

SPLOST II				
	Current Estimated Cost	Prior Years	Current Year	Total
Acquisition, construction, renovation and equipping of schools	\$ 144,000,000	\$ 59,564,130	\$ 17,794,254	\$ 77,358,384
Debt Service	56,000,000	49,577,601	4,708,450	54,286,051
	<u>\$ 200,000,000</u>	<u>\$ 109,141,731</u>	<u>\$ 22,502,704</u>	<u>\$ 131,644,435</u>

SPLOST III				
	Current Estimated Cost	Prior Years	Current Year	Total
Acquisition, construction, renovation and equipping of schools	\$ 123,444,767	\$ -	\$ -	\$ -
Debt Service	141,555,233	-	22,846,972	22,846,972
	<u>\$ 265,000,000</u>	<u>\$ -</u>	<u>\$ 22,846,972</u>	<u>\$ 22,846,972</u>

II. SINGLE AUDIT SECTION



**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 Forsyth County Board of Education (the "Board") as of and for the year ended June 30, 2008, which collectively comprise the Forsyth County Board of Education's basic financial statements and have issued our report thereon dated February 6, 2009. 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 Board's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Board in a separate letter dated February 6, 2009.

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

Mauldin & Jenkins, LLC

Atlanta, Georgia
February 6, 2009

**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 (the "Board") 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, 2008. The Board'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 Board's management. Our responsibility is to express an opinion on the Board's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Board'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, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and are described in the accompanying schedule of findings and questioned costs as items 2008-1 and 2008-2.

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 the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Forsyth County Board of Education's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Forsyth County Board of Education's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the Forsyth County Board of Education's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discuss below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2008-1 and 2008-2 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider items 2008-1 and 2008-2 to be material weaknesses.

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

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

Mauldin & Jenkins, LLC

Atlanta, Georgia
February 6, 2009

FORSYTH COUNTY BOARD OF EDUCATION

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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	\$ 504,127
National School Lunch Program	10.555	N/A	<u>2,273,332</u>
Total Child Nutrition Cluster			<u>2,777,459</u>
Other Programs			
Pass-Through From Georgia Department of Education			
Food and Nutrition Program			
Food Distribution Program (2)	10.550	N/A	<u>646,341</u>
Total U.S. Department of Agriculture			<u>3,423,800</u>
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Individuals with Disabilities Education Act (IDEA)			
Part B-Special Education			
Flow Through	84.027	N/A	4,077,199
Preschool	84.173	N/A	<u>77,322</u>
Total Special Education Cluster			<u>4,154,521</u>
Other Programs			
Pass-Through From Georgia Department of Education			
Elementary and Secondary Education Act			
Title I			
Improving Academic Achievement	84.010	N/A	<u>1,651,435</u>
Title II			
Improving Teacher Quality	84.367	N/A	317,578
Improving Teacher Quality	84.367	N/A	<u>183,523</u>
Subtotal			<u>501,101</u>

FORSYTH COUNTY BOARD OF EDUCATION

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

FUNDING AGENCY PROGRAM/GRANT	CFDA NUMBER	PASS- THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD
Other Programs			
Pass-Through From Georgia Department of Education			
Title III			
Limited English Proficient	84.365	N/A	233,155
Imigrant	84.365	N/A	53,919
Subtotal			<u>287,074</u>
Title IV			
Safe and Drug Free Schools And Communities	84.186	N/A	<u>62,693</u>
Title V			
Innovative Education Program Strategies	84.298	N/A	<u>29,237</u>
Pass-Through From Georgia Department of Education			
Vocational Education-Basic Grants to States			
Professional Development	84.048	N/A	14,445
Program Improvement	84.048	N/A	130,007
Subtotal			<u>144,452</u>
Stewart B. McKinney Homeless Assistance Act			
Education for Homeless Children and Youth	84.196	N/A	<u>30,882</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>45,851</u>
Total U.S. Department of Education			<u>6,907,246</u>

FORSYTH COUNTY BOARD OF EDUCATION

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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		<u>61,333</u>
Human Resources, U. S. Department of Direct Mentors and Motivators	84.186		<u>74,709</u>
Subtotal			<u>74,709</u>
Total Federal Financial Expenditures			<u>\$ 10,467,088</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, 2008

SECTION I
SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued Unqualified

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

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

Noncompliance material to financial statements noted? ___ yes X no

Federal Awards

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

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

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

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

Identification of major program:

Child Nutrition Cluster:

U.S. Department of Agriculture, School Breakfast Program, CFDA #10.553
U.S. Department of Agriculture, National School Lunch Program, CFDA #10.555

Non-Cluster Programs

U.S. Department of Education, Title I, Improving Academic Achievement, CFDA #84.010
U.S. Department of Agriculture, Food Distribution Program, CFDA #10.550

Dollar threshold used to distinguish between
Type A and Type B programs: \$314,012

Auditee qualified as low-risk auditee? X yes ___ no

FORSYTH COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

None reported.

