

MARION COUNTY
BOARD OF EDUCATION
BUENA VISTA, GEORGIA

ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2018
(Including Independent Auditor's Reports)

MARION COUNTY BOARD OF EDUCATION

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SECTION I

FINANCIAL

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DEPARTMENT OF AUDITS AND ACCOUNTS

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Greg S. Griffin
STATE AUDITOR
(404) 656-2174

March 21, 2019

The Honorable Brian P. Kemp, Governor of Georgia
Members of the General Assembly of the State of Georgia
Members of the State Board of Education
and
Superintendent and Members of the
Marion County Board of Education

INDEPENDENT AUDITOR'S REPORT

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 Marion County Board of Education (School District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District'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

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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 of the governmental activities, each major fund, and the aggregate remaining fund information of the School District as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the financial statements, in 2018, the Marion County Board of Education adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* as amended by GASB Statement No. 85, *Omnibus 2017*. The School District restated beginning net position for the effect of the GASB Statement No. 75. 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 and required supplementary information listed in the table of contents 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 School District's basic financial statements. The accompanying supplementary information, as listed in the table of contents, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The *Schedule of Expenditures of Federal Awards* is presented for purposes of additional analysis as required by Title 2 U. S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

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The accompanying supplementary information is the responsibility of management and was derived from and relates 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 information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2019 on our consideration of the School District'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's 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 School District's internal control over financial reporting and compliance.

A copy of this report has been filed as a permanent record in the office of the State Auditor and made available to the press of the State, as provided for by Official Code of Georgia Annotated section 50-6-24.

Respectfully submitted,



Greg S. Griffin
State Auditor

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MARION COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

The discussion and analysis of the Marion County Board of Education's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2018 are as follows:

- ✓ The School District's financial status remained stable during fiscal year 2018. In total, net position increased $165,023 from fiscal year 2017. This total increase was due to governmental activities since the School District has no business-type activities. This increase was due to receiving Forest Land Protection Act (FLPA) reimbursements for 2 years in fiscal year 2018.

- ✓ General revenues accounted for $6.5 million or 38.3% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for $10.5 million or 61.7% of total revenues. Total revenues were $17.0 million.

- ✓ The School District had $16.9 million in expenses related to governmental activities; these expenses were offset by $10.5 million in program specific charges for services, grants or contributions. General revenues and taxes of $6.5 million also provided for these programs.

- ✓ Among major funds, the General Fund had $15.8 million in revenues and other financing sources and $15.3 million in expenditures and other financing uses. The General Fund's fund balance increased from $2.4 million to $3.0 million.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Marion County Board of Education as a financial whole, or as an entire operating entity.

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a long-term view of those finances. The fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds, if any, presented in total in one column. In the case of the Marion County Board of Education, the General Fund is by far the most significant fund.

Reporting the School District as a Whole

Statement of Net Position and Statement of Activities

While these documents contain the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2018?" The Statement of Net Position and the Statement of Activities answer this question. These statements include *all assets and all liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's *net position* and changes in those assets. This change in net position is important because it tells the reader whether, for the School District as a whole, the *financial position* of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, facility conditions, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, the School District has one distinct type of activity:

- Governmental Activities - All of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, food service, after school program, school activity accounts and various others.

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, the Capital Projects Fund and the Debt Service Fund.

Governmental Funds

All of the School District's activities are reported in *governmental funds,* which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual accounting,* which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.

Fiduciary Funds

The School District is the trustee, or *fiduciary*, for assets that belong to others, such as school clubs and organizations within the school activity accounts. The School 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 School District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The School District as a Whole

The perspective of the Statement of Net Position is of the School District as a whole. Table 1 provides a summary of the School District's net position for fiscal year 2018, compared to fiscal year 2017.

Table 1
Net Position

	2018	2017 (1)
Current and other Assets	$ 8,311,311	$ 6,885,282
Capital assets	31,439,037	32,095,407
Total assets	39,750,348	38,980,689
Deferred outflows of resources	3,355,344	3,256,161
Long-term liabilities outstanding	40,830,973	28,696,279
Other liabilities	1,663,840	1,778,583
Total liabilties	42,494,813	30,474,862
Deferred inflows of resources	1,602,704	740,833
Net position:		
Net investment in capital assets	15,552,269	16,309,461
Restricted	3,515,544	2,909,559
Unrestricted (Deficit)	(20,059,638)	(8,197,865)
Total net position	$ (991,825)	$ 11,021,155

(1) Fiscal year 2017 balances do not reflect the effects of the restatement of net position. See Note 14 in the Notes to the Basic Financial Statements for additional information.

Table 2 shows the changes in net position for fiscal year 2018, compared to fiscal year 2017. The total net position increased $165,023, for fiscal year 2018, compared to an $818,533 decrease for fiscal year 2017. The increase in fiscal year 2018 was due to receiving FLPA reimbursements for 2 years in fiscal year 2018. Note that the implementation of the new OPEB standard required a restatement of beginning net position. See also Note 14.

Table 2
Change in Net Position

	2018	2017 (1)
Revenues		
Program Revenues:		
Charges for Services	$ 241,387	$ 231,064
Operating Grants and Contributions	9,781,097	9,251,059
Capital Grants and Contributions	480,676	480,161
Total Program Revenues	10,503,160	9,962,284
General Revenues:		
Taxes		
Property Taxes		
For Maintenance and Operations	3,947,145	3,495,522
For debt service	371,279	359,631
Sales Taxes	468,080	417,172
Other Taxes	53,183	50,081
Grants and Contributions not		
Restricted to Specific Programs	1,197,699	650,116
Investment Earnings	58,141	36,313
Miscellaneous	402,399	409,326
Gain on sale of capital assets	25,344	-
Total General Revenues	6,523,270	5,418,161
Total Revenues	17,026,430	15,380,445
Program Expenses:		
Instruction	9,056,676	8,749,170
Support Services		
Pupil Services	395,308	391,968
Improvement of Instructional Services	880,733	924,603
Educational Media Services	196,316	259,746
General Administration	410,618	360,815
School Administration	1,013,878	1,001,473
Business Administration	213,239	207,300
Maintenance and Operation of Plant	1,399,741	1,275,261
Student Transportation Services	1,115,068	916,716
Central Support Services	41,417	44,285
Other Support Services	63,285	57,666
Operations of Non-Instructional Services		
Food Services	1,103,743	1,045,402
Enterprise Operations	142,846	139,195
Interest on Short-Term and Long-Term Debt	828,539	825,378
Total Expenses	16,861,407	16,198,978
Increase (Decrease) in Net Position	165,023	(818,533)
Net Position, beginning of year, restated	(1,156,848)	11,839,688
Net Position, end of year	$ (991,825)	$ 11,021,155

(1) Fiscal year 2017 balances do not reflect the effects of the Restatement of Net Position. See Note 14 in the Notes to the Basic Financial Statements for additional information.

Governmental Activities

Instruction comprises 53.7% of governmental program expenses.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted state entitlements. Comparative data from fiscal year 2017, is also presented.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	Fiscal Year 2018	Fiscal Year 2017 (1)	Fiscal Year 2018	Fiscal Year 2017 (1)
Instruction	$ 9,056,676	$ 8,749,170	$ (2,267,016)	$ (2,342,826)
Support Services:				
Pupil Services	395,308	391,968	(225,975)	(263,311)
Improvement of Instructional Services	880,733	924,603	(756,997)	(813,600)
Educational Media Services	196,316	259,746	(17,297)	(85,520)
General Administration	410,618	360,815	87,510	28,140
School Administration	1,013,878	1,001,473	(646,204)	(646,795)
Business Administration	213,239	207,300	(209,871)	(204,431)
Maintenance and Operation of Plant	1,399,741	1,275,261	(902,274)	(783,631)
Student Transportation Services	1,115,068	916,716	(724,997)	(517,301)
Central Support Services	41,417	44,285	(40,811)	(43,215)
Other Support Services	63,285	57,666	(62,285)	(57,666)
Operations of Non-Instructional Services:				
Enterprise Operations	142,846	139,195	(101,321)	(139,195)
Food Services	1,103,743	1,045,402	(142,846)	(22,126)
Interest on Short-Term and Long-Term Debt	828,539	825,378	(347,863)	(345,217)
Total Expenses	$ 16,861,407	$ 16,198,978	$ (6,358,247)	$ (6,236,694)

(1) Fiscal year 2017 balances do not reflect the effects of the Restatement of Net Position. See Note 14 in the Notes to the Basic Financial Statements for additional information.

Although program revenues make up a majority of the revenues, the School District is still dependent upon tax revenues for governmental activities. Over 25.0% of instruction activities are supported through taxes and other general revenues; for all governmental activities general revenue support is 37.7%.

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues and other financing sources of $17.3 million and expenditures and other financing uses of $16.1 million. There was an increase in fund balance of approximately $65 thousand in the Capital Projects Fund. A transfer was made to cover local cost for our fiscal year 2019 State Capital Outlay project. The fund balance of the General Fund had an increase of approximately $560 thousand mainly due to receiving FLPA reimbursements for 2 years in fiscal year 2018. There was an increase in fund balance of approximately $560 thousand in the Debt Service Fund. This was because SPLOST III funds are being accumulated for sinking fund payments due annually in January.

