

MARION COUNTY
BOARD OF EDUCATION
BUENA VISTA, GEORGIA

ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2012
(Including Independent Auditor's Reports)

MARION COUNTY BOARD OF EDUCATION

- TABLE OF CONTENTS -

		Page
	SECTION I	
	FINANCIAL	
	INDEPENDENT AUDITOR'S COMBINED REPORT ON BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	
	REQUIRED SUPPLEMENTARY INFORMATION	
	MANAGEMENT'S DISCUSSION AND ANALYSIS	i
	EXHIBITS	
	BASIC FINANCIAL STATEMENTS	
	DISTRICT-WIDE FINANCIAL STATEMENTS	
A	STATEMENT OF NET ASSETS	1
B	STATEMENT OF ACTIVITIES	2
	FUND FINANCIAL STATEMENTS	
C	BALANCE SHEET GOVERNMENTAL FUNDS	3
D	STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS	4
E	RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES	5
F	STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES FIDUCIARY FUND	7
G	NOTES TO THE BASIC FINANCIAL STATEMENTS	8
	SCHEDULES	
	REQUIRED SUPPLEMENTARY INFORMATION	
1	SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL GENERAL FUND	27

MARION COUNTY BOARD OF EDUCATION

- TABLE OF CONTENTS -

Page

SECTION I

FINANCIAL

SCHEDULES

SUPPLEMENTARY INFORMATION

2	SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	28
3	SCHEDULE OF STATE REVENUE	29
4	SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS - 2008 ISSUE	30
5	ALLOTMENTS AND EXPENDITURES GENERAL FUND - QUALITY BASIC EDUCATION PROGRAM (QBE) BY PROGRAM	31

SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS

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*

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

SECTION IV

FINDINGS AND QUESTIONED COSTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION I

FINANCIAL

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

May 13, 2013

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
Marion County Board of Education

INDEPENDENT AUDITOR'S COMBINED REPORT ON BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Ladies and Gentlemen:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information (Exhibits A through G) of the Marion County Board of Education, as of and for the year ended June 30, 2012, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Marion County Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Marion County Board of Education, as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2013, on our consideration of the Marion County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations,

contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and the Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual, as presented on pages i through viii and page 27 respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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 regarding 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Marion County Board of Education's financial statements as a whole. The accompanying supplementary information consists of Schedules 2 through 5, which includes the Schedule of Expenditures of Federal Awards as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* are presented for purposes of additional analysis and are not a required part of the financial statements. 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 financial statements. The 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 financial statements or to the 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 as a whole.

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

GSG:as
2012ARL-11

MARION COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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, 2012. 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 2012 are as follows:

- ✓ The School District's financial status remained stable during fiscal year 2012. In total, net assets increased $4.2 million, which represents an increase from fiscal year 2011. This total increase was due to governmental activities since the School District has no business-type activities.

- ✓ General revenues accounted for $5.7 million or 31.5 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for $12.3 million or 68.5 percent of total revenues. Total revenues were $18.0 million.

- ✓ The School District had $13.8 million in expenses related to governmental activities; these expenses were offset by $12.3 million in program specific charges for services, grants or contributions. General revenues and taxes of $5.7 million also provided for these programs.

- ✓ Among major funds, the General Fund had $13.3 million in revenues and $12.6 million in expenditures. The General Fund's fund balance decreased from $3.0 million to $2.9 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 Assets* 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 Assets 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 2012?" The *Statement of Net Assets* 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 assets* and changes in those assets. This change in net assets 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 Assets 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 District-Wide 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 Assets 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 District-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 Assets is of the School District as a whole. Table 1 provides a summary of the School District's net assets for fiscal year 2012, compared to fiscal year 2011.

Table 1
Net Assets

	Governmental Activities	
	Fiscal Year 2012	Fiscal Year 2011
Assets		
Current and Other Assets	$ 7,569,097	$ 14,979,372
Capital Assets, Net	34,721,091	24,889,774
Total Assets	$ 42,290,188	$ 39,869,146
Liabilities		
Long-Term Liabilities Outstanding	$ 15,643,958	$ 15,970,742
Other Liabilities	3,054,959	4,461,270
Total Liabilities	$ 18,698,917	$ 20,432,012
Net Assets		
Invested in Capital Assets, Net of Related Debt	$ 19,077,133	$ 12,050,021
Restricted	1,544,473	4,174,377
Unrestricted	2,969,665	3,212,736
Total Net Assets	$ 23,591,271	$ 19,437,134

Table 2 shows the changes in net assets for fiscal year 2012 compared to fiscal year 2011. The total net assets increased $4.2 million for fiscal year 2012, compared to a $6.8 million increase for fiscal year 2011.

Table 2
Change in Net Assets

	Governmental Activities	
	Fiscal Year 2012	Fiscal Year 2011
Revenues		
Program Revenues:		
Charges for Services	$ 189,542	$ 192,319
Operating Grants and Contributions	8,177,788	8,563,445
Capital Grants and Contributions	3,958,110	6,286,510
Total Program Revenues	$ 12,325,440	$ 15,042,274
General Revenues:		
Taxes		
Property Taxes		
For Maintenance and Operations	$ 3,115,974	$ 3,132,812
For Debt Services	351,765	364,471
Sales Taxes	531,300	514,716
Other Taxes	43,699	38,254
Grants and Contributions not Restricted to Specific Programs	1,290,653	492,656
Investment Earnings	259	4,451
Miscellaneous	336,642	327,134
Total General Revenues	$ 5,670,292	$ 4,874,494
Total Revenues	$ 17,995,732	$ 19,916,768
Program Expenses:		
Instruction	$ 6,391,054	$ 7,183,859
Support Services		
Pupil Services	328,170	304,100
Improvement of Instructional Services	474,651	129,340
Educational Media Services	263,401	268,268
General Administration	637,598	699,187
School Administration	841,333	895,168
Business Administration	105,042	87,192
Maintenance and Operation of Plant	1,878,638	942,398
Student Transportation Services	952,444	880,189
Other Support Services	195,216	157,482
Operations of Non-Instructional Services		
School Nutrition	820,829	753,024
Enterprise Operations	108,642	83,369
Interest on Long-Term Debt	844,577	718,767
Total Expenses	$ 13,841,595	$ 13,102,343
Increase in Net Assets	$ 4,154,137	$ 6,814,425
Net Assets, Beginning of Year	19,437,134	12,622,709
Net Assets, End of Year	$ 23,591,271	$ 19,437,134