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

2008-1: Internal Controls over Comparability, U.S. Department of Education, Title I, Improving Academic Achievement, CFDA #84.010

Criteria: In accordance with the terms of Title I, Improving Academic Achievement (CFDA #84.010), the School System must provide documentation that local funds will be used in participating schools to provide services that, taken as a whole, are at least comparable to services that the system is providing to schools not receiving Title I funds.

Condition and Context: For the year ended June 30, 2008, we noted a lack of internal controls over the preparation of the documentation that the School System was providing comparable services to Non-Title I Schools due to the fact that the number of FTE Instructional Staff reported for the Non-Title I Schools could not be tied to supporting documentation due to the fact that the report was not compared to the supporting documentation prior to submitting it to the State.

Effects or possible effects: The school system could be providing services to Title I schools that are not comparable to the services provided at non-Title I schools.

Cause: There was a lack of internal controls over the preparation of the Comparability report to be submitted to the State.

Questioned Costs: None

Recommendation: We recommend that the Title I staff compare the Comparability Report to the supporting documentation prior to submitting it to the State in order to determine that the report is correct based on the information from the School System.

Views of Responsible Officials: We concur with the recommendation. Corrective action has already been taken to ensure that the Comparability Report provided to the State agrees with the documentation with which it is prepared.

FORSYTH COUNTY BOARD OF EDUCATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2008

SECTION III

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS CONTINUED

2008-2: Internal Controls over Eligibility, U.S. Department of Education, Title I, Improving Academic Achievement, CFDA #84.010

Criteria: In accordance with the terms of Title I, Improving Academic Achievement (CFDA #84.010), once funds are allocated to eligible school attendance areas (see E.2.a and E.2.b below), a school operating a targeted assistance program must use Title I funds only for programs that are designed to meet the needs of children identified by the school as failing, or most at risk of failing, to meet the State's challenging student academic achievement standards. In general, eligible children are identified on the basis of multiple, educationally related, objective criteria established by the LEA and supplemented by the school. From the pool of eligible children, a targeted assistance school selects those children who have the greatest need for special assistance to receive Part A services (Title I, Section 1115 of ESEA (20 USC 6315)).

Condition and Context: For the year ended June 30, 2008, we noted that the schools did not consistently use the multiple criteria forms as provided by the Title I Director. We also noted that many of the schools' multiple criteria rankings had formula errors which led to students not being correctly ranked because their multiple criteria score was not being correctly calculated. There appears to be a lack of internal controls surrounding the preparation of the multiple criteria determinations and the subsequent ranking of the students due to the fact that the Title I staff should have been aware of the formula issues and fixed these issues prior to the students being served and should have been aware of the schools using differing multiple criteria determination forms.

Effects or possible effects: The School System could be ranking the students incorrectly and serving students with less need over those who have more need.

Cause: There was a lack of internal controls over the preparation of the multiple criteria ranking forms.

Questioned Costs: None

Recommendation: We recommend that the Title I staff verify the Multiple Criteria ranking of the eligible students in order to determine that the schools are consistently using the same forms and that the forms are being prepared correctly.

Views of Responsible Officials: We concur with the recommendation. Corrective action has already been taken to ensure that the student eligibility is being determined correctly.

FORSYTH COUNTY BOARD OF EDUCATION

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

SECTION IV

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

2007-1: Semi – Annual Certification of Time and Efforts Sheets – Exceptional Student Services Cluster:

U.S. Department of Education, Flow Through, CFDA #84.027

U.S. Department of Education, Preschool, CFDA #84.173

Criteria: In accordance with the terms of the Exceptional Student Services Cluster (CFDA 84.027 and 84.173), semi-annual certification of time and effort sheets should be maintained for employees who work solely on a single cost objective (i.e. special education services).

Condition and Context: For the year ended June 30, 2007, the School System was not properly maintaining semi-annual certification of time and effort sheets for teachers and other staff being paid out of Exceptional Student Services funds.

Status: This finding was resolved during the current year.