BOARD OF EDUCATION
OF THE CITY OF MARIETTA

ANNUAL FINANCIAL REPORT
FOR THE
FISCAL YEAR ENDED JUNE 30, 2013

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I. FINANCIAL SECTION

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

INDEPENDENT AUDITOR'S REPORT

To the Superintendent and Members of
the Board of Education of the City of Marietta
Marietta, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Board of Education of the City of Marietta, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Board of Education of the City of Marietta's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Board of Education of the City of Marietta, as of June 30, 2013, and the respective changes in financial position and the respective budgetary comparisons for the General Fund and the Grant Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the Board of Education of the City of Marietta implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, as well as Statement No. 65, *Items Previously Reported as Assets and Liabilities*, as of July 1, 2012. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board of Education of the City of Marietta's basic financial statements. The schedule of expenditures of special purpose local option sales tax procees, as required by the Official Code of Georgia 48-8-121, and the schedule of expenditures of federal awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governmentas, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2014 on our consideration of the Board of Education of the City of Marietta's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board of Education of the City of Marietta's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Atlanta, Georgia
March 4, 2014

BOARD OF EDUCATION OF THE CITY OF MARIETTA
Management's Discussion and Analysis
June 30, 2013

Introduction

The discussion and analysis of the Board of Education of the City of Marietta's ("District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion is to look at the District's financial performance as a whole. Readers should also review complete financial statements, with notes, to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2013 are as follows:

- Total net position increased from $107,713,753 in 2012 to $112,838,818 in 2013, a 5% increase totaling $5,125,065.

- Total liabilities decreased from $31,430,343 in 2012 to $30,419,139 in 2013, a decrease of $1,011,204 or 3%, primarily due to a decrease in debt payable to City of Marietta for debt issued on behalf of the School District and a decrease in salary and benefit payables.

- Total revenue increased from $98,038,393 in 2012 to $100,280,548 in 2013, a 2% increase of $2,242,155 resulting primarily from a 3% increase in tax revenue and 10% increase in charges for services offset by a 14% decrease in capital grants and contributions. Overall revenue for 2013 was $5,125,065 more than expenses.

- Total expenses increased from $92,549,818 in 2012 to $95,155,483 in 2013, an increase of less than 3% totaling $2,605,665.

- The increase in program expenses occurred in Instruction, where expenses increased $2,693,423 from $57,466,112 in 2012 to $60,159,535 in 2013 due to an increase in state QBE funding as well as state and federal grant funding. Pupil and Instructional Services expenses decreased slightly from $8,774,259 in 2012 to $8,758,541 in 2013. School and Administrative Services expenses, including Federal Grant Administration, increased from $7,448,707 in 2012 to $7,535,471 in 2013 primarily due to the increased general and school administration expenses. Maintenance and Operations expenses decreased from $6,178,812 to $6,069,019 due to decreases in salary and benefits related to maintenance of facilities. Transportation expenses increased from $4,048,046 in 2012 to $4,207,392 as several buses were purchased. Other expenses decreased from $8,633,882 in 2012 to $8,425,525 in 2013 due primarily to decreases in central support services and debt payments offset by an increase in food services operation expenses.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements are comprised of three components: district-wide financial statements, fund financial statements and notes to the financial statements.

District-wide Financial Statements

The district-wide financial statements are designed to provide readers with a broad overview of the District's finances, similar to a private-sector business.

The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over a period of time, increases or decreases in net position may serve as an indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Therefore, revenues and expenses are reported in this statement for some items that will only result in cash flows during future fiscal periods, for example, uncollected taxes.

Fund Financial Statements

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds

The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps the reader determine if there are more or less financial resources to be spent in the near future to finance educational goals and programs.

Fiduciary Funds

The District is the trustee, or fiduciary, for assets that belong to others, such as school clubs and organizations. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

The Statement of Net Position for 2013 has been summarized and compared with net position for 2012. (See Condensed Statement of Net Position - Table I). The District's net position increased 5% in 2013. Total net position increased primarily due to a decrease of 3% in liabilities occurring from a decrease in debt payable to City of Marietta for debt issued on behalf of the School District and a 11% increase in capital assets resulting from construction in progress on the new Marietta Performing Arts Center.

District-Wide Financial Analysis

Table I
Condensed Statement of Net Position

	2012	2013
Assets		
Current and Other Assets	$ 50,585,001	$ 45,294,864
Capital Assets	88,559,095	97,963,093
Total Assets	139,144,096	143,257,957
Liabilities		
Other Liabilities	11,268,892	12,965,938
Long-Term Liabilities	20,161,451	17,453,201
Total Liabilities	31,430,343	30,419,139
Net Position		
Net investment in Capital Assets	69,169,095	80,930,307
Restricted	5,701,462	3,000,547
Unrestricted	32,843,196	28,907,964
Total Net Position	$ 107,713,753	$ 112,838,818

Table II
Changes in Net Position

	2012	2013
Revenues		
Program Revenues:		
Charges for Services	$ 2,716,085	$ 2,984,484
Operating Grants/Contributions	41,156,633	41,832,195
Capital Grants/Contributions	2,024,032	1,730,946
General Revenues:		
Taxes	51,769,081	53,358,250
Other	372,562	374,673
Total Revenues	98,038,393	100,280,548
Expenses		
Instruction	57,466,112	60,159,535
Pupil & Instructional Services	8,774,259	8,758,541
School and Administrative Services	7,448,707	7,535,471
Maintenance and Operations	6,178,812	6,069,019
Transportation	4,048,046	4,207,392
Other	8,633,882	8,425,525
Total Expenses	92,549,818	95,155,483
Change in Net Position	5,488,575	5,125,065
Net Position, beginning of year	102,225,178	107,713,753
Net Position, end of year	$ 107,713,753	$ 112,838,818

Revenues

The District's total revenue increased 2% in 2013 (See Changes in Net Position - Table II), primarily due to a 10% increase in Charges for Services, a 2% increase in Operating Grants and Contributions, and a 3% increase in Tax Revenue, offset by a 14% decrease in Capital Grants and Contributions.

Expenses

The District's total expenses, which increased approximately 3%, are primarily related to the instruction of students, providing pupil services, counseling and testing, improving instructional services and transporting students. Direct instructional costs increased 5% due to increases in state QBE funding and state and federal grant funding. Transportation expenses, including the purchase of buses, increased 4%. These increases were offset by decreases in Maintenance and Operations expenses of 2% and the Other expense category of 2%. Maintenance and Operations expenses declined due to declines in salaries and benefits related to building maintenance. The remaining expense categories reflect modest increases or decreases for the year.

The Net Cost of Governmental Activities Table presents the total and net cost of six major District activities: instruction, pupil and instructional services, school and administrative services, maintenance and operations, transportation, and other. (See Net Cost of Governmental Activities Table - Table III).

Table III
Net Cost of Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2012	2013	2012	2013
Instruction	$ 57,466,112	$ 60,159,535	$ 29,814,139	$ 32,652,798
Pupil & Instructional Services	8,774,259	8,758,541	4,889,878	4,993,200
School & Administrative Services	7,448,707	7,535,471	3,265,296	2,730,354
Maintenance & Operations	6,178,812	6,069,019	3,271,687	3,137,120
Transportation	4,048,046	4,207,392	3,014,299	3,257,867
Other	8,633,882	8,425,525	2,397,769	1,836,519
Total	$ 92,549,818	$ 95,155,483	$ 46,653,068	$ 48,607,858

Net Cost of Services is the total cost less fees generated by the activities and intergovernmental revenue provided for specific programs. The Net Cost shows the financial burden on the District's taxpayers by each activity. The Total Cost of governmental services in 2013 was $95,155,483. Users of the District's programs financed $2,984,484 of the costs. Federal and State grants, subsidized programs, and contributions financed $43,563,141 of the cost. The District's taxpayers financed the remainder of the School District's cost, which was $48,607,858 in 2013.