General Fund Budgeting Highlights

The School District's budget is prepared according to Georgia law. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2018, the School District amended its General Fund budget as needed. The School District uses function-based budgeting. The budgeting systems are designed to tightly control total function budgets but provide flexibility for site management.

For the General Fund, budgeted revenues increased from $14.20 million to $14.57 million, while budgeted expenditures increased from $14.72 million to $15.11 million. Budgeted revenues increased due to the mid-term adjustment of the QBE allotment and receiving 2 years' FLPA reimbursement in fiscal year 2018. Budgeted expenditures increased due to adjustments to federal programs and amounts related to school activity funds.

The School District is a strategic waiver system. One is our waivers is the state's 65% rule for Minimum Direct Classroom Expenditures.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2018, the School District had $31.44 million invested in capital assets, all in governmental activities. Table 4 indicates balances at June 30, 2018. Capital asset comparisons to fiscal year 2017 are also included.

Table 4
Capital Assets (Net of Depreciation)

	Fiscal Year 2018	Fiscal Year 2017
Land	**$ 581,159**	$ 581,159
Land improvements	**891,264**	959,139
Buildings and improvements	**28,854,101**	29,462,444
Equipment	**1,112,513**	1,092,665
Total	**$ 31,439,037**	$ 32,095,407

Debt

Long-Term Liabilities

At fiscal year ended June 30, 2018, the School District had $40.49 million in long-term liabilities outstanding. Table 5 summarizes the School District's liabilities as compared to the prior fiscal year.

Table 5
Long-term Liabilities

	Restated Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Due Within One Year
Governmental Activities:					
Bonds payable	$ 15,310,000	$ -	$ -	$ 15,310,000	$ -
Capital leases	475,946	180,954	(80,132)	576,768	76,976
Net pension liability	12,910,333	1,652,735	(2,855,067)	11,708,001	-
Net OPEB liability	12,656,375	1,693,835	(1,459,934)	12,890,276	-
Governmental activities Long-term liabilities	$ 41,352,654	$ 3,527,524	$ (4,395,133)	$ 40,485,045	$ 76,976

Current Issues

The Marion County Board of Education's current operating millage rate is 14.99 mills. The bond millage rate is 1.751 mills. Management and the Board of Education hope to hold this level for a few years so as not to place a hardship on the property owners in Marion County.

SPLOST revenues and school bond ad valorem taxes will be used to service debt for the 2010B and 2010C bonds along with Federal subsidy payments.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact Cathy Wiggins, Director of Finance, 1697 Pineville Road, Buena Vista, Georgia 31803. You may also email your questions to cwiggins@marion.k12.ga.us.

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MARION COUNTY BOARD OF EDUCATION

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MARION COUNTY BOARD OF EDUCATION
STATEMENT OF NET POSITION
JUNE 30, 2018

EXHIBIT "A"

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and Cash Equivalents	$ 3,957,291
Investments	2,733,404
Receivables, Net	
Taxes	334,490
State Government	1,025,127
Federal Government	241,424
Inventories	19,575
Capital Assets, Non-Depreciable	581,159
Capital Assets, Depreciable (Net of Accumulated Depreciation)	30,857,878
Total Assets	39,750,348
DEFERRED OUTFLOWS OF RESOURCES	
Related to Defined Benefit Pension Plans	2,063,767
Related to OPEB Plan	1,291,577
Total Deferred Outflows of Resources	3,355,344
LIABILITIES	
Accounts Payable	72,586
Salaries and Benefits Payable	1,436,814
Interest Payable	345,928
Unearned Revenue	154,440
Net Pension Liability	11,708,001
Net OPEB Liability	12,890,276
Long-Term Liabilities	
Capital Leases Due Within One Year	76,976
Capital Leases Due in More Than One Year	499,792
Bonds Due in More Than One Year	15,310,000
Total Liabilities	42,494,813
DEFERRED INFLOWS OF RESOURCES	
Related to Defined Benefit Pension Plans	621,142
Related to OPEB Plan	981,562
Total Deferred Inflows of Resources	1,602,704
NET POSITION	
Net Investment in Capital Assets	15,552,269
Restricted for	
Continuation of Federal Programs	269,862
Capital Projects	105,766
Debt Service	3,139,916
Unrestricted (Deficit)	(20,059,638)
Total Net Position	$ (991,825)

The notes to the basic financial statements are an integral part of this statement.

MARION COUNTY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	EXPENSES	CHARGES FOR SERVICES
GOVERNMENTAL ACTIVITIES		
Instruction	$ 9,056,676	$ 139,618
Support Services		
Pupil Services	395,308	-
Improvement of Instructional Services	880,733	-
Educational Media Services	196,316	-
General Administration	410,618	-
School Administration	1,013,878	-
Business Administration	213,239	-
Maintenance and Operation of Plant	1,399,741	74,216
Student Transportation Services	1,115,068	-
Central Support Services	41,417	-
Other Support Services	63,285	-
Operations of Non-Instructional Services		
Enterprise Operations	142,846	-
Food Services	1,103,743	27,553
Interest on Short-Term and Long-Term Debt	828,539	-
Total Governmental Activities	$ 16,861,407	$ 241,387
General Revenues		
Taxes		
Property Taxes		
For Maintenance and Operations		
For Debt Services		
Railroad Cars		
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Debt Services		
Other Sales Tax		
Grants and Contributions not Restricted to Specific Programs		
Investment Earnings		
Gain on sale of capital assets		
Miscellaneous		
Total General Revenues		
Change in Net Position		
Net Position - Beginning of Year, Restated		
Net Position - End of Year		

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT "B"

	PROGRAM REVENUES		NET (EXPENSES)
	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	REVENUES AND CHANGES IN NET POSITION
$	6,650,042	$ -	$ (2,267,016)
	169,333	-	(225,975)
	123,736	-	(756,997)
	179,019	-	(17,297)
	498,128	-	87,510
	367,674	-	(646,204)
	3,368	-	(209,871)
	423,251	-	(902,274)
	390,071	-	(724,997)
	606	-	(40,811)
	1,000	-	(62,285)
	-	-	(142,846)
	974,869	-	(101,321)
	-	480,676	(347,863)
$	9,781,097	$ 480,676	(6,358,247)
			3,947,145
			371,279
			16,626
			468,080
			36,557
			1,197,699
			58,141
			25,344
			402,399
			6,523,270
			165,023
			(1,156,848)
			$ (991,825)

MARION COUNTY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

EXHIBIT "C"

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
ASSETS				
Cash and Cash Equivalents	$ 3,029,809	$ 105,766	$ 821,716	$ 3,957,291
Investments	136,855	-	2,596,549	2,733,404
Receivables, Net				
Taxes	264,632	-	69,858	334,490
State Government	1,025,127	-	-	1,025,127
Federal Government	241,424	-	-	241,424
Inventories	19,575	-	-	19,575
Total Assets	$ 4,717,422	$ 105,766	$ 3,488,123	$ 8,311,311
LIABILITIES				
Accounts Payable	$ 72,586	$ -	$ -	$ 72,586
Salaries and Benefits Payable	1,436,814	-	-	1,436,814
Unearned Revenue	154,440	-	-	154,440
Total Liabilities	1,663,840	-	-	1,663,840
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Taxes	70,025	-	8,201	78,226
FUND BALANCES				
Nonspendable	19,575	-	-	19,575
Restricted	250,287	105,766	3,479,922	3,835,975
Assigned	244,035	-	-	244,035
Unassigned	2,469,660	-	-	2,469,660
Total Fund Balances	2,983,557	105,766	3,479,922	6,569,245
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 4,717,422	$ 105,766	$ 3,488,123	$ 8,311,311

The notes to the basic financial statements are an integral part of this statement.

MARION COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

EXHIBIT "D"

Total fund balances - governmental funds (Exhibit "C")			$ 6,569,245.00
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.			
Land	$ 581,159.00		
Buildings and improvements	35,023,789.00		
Equipment	3,452,893.00		
Land improvements	1,760,941.00		
Accumulated depreciation	(9,379,745.00)		31,439,037.00
Some liabilities are not due and payable in the current period, and, therefore, are not reported in the funds.			
Net pension liability	$ (11,708,001.00)		
Net OPEB Liability	(12,890,276.00)		(24,598,277.00)
Deferred Outflows and Inflows of Resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.			
Related to pensions	$ 1,442,625.00		
Related to OPEB	310,015.00		1,752,640.00
Taxes that are not available to pay for current period expenditures are deferred in the funds.			78,226.00
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-Term Liabilities at year-end consists of:			
Bonds payable	$ (15,310,000.00)		
Accrued interest payable	(345,928.00)		
Capital leases payable	(576,768.00)		(16,232,696.00)
Net Position of Governmental Activities (Exhibit "A")			$ (991,825.00)

The notes to the basic financial statements are an integral part of this statement.