Governmental Activities

Instruction comprises 46.2 percent 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 2011 is also presented.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	Fiscal Year 2012	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2011
Instruction	$ 6,391,054	$ 7,183,859	$ -2,334,881	$ -4,666,304
Support Services:				
Pupil Services	328,170	304,100	198,637	199,524
Improvement of Instructional Services	474,651	129,340	378,864	59,388
Educational Media Services	263,401	268,268	95,448	63,264
General Administration	637,598	699,187	186,220	220,488
School Administration	841,333	895,168	438,864	528,457
Business Services	105,042	87,192	96,854	86,880
Maintenance and Operations	1,878,638	942,398	1,400,521	496,453
Student Transportation	952,444	880,189	459,537	353,242
Other Support Services	195,216	157,482	179,830	153,010
School Nutrition	820,829	753,024	-21,487	-23,121
Enterprise Operations	108,642	83,369	108,642	83,369
Interest on Long-Term Debt	844,577	718,767	329,106	505,419
Total Expenses	$ 13,841,595	$ 13,102,343	$ 1,516,155	$ -1,939,931

Although program revenues make up a majority of the revenues, the School District is still dependent upon tax revenues for governmental activities. In the current year, state funding through capital grants was received by the School District to offset the construction of the new middle/high school. These capital expenditures are capitalized on the District-wide financial statements and are not included in the expenses above.

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 $18.1 million and expenditures and other financing uses of $24.0 million. There was a decrease in fund balance of approximately $6.1 in the District-wide Capital Projects Fund due to construction of the new middle/high school. The fund balance of the General Fund had a decrease of over $59,000 due to the School District's funding expenditures for the construction of the new middle/high school prior to the subsequent receipt of State Capital Outlay funds. There was an increase in fund balance of approximately $266,000 in the Debt Service Fund. This was because all SPLOST distributions were deposited directly to a debt service fund to pay our 2010A, 2010B, and 2010C bond payments.

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 2012, 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 $11.47 million to $12.67 million while budgeted expenditures increased from $11.47 million to $12.64 million. Budgeted revenues increased due to a mid-term adjustment to equalization funding; budgeted expenditures increased due to an increase in health insurance costs.

The School District was in compliance with the state's 65% rule in 2012 through its Cohort Graduation Rate. Marion County School System's Cohort Graduation Rate is 75.18%. The State of Georgia's Cohort Graduation Rate is 67%.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2012, the School District had $34.7 million invested in capital assets, all in governmental activities. Table 4 indicates balances at June 30, 2012. Capital asset comparisons to fiscal year 2011 are also included.

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities	
	Fiscal Year 2012	Fiscal Year 2011
Land	$ 597,676	$ 597,676
Construction In Progress	25,302,366	15,283,655
Land Improvements	337,903	378,614
Building and Improvements	7,780,409	7,947,824
Equipment	702,737	682,005
Total	$ 34,721,091	$ 24,889,774

Debt

Long-Term Liabilities

At fiscal year ended June 30, 2012, the School District had $15.64 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

	Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012	Due Within One Year
Governmental Activities:					
Bonds Payable	$ 15,960,000	$ 0	$ -320,000	$ 15,640,000	$ 330,000
Premium	10,742		-6,784	3,958	3,958
Total Long-Term Liabilities	$ 15,970,742	$ 0	$ -326,784	$ 15,643,958	$ 333,958

Current Issues

The Marion County Board of Education's current operating millage rate is 14.546 mills. Our bond millage rate is 1.690 mills. Marion County residents are feeling the effects of the downward spiral our economy has taken and the Board feels that it should exhaust all efforts to reduce the maintenance and operations budget before asking for an increase in our millage rates that would certainly place a hardship on the property owners in Marion County.

The School District will continue to face challenges with the reduction of state and Federal funding for public education. Increasing healthcare costs will counteract a portion of our budget cuts.

Our SPLOST revenue and school bond ad valorem tax will be used to service our debt for the 2010A, 2010B and 2010C bonds.

In August 2012, the new middle/high school was complete and occupied. The old middle/high school was sold in January 2013.

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.