The District's Funds

The District ended fiscal year 2013 with positive fund balances in all of its governmental funds. The combined balance of all governmental funds, $32,049,470 was a decrease of 17% from the 2012 ending balance of $38,530,317. This decrease was primarily associated with a decrease in the District-wide Capital Projects Fund. At the end of 2013, the District's General Fund's fund balance (assigned and unassigned) was equivalent to approximately three months of General Fund expenditures.

General Fund
The General Fund is the operating fund of the School District. Property taxes and other taxes account for the majority of the School District's revenues. Property tax revenues increased $1.5 million in fiscal year 2013 when compared to fiscal year 2012 receipts due in part to an increase in the millage rate from 17.97 to 19.157. State revenue sources increased $1.16 million due to an increase in student full time equivalents. Federal revenue sources decreased slightly in fiscal year 2013 due to a decrease in Federal Education Jobs Fund. The unassigned General Fund Balance was $13.7 million at June 30, 2013.

Grant Fund
The Grant Fund is used to account for federal, state, and locally funded grant awards to the School District for accomplishing specific education tasks. In fiscal year 2013, federal grant revenues decreased $.5 million, primarily due to funding cuts at the federal level.

District-wide Capital Projects Fund
The District-wide Capital Projects Fund is used to account for school construction and other improvement projects. Special Purpose Local Option Sales Tax (SPLOST) revenues and state funds account for the majority of the revenues in the Capital Projects Fund. SPLOST revenues decreased $.1 million.

General Fund Budgetary Highlights

The FY2013 budget was developed in compliance with State Law and by balancing the challenges of projected increases in student enrollment, higher student/teacher ratios and reductions in state funding for education while maintaining an adequate fund balance reserve for financial stability.

Capital Assets and Debt Administration

Capital Assets

Capital assets increased 11% from $88,559,095 in 2012 to $97,963,093 in 2013, an increase of $9,403,998. (See Capital Assets, Net of Accumulated Depreciation - Table IV). The District had capital asset additions of $13,785,476. This was offset by current year depreciation of $4,381,478. The School District is committed to maintaining and improving its capital assets. At June 30, 2013, the School District had commitments under construction contracts totaling $852,012 for renovations and improvements to existing facilities.

Table IV
Capital Assets, Net of Accumulated Depreciation

	2012	2013
Land	$ 9,695,861	$ 9,695,861
Construction in Progress	511,155	8,911,114
Buildings & Improvements	73,555,053	71,951,838
Machinery & Equipment	4,797,026	7,404,280
Total	$ 88,559,095	$ 97,963,093

More detailed information about capital assets can be found in Note 6 of the Notes to the Basic Financial Statements.

Long-Term Debt

The District makes payments to the City of Marietta for debt issued on behalf of the school district. Principal payments of $2,795,000 were made during fiscal year 2013. As of June 30, 2013 the remaining principal balance on this debt is $16,595,000. This balance is recognized on the District's financial statement as intergovernmental payables to the City of Marietta.

More detailed information about long-term obligations can be found in Note 9 of the Notes to the Basic Financial Statements.

Current Issues

Marietta City School District is one of Georgia's first Charter School Systems, an International Baccalaureate World School District, and consistently ranked in the top 15% of the nation's public school systems. Marietta City Schools continues to maintain a positive financial position, even with continuing reductions in state funding and increasing school enrollment. Local tax revenues have declined since 2010 and a modest decline is projected for 2014. The voter approved extension of the Special Purpose Local Option Sales Tax (SPLOST) allows the District to improve existing school facilities, technology and our ongoing capital needs; as well as, retire long-term debt payments related to school facilities. Despite the continuing financial challenges of recent years, our schools continue to meet academic challenges. The District earned continuing accreditation from the Southern Association of Colleges and Schools. Marietta City Schools was ranked the #1 Mid-Sized School District in Technology Know-How. The School District's Superintendent, Dr. Emily Lembeck, was named the 2012 Georgia School Superintendent of the Year. These honors continue to highlight the strong academic and fiscal leadership provided to the students, parents, and community of the District.

Contacting the School System's Financial Management

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional financial information, please contact Mrs. Erin Franklin, Director of Finance, at the Board of Education of the City of Marietta, P.O. Box 1265, Marietta, Georgia 30061. You may also e-mail your question to Mrs. Franklin at efranklin@marietta-city.org

BASIC FINANCIAL STATEMENTS

BOARD OF EDUCATION OF THE CITY OF MARIETTA

STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 27,362,187
Investments	10,022,386
Receivables:	
Taxes	1,514,926
Intergovernmental	5,774,611
Other	306,144
Restricted cash	55
Inventory	49,205
Prepaid items	265,350
Capital assets (nondepreciable)	18,606,975
Capital assets (depreciable, net of accumulated depreciation)	79,356,118
Total assets	143,257,957
LIABILITIES	
Accounts payable	2,334,333
Salaries and benefits payable	10,191,285
Retainage payable	437,786
Due to other governments	2,534
Accrued interest payable	345,729
Claims payable	156,111
Intergovernmental payable, City of Marietta, due within one year	2,865,000
Intergovernmental payable, City of Marietta, due in more than one year	13,730,000
Compensated absences, within one year	320,724
Compensated absences, due in more than one year	35,637
Total liabilities	30,419,139
NET POSITION	
Net investment in capital assets	80,930,307
Restricted for:	
Federal programs	628,530
Capital projects	481,012
Debt service	1,890,950
Bus replacement	55
Unrestricted	28,907,964
Total net position	$ 112,838,818

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

BOARD OF EDUCATION OF THE CITY OF MARIETTA

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

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental activities:					
Instruction	$ 60,159,535	$ 490,340	$ 25,285,451	$ 1,730,946	$ (32,652,798)
Support services:					
Pupil services	3,790,540	-	738,517	-	(3,052,023)
Improvement of instructional services	3,652,451	-	1,991,278	-	(1,661,173)
Educational media services	1,315,550	-	1,035,546	-	(280,004)
Federal grant administration	212,465	-	212,465	-	-
General administration	1,508,421	-	1,576,969	-	68,548
School administration	5,294,373	-	2,950,446	-	(2,343,927)
Business adminstration	520,212	-	65,237	-	(454,975)
Maintenance and operation of plant	6,069,019	-	2,931,899	-	(3,137,120)
Student transportation services	4,207,392	190,458	759,067	-	(3,257,867)
Central support services	918,312	-	73,700	-	(844,612)
Other support services	318,539	-	55,392	-	(263,147)
Enterprise operation	107,578	-	-	-	(107,578)
Food services operation	4,663,458	661,174	4,156,228	-	153,944
Community service operation	1,547,128	1,642,512	-	-	95,384
Interest on long-term debt	870,510	-	-	-	(870,510)
Total governmental activities	$ 95,155,483	$ 2,984,484	$ 41,832,195	$ 1,730,946	(48,607,858)
General revenues:					
Taxes:					
Property taxes, levied for general purposes					42,834,308
Sales taxes					8,730,945
Other taxes					1,792,997
Unrestricted investment earnings					104,500
Other					270,173
Total general revenues					53,732,923
Change in net position					5,125,065
Net position, beginning of year					107,713,753
Net position, end of year					$ 112,838,818

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

BOARD OF EDUCATION OF THE CITY OF MARIETTA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