MARION COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018

EXHIBIT "E"

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
REVENUES				
Property Taxes	$ 3,942,942	$ -	$ 365,357	$ 4,308,299
Sales Taxes	32,745	-	471,892	504,637
Other Taxes	16,626	-	-	16,626
State Funds	9,049,680	-	-	9,049,680
Federal Funds	1,924,515	-	480,676	2,405,191
Charges for Services	241,387	-	-	241,387
Investment Earnings	1,935	-	56,206	58,141
Miscellaneous	402,399	-	-	402,399
Total Revenues	15,612,229	-	1,374,131	16,986,360
EXPENDITURES				
Current				
Instruction	8,242,669	-	-	8,242,669
Support Services				
Pupil Services	389,570	-	-	389,570
Improvement of Instructional Services	870,294	-	-	870,294
Educational Media Services	196,785	-	-	196,785
General Administration	404,843	-	-	404,843
School Administration	968,339	-	-	968,339
Business Administration	210,488	-	-	210,488
Maintenance and Operation of Plant	1,347,805	34,633	-	1,382,438
Student Transportation Services	1,152,950	-	-	1,152,950
Central Support Services	41,748	-	-	41,748
Other Support Services	63,285	-	-	63,285
Enterprise Operations	142,846	-	-	142,846
Food Services Operation	1,033,013	-	-	1,033,013
Debt Services				
Principal	80,132	-	-	80,132
Interest	12,590	-	812,551	825,141
Total Expenditures	15,157,357	34,633	812,551	16,004,541
Excess of Revenues over (under) Expenditures	454,872	(34,633)	561,580	981,819
OTHER FINANCING SOURCES (USES)				
Capital Lease	180,954	-	-	180,954
Sale of Capital Assets	25,344	-	-	25,344
Transfers In	-	100,000	-	100,000
Transfers Out	(100,000)	-	-	(100,000)
Total Other Financing Sources (Uses)	106,298	100,000	-	206,298
Net Change in Fund Balances	561,170	65,367	561,580	1,188,117
Fund Balances - Beginning	2,422,387	40,399	2,918,342	5,381,128
Fund Balances - Ending	$ 2,983,557	$ 105,766	$ 3,479,922	$ 6,569,245

The notes to the basic financial statements are an integral part of this statement.

MARION COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2018

EXHIBIT "F"

Net change in fund balances total governmental funds (Exhibit "E")			$ 1,188,117
Amounts reported for Governmental Activities in the Statement of Activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.			
Capital outlay	$	240,919	
Depreciation expense		(897,289)	(656,370)
Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.			10,125
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. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the Statement of Activities.			
Capital leases issued	$	(180,954)	
Capital lease payments		80,132	(100,822)
District pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension/OPEB liability is measured a year before the District's report date. Pension/OPEB expense, which is the change in the net pension/OPEB liability adjusted for changes in deferred outflows and inflows of resources related to pensions/OPEBs, is reported in the Statement of Activities.			
Pension expense	$	129,629	
OPEB expense		(402,258)	(272,629)
Some items 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. These activities consist of:			
Accrued Interest on Issuance of Debt			(3,398)
Change in Net Position of Governmental Activities (Exhibit "B")			$ 165,023

The notes to the basic financial statements are an integral part of this statement.

MARION COUNTY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

EXHIBIT "G"

	AGENCY FUNDS
ASSETS	
Cash and Cash Equivalents	$ 10,015
Investments	30,800
Total Assets	$ 40,815
LIABILITIES	
Funds Held for Others	$ 40,815

The notes to the basic financial statements are an integral part of this statement.

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Note 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

Reporting Entity

The Marion County Board of Education (the "School District") was established under the laws of the State of Georgia and operates under the guidance of a school board elected by the voters and a Superintendent appointed by the Board. The Board is organized as a separate legal entity and has the power to levy taxes and issue bonds. Its budget is not subject to approval by any other entity. Accordingly, the School District is a primary government and consists of all the organizations that compose its legal entity.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The most significant of the School District's accounting policies are described below.

BASIS OF PRESENTATION

The School District's basic financial statements are collectively comprised of the government-wide financial statements, fund financial statements and notes to the basic financial statements. The government-wide statements focus on the School District as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the information's usefulness.

Government-wide Statements

The Statement of Net Position and the Statement of Activities display information about the financial activities of the overall School 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 Net Position presents the School District's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories as follows:

1. **Net investment in capital assets** consists of the School District's total investment in capital assets, net of accumulated depreciation, and reduced by outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.
2. **Restricted net position** consists of resources for which the School District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties or imposed by law through constitutional provisions or enabling legislation.
3. **Unrestricted net position** consists of resources not meeting the definition of the two preceding categories. Unrestricted net positon often has constraints on resources imposed by management which can be removed or modified.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide Statements (Continued)

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the School 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 School District related to the administration and support of the School 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.

Fund Financial Statements

The fund financial statements provide information about the School District's funds, including fiduciary funds. Eliminations have been made to minimize the double counting of internal activities. Separate statements are presented for governmental and fiduciary funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The School District reports the following major governmental funds:

- The *General Fund* is the School District's primary operating fund. It accounts for and reports all financial resources not accounted for and reported in another fund.

- The *Capital Projects Fund* accounts for and reports financial resources including Education Special Purpose Local Option Sales Tax (ESPLOST) and Bond Proceeds that are restricted, committed, or assigned for capital outlay expenditures, including the acquisition or construction of capital facilities and other capital assets.

- The *Debt Service Fund* accounts for and reports financial resources that are restricted, committed, or assigned including taxes (property and sales) legally restricted for the payment of general long-term principal and interest.

The School District reports the following fiduciary fund type:

- *Agency Funds* are used to report resources held by the School District in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

The basis of accounting determines when transactions are reported in the financial statements. The government-wide governmental activities and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the School 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 School 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.

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. The School District considers all revenues reported in the governmental funds to be available if they are collected within 60 days after year-end. The School District considers all intergovernmental revenues to be available if they are collected within 120 days after year-end. Property taxes, sales taxes, 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 to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

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 12-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 12-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 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.

New Accounting Pronouncements

In fiscal year 2018, the School District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions.* This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. The adoption of this statement has a significant impact on the School District's financial statements. As noted in the Restatement of Net Position note disclosure, the School District restated beginning net position for the cumulative effect of this accounting change.

In fiscal year 2018, the School District adopted GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. This statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This statement requires that a government recognize revenue when the resources become applicable to the reporting period. The adoption of this statement does not have a significant impact on the School District's financial statements.

In fiscal year 2018, the School District adopted GASB Statement No. 85, *Omnibus 2017*. The objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and post-employment benefits (pensions and other post-employment benefits [OPEB]). The adoption of this statement does not have a significant impact on the School District's financial statements.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements (Continued)

In fiscal year 2018, the School District adopted GASB Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The adoption of this statement does not have a significant impact on the School District's financial statements.

Cash and Cash Equivalents

Composition of Deposits – Cash and cash equivalents consist of cash on hand, demand deposits, investments in the State of Georgia local government investment pool (Georgia Fund 1) and short-term investments with original maturities of three months or less from the date of acquisition in authorized financial institutions. Official Code of Georgia Annotated (O.C.G.A.) §45-8-14 authorizes the School District to deposit its funds in one or more solvent banks, insured Federal savings and loan associations, or insured chartered building and loan associations.

Investments

Composition of Investments – The School District can invest its funds as permitted by O.C.G.A. §36-83-4. 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.

The School District does not have a formal policy regarding investment policies that address credit risks, custodial credit risks, concentration of credit risks, interest rate risks or foreign currency risks.

Investments made by the School District in nonparticipating interest-earning contracts (such as certificates of deposit) and repurchase agreements are reported at cost. Participating interest-earning contracts and money market investments with a maturity at purchase of one year or less are reported at amortized cost. All other investments are reported at fair value.

For accounting purposes, certificates of deposit are classified as investments if they have an original maturity greater than three months when acquired.

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 do not include any amounts which would necessitate the need for an allowance for uncollectible receivables.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Food 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 School 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.

Capital Assets

On the government-wide financial statements, capital assets are recorded 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 acquisition value on the date donated. 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. The School District does not capitalize book collections or works of art.

Capital acquisition and construction are recorded as expenditures in the governmental fund financial statements at the time of purchase (including ancillary charges), and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements.

Depreciation is computed using the straight-line for all assets, except land, and is used to allocate the actual or estimated historical cost of capital assets over estimated useful lives.

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

	Capitalization Policy	Estimated Useful Life
Land	All	N/A
Construction in Progress	All	N/A
Land Improvements	$ 5,000	15 to 80 Years
Buildings and Improvements	5,000	10 to 80 Years
Equipment	5,000	5 to 14 Years
Intangible Assets	100,000	15 to 80 Years

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of resources that applies to future period(s) and, therefore, will not be recognized as an outflow of resources (expense/expenditure) until then.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of resources that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Long-Term Liabilities and Bond Discounts/Premiums

In the School District's government-wide financial statements, outstanding debt is reported as liabilities. Bond premiums and discounts and the difference between the reacquisition price and the net carrying value of refunded debt are deferred and amortized over the life of the bonds using the straight-line method. To conform to generally accepted accounting principles, bond premiums and discounts should be amortized using the effective interest method. The effect of this deviation is deemed to be immaterial to the fair presentation of the basic financial statements. Bond issuance costs are recognized as an outflow of resources in the fiscal year in which the bonds are issued.