MARION COUNTY BOARD OF EDUCATION

EXHIBIT "A"

MARION COUNTY BOARD OF EDUCATION

STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 5,107,104
Investments	741,496
Receivables:	
Taxes	200,471
Intergovernmental:	
State	965,744
Federal	214,379
Other	2,291
Inventory	15,278
Deferred charges	322,334
Capital assets (nondepreciable)	25,900,042
Capital assets (net of accumulated depreciation)	8,821,049
Total assets	42,290,188
LIABILITIES	
Accounts payable	238,889
Salaries and benefits payable	1,178,392
Contracts payable	206,327
Accrued interest payable	341,313
Retainage payable	1,090,038
Bonds payable due within one year	333,958
Bonds payable due in more than one year	15,310,000
Total liabilities	18,698,917
NET ASSETS	
Invested in capital assets, net of related debt	19,077,133
Restricted for:	
Continuation of federal programs	322,092
Capital projects	201,120
Debt service	1,021,261
Unrestricted	2,969,665
Total net assets	$ 23,591,271

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

MARION COUNTY BOARD OF EDUCATION

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities
Governmental activities:					
Instruction	$ 6,391,054	$ 38,778	$ 5,320,738	$ 3,366,419	$ 2,334,881
Support services:					
Pupil services	328,170	12,982	116,551	-	(198,637)
Improvement of instructional services	474,651	-	95,787	-	(378,864)
Educational media services	263,401	-	167,953	-	(95,448)
General administration	637,598	-	451,378	-	(186,220)
School administration	841,333	-	402,469	-	(438,864)
Business administration	105,042	-	8,188	-	(96,854)
Maintenance and operation of plant	1,878,638	25,720	452,397	-	(1,400,521)
Student transportation services	952,444	-	416,687	76,220	(459,537)
Central support services	128,334	-	9,201	-	(119,133)
Other support services	66,882	-	6,185	-	(60,697)
Enterprise operations	108,642	-	-	-	(108,642)
Food service operations	820,829	112,062	730,254	-	21,487
Interest on long-term debt	844,577	-	-	515,471	(329,106)
Total governmental activities	13,841,595	189,542	8,177,788	3,958,110	(1,516,155)
General revenues:					
Taxes:					
Property taxes, levied for maintenance and operations					3,115,974
Property taxes, levied for debt service					351,765
Sales taxes, for debt service					531,300
Intangible taxes					22,191
Transfer taxes					10,639
Railroad equipment tax					10,869
Grants and contributions not restricted to specific programs					1,290,653
Unrestricted investment earnings					259
Miscellaneous					336,642
Total general revenues					5,670,292
Change in net assets					4,154,137
Net assets, beginning of year					19,437,134
Net assets, end of year					$ 23,591,271

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

MARION COUNTY BOARD OF EDUCATION

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

ASSETS	General	District-Wide Capital Projects	Debt Service	Total Governmental Funds
Cash and cash equivalents	$ 2,948,661	$ 1,600,726	$ 557,717	$ 5,107,104
Investments	-	-	741,496	741,496
Receivables:				
Taxes	143,418	-	57,053	200,471
Intergovernmental:				
State	965,744	-	-	965,744
Federal	214,379	-	-	214,379
Other	2,291	-	-	2,291
Inventory	15,278	-	-	15,278
Total assets	$ 4,289,771	$ 1,600,726	$ 1,356,266	$ 7,246,763
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 135,648	$ 103,241	$ -	$ 238,889
Salaries and benefits payable	1,178,392	-	-	1,178,392
Contracts payable	-	206,327	-	206,327
Retainage Payable	-	1,090,038	-	1,090,038
Deferred revenue	28,352	-	3,176	31,528
Total liabilities	1,342,392	1,399,606	3,176	2,745,174
FUND BALANCES				
Nonspendable: inventory	15,278	-	-	15,278
Restricted:				
Federal programs	306,814	-	-	306,814
Capital projects	-	201,120	-	201,120
Debt service	-	-	1,353,090	1,353,090
Assigned:				
Student activities	116,521	-	-	116,521
Subsequent years' budget	559,591	-	-	559,591
Capital projects	271,929	-	-	271,929
Employee benefits	144,000	-	-	144,000
Unassigned	1,533,246	-	-	1,533,246
Total fund balances	2,947,379	201,120	1,353,090	4,501,589
Total liabilities and fund balances	$ 4,289,771	$ 1,600,726	$ 1,356,266	

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

Capital assets used in governmental activities are not financial resources and are not reported in the funds.			
	Cost	42,294,836	
	Less accumulated depreciation	(7,573,745)	34,721,091
Other long-term assets are not available to pay for current-period expenditures and are deferred in the funds.			
	Property taxes		31,528
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.			
	Bonds	(15,640,000)	
	Bond premium, net of amortization	(3,958)	
	Bond issuance costs, net of amortization	322,334	
	Accrued interest	(341,313)	(15,662,937)
Net assets of governmental activities			$ 23,591,271

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

MARION COUNTY BOARD OF EDUCATION

EXHIBIT "D"

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	General	District-Wide Capital Projects	Debt Service	Total Governmental Funds
REVENUES				
Property taxes	$ 3,196,210	$ -	$ 361,250	$ 3,557,460
Sales taxes	29,407	-	534,723	564,130
Other taxes	10,869	-	-	10,869
State funds	7,737,020	3,287,041	-	11,024,061
Federal funds	1,807,640	-	515,471	2,323,111
Charges for services	189,542	-	-	189,542
Investment earnings	123	67	69	259
Miscellaneous	336,642	79,379	-	416,021
Total revenues	13,307,453	3,366,487	1,411,513	18,085,453
EXPENDITURES				
Current:				
Instruction	6,995,708	100,221	-	7,095,929
Support Services:				
Pupil services	328,170	-	-	328,170
Improvement of instructional services	474,651	-	-	474,651
Educational media services	263,401	-	-	263,401
General administration	622,324	12,169	-	634,493
School administration	841,333	-	-	841,333
Business administration	92,932	12,110	-	105,042
Maintenance and operation of plant	947,129	985,862	-	1,932,991
Student transportation services	938,055	-	-	938,055
Central support services	124,437	-	-	124,437
Other support services	66,882	-	-	66,882
Enterprise operations	108,642	-	-	108,642
Food services operation	776,971	-	-	776,971
Capital outlay	-	9,140,838	-	9,140,838
Debt service:				
Principal retirement	-	-	320,000	320,000
Interest and fees	-	-	825,551	825,551
Total expenditures	12,580,635	10,251,200	1,145,551	23,977,386
Excess (deficiency) of revenues over (under) expenditures	726,818	(6,884,713)	265,962	(5,891,933)
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	3,500	-	-	3,500
Transfers in	-	789,624	-	789,624
Transfers out	(789,624)	-	-	(789,624)
Total other financing sources (uses)	(786,124)	789,624	-	3,500
Net change in fund balances	(59,306)	(6,095,089)	265,962	(5,888,433)
FUND BALANCE, beginning of year	3,006,685	6,296,209	1,087,128	10,390,022
FUND BALANCE, end of year	$ 2,947,379	$ 201,120	$ 1,353,090	$ 4,501,589