ASSETS	General	Grant	District-wide Capital Projects	Non-major Capital Projects Fund Asset Replacement	Total Governmental Funds
Cash and cash equivalents	$ 10,261,990	$ 4,348,073	$ 9,357,798	$ 3,394,326	$ 27,362,187
Investments	10,022,386	-	-	-	10,022,386
Receivables:					
Taxes	784,863	-	730,063	-	1,514,926
Intergovernmental	4,399,180	1,375,431	-	-	5,774,611
Other	306,144	-	-	-	306,144
Due from other funds	3,744,651	-	-	-	3,744,651
Restricted cash	55	-	-	-	55
Prepaid items	253,338	12,012	-	-	265,350
Inventory	-	49,205	-	-	49,205
Total assets	$ 29,772,607	$ 5,784,721	$ 10,087,861	$ 3,394,326	$ 49,039,515
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ 1,497,619	$ 238,697	$ 598,017	$ -	$ 2,334,333
Salaries and benefits payable	9,475,952	714,022	1,311	-	10,191,285
Retainage payable	-	-	437,786	-	437,786
Due to other funds	-	-	3,744,651	-	3,744,651
Due to other governments	-	2,534	-	-	2,534
Total liabilities	10,973,571	955,253	4,781,765	-	16,710,589
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	279,456	-	-	-	279,456
Total deferred inflows of resources	279,456	-	-	-	279,456
FUND BALANCES					
Nonspendable:					
Inventory	-	49,205	-	-	49,205
Prepaids	253,338	12,012	-	-	265,350
Restricted for:					
Continuation of federal programs	-	628,530	-	-	628,530
Capital Outlay	-	-	481,012	-	481,012
Debt service	-	-	1,890,950	-	1,890,950
Bus replacement	55	-	-	-	55
Committed for:					
Local school accounts	231,993	-	-	-	231,993
Employee recognitions from donations	-	3,717	-	-	3,717
Marietta reads	-	11,906	-	-	11,906
Special olympics	-	304	-	-	304
Assigned for:					
Appropriation for next year's budget	3,662,106	-	-	-	3,662,106
Capital outlay	-	-	2,934,134	3,394,326	6,328,460
Unemployment compensation	277,844	-	-	-	277,844
Vocational replacement	49,679	-	-	-	49,679
Worker's compensation	250,000	-	-	-	250,000
MCS auditorium	98,125	-	-	-	98,125
Coke contingency	16,261	-	-	-	16,261
Local funding programs	-	4,122,876	-	-	4,122,876
Other local grants	-	918	-	-	918
Unassigned	13,680,179	-	-	-	13,680,179
Total fund balances	18,519,580	4,829,468	5,306,096	3,394,326	32,049,470
Total liabilities, deferred inflows of resources, and fund balances	$ 29,772,607	$ 5,784,721	$ 10,087,861	$ 3,394,326	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
	Cost	$ 174,791,781	
	Less accumulated depreciation	(76,828,688)	97,963,093
Some receivables are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.			279,456
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.			
	Intergovernmental payable	(16,595,000)	
	Accrued interest	(345,729)	
	Claims payable	(156,111)	
	Compensated absences	(356,361)	(17,453,201)
Net position of governmental activities			$ 112,838,818

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

BOARD OF EDUCATION OF THE CITY OF MARIETTA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	General	Grant	District-wide Capital Projects	Non-major Capital Projects Fund Asset Replacement	Total Governmental Funds
REVENUES					
Property taxes	$ 43,340,644	$ -	$ -	$ -	$ 43,340,644
Sales taxes	-	-	8,730,945	-	8,730,945
Other taxes	1,792,997	-	-	-	1,792,997
State funds	31,426,566	104,542	-	-	31,531,108
Federal funds	3,329	9,948,372	-	-	9,951,701
Charges for services	490,340	2,440,411	-	-	2,930,751
Investment earnings	85,602	3,866	16,835	6,131	112,434
Other local sources	1,996,380	129,751	-	-	2,126,131
Miscellaneous	240,676	4,497	25,000	-	270,173
Total revenues	79,376,534	12,631,439	8,772,780	6,131	100,786,884
EXPENDITURES					
Current:					
Instruction	52,917,674	2,847,598	3,062,790	-	58,828,062
Support services:					
Pupil services	3,464,390	237,524	-	-	3,701,914
Improvement of instructional services	1,732,689	1,926,862	-	-	3,659,551
Educational media services	1,315,550	-	-	-	1,315,550
Federal grant administration	-	212,465	-	-	212,465
General administration	1,084,890	234,202	32,888	-	1,351,980
School administration	5,283,564	17,288	-	-	5,300,852
Business administration	522,053	-	3,794	-	525,847
Maintenance and operation of plant	5,997,112	1,478	710,749	82,100	6,791,439
Student transportation services	4,092,002	248,544	-	-	4,340,546
Central support services	676,612	15,891	832,021	-	1,524,524
Other support services	13,871	323,439	-	-	337,310
Enterprise operations	-	107,578	-	-	107,578
Food services operation	-	4,663,458	-	-	4,663,458
Community services operation	-	1,548,859	-	-	1,548,859
Capital outlay	-	-	9,363,171	-	9,363,171
Debt service:					
Principal retirement	-	-	2,795,000	-	2,795,000
Interest and fees	-	-	899,625	-	899,625
Total expenditures	77,100,407	12,385,186	17,700,038	82,100	107,267,731
Excess (deficiency) of revenues over expenditures	2,276,127	246,253	(8,927,258)	(75,969)	(6,480,847)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	811,741	2,648,995	-	3,460,736
Transfers out	(3,460,736)	-	-	-	(3,460,736)
Total other financing sources (uses)	(3,460,736)	811,741	2,648,995	-	-
Net change in fund balances	(1,184,609)	1,057,994	(6,278,263)	(75,969)	(6,480,847)
FUND BALANCE, beginning of year	19,704,189	3,771,474	11,584,359	3,470,295	38,530,317
FUND BALANCE, end of year	$ 18,519,580	$ 4,829,468	$ 5,306,096	$ 3,394,326	$ 32,049,470

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

BOARD OF EDUCATION OF THE CITY OF MARIETTA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds		$ (6,480,847)
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. In the current period, these amounts are:		
Capital outlay	$ 13,785,476	
Depreciation expense	(4,381,478)	9,403,998
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes		(506,336)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the effect of these differences in the treatment of long-term debt and related items.		
Principal payments - intergovernmental payable, City of Marietta		2,795,000
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 compensated absences	1,738	
Change in claims payable	(117,603)	
Change in accrued interest	29,115	(86,750)
Change in net position of governmental activities		$ 5,125,065

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

BOARD OF EDUCATION OF THE CITY OF MARIETTA

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

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Property taxes	$ 41,173,330	$ 43,731,214	$ 43,340,644	$ (390,570)
Other taxes	1,000,000	1,000,000	1,792,997	792,997
State funds	30,538,910	31,115,432	31,426,566	311,134
Federal funds	-	3,329	3,329	-
Charges for services	761,100	761,100	490,340	(270,760)
Investment earnings	50,000	50,000	85,602	35,602
Other local sources	407,400	407,400	1,996,380	1,588,980
Miscellaneous	-	-	240,676	240,676
Total revenues	73,930,740	77,068,475	79,376,534	2,308,059
EXPENDITURES				
Current:				
Instruction	52,229,716	52,654,805	52,917,674	(262,869)
Support services:				
Pupil services	3,478,591	3,606,933	3,464,390	142,543
Improvement of instructional services	1,763,235	1,775,791	1,732,689	43,102
Educational media services	1,391,803	1,391,803	1,315,550	76,253
General administration	1,174,037	1,174,037	1,084,890	89,147
School administration	5,386,257	5,386,257	5,283,564	102,693
Business adminstration	632,182	632,182	522,053	110,129
Maintenance and operation of plant	6,261,490	6,261,490	5,997,112	264,378
Student transportation services	3,963,924	3,963,924	4,092,002	(128,078)
Central support services	737,734	737,734	676,612	61,122
Other support services	-	13,864	13,871	(7)
Total expenditures	77,018,969	77,598,820	77,100,407	498,413
Excess (deficiency) of revenues over expenditures	(3,088,229)	(530,345)	2,276,127	2,806,472
OTHER FINANCING USES				
Transfers out	(711,741)	(3,269,625)	(3,460,736)	(191,111)
Total other financing uses	(711,741)	(3,269,625)	(3,460,736)	(191,111)
Net change in fund balances	(3,799,970)	(3,799,970)	(1,184,609)	2,615,361
FUND BALANCE, beginning of year	19,704,189	19,704,189	19,704,189	-
FUND BALANCE, end of year	$ 15,904,219	$ 15,904,219	$ 18,519,580	$ 2,615,361