In the governmental fund financial statements, the School District recognizes the proceeds of debt and premiums as other financing sources of the current period. Bond issuance costs are reported as debt service expenditures.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the pension plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Post-employment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Georgia School Employees Postemployment Benefit Fund (School OPEB Fund), and additions to/deductions from School OPEB Fund fiduciary net position have been determined on the same basis as they are reported by School OPEB Fund. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The School District's fund balances are classified as follows:

Nonspendable – Amounts that are not in spendable form (e.g., inventory and prepaid items) or are legally or contractually required to be maintained intact (e.g., permanent fund principal).

Restricted – Amounts that can be spent only on specific purposes stipulated by law through constitutional provisions or enabling legislation or by the external providers of those resources (e.g., grants or donations).

Committed – Amounts that can only be used for the specific purposes determined by a formal action of the Board. Commitments may be changed or lifted only by referring to the formal action of the Board that imposed the constraint originally (e.g., the Board's commitment in connection with future construction projects).

Assigned – Amounts intended to be used by the government for specific purposes. Intent can be expressed by the Board of Education or by a designee to whom the Board of Education delegates authority. In governmental funds other than the General Fund, assigned fund balance represents the amount that is not restricted or committed. This indicates the resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

Unassigned – Amounts within the General Fund not meeting the definition of any aforementioned category. The General Fund is the only fund that reports positive unassigned fund balance. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

The responsibility for designating funds to specific classification is as follows:

Committed Fund Balance – The Board of Education is the School District's highest level of decision-making authority, and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution approved by the Board. Funds should be committed prior to the end of the fiscal year, although the exact amount may be determined in the subsequent fiscal year.

Assigned Fund Balance – The Board of Education has authorized the Superintendent as the official authorized to assign fund balance to a specific purpose in accordance with the School District's policy.

When restricted and unrestricted fund balances are both available for expenditure when the expenditure is incurred, the restricted fund balance is considered to be expended first.

When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications (committed, assigned or unassigned) could be used, the School District considers that committed amounts are to be reduced first, followed by assigned amounts, and then by unassigned amounts.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Property Taxes

The Marion County Board of Commissioners adopted the property tax levy for the 2017 tax digest year (calendar year) on August 30, 2017 (levy date), based on property values as of January 1, 2017. Taxes were due on December 20, 2017 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2017 tax digest are reported as revenue in the governmental funds for fiscal year 2018. The Marion County Tax Commissioner bills and collects the property taxes for the School District, withholds 2.5% of taxes collected as a fee for tax collection and remits the balance of taxes collected to the School District. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2018, for maintenance and operations and debt service, amounted to $3,690,270 and $343,978, respectively.

The tax millage rates levied for the 2017 tax year (calendar year) for the Marion County Board of Education were as follows (a mill equals $1 per thousand dollars of assessed value):

School Operations	14.990 mills
School Bonds	1.751 mills
Total	16.741 mills

Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2018, for maintenance and operations and debt service, amounted to $252,672 and $21,379, respectively.

Sales Taxes

Education Special Purpose Local Option Sales Tax (ESPLOST), at the fund reporting level, during the year amounted to $468,080, 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 reauthorized at least every five years.

Note 3: BUDGETARY DATA

The budget is a complete financial plan for the School District's fiscal year, and is based upon careful estimates of expenditures together with probable funding sources. The budget is legally adopted each year for the general, debt service, and capital projects funds. There is no statutory prohibition regarding over expenditure of the budget at any level. The budget for all governmental funds, except the various school activity (principal) accounts, is prepared and adopted by fund. The legal level of budgetary control was established by the Board at the aggregate fund level. The budget for the General Fund was prepared in accordance with accounting principles generally accepted in the United States of America.

Note 3: BUDGETARY DATA (CONTINUED)

The budgetary process begins with the School District's administration presenting an initial budget for the Board's review. The administration makes revisions as necessary based on the Board's guidelines and a tentative budget is approved. After approval of this tentative budget by the Board, such budget is advertised at least once in a newspaper of general circulation in the locality, as well as the School District's website. At the next regularly scheduled meeting of the Board after advertisement, the Board receives comments on the tentative budget, makes revisions as necessary and adopts a final budget. The approved budget is then submitted, in accordance with provisions of O.C.G.A. §20-2-167(c), to the Georgia Department of Education. The Board may increase or decrease the budget at any time during the year. All unexpended budget authority lapses at fiscal year-end.

The Superintendent is authorized by the Board to approve adjustments of no more than 5% of the amount budgeted for expenditures in any budget function for any fund. The Superintendent shall report any such adjustments to the Board. If expenditure of funds in any fund is anticipated to be more than 5% of the budgeted amount, the Superintendent shall request Board approval for the budget amendment. Under no circumstances is the Superintendent or other staff person authorized to spend funds that exceed the total budget without approval by the Board.

See the General Fund Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual in the Supplementary Information Section for a detail of any over/under expenditures during the fiscal year under review.

Note 4: DEPOSITS

Collateralization of Deposits – O.C.G.A. §45-8-12 provides that there shall not be on deposit at any time in any depository for a time longer than ten 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% of the public funds being secured after the deduction of the amount of deposit insurance. If a depository elects the pooled method (O.C.G.A. 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% of the daily pool balance.

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,

Note 4: DEPOSITS (CONTINUED)

Collateralization of Deposits (Continued)

(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.

Categorization of Deposits – Custodial credit risk is the risk that in the event of bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At June 30, 2018, The School District had deposits with a carrying value of $4,134,961, and bank balances were $4,441,298, including $167,655, classified as certificates as deposit. The bank balances insured by Federal depository insurance were $482,410.

At June 30, 2018, $3,958,889 of the School District's bank balance was exposed to custodial credit risk as follows:

Category 1 – Uninsured and Uncollateralized,
Category 2 – Uninsured with collateral held by the pledging financial institution, or
Category 3 – Uninsured with collateral held by the pledging financial institution's trust department or agent, but not in the School District's name.

The School District's deposits by custodial credit risk category at June 30, 2018, are as follows:

Custodial Credit Risk Category	Bank Balance
1	$ -
2	-
3	3,958,889
	$ 3,958,889

Note 4: DEPOSITS (CONTINUED)

Categorization of Investments

At June 30, 2018, the School District had the following investments:

Investment	Maturities	Rating*	Fair Value
Ameris Bank Certificate of Deposit	May 14, 2019	N/A	$ 30,800
Ameris Bank Certificate of Deposit	February 1, 2019	N/A	136,855
Deutsche Bank repurchase	January 28, 2027	N/A	2,113,343
Fidelity Institutional Government (money market mutual fund)	26-day weighted average	AAAm	483,206
			$ 2,764,204

**Rating as per Standard & Poor's*

Fair Value Measurements – The School District measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

Level 1: Quoted prices for identical investments in active markets;
Level 2: Observable inputs other than quoted market prices; and
Level 3: Unobservable inputs.

The School District has the following recurring fair value measurements as of June 30, 2018:

- Money market mutual funds of $483,206, which are valued using market observable information for identical or similar instruments in the market. (Level 2 inputs)
- Repurchase agreement of $2,113,343, which is valued using a matrix pricing model.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The School District does not have a formal policy for managing interest rate risk.

Custodial Credit Risk – Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the School District will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The School District does not have a formal policy for managing custodial credit risk.

As of June 30, 2018, $2,596,549 of the School District's applicable investments were uninsured, and are held by either the counterparty or the counterparty's trust department or agent in the School District's name.

Credit Quality Risk – Credit quality risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments to those prescribed by O.C.G.A. §36-83-4. The School District does not have a formal policy that would further limit its investment choices or one that addresses credit risk.

Note 4: DEPOSITS (CONTINUED)

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The School District does not have a formal policy for managing concentration of credit risk. More than 5% of the School District's investments are in a Fidelity Institutional Government money market mutual fund, the Deutsche Bank repurchase and one certificate of deposit. The money market mutual fund represents 17% of the School District's total investments, the repurchase agreement represents 76% of the School District's total investments and the certificate of deposit maturing on February 1, 2019, represents 5% of the School District's total investments.

Note 5: NON-MONETARY TRANSACTIONS

The School 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. See Note 2 – Inventories.

Note 6: CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 581,159	$ -	$ -	$ -	$ 581,159
Total	581,159	-	-	-	581,159
Capital assets, being depreciated:					
Buildings and improvements	35,014,289	9,500	-	-	35,023,789
Equipment	3,564,514	216,322	(327,943)	-	3,452,893
Land improvements	1,745,844	15,097	-	-	1,760,941
Total	40,324,647	240,919	(327,943)	-	40,237,623
Less accumulated depreciation for:					
Buildings and improvements	(5,551,845)	(617,843)	-	-	(6,169,688)
Equipment	(2,471,849)	(196,474)	327,943	-	(2,340,380)
Land improvements	(786,705)	(82,972)	-	-	(869,677)
Total	(8,810,399)	(897,289)	327,943	-	(9,379,745)
Total capital assets, being depreciated, net	31,514,248	(656,370)	-	-	30,857,878
Governmental activities capital assets, net	$ 32,095,407	$ (656,370)	$ -	$ -	$ 31,439,037

Note 6: CAPITAL ASSETS (CONTINUED)

Current year depreciation expense by function is as follows:

Instruction		$ 680,311
Support Services		
General Administration	$ 1,095	
School Administration	23,213	
Maintenance and Operations	23,320	
Student Transportation	126,872	174,500
Food Services		42,478
Total Depreciation Expense		$ 897,289

Note 7: INTERFUND TRANSFERS

Interfund Transfers

Interfund transfers for the year ended June 30, 2018, consisted of the following:

Transfers To	Transfers From General Fund
District-wide Capital Projects Fund	$ 100,000

Transfers are used to move property tax revenues collected by the general fund to the capital projects fund as a required match or supplemental funding source for capital construction projects.