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

MARION COUNTY BOARD OF EDUCATION

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds		$ (5,888,433)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The net effect of the amount by which capital outlay exceeded depreciation is to increase net assets.		
Capital outlay	10,243,784	
Depreciation expense	(407,517)	9,836,267
Net effect of various miscellaneous transactions involving fixed assets (sales, trade-ins, donations, etc.) is to decrease net assets.		(4,950)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes		(89,721)
Issuance of long-term debt provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related		
Principal payments - bonds	320,000	
Bond premium amortization expense	6,784	
Bond issuance costs amortization expense	(28,477)	298,307
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in accrued interest		2,667
		$ 4,154,137

The accompanying notes are an integral part of these financial statements

(This page left intentionally blank)

EXHIBIT "F"

MARION COUNTY BOARD OF EDUCATION

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
JUNE 30, 2012

	Agency Fund
ASSETS	
Cash	$ 14,488
Investments	30,942
Total assets	$ 45,430
LIABILITIES	
Funds held for others	$ 45,430

The accompanying notes are an integral part of these financial statements

Note 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

Reporting Entity

The Marion County Board of Education (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

BASIS OF PRESENTATION

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

District-wide Statements

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements (Continued)

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 of the School District, except those resources required to be accounted for in another fund.

- The *District-wide Capital Projects Fund* accounts for and reports financial resources including Special Purpose Local Option Sales Tax (SPLOST), grants from the Georgia State Financing and Investing Commission, and Bond Proceeds that are restricted, committed, or assigned to the expenditure of capital outlays, 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, interest and paying agent's fees.

The School District reports the following fiduciary fund type:

- *Agency Funds* account for assets held by the School District as an agent for various funds, governments or individuals.

Basis of Accounting

The basis of accounting determines when transactions are reported in the financial statements. The District-wide governmental activities and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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. 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.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

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 assets 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.

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 Government Accounting Standards Board (GASB) Statement No. 33, paragraph 74, the State of Georgia recognizes its QBE liability for the July and August salaries at June 30, and the School System recognizes the same QBE as a receivable and revenue, consistent with symmetrical recognition.

Cash and Cash Equivalents

Composition of Deposits - Cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition in authorized financial institutions. Official Code of Georgia Annotated 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.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Composition of Investments - 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. Both participating interest-earning contracts and money market investments with a maturity at purchase greater than one year are reported at fair value. The Official Code of Georgia Annotated Section 36-83-4 authorizes the School District to invest its funds. In selecting among options for investment or among institutional bids for deposits, the highest rate of return shall be the objective, given equivalent conditions of safety and liquidity.

Funds may be invested in the following:

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

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.

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.

Property Taxes

The Marion County Board of Commissioners fixed the property tax levy for the 2011 tax digest year (calendar year) on August 29, 2011 (levy date). Taxes were due on December 20, 2011 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2011 tax digest are reported as revenue in the governmental funds for fiscal year 2012. 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, 2012, for maintenance and operations and debt service, amounted to $3,196,210 and $361,250, respectively.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes (Continued)

Tax millage rates levied for the 2011 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	14.546	mills
School Bonds	1.690	mills
	16.236	mills

Sales Taxes

Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to $531,300 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

Inventories

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

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

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

	Capitalization Policy	Estimated Useful Life
Land	All	N/A
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

Depreciation is used to allocate the actual or estimated historical cost of all capital assets over estimated useful lives.

General Obligation Bonds

The School District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. In the District-wide financial statements, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are reported as deferred charges and amortized over the term of the debt.

In the fund financial statements, the School District recognizes bond premiums and discounts, as well as bond issuance costs during the fiscal year bonds are issued. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. In addition, general obligation bonds have been issued to refund existing general obligation bonds. General obligation bonds are direct obligations and pledge the full faith and credit of the government. The outstanding amount of these bonds is recorded in the Statement of Net Assets.

Net Assets

The School District's net assets in the District-wide Statements are classified as follows:

Invested in Capital Assets, Net of Related Debt - This represents the School District's total investment in capital assets, net of 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 invested in capital assets, net of related debt.

Restricted Net Assets - These represent resources for which the School District is legally or contractually obligated to spend resources for bus replacement, continuation of Federal programs, debt service and capital projects in accordance with restrictions imposed by external third parties.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets (Continued)

Unrestricted Net Assets - Unrestricted net assets represent resources derived from property taxes, sales taxes, grants and contributions not restricted to specific programs, charges for services, and miscellaneous revenues. These resources are used for transactions relating to the educational and general operations of the School District, and may be used at the discretion of the Board to meet current expenses for those purposes.

Fund Balance

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 - All amounts not contained in other classifications and the residual classification of the General Fund only. Unassigned amounts are available for any legal purpose.

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.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance (Continued)

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.

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.

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.

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 Official Code of Georgia Annotated section 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 five percent 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 five percent 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.