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

BOARD OF EDUCATION OF THE CITY OF MARIETTA

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

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
State funds	$ 996,435	$ 996,435	$ 104,542	$ (891,893)
Federal funds	9,681,127	10,277,747	9,948,372	(329,375)
Charges for services	687,000	687,000	2,440,411	1,753,411
Investment earnings	350	350	3,866	3,516
Other local sources	2,213,611	2,213,611	129,751	(2,083,860)
Miscellaneous	-	-	4,497	4,497
Total revenues	13,578,523	14,175,143	12,631,439	(1,543,704)
EXPENDITURES				
Current:				
Instruction	4,030,852	4,243,975	2,847,598	1,396,377
Support services:				
Pupil services	198,653	219,102	237,524	(18,422)
Improvement of instructional services	1,661,076	1,954,492	1,926,862	27,630
Federal grant administration	-	-	212,465	(212,465)
General administration	277,656	277,671	234,202	43,469
School administration	-	-	17,288	(17,288)
Maintenance and operation of plant	-	-	1,478	(1,478)
Student transportation services	17,300	83,803	248,544	(164,741)
Central support services	-	-	15,891	(15,891)
Other support services	47,691	50,805	323,439	(272,634)
Enterprise operations	-	-	107,578	(107,578)
Food services operation	4,760,300	4,760,300	4,663,458	96,842
Community services operation	1,973,257	1,973,257	1,548,859	424,398
Total expenditures	12,966,785	13,563,405	12,385,186	1,178,219
Excess (deficiency) of revenues over expenditures	611,738	611,738	246,253	(365,485)
OTHER FINANCING SOURCES				
Transfers in	-	-	811,741	811,741
Total other financing sources	-	-	811,741	811,741
Net change in fund balances	611,738	611,738	1,057,994	446,256
FUND BALANCE, beginning of year	3,771,474	3,771,474	3,771,474	-
FUND BALANCE, end of year	$ 4,383,212	$ 4,383,212	$ 4,829,468	$ 446,256

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

BOARD OF EDUCATION OF THE CITY OF MARIETTA

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2013

	Agency Fund
ASSETS	
Cash	$ 257,283
LIABILITIES	
Funds held for others	$ 257,283

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

Note 1: DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

REPORTING ENTITY

The Board of Education of the City of Marietta ("District") was established under the laws of the State of Georgia and operates under the guidance of a seven (7) member board elected by the voters of the City of Marietta and a Superintendent appointed by the Board. The Board is organized as a separate legal entity and has the power to levy taxes. Its budget is not subject to approval by any other entity. Accordingly, the District is a primary government and consists of all the organizations that compose its legal entity. There are no component units combined with the District for financial statement presentation purposes, and the District is not included in any other governmental reporting entity.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The District's basic financial statements are collectively comprised of the District-wide financial statements, fund financial statements and notes to the basic financial statements of the Board of Education of the City of Marietta.

District-wide Statements:
The Statement of Net Position and the Statement of Activities display information about the financial activities of the overall District, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities.

- Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expenses (expenses of the District related to the administration and support of the District's programs, such as office and maintenance personnel and accounting) are not allocated to programs.

- Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

In the Statement of Net Position, equity is reported as net position and consists of net investment in capital assets, amounts restricted by outside parties for specific purpose and unrestricted amounts.

Fund Financial Statements:
The fund financial statements provide information about the District's funds, including fiduciary funds. Eliminations have been made to minimize the double counting of internal activities.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Separate statements for each category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The District reports the following major governmental funds:

- *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those resources required to be accounted for in another fund.

- *Grant Fund* is a special revenue fund and accounts for federal and state funded grants awarded to the District for accomplishing specific educational tasks and whose expenditures are restricted to specific purposes.

- *District-Wide Capital Projects Fund* accounts for financial resources including Special Purpose Local Option Sales Tax (SPLOST III and SPLOST IV) to be used for the acquisition, construction or renovation of major capital facilities.

Additionally, the District reports the following non-major fund:

- The *Asset Replacement Capital Project Fund* accounts for expenditures of the District to make replacement purchases of capital assets.

The District reports the following fiduciary fund type:

- *Agency Funds* account for assets held by the District as an agent for various individual school clubs and activities.

Measurement Focus and Basis of Accounting

The basis of accounting determines when transactions are reported on the financial statements. The District-wide governmental activities and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, sales taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from sales taxes is recognized in the fiscal year in which the underlying transaction (sale) takes place. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers most revenues to be available if they are collected within 60 days of the end of the current fiscal period; however, intergovernmental revenues reported in the governmental funds are considered to be available if they collected within 120 days after year-end. Property taxes, sales taxes, intergovernmental revenue, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases and bonds are reported as other financing sources.

The District funds certain programs by a combination of specific cost-reimbursement grants, categorical grants, and general revenues. Thus, when program costs are incurred, there is both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply grant resources to such programs, followed by cost-reimbursement grants, then general revenues.

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

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition in authorized financial institutions. Georgia Laws OCGA 45-8-14 authorizes the District to deposit its funds in one or more solvent banks or insured Federal savings and loan associations.

Investments

Investments made by the District in nonparticipating interest-earning contracts (such as certificates of deposit) and repurchase agreements are reported at cost, which approximates market. Participating interest-earning contracts and money market investments with a maturity at purchase of one year or less are reported at amortized cost. Both participating interest-earning contracts and money market investments with a maturity at purchase greater than one year are reported at fair value. The Official Code of Georgia Annotated Section 36-83-4 authorizes the District to invest its funds. In selecting among options for investment or among institutional bids for deposits, the highest rate of return shall be the objective, given equivalent conditions of safety and liquidity. Funds may be invested in the following:

(1) Obligations issued by the State of Georgia or by other states,
(2) Obligations issued by the United States government,
(3) Obligations fully insured or guaranteed by the United States government or a United States government agency,
(4) Obligations of any corporation of the United States government,
(5) Prime banker's acceptances,
(6) The Local Government Investment Pool administered by the State Treasurer of the State of Georgia,
(7) Repurchase agreements, and
(8) Obligations of other political subdivisions of the State of Georgia.

Receivables

Receivables consist of amounts due from property and sales taxes, grant reimbursements due on Federal, State or other grants for expenditures made but not reimbursed, and other receivables disclosed from information available. Receivables are recorded when either the asset or revenue recognition criteria has been met. Receivables recorded on the basic financial statements include any amounts which would necessitate the need for an allowance for uncollectible receivables.