Note 8: LONG-TERM LIABILITIES

Changes in Long-term Liabilities

The changes in long-term liabilities during the fiscal year ended June 30, 2018, for governmental activities were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Qualified School Construction Bonds	$ 7,595,000	$ -	$ -	$ 7,595,000	$ -
Build America Bonds	7,715,000	-	-	7,715,000	-
Capital Leases	475,946	180,954	(80,132)	576,768	76,976
Net Pension Liability	12,910,333	1,652,735	(2,855,067)	11,708,001	-
Net OPEB Liability	12,656,375	1,693,835	(1,459,934)	12,890,276	-
Total	$ 41,352,654	$ 3,527,524	$ (4,395,133)	$ 40,485,045	$ 76,976

Note 8: LONG-TERM LIABILITIES (CONTINUED)

Changes in Long-term Liabilities (Continued)

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 (QSCB) and Section 1531 (BAB) provides for a source of capital at no or at nominal interest rates for costs incurred by School Districts in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows School Districts to borrow without incurring interest costs.

When the stated interest rate on the QSCB and the BAB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the School District may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. To qualify for this subsidy the School District is required to periodically file appropriate documents with the Internal Revenue Service. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB or BAB. The interest subsidy received by the School District in fiscal year 2018 was $480,676, which funded all but $331,875 of interest expense due on the QSCB and BAB.

Qualified School Construction Bonds (QSCB) and Build America Bonds (BAB)

Debt currently outstanding Qualified School Construction Bonds and Build America Bonds are as follows:

Purpose	Interest Rates	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
QSCB - Series 2010B	5.05%	September 2, 2010	February 1, 2027	$ 7,595,000	$ 7,595,000
BAB - Series 2010C	5.168% - 5.768%	September 2, 2010	February 1, 2040	7,715,000	7,715,000
				$ 15,310,000	$ 15,310,000

The following is a schedule of total QSCB and BAB payments:

Fiscal Year Ending June 30	Principal	Interest
2019	$ -	$ 812,551
2020	-	812,551
2021	-	812,551
2022	-	812,551
2023	-	812,551
2024-2028	8,075,000	3,679,209
2029-2033	2,645,000	1,751,026
2034-2038	3,155,000	968,261
2039-2042	1,435,000	124,877
Total Principal and Interest	$ 15,310,000	$ 10,586,127

Note 8: LONG-TERM LIABILITIES (CONTINUED)

Capital Leases

The School District has acquired land improvements and buses under the provisions of various long-term lease agreements classified as capital leases for accounting purposes because they provide for a bargain purchase option or a transfer of ownership by the end of the lease term.

The following assets were acquired through capital leases and are reflected in the capital asset note at fiscal year-end:

	Governmental Activities
Land Improvements	$ 395,820
Equipment	363,032
Less: Accumulated Depreciation	(90,191)
	$ 668,661

Capital leases currently outstanding are as follows:

Purpose	Interest Rates	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Water Tower	2.50%	July 8, 2013	March 1, 2053	$ 395,820	$ 360,340
Buses	3.20%	August 10, 2015	August 10, 2019	182,078	73,923
Buses	3.12%	July 6, 2017	July 6, 2022	180,954	142,505
				$ 758,852	$ 576,768

The following is a schedule of capital lease payments:

Fiscal Year Ending June 30	Capital Leases Principal	Capital Leases Interest
2019	$ 76,976	$ 13,379
2020	79,368	12,152
2021	43,089	10,887
2022	44,393	9,583
2023	7,288	8,240
2024-2028	39,297	38,343
2029-2033	44,524	33,116
2034-2038	50,445	27,195
2039-2043	57,155	20,485
2044-2048	64,756	12,884
2049-2053	69,477	4,279
Total Principal and Interest	$ 576,768	$ 190,543

Note 9: RISK MANAGEMENT

The School 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 School 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 School District has neither significantly reduced coverage for these risks nor incurred losses (settlements) which exceeded the School District's insurance coverage in any of the past three years.

The School District has elected to self-insure for all potential losses of property related to natural disasters. The School District has not experienced any losses related to this risk in the past three years.

The School District has purchased additional insurance coverage for all employees and board members in the amount of $250,000 for dishonesty, and $100,000 for forgery, alterations, theft, disappearance, destruction, and robbery.

The School District has purchased surety bonds to provide additional insurance coverage as follows:

Position Covered	Amount
Superintendent	$ 50,000
Board Chair	$ 12,000

Note 10: OPERATING LEASES

The School District leases copiers and a postage meter under the provisions of one or more long-term lease agreements classified as operating leases for accounting purposes. Rental expenditures under the terms of the operating leases totaled $30,021 for governmental activities for the year ended June 30, 2018. The following future minimum lease payments were required under operating leases at June 30, 2018:

Fiscal Year Ending June 30	Governmental Activities
2019	$ 36,504
2020	22,020
2021	14,550
2022	6,483
	$ 79,557

The School District, a lessor, leases excess office space to various private companies and accounts for these leases as operating leases.

Note 10: OPERATING LEASES (CONTINUED)

Lease terms vary and extend through June 30, 2022. Rental revenues under these operating leases during the year ended June 30, 2018 were $67,043. Minimum future rentals to be received under operating leases are as follows:

Fiscal Year Ending June 30	Payments
2019	$ 10,800
2020	10,800
2021	10,800
2022	9,600
	$ 42,000

Note 11: SIGNIFICANT CONTINGENT LIABILITIES

Amounts received or receivable principally from the Federal government are subject to audit and review by grantor agencies. This could result in requests for reimbursement to the grantor agency for any costs which are disallowed under grant terms. Any disallowances resulting from the grantor audit may become a liability of the School District. However, the School District believes that such disallowances, if any, will be immaterial to its overall financial position.

Note 12: OTHER POST-EMPLOYMENT BENEFITS

Georgia School Personnel Post-Employment Health Benefit Fund

Plan Description. Certified teachers and non-certified public school employees of the School District as defined in §20-2-875 of the O.C.G.A. are provided OPEB through the School OPEB Fund - a cost-sharing multiple-employer defined benefit post-employment healthcare plan, reported as an employee trust fund and administered by a Board of Community Health (Board). Title 20 of the O.C.G.A. assigns the authority to establish and amend the benefit terms of the group health plan to the Board.

Benefits Provided. The School OPEB Fund provides healthcare benefits for retirees and their dependents due under the group health plan for public school teachers, including librarians, other certified employees of public schools, regional educational service agencies and non-certified public school employees. Retiree medical eligibility is attained when an employee retires and is immediately eligible to draw a retirement annuity from Employees' Retirement System (ERS), Georgia Judicial Retirement System (JRS), Legislative Retirement System (LRS), Teachers Retirement System (TRS) or Public School Employees Retirement System (PSERS). If elected, dependent coverage starts on the same day as retiree coverage. Medicare-eligible retirees are offered Standard and Premium Medicare Advantage plan options. Non-Medicare eligible retiree plan options include Health Reimbursement Arrangement (HRA), Health Maintenance Organization (HMO) and a High Deductible Health Plan (HDHP). The School OPEB Fund also pays for administrative expenses of the fund. By law, no other use of the assets of the School OPEB Fund is permitted.

Note 12: OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Georgia School Personnel Post-Employment Health Benefit Fund (Continued)

Contributions. As established by the Board, the School OPEB Fund is substantially funded on a pay-as-you-go basis; that is, annual cost of providing benefits will be financed in the same year as claims occur. Contributions to the School OPEB Fund from the School District were $490,553 for the year ended June 30, 2018. Active employees are not required to contribute to the School OPEB Fund.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the School District reported a liability of $12,890,276 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2016. An expected total OPEB liability as of June 30, 2017, was determined using standard roll-forward techniques. The School District's proportion of the net OPEB liability was actuarially determined based on employer contributions during the fiscal year ended June 30, 2017. At June 30, 2017, the School District's proportion was 0.091746%, which was an increase of 0.006347% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the School District recognized OPEB expense of $892,811. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPEB	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ -	$ 981,562
Net difference between projected and actual earnings on OPEB plan investments	3,770	-
Changes in proportion and differences between School District contributions and proportianate share of contributions	797,254	-
School District contributions subsequent to the measurement date	490,553	-
Total	$ 1,291,577	$ 981,562

Note 12: OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

School District contributions subsequent to the measurement date of $490,553 are reported as deferred outflows of resources and will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30	OPEB
2019	$ (32,206)
2020	(32,206)
2021	(32,206)
2022	(32,206)
2023	(33,148)
2024	(18,566)
Thereafter	-

Actuarial assumptions. The total OPEB liability as of June 30, 2017, was determined by an actuarial valuation as of June 30, 2016 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017:

OPEB:

Inflation	2.75%
Salary increases	
ERS	3.25% – 7.00%, average, including inflation
JRS	4.50%, including inflation
LRS	None
TRS	3.25 – 9.00%, including inflation
PSERS	N/A
Long-term expected rate of return	3.88%, compounded annually, net of investment expense, and including inflation
Healthcare cost trend rate	
Pre-Medicare Eligible	7.75%
Medicare Eligible	5.75%
Ultimate trend rate	
Pre-Medicare Eligible	5.00%
Medicare Eligible	5.00%
Year of Ultimate trend rate	2022

Note 12: OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale BB as follows:

- For ERS, JRS and LRS members: The RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward two years for both males and females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Tables projected to 2025 with projection scale BB (set back seven years for males and set forward three years for females) is used for the period after disability retirement.