Note 3: BUDGETARY DATA (CONTINUED)

See Schedule 1 - General Fund Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual for a detail of any over/under expenditures during the fiscal year under review.

Note 4: DEPOSITS AND INVESTMENTS

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

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

(1) Surety bond signed by a surety company duly qualified and authorized to transact business within the State of Georgia,
(2) Insurance on accounts provided by the Federal Deposit Insurance Corporation,
(3) Bonds, bills, notes, certificates of indebtedness or other direct obligations of the United States or of the State of Georgia,
(4) Bonds, bills, notes, certificates of indebtedness or other obligations of the counties or municipalities of the State of Georgia,
(5) Bonds of any public authority created by the laws of the State of Georgia, providing that the statute that created the authority authorized the use of the bonds for this purpose,
(6) Industrial revenue bonds and bonds of development authorities created by the laws of the State of Georgia, and
(7) Bonds, bills, notes, certificates of indebtedness, or other obligations of a subsidiary corporation of the United States government, which are fully guaranteed by the United States government both as to principal and interest or debt obligations issued by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, the Central Bank for Cooperatives, the Farm Credit Banks, the Federal Home Loan Mortgage Association, and the Federal National Mortgage Association.

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, 2012, the bank balances were $5,665,916. The bank balances were entirely covered by Federal depository insurance or collateralized with securities held by the pledging financial institution in the School District's name.

Note 4: DEPOSITS AND INVESTMENTS (CONTINUED)

Categorization of Investments

At June 30, 2012, the School System had the following investments:

Investment	Maturities	Rating*	Fair Value
Certificate of deposit	May 14, 2013	N/A	$ 30,942
Federated Treasury (money market mutual fund)	49 day weighted average	AAAm	741,496
			$ 772,438

*Rating as per Standard & Poor's

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, 2012, $741,496 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. The School District does not have a formal policy for managing credit quality risk.

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 Federated Treasury money market fund. This investment is 96% 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 during the fiscal year:

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	$ 597,676		$ 0	$ 597,676
Construction in Progress	15,283,655	$ 10,018,711		25,302,366
Total Capital Assets Not Being Depreciated	15,881,331	10,018,711	0	25,900,042
Capital Assets Being Depreciated				
Buildings and Improvements	12,436,509	58,080		12,494,589
Equipment	2,305,996	157,133	(20,500)	2,442,629
Land Improvements	1,447,716	9,860		1,457,576
Total Capital Assets Being Depreciated	16,190,221	225,073	(20,500)	16,394,794
Less Accumulated Depreciation for:				
Buildings and Improvements	(4,488,685)	(225,495)		(4,714,180)
Equipment	(1,623,991)	(131,451)	15,550	(1,739,892)
Land Improvements	(1,069,102)	(50,571)		(1,119,673)
Total Accumulated Depreciation	(7,181,778)	(407,517)	15,550	(7,573,745)
Total Capital Assets Being Depreciated, Net	9,008,443	(182,444)	(4,950)	8,821,049
Total Governmental Activities Capital Assets, Net	$ 24,889,774	$ 9,836,267	$ (4,950)	$ 34,721,091

Current year depreciation expense by function is as follows:

Instruction		$ 246,768
Support Services		
General Administration	$ 1,655	
Maintenance and Operation of Plant	9,845	
Student Transportation Services	101,494	
Central Support Services	3,897	116,891
Food Services		43,858
		$ 407,517

Note 7: INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2012, consisted of the following:

Transfers To	Transfers From General Fund
District-wide Capital Projects Fund	$ 789,624

Interfund transfers were used to transfer monies from the General Fund to fund expenditures related to the construction of the new middle/high school in the District-wide Capital Projects Fund.

Note 8: 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 acts of God.

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 acts of God. 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 9: OPERATING LEASES

Marion County Board of Education has entered into various leases as lessee for copiers. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the year ended June 30, 2012, for governmental funds amounted to $17,860. Future minimum lease payments for these leases are as follows:

Fiscal Year Ended June 30	Principal
2013	$ 5,140

Note 10: LONG-TERM DEBT

General Obligation Bonds Outstanding

On September 2, 2010, the District issued General Obligation Bonds Series 2010B (Qualified School Construction Bonds) and Series 2010C (Build America Bonds) in the amounts of $7,595,000 and $7,715,000, respectively. The Series 2010B and Series 2010C Bonds were issued for the purpose of building a new middle/high school.

On September 16, 2010, the Marion County Board of Education issued $935,000 in General Obligation Refunding Bonds to currently refund $1,275,000 of outstanding bonds. The bond issue of $935,000 less bond issuance costs of $28,768 provided net proceeds of $906,232. The total net proceeds plus additional debt service funds of $356,000 were used to call or redeem the 1998 Bonds. The Marion County Board of Education refunded the aforementioned bonds to reduce its total debt service payments and to obtain an economic gain (difference between the present values of total debt service payments and the old and new debt) of $52,285.