Property Taxes

The City of Marietta levied the 2012 tax digest on August 24, 2012. Taxes were due on October 25, 2012. Taxes collected within the current fiscal year or within 60 days after year-end are reported as revenue in the governmental funds for fiscal year 2013. The City of Marietta Tax Division bills and collects the property taxes for the District and remits the balance of taxes collected to the District. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2013, for maintenance and operations amounted to $43,340,644.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes (Continued)

The Georgia Constitution, Article VIII, Section VI, Paragraph I requires the board of education of each school system to annually certify to its fiscal authority or authorities a school tax not greater than 20 mills per dollar for the support and maintenance of education. The Board of Education of the City of Marietta is in compliance with this law. Tax millage rates levied for the 2012 tax year for the Board of Education of the City of Marietta were as follows (a mill equals $1 per thousand dollars of assessed value):

School Maintenance & Operations	19.157 mills

Sales Taxes

Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to $8,730,945 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

Inventories

On the basic financial statements, inventories of donated food commodities used in the preparation of meals are reported at their Federally assigned value and purchased foods inventories are reported at cost (first-in, first-out). The District uses the consumption method to account for inventories whereby donated food commodities are recorded as an asset and as revenue when received, and expenses/expenditures are recorded as the inventory items are used. Purchased foods are recorded as an asset when purchased and expenses/expenditures are recorded as the inventory items are used.

Interfund Receivables and Payables

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

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "Interfund loan receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

Prepaid Items

Payments made to vendors for services that will benefit periods subsequent to June 30, 2013, are recorded as prepaid items.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets purchased, including capital outlay costs, are recorded as expenditures in the fund financial statements at the time of purchase (including ancillary charges). On the District-wide financial statements, all purchased capital assets are valued at cost where historical records are available and at estimated historical cost based on appraisals or deflated current replacement cost where no historical records exist. Donated capital assets are recorded at estimated fair market value on the date donated. Disposals are deleted at depreciated recorded cost. The cost of normal maintenance and repairs that do not add to the value of assets or materially extend the useful lives of the assets is not capitalized. Depreciation is computed using the straight-line method. The District does not capitalize book collections or works of art. Depreciation is used to allocate the actual or estimated historical cost of all capital assets over estimated useful lives.

Capitalization thresholds and estimated useful lives of capital assets reported in the District-wide statements are as follows:

	Capitalization Policy	Estimated Useful Life
Land	All	N/A
Land Improvements	$10,000	20 to 50 years
Buildings and Improvements	$10,000	20 to 50 years
Intangible Assets	$10,000	20 to 50 years
All Equipment	$10,000	5 to 15 years

Compensated Absences

Annual employees earn vacation leave at the rate of 10 days per year for the first four years up to a maximum of 20 days after ten years being employed at the Board of Education of the City of Marietta. The maximum possible accumulation is 30 days. At termination, annual employees are paid for any accumulated vacation leave.

Annual employees can earn sick leave at the rate of one and one-half days per month up to a maximum of 100 days. Accumulated days in excess of 100 at the previous year end are paid at the beginning of each fiscal year to Public School Employee Retirement System employees. The days are paid at the rate of one-half the daily standard substitute teacher pay rate. At termination, these employees are paid for their accumulated sick leave.

Compensated absences typically have been paid from the General Fund.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Debt

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

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure 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 those estimates.

Fund Equity

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

Fund Balance – Generally, fund balance represents the difference between the assets and liabilities under the current financial resources measurement focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

- ***Nonspendable*** – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.

- ***Restricted*** – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

- ***Committed*** – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Education through the adoption of a resolution. Only the Board of Education may modify or rescind the commitment.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Equity (Continued)

- ***Assigned*** – Fund balances are reported as assigned when amounts are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the Board of Education has authorized the Superintendent, through the Director of Finance, the authority to assign fund balances.

- ***Unassigned*** - Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The District reports positive unassigned fund balance only in the General Fund. Negative unassigned fund balances may be reported in all funds.

Flow Assumptions – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the District's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the District's policy to use fund balance in the following order:

- Committed
- Assigned
- Unassigned

Net Position - Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources for activities and funds which use the accrual basis of accounting. Amounts shown as net investment in capital assets are made up of capital asset costs, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the District has spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net position is reported as unrestricted.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Deferred Outflows/Inflows of Resources

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources (Continued)

In addition to liablities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of deferred inflow, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available.

Note 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The District adopts an annual budget for its General Fund and Grant Fund. The budgets are prepared in accordance with provisions of the Quality Basic Education Act, OCGA Section 20-2-167. After the Board of Education of the City of Marietta has tentatively adopted the budgets, such budgets are advertised at least one time in a local newspaper of general circulation. At the next regular meeting of the Board after advertisement, the budgets are revised as necessary and adopted as the final budgets.

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

General Fund:		
	Instruction	$ 262,869
	Support services:	
	Student transportation services	128,078
	Other transportation services	7
Grants Fund:		
	Support services:	
	Pupil services	18,422
	Federal grant administration	212,465
	School administration	17,288
	Maintenance and operation of plant	1,478
	Student transportation services	164,741
	Central support services	15,891
	Other support services	272,634
	Enterprise operations	107,578

Note 4: DEPOSITS AND INVESTMENTS

Official Code of Georgia Annotated (OCGA) Section 45-8-12 provides that there shall not be on deposit at any time in any depository for a time longer than 10 days a sum of money which has not been secured by surety bond, by guarantee of insurance, or by collateral. The aggregate of the face value of such surety bond and the market value of securities pledged shall be equal to not less than 110 percent of the public funds being secured after the deduction of the amount of deposit insurance. If a depository elects the pooled method (OCGA 45-8-13.1) the aggregate of the market value of the securities pledged to secure a pool of public funds shall be not less than 110 percent of the daily pool balance.

Custodial credit risk. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits 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, 2013, the District's bank balances were under-collateralized by $194,985 as defined by State Statutes.

Acceptable security for deposits consists of any one of or any combination of the following:

(1) Surety bond signed by a surety company duly qualified and authorized to transact business within the State of Georgia,

(2) Insurance on accounts provided by the Federal Deposit Insurance Corporation,

(3) Bonds, bills, notes, certificates of indebtedness or other direct obligations of the United States or of the State of Georgia,

(4) Bonds, bills, notes, certificates of indebtedness or other obligations of the counties or municipalities of the State of Georgia,

(5) Bonds of any public authority created by the laws of the State of Georgia, providing that the statute that created the authority authorized the use of the bonds for this purpose,

(6) Industrial revenue bonds and bonds of development authorities created by the laws of the State of Georgia, and

(7) Bonds, bills, notes, certificates of indebtedness, or other obligations of a subsidiary corporation of the United States government, which are fully guaranteed by the United States government both as to principal and interest or debt obligations issued by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, the Central Bank for Cooperatives, the Farm Credit Banks, the Federal Home Loan Mortgage Association, and the Federal National Mortgage Association.

Note 4: DEPOSITS AND INVESTMENTS (Continued)

Georgia Fund One, created by OCGA 36-83-8, is a stable net asset value investment pool which follows Standard and Poor's criteria for AAAf rated money market funds. However, Georgia Fund One operates in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940 and is considered to be a 2a-7 like pool. Regulatory oversight of the fund is provided by the State Treasurer of the State of Georgia. The pool is not registered with the SEC as an investment company. The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal ($1.00 per share value). Net asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and determines participants' shares sold and redeemed based on $1.00 per share. As of June 30, 2013, the Board's investment in Georgia Fund 1 was rated AAAf by Standard & Poor's. The District reports their investment in Georgia Fund 1 as a cash equivalent as of June 30, 2013.

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

Investment	Maturities	Fair Value
Certificate of Deposit	August 8, 2013	$ 10,022,386
Georgia Fund 1	43 day weighted average	21,432,127
		$ 31,454,513

Note 5: NON-MONETARY TRANSACTIONS

The District receives food commodities from the United States Department of Agriculture (USDA) for school breakfast and lunch programs. These commodities are recorded at their federally assigned value of $238,395.