- For TRS members: The RP-2000 White Collar Mortality projected to 2025 with projection scale BB (set forward one year for males) is used for death after service retirement and beneficiaries. The RP-2000 Disabled Mortality Table projected to 2025 with projection scale BB (set forward two years for males and four years for females) is used for death after disability retirement.

- For PSERS members: The RP-2000 Blue-Collar Mortality Table projected to 2025 with projection scale BB (set forward three years for males and two years for females) is used for the period after service retirement and for beneficiaries of deceased members. The RP-2000 Disabled Mortality Table projected to 2025 with projection scale BB (set forward five years for both males and females) is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the pension systems, which covered the five-year period ending June 30, 2014.

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculation.

Additionally, there was a change that affected measurement of the total OPEB liability since the prior measurement date. The methodology used to determine employee and retiree participation in the School OPEB Fund is based on their current or last employer payroll location. Current and former employees of public school districts, libraries, regional educational service agencies and community colleges are allocated to the School OPEB Fund irrespective of retirement system affiliation. In addition, the discount rate increased from 3.07% to 3.58%.

Note 12: OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Local Government Investment Pool	100.00%	1.13%

*Rate shown is net of the 2.75% assumed rate of inflation.

Discount rate. In order to measure the total OPEB liability for the School OPEB Fund, a single equivalent interest rate of 3.58% was used as the discount rate. This is comprised mainly of the yield or index rate for 20 year tax-exempt general obligation municipal bonds with an average rating of AA or higher (3.56% per the Bond Buyers Index). The projection of cash flows used to determine the discount rate assumed that contributions from members and from the employer will be made at the current level as averaged over the last five years, adjusted for annual projected changes in headcount. Projected future benefit payments for all current plan members were projected through 2115. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make OPEB payments for inactive employees through year 2029. Therefore, the calculated discount rate of 3.58% was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the School District's proportionate share of the net OPEB liability calculated using the discount rate of 3.58%, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58%) or 1 percentage-point higher (4.58%) than the current discount rate:

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
School District's proportionate share of the OPEB liablity discount rate	$ 15,304,894	$ 12,890,276	$ 10,984,654

Note 12: OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the School District's proportionate share of the net OPEB liability, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
School District's proportionate share of the OPEB liablity healthcare cost trend rate	$ 10,684,570	$ 12,890,276	$ 15,762,101

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in the Comprehensive Annual Financial Report (CAFR) which is publicly available at https://sao.georgia.gov/comprehensive-annual-financial-reports.

Note 13: RETIREMENT PLANS

The School District participates in various retirement plans administered by the State of Georgia as further explained below:

Teachers Retirement System of Georgia (TRS)

Plan Description. All teachers of the School District as defined in §47-3-60 of the Official Code of Georgia Annotated (O.C.G.A.) and certain other support personnel as defined by §47-3-63 are provided a pension through the Teachers Retirement System of Georgia (TRS). TRS, a cost-sharing multiple-employer defined benefit pension plan, is administered by the TRS Board of Trustees (TRS Board). Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. The Teachers Retirement System of Georgia issues a publicly available separate financial audit report that can be obtained at www.trsga.com/publications.

Benefits Provided. TRS provides service retirement, disability retirement, and death benefits. Normal retirement benefits are determined as 2% of the average of the employee's two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. An employee is eligible for normal service retirement after 30 years of creditable service, regardless of age, or after 10 years of service and attainment of age 60. Eligibility for disability and death benefits requires 10 years of service. Disability benefits are based on the employee's creditable service and compensation up to the time of disability. Death benefits equal the amount that would be payable to the employee's beneficiary had the employee retired on the date of death. Death benefits are based on the employee's creditable service and compensation up to the date of death.

Note 13: RETIREMENT PLANS (CONTINUED)

Teachers Retirement System of Georgia (TRS) (Continued)

Contributions. Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6% of their annual pay during fiscal year 2018. The School District's contractually required contribution rate for the year ended June 30, 2018, was 16.81% of annual School District payroll. The current year contribution was $1,291,887.

Public School Employees' Retirement System (PSERS)

Plan Description. PSERS is a cost-sharing multiple-employer defined benefit pension plan established by the Georgia General Assembly in 1969 for the purpose of providing retirement allowances for public school employees who are not eligible for membership in the Teachers Retirement System of Georgia. The ERS Board of Trustees, plus two additional trustees, administer PSERS. Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. PSERS issues a publicly available financial report that can be obtained at www.ers.ga.gov/formspubs/formspubs.

Benefits Provided. A member may retire and elect to receive normal monthly retirement benefits after completion of 10 years of creditable service and attainment of age 65. A member may choose to receive reduced benefits after age 60 and upon completion of 10 years of service.

Upon retirement, the member will receive a monthly benefit of $14.75, multiplied by the number of years of creditable service. Death and disability benefits are also available through PSERS. Additionally, PSERS may make periodic cost-of-living adjustments to the monthly benefits. Upon termination of employment, member contributions with accumulated interest are refundable upon request by the member. However, if an otherwise vested member terminates and withdraws his/her member contribution, the member forfeits all rights to retirement benefits.

Contributions. The general assembly makes an annual appropriation to cover the employer contribution to PSERS on behalf of local school employees (bus drivers, cafeteria workers, and maintenance staff). The annual employer contribution required by statute is actuarially determined and paid directly to PSERS by the State Treasurer in accordance with O.C.G.A. §47-4-29(a) and 60(b). Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Individuals who became members prior to July 1, 2012, contribute $4 per month for nine months each fiscal year. Individuals who became members on or after July 1, 2012, contribute $10 per month for nine months each fiscal year. The State of Georgia, although not the employer of PSERS members, is required by statute to make employer contributions actuarially determined and approved and certified by the PSERS Board of Trustees. The current year fiscal year contribution was $24,209.

Note 13: RETIREMENT PLANS (CONTINUED)

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

At June 30, 2018, the School District reported a liability of $11,708,001 for its proportionate share of the net pension liability for TRS.

The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2016. An expected total pension liability as of June 30, 2017, was determined using standard roll-forward techniques. The School District's proportion of the net pension liability was based on contributions to TRS during the fiscal year ended June 30, 2017.

At June 30, 2017, the School District's TRS proportion was 0.062996%, which was an increase of 0.000419% from its proportion measured as of June 30, 2016.

At June 30, 2018, the School District did not have a PSERS liability for a proportionate share of the net pension liability because of a Special Funding Situation with the State of Georgia, which is responsible for the net pension liability of the plan. The amount of the State's proportionate share of the Net Pension Liability associated with the School District is $142,951.

The PSERS net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2016. An expected total pension liability as of June 30, 2017, was determined using standard roll-forward techniques. The State's proportion of the net pension liability associated with the School District was based on actuarially determined contributions paid by the State during the fiscal year ended June 30, 2017.

For the year ended June 30, 2018, the School District recognized pension expense of $1,131,146 for TRS, $28,810 for PSERS and revenue of $28,810 for PSERS. The revenue is support provided by the State of Georgia.