General obligation bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
General Government - Refunding - Series 2010A	2.00%	$ 330,000
General Government - Series 2010B	5.05%	7,595,000
General Government - Series 2010C	5.168% - 5.768%	7,715,000
		$ 15,640,000

Note 10: LONG-TERM DEBT (CONTINUED)

Changes in Long-Term Debt

The changes in long-term debt during the fiscal year ended June 30, 2012, were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
General Obligation Bonds	$ 15,960,000	$ -	$ (320,000)	$ 15,640,000	$ 330,000
Amortization of Premium	10,742	-	(6,784)	3,958	3,958
	$ 15,970,742	$ -	$ (326,784)	$ 15,643,958	$ 333,958

Scheduled Maturities of Long-Term Debt

At June 30, 2012, payments due by fiscal year which includes principal and interest for these items are as follows:

	General Obligation Debt		Unamortized
	Principal	Interest	Bond Premium
Fiscal Year Ended June 30:			
2013	$ 330,000	$ 819,151	$ 3,958
2014	-	812,551	
2015	-	812,551	
2016	-	812,551	
2017	-	812,551	
2018 - 2022	-	4,062,756	
2023 - 2027	7,595,000	4,062,756	
2028 - 2032	2,560,000	1,887,089	
2033 - 2037	3,045,000	1,139,496	
2038 - 2040	2,110,000	246,582	
Total Principal and Interest	$ 15,640,000	$ 15,468,034	$ 3,958

Note 11: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of $866,139 for health insurance and retirement contributions paid on the School District's behalf by the following state agencies.

Georgia Department of Education
Paid to the Georgia Department of Community Health
For Health Insurance of Certified Personnel
In the amount of $850,874

Office of the State Treasurer
Paid to the Public School Employees' Retirement System
For Public School Employees' Retirement (PSERS) Employer's Cost
In the amount of $15,265

Note 12: SIGNIFICANT COMMITMENTS

The following is an analysis of significant outstanding construction or renovation contracts executed by the School District as of June 30, 2012, together with funding available:

Project	Unearned Executed Contracts	Funding Available From State
10RA-696-009	$ -	$ 902,260
10/09SLW-696-004		159,294
	$ -	$ 1,061,554

Note 13: 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. The School District believes that such disallowances, if any, will be immaterial to its overall financial position.

Note 14: OTHER POST-EMPLOYMENT BENEFITS

Georgia Retiree Health Benefit Fund

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

Note 14: OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Georgia Retiree Health Benefit Fund (Continued)

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

Participating employers are statutorily required to contribute in accordance with the employer contribution rates established by the Board. The contribution rates are established to fund all benefits due under the health insurance plans for both active and retired employees based on projected "pay-as-you-go" financing requirements. Contributions are not based on the actuarially calculated annual required contribution (ARC) which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The combined active and retiree contribution rates established by the Board for employers participating in the School OPEB Fund were as follows for the fiscal year ended June 30, 2012:

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

June 2011	1.429%	of covered payroll for July coverage
July 2011	18.534%	of covered payroll for August coverage
August 2011 - March 2012	24.000%	of covered payroll for September - April coverage
April 2012 - June 2012	3.958%	of covered payroll for May - July coverage

For non-certificated school personnel:

July 2011 - August 2011	$246.20 per member per month
September 2011 - June 2012	$296.20 per member per month

Note 14: OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Georgia Retiree Health Benefit Fund (Continued)

No additional contribution was required by the Board for fiscal year 2012 nor contributed to the School OPEB Fund to prefund retiree benefits. Such additional contribution amounts are determined annually by the Board in accordance with the School plan for other postemployment benefits and are subject to appropriation.

Currently, the state is requiring that local Boards of Education pay only on active employees. The School District's contribution to the health insurance plans for the fiscal years ended June 30, 2012, 2011 and 2010 was $1,225,268, $1,142,098 and $1,173,826, respectively, which equaled the required contribution. Currently, the State of Georgia has been making the remaining contributions to fund the pay as you go financing on behalf of all local Boards of Education (see Note 1 for discussion of on-behalf payments).

Note 15: RETIREMENT PLAN

Teachers' Retirement System of Georgia (TRS)

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

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

TRS provides service retirement, disability retirement, and survivor's benefits. The benefit structure of TRS is defined and may be amended by state statute. A member is eligible for normal service retirement after 30 years of creditable service, regardless of age, or after 10 years of service and attainment of age 60. A member is eligible for early retirement after 25 years of creditable service. Normal retirement (pension) benefits paid to members are equal to 2% of the average of the member's two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. Early retirement benefits are reduced by the lesser of one-twelfth of 7% for each month the member is below age 60 or by 7% for each year or fraction thereof by which the member has less than 30 years of service. It is also assumed that certain cost-of-living adjustments, based on the Consumer Price Index, will be made in future years. Retirement benefits are payable monthly for life. A member may elect to receive a partial lump-sum distribution in addition to a reduced monthly retirement benefit. Death, disability and spousal benefits are also available.

Note 15: RETIREMENT PLAN (CONTINUED)

Teachers' Retirement System of Georgia (TRS) (Continued)

Funding Policy. TRS is funded by member and employer contributions as adopted and amended by the Board of Trustees. Members become fully vested after 10 years of service. If a member terminates with less than 10 years of service, no vesting of employer contributions occurs, but the member's contributions may be refunded with interest. Member contributions are limited by state law to not less than 5% or more than 6% of a member's earnable compensation. Member contributions as adopted by the Board of Trustees for the fiscal year ended June 30, 2012, were 5.53% of annual salary. The member contribution rate will increase to 6.00% effective July 1, 2012. Employer contributions required for fiscal year 2012 were 10.28% of annual salary as required by the June 30, 2009, actuarial valuation. The employer contribution rate will increase to 11.41% effective July 1, 2012.

Employer contributions for the current fiscal year and the preceding two fiscal years are as follows:

Fiscal Year	Percentage Contributed	Required Contribution
2012	100%	$ 710,760
2011	100%	$ 703,063
2010	100%	$ 735,008

Public School Employees' Retirement System (PSERS)

Bus drivers, lunchroom personnel, and maintenance and custodial personnel are members of the Public School Employee's Retirement System of Georgia (PSERS). The PSERS is funded by contributions from employees and the State of Georgia. The School District makes no contribution to this plan. See Note 11: On-behalf payments for information on the contributions made by the State of Georgia on behalf of the School District's employees.