Note 6: CAPITAL ASSETS

The following is a summary of changes in the capital assets during the fiscal year:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 9,695,861	$ -	$ -	$ -	$ 9,695,861
Construction in progress	511,155	8,399,959	-	-	8,911,114
Total	10,207,016	8,399,959	-	-	18,606,975
Capital assets, being depreciated:					
Site improvements	606,672	742,413	-	-	1,349,085
Buildings and improvements	135,204,614	471,802	-	-	135,676,416
Machinery and equipment	14,988,003	4,171,302	-	-	19,159,305
Total	150,799,289	5,385,517	-	-	156,184,806
Less accumulated depreciation for:					
Site improvements	(163,169)	(48,894)	-	-	(212,063)
Buildings and improvements	(62,093,064)	(2,768,536)	-	-	(64,861,600)
Machinery and equipment	(10,190,977)	(1,564,048)	-	-	(11,755,025)
Total	(72,447,210)	(4,381,478)	-	-	(76,828,688)
Total capital assets, being depreciated, net	78,352,079	1,004,039	-	-	79,356,118
Governmental activities capital assets, net	$ 88,559,095	$ 9,403,998	$ -	$ -	$ 97,963,093

Depreciation expense was charged to functions as follows:

Instruction		$ 3,809,844
Support Services:		
Pupil Services	$ 88,626	
General Administration	153,662	
Maintenance and Operations	2,695	
Pupil Transportation	316,682	
Food Services Operation	9,969	571,634
Total depreciation expense - governmental activities		$ 4,381,478

Note 7: INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2013 is as follows:

Due to / from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	District-Wide Capital Projects Fund	$ 3,744,651

This balance is a result of 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.

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 for the year ended June 30, 2013 are as follows:

Transfer in / out:

Transfer in	Transfer out	Amount
Grant Fund	General Fund	$ 811,741
District-Wide Capital Projects Fund	General Fund	2,648,995
		$ 3,460,736

A transfer was made to the Grant Fund as a supplemental funding source for additional instructional activities. A transfer was made to the District-Wide Capital Projects Fund as a supplemental funding source for additional capital outlay activities.

Note 8: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; job related illness or injuries to employees; and natural disasters.

The District has obtained commercial insurance for risk of loss associated with torts, assets, errors or omissions and job related illness or injuries to employees. The District has neither significantly reduced coverage for these risks nor incurred losses (settlements) which exceeded the District's insurance coverage in any of the past three years.

The District is self-insured with regard to workers compensation claims up to the first $250,000 of each workers compensation claim. The District accounts for claims within the General Fund with expenses/expenditures and liabilities being reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated.

Note 8: RISK MANAGEMENT (Continued)

Fiscal Year	Beginning of Year Claims Liability	Current Year Claims and Changes in Estimates	Claims Paid	End of Year Claims Liability
2013	$ 38,508	$ 326,854	$ 209,251	$ 156,111
2012	$ -	$ 130,746	$ 92,238	$ 38,508

Note 9: LONG – TERM OBLIGATIONS

The changes in long-term debt during the fiscal year ended June 30, 2013, were as follows:

	Governmental Funds		
	Compensated Absences	Intergovernmental Payable City of Marietta	Total
Balance July 1, 2012	$ 358,099	$ 19,390,000	$ 19,748,099
Additions:			
Annual Leave Earned	347,006	-	347,006
Deductions:			
Annual Leave Utilized	348,744	-	348,744
Debt Retired	-	2,795,000	2,795,000
Balance June 30, 2013	$ 356,361	$ 16,595,000	$ 16,951,361
Due within One Year	$ 320,724	$ 2,865,000	$ 3,185,724

In addition to appropriation of taxes and other revenues to the District from the City of Marietta, the City also services certain debt for the District as set forth below.

The note payable to the City of Marietta is related to the Series 2009A General Obligation School Refunding bonds totaling $25,270,000. The bond proceeds were used to advance refund the Series 2008 Refunding Bonds which were to be paid with 2008 SPLOST proceeds. Because the Series 2009A Bonds, when issued, will under Georgia law be construed and deemed to be issued in lieu of the Refunded 2008 Bonds, the District is required (to the extent available) to use proceeds it receives from the Sales Tax to pay a portion of the debt service on the Series 2009A Bonds. No assurance can be given, however, that Sales Tax proceeds will be available to pay a portion of the debt service on the Series 2009A Bonds, or that the District will transfer such Sales Tax proceeds, if available, to the City to be used to pay a portion of the debt service on the Series 2009A Bonds. No recourse may be had against any of the Sales Tax proceeds received by the District to pay debt service on the Series 2009A Bonds. For the fiscal year ended June 30, 2013, the District paid $2,795,000 in debt service payments on behalf of the City of Marietta.

Note 9: LONG – TERM OBLIGATIONS (Continued)

The intergovernmental payable currently outstanding is as follows:

	Principal	Interest	Total
Fiscal Year Ending June 30,			
2014	$ 2,865,000	$ 829,750	$ 3,694,750
2015	3,005,000	686,500	3,691,500
2016	3,160,000	536,250	3,696,250
2017	3,335,000	378,250	3,713,250
2018	3,520,000	211,500	3,731,500
2019	710,000	35,500	745,500
Total	$ 16,595,000	$ 2,677,750	$ 19,272,750

Note 10: SIGNIFICANT COMMITMENTS

The following is an analysis of significant outstanding construction or renovation contracts executed by the District as of June 30, 2013:

Project	Executed Contracts
Lockheed Elementary - Metal Roofing	$ 86,500
Dunleith Elementary - Metal Roofing	84,300
Marietta High School - Instrument and Music storage for Auditorium	66,427
Marietta High School - Enterasys Network Switches and Cables	230,199
Marietta High School - Choral/Dance Studio Renovation	56,942
Marietta High School - Multi Use Auditorium	327,644
	$ 852,012

The amounts described in this note are not reflected in the basic financial statements.

Note 11: ON-BEHALF PAYMENTS

The District has recognized revenues and expenditures in the amount of $5,474,860 for health insurance and retirement contributions paid on the District's behalf by the following State Agencies:

Georgia Department of Education
Paid to the Georgia Department of Community Health
For Health Insurance of Certified Personnel
In the amount of $5,252,421

Georgia Department of Education
Paid to the Teachers Retirement System
For Teachers Retirement (TRS)
In the amount of $90,720

Office of the State Treasurer of the State of Georgia
Paid to Public School Employee Retirement System
For Public School Employees Retirement (PSERS)
In the amount of $131,719

Note 12: RETIREMENT PLANS

TEACHERS RETIREMENT SYSTEM OF GEORGIA (TRS)

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

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

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

Note 12: RETIREMENT PLANS (Continued)

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

Funding Policy. TRS is funded by member and employer contributions as adopted and amended by the Board of Trustees. Member contributions are limited by State law to not less than 5% or more than 6% of a member's earnable compensation. Member contributions as adopted by the Board of Trustees for the fiscal year ended June 30, 2013, were 6.00% of annual covered salary. The member contribution rate will remain at 6.00% for the fiscal year beginning July 1, 2013. Employer contributions required for fiscal year 2013 were 11.41% of annual covered salary. The employer contribution rate will increase to 12.28% effective July 1, 2013. Employer contributions for the current and prior two years are as follows:

Fiscal Year	Percentage Contributed	Required Contribution
2013	100%	$ 5,797,161
2012	100%	5,219,747
2011	100%	5,087,317

PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM OF GEORGIA (PSERS)

Substantially all bus drivers, maintenance, custodial, and lunchroom personnel employed by the District are members of the Public School Employees Retirement System of Georgia (PSERS), which is also a cost-sharing multiple employer public employee retirement system. The Board of the Public School Employees Retirement System of Georgia issues a publicly available financial report that includes financial statements and supplementary information for PSERS. That report may be obtained by writing Public School Employee Retirement System, Two Northside 75, Atlanta, Georgia 30318-7778, or by calling 1-800-805-4609.