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	TRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 437,951	$ 44,185
Changes in assumptions	256,654	-
Net difference between projected and actual earnings on pension plan investments	-	80,571
Changes in proportion and differences between School District contributions and proportionate share of contributions	77,275	496,386
School District contributions subsequent to the measurement date	1,291,887	-
Total	$ 2,063,767	$ 621,142

Note 13: RETIREMENT PLANS (CONTINUED)

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

School District contributions subsequent to the measurement date of $1,291,887 for TRS are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	TRS
2019	$ (227,274)
2020	458,202
2021	216,073
2022	(304,767)
2023	8,504
Thereafter	-

Actuarial Assumptions: The total pension liability as of June 30, 2017, was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Teachers Retirement System

Inflation	2.75%
Salary increases	3.25 – 9.00%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Post-retirement mortality rates were based on the RP-2000 White Collar Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward one year for males) for service requirements and dependent beneficiaries. The RP-2000 Disabled Mortality table with future mortality improvement projected to 2025 with Society of Actuaries' projection scale BB (set forward two years for males and four years for females) was used for death after disability retirement. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

Public School Employees Retirement System

Inflation	2.75%
Salary increases	N/A
Investment rate of return	50%, net of pension plan investment expense, including inflation

Note 13: RETIREMENT PLANS (CONTINUED)

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Actuarial Assumptions (Continued):

Post-retirement mortality rates were based on the RP-2000 Blue-Collar Mortality Table projected to 2025 with projection scale BB (set forward three years for males and two years for females) for the period after service retirements and for dependent beneficiaries. The RP-2000 Disabled Mortality projected to 2025 with projection scale BB (set forward five years for both males and females) was used for death after disability retirement. There is a margin for future mortality improvement in the tables used by the System. Based on the results of the most recent experience study adopted by the Board on December 17, 2015, the numbers of expected future deaths are 9-11% less than the actual number of deaths that occurred during the study period for healthy retirees and 9-11% less than expected under the selected table for disabled retirees. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

The long-term expected rate of return on TRS and PSERS pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	TRS Target Allocation	PSERS Target Allocation	Long-term expected real rate of return*
Fixed Income	30.00%	30.00%	-0.50%
Domestic large stocks	39.80%	37.20%	9.00%
Domestic mid stocks	3.70%	3.40%	12.00%
Domestic small stocks	1.50%	1.40%	13.50%
International developed market stocks	19.40%	17.80%	8.00%
International emerging market stocks	5.60%	5.20%	12.00%
Alternative	0.00%	5.00%	10.50%
Total	100.00%	100.00%	

* Rates shown are net of the 2.75% assumed rate of inflation.

Note 13: RETIREMENT PLANS (CONTINUED)

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Discount Rate: The discount rate used to measure the total TRS and PSERS pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and nonemployer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the School District's proportionate share of the net pension liability to changes in the discount rate: The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	Decrease (6.50%)	Discount Rate (7.50%)	Increase (8.50%)
School District's proportionate share of the net pension liablity	$ 19,214,203	$ 11,708,001	$ 5,524,577

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued TRS and PSERS financial report which is publicly available at www.trsga.com/publications and http://www.ers.ga.gov/formspubs/formspubs.html.

Note 14: CHANGE IN ACCOUNTING PRINCIPLE – PRIOR PERIOD ADJUSTMENT

In fiscal year 2018, the School District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions.* The provisions of these statements establish accounting and financial reporting standards for post-employment benefits for retired employees of state and local governmental employers through pension plans that are administered through trusts. Implementation of this statement required the School District to record a liability for its proportionate share of the Net OPEB Liability of the School OPEB Fund. The following adjustment was required to net position of governmental activities to record the net pension liability as of July 1, 2017:

Net Position, Governmental Activities, previously reported	$ 11,021,155
Deferred outflows, contributions subsequent to measurement date	478,372
Proportionate share of Net School OPEB liability	(12,656,375)
Net Position, Governmental Activities, as restated	$ (1,156,848)

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MARION COUNTY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS RETIREMENT SYSTEM OF GEORGIA
FOR THE YEAR ENDED JUNE 30

Year Ended	School District's proportion of the net pension liability	School District's proportionate share of the net pension liability	State of Georgia's proportionate share of the net pension liability associated with the School District	Total	School District's covered payroll	School District's proportionate share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2018	0.062996%	$ 11,708,001	$ -	$ 11,708,001	$ 7,451,451	157.12%	79.33%
2017	0.062577%	$ 12,910,333	$ -	$ 12,910,333	$ 6,883,616	187.55%	76.06%
2016	0.065672%	$ 9,997,910	$ -	$ 9,997,910	$ 6,958,471	143.68%	81.44%
2015	0.068161%	$ 8,611,243	$ -	$ 8,611,243	$ 6,953,819	123.83%	84.03%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

MARION COUNTY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC SCHOOLS EMPLOYEES RETIREMENT SYSTEM OF GEORGIA
FOR THE YEAR ENDED JUNE 30

Year Ended	School District's proportion of the net pension liability	School District's proportionate share of the net pension liability	State of Georgia's proprotionate share of the net pension liaibility associated with the School District	Total	School District's covered payroll	School District's proportionate share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2018	0.00%	$ -	$ 142,951	$ 142,951	$ 407,062	N/A	85.69%
2017	0.00%	$ -	$ 162,208	$ 162,208	$ 371,411	N/A	81.00%
2016	0.00%	$ -	$ 107,498	$ 107,498	$ 335,232	N/A	87.00%
2015	0.00%	$ -	$ 98,846	$ 98,846	$ 340,799	N/A	88.29%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

MARION COUNTY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
SCHOOL OPEB FUND
FOR THE YEAR ENDED JUNE 30

SCHEDULE "3"

Year Ended	School District's proportion of the net OPEB liability	School District's proportionate share of the net OPEB liability	State of Georgia's proportionate share of the net OPEB liability associated with the School District	Total	School District's covered-employee payroll	School District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2018	0.091746%	$ 12,890,276	$ -	$ 12,890,276	$ 7,750,486	166.32%	1.61%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

MARION COUNTY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
TEACHERS RETIREMENT SYSTEM OF GEORGIA
FOR THE YEAR ENDED JUNE 30

Year Ended	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	School District's covered payroll	Contribution as a percentage of covered payroll
2018	$ 1,291,887	$ 1,291,887	$ -	$ 7,685,229	16.81%
2017	$ 1,063,322	$ 1,063,322	$ -	$ 7,451,451	14.27%
2016	$ 982,292	$ 982,292	$ -	$ 6,883,616	14.27%
2015	$ 915,039	$ 915,039	$ -	$ 6,958,471	13.15%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

MARION COUNTY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
SCHOOL OPEB FUND
FOR THE YEAR ENDED JUNE 30

Year Ended	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	School District's covered-employee payroll	Contributions as a percentage of covered-employee payroll
2018	$ 490,553	$ 490,553	$ -	$ 7,865,573	6.24%
2017	$ 478,372	$ 478,372	$ -	$ 7,750,486	6.17%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Teachers Retirement System

Changes of assumptions: In 2010 and later, the expectation of retired life mortality was changed to the RP 2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In 2010, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

On November 18, 2015, the Board adopted recommended changes to the economic and demographic assumptions utilized by the System. Primary among the changes were the updates to rates of mortality, retirement, disability, withdrawal and salary increases. The expectation of retired life mortality was changed to RP 2000 White Collar Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward one year for males).

Public School Employees Retirement System

Changes of assumptions: In 2010 and later, the expectation of retired life mortality was changed to the RP 2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience.

On December 17, 2015, the Board adopted recommended changes to the economic and demographic assumptions utilized by the System. Primary among the changes were the updates to rates of mortality, retirement and withdrawal. The expectation of retired life mortality was changed to the RP 2000 Blue Collar Mortality Table projected to 2025 with projection scale BB (set forward 3 years for males and 2 years for females).

School OPEB Fund

Changes of benefit terms: In the June 30, 2010 actuarial valuation, there was a change of benefit terms to require Medicare-eligible recipients to enroll in a Medicare Advantage plan to receive the State subsidy.

Changes in assumptions: In the revised June 30, 2017 actuarial valuation, there was a change relating to employee allocation. Employees were previously allocated based on their Retirement System membership, and currently employees are allocated based on their current employer payroll location. Additionally, there were changes to the discount rate and an increase in the investment rate of return due to a longer-term investment strategy.

In the June 30, 2015 actuarial valuation, decremental and underlying inflation assumptions were changed to reflect the Retirement Systems' experience studies.

In the June 30, 2012 actuarial valuation, a data audit was performed and data collection procedures and assumptions were changed.

MARION COUNTY BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2018

	NONAPPROPRIATED BUDGETS		ACTUAL	VARIANCE
	ORIGINAL (1)	FINAL (1)	AMOUNTS	OVER/UNDER
REVENUES				
Property Taxes	$ 3,464,214	$ 3,464,214	$ 3,942,942	$ 478,728
Sales Taxes	24,000	24,000	32,745	8,745
Other Taxes	-	-	16,626	16,626
State Funds	8,605,701	8,798,302	9,049,680	251,378
Federal Funds	1,995,033	2,171,889	1,924,515	(247,374)
Charges for Services	109,124	109,124	241,387	132,263
Investment Earnings	100	100	1,935	1,835
Miscellaneous	3,500	3,500	402,399	398,899
Total Revenues	14,201,672	14,571,129	15,612,229	1,041,100
EXPENDITURES				
Current				
Instruction	7,789,242	8,192,971	8,242,669	(49,698)
Support Services				
Pupil Services	438,079	443,943	389,570	54,373
Improvement of Instructional Services	815,848	830,668	870,294	(39,626)
Educational Media Services	274,489	288,489	196,785	91,704
General Administration	461,477	461,056	404,843	56,213
School Administration	1,063,046	1,063,046	968,339	94,707
Business Administration	211,397	211,397	210,488	909
Maintenance and Operation of Plant	1,306,178	1,306,434	1,347,805	(41,371)
Student Transportation Services	1,108,608	1,033,911	1,152,950	(119,039)
Central Support Services	66,490	64,990	41,748	23,242
Other Support Services	67,500	69,268	63,285	5,983
Enterprise Operations	-	-	142,846	(142,846)
Food Services Operation	1,113,287	1,148,287	1,033,013	115,274
Debt Service	-	-	92,722	(92,722)
Total Expenditures	14,715,641	15,114,460	15,157,357	(42,897)
Excess of Revenues over (under) Expenditures	(513,969)	(543,331)	454,872	998,203
OTHER FINANCING SOURCES (USES)				
Capital Lease	-	-	180,954	180,954
Proceeds from Sale of Capital Assets	4,100	4,100	25,344	21,244
Transfers in	5,000	72,868	-	(72,868)
Transfers out	(5,000)	(72,868)	(100,000)	(27,132)
Total Other Financing Sources (Uses)	4,100	4,100	106,298	102,198
Net Change in Fund Balances	(509,869)	(539,231)	561,170	1,100,401
Fund Balances - Beginning	2,422,387	2,422,387	2,422,387	-
Fund Balances - Ending	$ 1,912,518	$ 1,883,156	$ 2,983,557	$ 1,100,401

Notes to the Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual

(1) Original and Final Budget amounts do not include the budgeted revenues or expenditures of the various school activity accounts. The actual revenues and expenditures of the various principal accounts are $489,918 and $495,865, respectively.