Note 16: SUBSEQUENT EVENT

On November 6, 2012, the voters of Marion County approved the continuation of the sales and use tax for education. The proceeds of the Special 1% Tax will be used by the School District for the following educational purposes: (1) a maximum of $2,250,000 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 year 2013 through 2018, which were issued with respect to the capital outlay projects of the School District; and (2) the following capital outlay projects (the "Projects") at a maximum cost of $1,150,000; (a) 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; and (b) improving school facilities, purchasing school buses, school equipment, and acquiring safety and security equipment.

In the subsequent fiscal year, the School District authorized the sale of an asset (including land) with a total net book value of $1,718,550.00 at June 30, 2012. The purchase price for the asset was $140,000.00.

(This page left intentionally blank)

SCHEDULE "1"

MARION COUNTY BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Budget			Variance With
	Original (1)	Final (1)	Actual	Final Budget
REVENUES				
Property taxes	$ 3,110,000	$ 3,110,000	$ 3,196,210	$ 86,210
Sales taxes	30,000	30,000	29,407	(593)
Other taxes	-	-	10,869	10,869
State funds	6,496,480	7,565,557	7,737,020	171,463
Federal funds	1,681,137	1,813,088	1,807,640	(5,448)
Charges for services	146,389	146,389	189,542	43,153
Investment earnings	357	357	123	(234)
Miscellaneous	2,354	2,354	336,642	334,288
Total revenues	11,466,717	12,667,745	13,307,453	639,708
EXPENDITURES				
Current:				
Instruction	5,953,663	7,117,167	6,995,708	121,459
Support services:				
Pupil services	482,857	485,060	328,170	156,890
Improvement of instructional services	370,723	371,019	474,651	(103,632)
Educational media services	272,937	272,937	263,401	9,536
General administration	771,352	775,255	622,324	152,931
School administration	780,529	780,529	841,333	(60,804)
Business administration	88,675	88,675	92,932	(4,257)
Maintenance and operation of plant	975,726	975,726	947,129	28,597
Student transportation services	849,258	849,994	938,055	(88,061)
Central support services	47,057	47,057	124,437	(77,380)
Other support services	64,914	67,851	66,882	969
Enterprise operations	-	-	108,642	(108,642)
Food services operations	809,026	808,426	776,971	31,455
Total expenditures	11,466,717	12,639,696	12,580,635	59,061
Excess of revenues over expenditures	-	28,049	726,818	698,769
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	-	3,500	3,500
Transfers in	2,400	2,400	-	(2,400)
Transfers out	(2,400)	(2,400)	(789,624)	(787,224)
Total other financing sources (uses)	-	-	(786,124)	(786,124)
Net change in fund balances	-	28,049	(59,306)	(87,355)
FUND BALANCE, beginning of year	3,006,685	3,006,685	3,006,685	-
FUND BALANCE, end of year	$ 3,006,685	$ 3,034,734	$ 2,947,379	$ (87,355)

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

(1) Original and Final Budget amounts do not include actual revenues ($319,591) or expenditures ($291,667) of the various school activity accounts.

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.

See notes to the basic financial statements.

MARION COUNTY BOARD OF EDUCATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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	N/A	$ (1)	
National School Lunch Program	*	10.555	N/A	755,903	(2)
Total Child Nutrition Cluster				755,903	
Education, U. S. Department of					
Special Education Cluster					
Pass-Through From Georgia Department of Education					
Special Education					
Grants to States		84.027	N/A	270,772	
Preschool Grants		84.173	N/A	6,906	
Total Special Education Cluster				277,678	
Title I, Part A Cluster					
Pass-Through From Georgia Department of Education					
Title I Grants to Local Educational Agencies	*	84.010	N/A	632,306	
Other Programs					
Pass-Through From Georgia Department of Education					
Career and Technical Education - Basic Grants to States		84.048	N/A	37,193	
Education Jobs Fund		84.410	N/A	3,166	
Improving Teacher Quality State Grants		84.367	N/A	91,632	
Migrant Education - State Grant Program		84.011	N/A	24,925	
Rural Education		84.358	N/A	30,637	
Pass-Through From Southwest Georgia Regional Educational Service Agency					
Title III - Limited English Proficient		84.365	N/A	916	
				188,469	
Total U. S. Department of Education				1,098,453	
Total Expenditures of Federal Awards				$ 1,854,356	

N/A = Not Available

Notes to the Schedule of Expenditures of Federal Awards

(1) Expenditures for the funds earned on the School Breakfast Program ($210,276) were not maintained separately and are included in the National School Lunch Program.

(2) Includes the Federally assigned value of donated commodities for the Food Donation Program in the amount of $50,861.

Major Programs are identified by an asterisk (*) in front of the CFDA number.

The School District did not provide Federal Assistance to any Subrecipient.

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the Marion County Board of Education and is presented on the modified accrual basis of accounting used in the presentation of the fund financial statements.

See notes to the basic financial statements.