PSERS provides service retirement, disability retirement and survivor's 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 services and retirees between the ages of 60 and 65 receive a reduced benefit. Monthly retirement benefits paid to members are equal to eight dollars per month multiplied by the number of years of creditable service. Retirement provisions include death and disability benefits. Benefits are established by state statute.

Note 12: RETIREMENT PLANS (Continued)

Covered employees are required by state statute to contribute four dollars per month for the nine month school year. Unlike TRS, the District makes no contribution to PSERS. Total contributions from employees of the District were $5,858, $5,700, and $7,088 for the fiscal years ended June 30, 2013, 2012, and 2011, respectively.

The State of Georgia is required by statute to make an annual contribution to PSERS based upon an actuarial calculation. The state's contribution for District employees was $131,719, $86,894, and $42,111 for the fiscal years ended June 30, 2013, 2012, and 2011, respectively.

Members become fully vested after 10 years of service. If a member terminates with less than 10 years of service, no vesting of employer contributions occurs, but the member's contributions are refunded with interest. There were 168, 174, and 207 employees (members) covered under PSERS for the fiscal years ended June 30, 2013, 2012, and 2011, respectively.

TAX SHELTERED ANNUITY (TSA)

Plan Description. The District provides retirement benefits for substantially all full-time employees through the defined contribution plan under Internal Revenue Code 403(b). Employees are eligible to participate at the date of employment.

Funding Policy. The District requires participants to contribute 3% of their gross salary, and the District contributes an additional 5.41% or 6.86%, depending on the classification of the employee. Employees also have the option of contributing additional amounts up to a certain percentage of their salary. Total District and employee contributions, including voluntary contributions, were as follows:

Fiscal Year Ended June 30,	District Contributions	Employee Contributions	Total Contributions
2011	$ 2,704,751	$ 2,403,433	$ 5,108,184
2012	2,350,853	2,345,616	4,696,469
2013	2,478,991	2,441,671	4,920,662

Note 13: CONTINGENCIES

The District is a defendant in various legal proceedings pertaining to matters incidental to the performance of routine District operations. The ultimate disposition of these proceedings is not presently determinable, but is not believed to be material to the basic financial statements.

Note 13: CONTINGENCIES (Continued)

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

Note 14: POSTEMPLOYMENT BENEFITS

GEORGIA RETIREE HEALTH BENEFIT FUND

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

Funding Policy. The contribution requirements of plan members and participating employers are established by the Board in accordance with the current Appropriations Act and may be amended by the Board. Contributions of plan members or beneficiaries receiving benefits vary based on plan election, dependent coverage, and Medicare eligibility and election. For members with fewer than five years of service as of January 1, 2012, contributions also vary based on years of service. On average, members with five years or more of service as of January 1, 2012, pay approximately 25 percent of the cost of the health insurance coverage. In accordance with the Board resolution dated December 8, 2011, for members with fewer than five years of service as of January 1, 2012, the State provides a premium subsidy in retirement that ranges from 0% for fewer than 10 years of service to 75% (but no greater than the subsidy percentage offered to active employees) for 30 or more years of service. The subsidy for eligible dependents ranges from 0% to 55% (but no greater than the subsidy percentage offered to dependents of active employees minus 20%). No subsidy is available to Medicare eligible members not enrolled in a Medicare Advantage Option. The Board of Community Health sets all member premiums by resolution and in accordance with the law and applicable revenue and expense projections. Any subsidy policy adopted by the Board may be changed at any time by Board resolution and does not constitute a contract or promise of any amount of subsidy.

Note 14: POSTEMPLOYMENT BENEFITS

GEORGIA RETIREE HEALTH BENEFIT FUND (Continued)

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

The combined active and retiree contribution rates established by the Board for employers participating in the School OPEB Fund were as follows for the fiscal year ended June 30, 2013:

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

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

For non-certificated school personnel:

July 2012 –June 2013	$446.20 per member per month

No additional contribution was required by the Board for fiscal year 2013 nor contributed to the School OPEB Fund to prefund retiree benefits. Such additional contribution amounts are determined annually by the Board in accordance with the School plan for other post-employment benefits and are subject to appropriation.

The District's combined active and retiree contributions to the health insurance plans, which equaled the required contribution, for the current fiscal year and the preceding two fiscal years were as follows:

Fiscal Year	Percentage Contributed	Required Contribution
2013	100%	$ 8,483,852
2012	100%	8,018,046
2011	100%	7,665,889

II. OTHER SUPPLEMENTARY INFORMATION

BOARD OF EDUCATION OF THE CITY OF MARIETTA

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

Project	Original Estimated Cost(1)	Expended In Current Year (2)	Expended In Prior Years	Project Status
SPLOST III				
Retirement of outstanding general obligation debt of the City of Marietta previously incurred and issued with respect to capital outlay projects in the principal and interest amount of $33,416,376, comprised of portions of City of Marietta, General Obligation School Refunding Bond, Series 2008, coming due on 2009 through 2013.	$ 33,416,376	$ 3,694,625	$ 10,587,074	Ongoing
Capital Outlay Projects as follows:	25,609,019	5,188,746	13,046,302	Ongoing
Making system-wide technology improvements, including, but not limited to, acquisition and installation of instructional technology and information systems hardware and associated software and infrastructure at all schools and other selected facilities.				
Replacing, purchasing, upgrading or supplementing capital equipment including, but not limited to, desks, chairs, copiers, tables, school buses, books, and laboratory equipment.				
Acquiring automobiles for Marietta City Schools' driver education program.				
Making additions to, renovating, upgrading, making critical infrastructure improvements, and/or equipping existing schools and other selected facilities.				
	$ 59,025,395	$ 8,883,371	$ 23,633,376	
Total SPLOST III Expenditures		$ 8,883,371		

Continued

BOARD OF EDUCATION OF THE CITY OF MARIETTA

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

Project	Original and Current Estimated Cost(1)	Expended In Current Year (2)	Expended In Prior Years	Project Status
SPLOST IV				
Retirement of outstanding general obligation debt of the City of Marietta to be issued in the future with respect to capital outlay projects.	$ 15,234,750	$ -	$ -	Ongoing
Capital Outlay Projects as follows:	40,199,519	2,723,879	-	Ongoing
Making system-wide technology improvements, including, but not limited to, acquisition and installation of instructional technology and information systems hardware and associated software and infrastructure at all schools and other selected facilities.				
Replacing, purchasing, upgrading or supplementing capital equipment including, but not limited to, desks, chairs, copiers, tables, school buses, books, and laboratory equipment.				
Acquiring automobiles for Marietta City Schools' driver education program.				
Making additions to, renovating, upgrading, making critical infrastructure improvements, and/or equipping existing schools and other selected facilities.				
	$ 55,434,269	$ 2,723,879	$ -	
Total SPLOST IV Expenditures		$ 2,723,879		
Total SPLOST Expenditures		$ 11,607,250		
Non-SPLOST Capital Projects expenditures		6,092,788		
Total District Wide Capital Project Fund Expenditures		$ 17,700,038		

(1) The District's original cost estimate as specified in the resolution calling for the imposition of the Special Purpose Local Option Sales Tax.

(2) The voters of the City of Marietta approved the imposition of a 1% sales tax to fund the above projects and retire associated debt. Amounts expended for these projects may include sales tax proceeds, state, local property taxes and/or other funds over the life of the projects.