The accompanying schedule of revenues, expenditures and changes in fund balances budget and actual is presented on the modified accrual basis of accounting which is the basis of accounting used in the presentation of the fund financial statements.

MARION COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018

FUNDING AGENCY PROGRAM/GRANT	CFDA NUMBER	PASS-THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD
Agriculture, U. S. Department of			
Child Nutrition Cluster			
Pass-Through From Georgia Department of Education			
Food Services			
School Breakfast Program	10.553	18185GA324N1099	$ 299,107
National School Lunch Program	10.555	18185GA324N1100	704,938
Total U. S. Department of Agriculture			1,004,045
Education, U.S. Department of			
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Grants to States	84.027	H027A160073	1,682
Grants to States	84.027	H027A170073	292,211
Preschool Grants	84.173	H173A160081	6,602
Total Special Education Cluster			300,495
Other Programs			
Pass-Through From Georgia Department of Education			
Career and Technical Education - Basic Grants to States	84.048	V048A160010	1,090
Career and Technical Education - Basic Grants to States	84.048	V048A170010	21,927
Supporting Effective Instruction State Grants	84.367	S367A170001	1,027
Migrant Education - State Grant Program	84.011	S011A160011	12,472
Migrant Education - State Grant Program	84.011	S011A170011	2,411
Rural Education	84.358	S358B160010	446
Rural Education	84.358	S358B170010	23,677
Title I Grants to Local Educational Agencies	84.010	S010A160010	9,223
Title I Grants to Local Educational Agencies	84.010	S010A170010-17A	589,503
Striving Readers	84.371	S371C170002-17C	3,616
Student Support and Academic Enrichment	84.424	S424A170011	11,877
Pass-Through From Southwest Georgia Regional Educational Services Agency			
Title III - Limited English Proficient	84.365	S365A170010	1,678
Total Other Programs			678,947
Total U. S. Department of Education			979,442
Total Expenditures of Federal Awards			$ 1,983,487

Notes to the Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Marion County Board of Education (the "Board") under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected protion of the operations of the Board, it is not intended to and does not present the financial position or changes in net position of the Board.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Board has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

MARION COUNTY BOARD OF EDUCATION
SCHEDULE OF STATE REVENUE
YEAR ENDED JUNE 30, 2018

AGENCY/FUNDING	GOVERNMENTAL FUND TYPE GENERAL FUND
GRANTS	
Bright From the Start:	
Georgia Department of Early Care and Learning	
Pre-Kindergarten Program	$ 298,569
Education, Georgia Department of	
Quality Basic Education	
Direct Instructional Cost	
Kindergarten Program	343,370
Kindergarten Program - Early Intervention Program	215,212
Primary Grades (1-3) Program	1,047,588
Primary Grades - Early Intervention (1-3) Program	314,610
Upper Elementary Grades (4-5) Program	451,456
Upper Elementary Grades - Early Intervention (4-5) Program	188,996
Middle Grades (6-8) Program	759,446
High School General Education (9-12) Program	964,518
Vocational Laboratory (9-12) Program	217,717
Students with Disabilities	826,598
Gifted Student - Category VI	150,902
Remedial Education Program	213,299
Alternative Education Program	64,844
English Speakers of Other Languages (ESOL)	72,898
Media Center Program	159,585
20 Days Additional Instruction	51,101
Staff and Professional Development	26,324
Principal Staff and Professional Development	544
Indirect Cost	
Central Administration	370,942
School Administration	327,168
Facility Maintenance and Operations	361,088
Amended Formula Adjustment	(138,578)
Categorical Grants	
Pupil Transportation	
Regular	369,504
Nursing Services	45,000
Sparsity	26,672
Vocational Supervisors	8,252
Education Equalization Funding Grant	1,197,699
Other State Programs	
Food Services	24,612
Math and Science Supplements	10,642
Preschool Handicapped Program	17,948
Vocational Education	36,945
Office of the State Treasurer	
Public School Employees Retirement	24,209
	$ 9,049,680

See notes to the basic financial statements.

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MARION COUNTY BOARD OF EDUCATION
SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

SCHEDULE "10"

PROJECT	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3) (4)	AMOUNT EXPENDED IN PRIOR YEARS (3) (4)	TOTAL COMPLETION COST	EXCESS PROCEEDS NOT EXPENDED	ESTIMATED COMPLETION DATE
2012 SPLOST							
Improving school facilities, purchasing school buses, school equipment, and acquiring safety and security equipment.	$ 750,000	$ 750,000	$ -	$ -	$ -	$ -	Complete
Making system-wide technology improvements, including, but not limited to, the acquisition and installation of instruction technology, security, and information systems hardware and associated software and accessories, and infrastructure at all schools and selected other facilities	400,000	400,000	-	-	-	-	Complete
To retire a portion of the principal and interest on the School District's previously incurred general obligation Series 2010B and 2010C Bonds coming due in the years 2013 through 2018	2,250,000	2,250,000	-	185,924	-	-	Complete
	$ 3,400,000	$ 3,400,000	$ -	$ 185,924	$ -	$ -	
2017 SPLOST							
To retire a portion of the principal and interest on the School District's previously incurred general obligation Series 2010B and 2010C Bonds coming due in the years 2018 through 2023	2,500,000	2,500,000	-	-	-	-	December 2022
(i) Making system-wide technology improvements, including, but not limited to, the acquisition and installation of instruction technology, security, and information system hardware and associated software and accessories, and infrastructure at all schools and selected other facilities; (ii) Improving school facilities, purchasing school buses, school equipment, and acquiring safety and security equipment	500,000	500,000	-	-	-	-	December 2022
	$ 3,000,000	$ 3,000,000	$ -	$ -	$ -	$ -	

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

(2) The School District's current estimate of total cost for the projects. Includes all cost from project inception to completion.

(3) The voters of Marion County approved the imposition of a 1% sales tax to fund the above projects and retire associated debt.

(4) $812,551 Interest paid on bonds in FY2018; $480,676 from Federal Subsidy; $331,756 from property taxes; $119 from sales taxes.

(5) Sinking Fund Payment of $493,944 made in January, 2018; $444,716 from sales taxes; $49,228 from property taxes.

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SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS

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DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 1-156
Atlanta, Georgia 30334-8400

Greg S. Griffin
STATE AUDITOR
(404) 656-2174

March 21, 2019

The Honorable Brian P. Kemp, Governor of Georgia
Members of the General Assembly of the State of Georgia
Members of the State Board of Education
and
Superintendent and Members of the
Marion County Board of Education

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*

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 Marion County Board of Education (School District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated March 21, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School District'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 School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

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

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Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District'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 School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Greg S. Griffin
State Auditor

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DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 1-156
Atlanta, Georgia 30334-8400

Greg S. Griffin
STATE AUDITOR
(404) 656-2174

March 21, 2019

The Honorable Brian P. Kemp, Governor of Georgia
Members of the General Assembly of the State of Georgia
Members of the State Board of Education
and
Superintendent and Members of the
Marion County Board of Education

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Report on Compliance for Each Major Federal Program

We have audited the Marion County Board of Education's (School District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018. The School District'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School District'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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 School District'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 School District's compliance.

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Opinion on Each Major Federal Program

In our opinion, the School District 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, 2018.

Report on Internal Control over Compliance

Management of the School District 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 School District'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 the Uniform Guidance, 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 School District'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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



Greg S. Griffin
State Auditor

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SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

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MARION COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

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SECTION IV

FINDINGS AND QUESTIONED COSTS

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MARION COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018

I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issue:
Governmental Activities; General Fund; Capital Projects Fund; Debt Service Fund; Aggregate Remaining Fund Information — Unmodified

Internal control over financial reporting:
- Material weakness identified? — No
- Significant deficiency identified? — None Reported

Noncompliance material to financial statements noted: — No

Federal Awards

Internal Control over major programs:
- Material weakness identified? — No
- Significant deficiency identified? — None Reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? — No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
10.553, 10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs: $750,000

Auditee qualified as low-risk auditee? Yes

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.