III. SINGLE AUDIT SECTION

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

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

To the Superintendent and Members of
the Board of Education of the City of Marietta
Marietta, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Board of Education of the City of Marietta as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Board of Education of the City of Marietta's basic financial statements, and have issued our report thereon dated March 4, 2014. Our report includes a reference to the changes in accounting principle resulting from the implementation of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs, as item 2013-001, to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board of Education of the City of Marietta's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing and 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2013-002.

The Board of Education of the City of Marietta's Responses to Findings

The Board of Education of the City of Marietta's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Board of Education of the City of Marietta's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Mauldin & Jenkins, LLC

Atlanta, Georgia
March 4, 2014

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

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

To the Superintendent and Members of
the Board of Education of the City of Marietta
Marietta, Georgia

Report on Compliance for Each Major Federal Program

We have audited the Board of Education of the City of Marietta's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Board of Education of the City of Marietta's major federal programs for the year ended June 30, 2013. The Board of Education of the City of Marietta's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Board of Education of the City of Marietta's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Board of Education of the City of Marietta's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Board of Education of the City of Marietta's compliance.

Opinion on Each Major Federal Program

In our opinion, the Board of Education of the City of Marietta complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the Board of Education of the City of Marietta is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Board of Education of the City of Marietta's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board of Education of the City of Marietta's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Atlanta, Georgia
March 4, 2014

BOARD OF EDUCATION OF THE CITY OF MARIETTA

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

Funding Agency Program/Grant	CFDA Number	Pass-Through Entity ID Number	Expenditures In Period
U. S. Department of Agriculture			
Pass-Through From Georgia Department of Education			
Child Nutrition Cluster			
National School Breakfast Program - Cash Assistance	10.553	N/A	$ 1,286,901
National School Lunch Program:			
Non-Cash Assistance - Commodities (1)	10.555	N/A	238,395
Cash Assistance (2)	10.555	N/A	2,526,071
Total Child Nutrition Cluster			4,051,367
Direct Awards			
Fresh Fruits and Vegetables Program	10.582	N/A	89,142
Total U. S. Department of Agriculture			4,140,509
U. S. Department of Transportation			
Pass-Through From Georgia Department of Natural Resources			
CMAQ Georgia Diesel Retrofit Project	20.205	N/A	76,935
Total U.S. Department of Transportation			76,935
U. S. Department of Education			
Pass-Through From Georgia Department of Education			
Special Education Cluster			
Title VI-B Flow Through	84.027	N/A	1,682,085
Title VI-B Preschool Grants	84.173	N/A	48,399
Total Special Education Cluster			1,730,484
Title I-A Cluster			
Title I-A - Improving the Academic Achievement of the Disadvantaged	84.010	N/A	3,102,536
Title I-A - Reward School Awards	84.010	N/A	2,970
Title I-A - School Improvement	84.010	N/A	79,462
Total Title I-A Cluster			3,184,968

Continued

BOARD OF EDUCATION OF THE CITY OF MARIETTA

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

Funding Agency Program/Grant	CFDA Number	Pass-Through Entity ID Number	Expenditures In Period
Other Programs			
Pass-Through From Georgia Department of Education			
Vocational Education - Basic Grant	84.048	N/A	89,884
Education for Homeless Children and Youth	84.196	N/A	27,493
Title III-A, Limited English Proficient	84.365	N/A	152,467
Title II-B, Math and Science Partner	84.366	N/A	14,851
Title II-A, Improving Teacher Quality	84.367	N/A	435,827
RT3 - Education Resource Strategies	84.395	N/A	94,625
Education Jobs Fund - ARRA	84.410	N/A	3,329
Total U. S. Department of Education			5,733,928
Total Expenditures of Federal Awards			$ 9,951,372

N/A = Not Available

Notes to the Schedule of Expenditures of Federal Awards

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

(2) Expenditures for the fund earned on Child and Adult Care Food Program and the School Snack Program were not maintained separately and are included in the National School Lunch Program.

The District did not provide Federal Assistance to any Subrecipient.

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the City of Marietta Board of Education and is presented on the modified accrual basis of accounting which is the basis of accounting used in the presentation of the fund financial statements.

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.

BOARD OF EDUCATION OF THE CITY OF MARIETTA

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

SECTION I
SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	X yes ___ no
Significant deficiencies identified?	___ yes X none reported
Noncompliance material to financial statements noted?	X yes ___ no

Federal Awards

Internal Control over major programs:	
Material weaknesses identified?	___ yes X no
Significant deficiencies identified?	___ yes X none reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)?	___ yes X no

Identification of major program:

CFDA Number	Name of Federal Program or Cluster
10.553, 10.555	Child Nutrition Cluster
84.010	Title I, Part A Cluster
84.367	Title II-A, Improving Teacher Quality

Dollar threshold used to distinguish between Type A and Type B programs:	$300,000
Auditee qualified as low-risk auditee?	___ yes X no

BOARD OF EDUCATION OF THE CITY OF MARIETTA

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

SECTION II
FINANCIAL STATEMENT FINDINGS

2013-001: Liabilities and Related Expenditures

Criteria: Internal controls should be in place to ensure that expenditures should be recognized as soon as a liability is incurred regardless of the timing of the related cash flows. However, debt service expenditures should only be recorded when payment is due.

Condition: The School District reported the accrued interest related to long-term liabilities at the fund level. Accruals related to long-term liabilities should only be reported on the fund level when they become due and payable.

Context/Cause: During our audit for the year ended June 30, 2013, an adjustment was required to remove accrued interest and the related interest expenditures from a governmental fund for the year ended June 30, 2013. The District improperly reported the activity at the fund level.

Effects: An adjustment of approximately $346,000 was required to properly report accrued interest at the government wide level and not at the fund level for the year ended June 30, 2013.

Recommendation: We recommend the School District carefully review the trial balances and applicable reporting requirements under generally accepted accounting principles to ensure that all financial information is properly reported both at the fund and government wide level.

Auditee's Response: We concur with the finding and will ensure accrued interest on debt is only reported at the government wide level.

SECTION II
FINANCIAL STATEMENT FINDINGS

2013-002: Collateralization of Deposits

Criteria: Policies should be in place to ensure all financial institutions holding cash deposits of School District funds properly insure and/or collateralize those deposits in accordance with state law, at all times of the fiscal year.

Condition: As of June 30 2013, the School District had approximately $195,000 in deposits that were not properly collateralized at 110% in accordance with the Official Code of Georgia Annotated (OCGA) Section 45-8-12(c).

Context/Cause: The deposits with a financial institution exceeded the limit for federal depository insurance coverage and were not sufficiently collateralized in accordance with State of Georgia law.

Effects/Possible Effects: The failure of a financial institution to fully insure or collateralize the deposits could result in a financial loss to the School District, should the financial institution fail.

Recommendation: The School District should also monitor its deposits on an on-going basis and correspond with the respective financial institutions to ensure that all deposits over the federal depository insurance coverage limit are properly collateralized in accordance with State statutes.

Auditee's Response: We concur and are working with the bank to ensure proper collateralization in accordance with State statutes. The School District will monitor deposits to ensure all deposits over the federal depository insurance coverage limit are properly collateralized.

BOARD OF EDUCATION OF THE CITY OF MARIETTA

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

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None reported

BOARD OF EDUCATION OF THE CITY OF MARIETTA

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

2012-2: Procurement and Suspension and Debarment – Title I, Part A Cluster:
U.S. Department of Education, School Improvement, CFDA #84.010
U.S. Department of Education, School Improvement - ARRA, CFDA #84.389

Condition and context: While the District's General Terms & Conditions for vendors contains general language, the vendor is required to specifically confirm their exclusion from the database for contracts funded by the Title I programs or the District may elect to check the *Excluded Parties List System (EPLS)*. The District did not have adequate controls in place to ensure that the contract was not being awarded to a suspended or debarred party.

Status: This finding was resolved during the current year.