MARION COUNTY BOARD OF EDUCATION

SCHEDULE OF STATE REVENUE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Agency/Funding	Governmental Fund Types: General Fund	Governmental Fund Types: Capital Projects Fund	Total
Grants			
Bright From the Start:			
Georgia Department of Early Care and Learning			
Pre-Kindergarten Program	$ 245,722	$ -	$ 245,722
Education, Georgia Department of			
Quality Basic Education			
Direct Instructional Cost			
Kindergarten Program	326,328	-	326,328
Kindergarten Program - Early Intervention Program	139,349	-	139,349
Primary Grades (1-3) Program	735,737	-	735,737
Primary Grades - Early Intervention (1-3) Program	99,885	-	99,885
Upper Elementary Grades (4-5) Program	396,430	-	396,430
Upper Elementary Grades - Early Intervention (4-5) Program	216,765	-	216,765
Middle Grades (6-8) Program	(20,334)	-	(20,334)
Middle School (6-8) Program	768,057	-	768,057
High School General Education (9-12) Program	645,829	-	645,829
Vocational Laboratory (9-12) Program	259,133	-	259,133
Students with Disabilities	669,592	-	669,592
Program for Intellectually Gifted Students - Category VI	165,786	-	165,786
Remedial Education Program	35,109	-	35,109
Alternative Education Program	58,597	-	58,597
Media Center Program	126,625	-	126,625
20 Days Additional Instruction	39,470	-	39,470
Staff and Professional Development	26,955	-	26,955
Indirect Cost			
Central Administration	312,172	-	312,172
School Administration	267,816	-	267,816
Facility Maintenance and Operations	339,980	-	339,980
Categorical Grants			
Pupil Transportation			
Pupil Transportation	349,182	-	349,182
State Bonds	76,220	-	76,220
Nursing Services	37,381	-	37,381
Vocational Supervisors	7,047	-	7,047
Education Equalization Funding Grant	1,290,653	-	1,290,653
Food Services	21,068	-	21,068
Vocational Education	215,458	-	215,458
Amended Formula Adjustment	(992,959)	-	(992,959)
On-behalf payments	850,874	-	850,874
Other State Programs			
Dual Enrollment	3,060	-	3,060
Move on When Ready	100	-	100
Preschool Handicapped Program	8,268	-	8,268
Virtual Schools Grant	400	-	400
Total Grants from Georgia Department of Education	7,476,033	-	7,476,033
Georgia State Financing and Investment Commission			
Reimbursement on Construction Projects	-	3,287,041	3,287,041
Office of State Treasurer			
Public School Employees Retirement	15,265	-	15,265
	$ 7,737,020	$ 3,287,041	$ 11,024,061

See notes to the basic financial statements.

MARION COUNTY BOARD OF EDUCATION

SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS - 2008 ISSUE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Project	Original Estimated Cost (1)	Current Estimated Costs (2)	Expended In Current Year (3) (4) (5)	Expended In Prior Years (3) (4)	Total Completion Cost	Estimated Completion Date
Renovating, extending, repairing and equipping existing schools, including roofs and HVAC	$ 150,000	$ 150,000	$ 42,270	$ 56,080	$ 98,350	December 31, 2012
Renovating, extending, repairing and equipping athletic facilities, including baseball field lights, baseball and softball dugouts and tennis concessions	78,000	78,000	-	3,310	3,310	December 31, 2012
Acquiring and installing system-wide instructional and administrative, technology, safety and security equipment	75,000	75,000	7,000	8,396	15,396	December 31, 2012
Renovating, extending, repairing and equipping the bus shop	25,000	25,000	-	-	-	December 31, 2012
Renovating, extending, repairing and equipping the sewage treatment plant	75,000	75,000	-	9,455	9,455	Complete
Acquisition of school buses, transportation equipment and maintenance equipment	150,000	150,000	-	36,492	36,492	December 31, 2012
Acquisition of fine arts, vocational, instructional and athletic equipment	100,000	100,363	-	7,709	7,709	December 31, 2012
Acquiring any necessary property therefore, both real and personal	25,000	25,000	-	-	-	December 31, 2012
Retiring the Marion County School District General Obligation Refunding Bonds, Series 1998 (Refunded by the Series 2010A Bonds)	1,100,000	1,100,000	320,000	684,028	1,004,028	February 1, 2013
	$ 1,778,000	$ 1,778,363	$ 369,270	$ 805,470	$ 1,174,740	

(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 project(s). 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) In addition to the expenditures shown above, the School District has incurred interest to provide advance funding for the above projects.

Prior years	$ 25,794
Current year	13,000
Total	$ 38,794

(5) Amounts above include $320,000 in principal payments on the 2010A Bonds paid in the Debt Service Fund.

(6) Expenditures in the capital projects fund included $10,201,930 not related to the special purpose local option sales tax.

(7) As of June 30, 2012, there were no excess proceeds which were not yet expended.

See notes to the basic financial statements.

MARION COUNTY BOARD OF EDUCATION
SCHEDULE OF QUALITY BASIC EDUCATION PROGRAM (QBE)
ALLOTMENTS AND EXPENDITURES BY PROGRAM
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Description	Allotments From Georgia Department of Education (1) (2)	Eligible QBE Program Costs		
		Salaries	Operations	Total
Direct Instructional Funds:				
Kindergarten Program	$ 384,001	$ 391,102	$ 5,458	$ 396,560
Kindergarten Program - Early Intervention Program	140,818	288	-	288
Primary Grades (1-3) Program	835,423	850,557	24,700	875,257
Primary Grades - Early Intervention (1-3) Program	111,841	213,030	-	213,030
Upper Elementary Grades (4-5) Program	448,189	488,395	6,427	494,822
Upper Elementary Grades-Early Intervention (4-5) Program	234,215	233,290	-	233,290
Middle Grades (6-8) Program	-	14,838	264	15,102
Middle School (6-8) Program	838,553	957,694	8,018	965,712
High School General Education (9-12) Program	739,596	947,030	49,028	996,058
Vocational Laboratory (9-12) Program	295,360	309,655	15,687	325,342
Students with Disabilities	752,083	-	-	-
Category I	-	102,148	-	102,148
Category II	-	110,231	-	110,231
Category III	-	324,354	3,789	328,143
Category IV	-	32,191	-	32,191
Category V	-	562	-	562
Gifted Student - Category VI	180,824	37,577	950	38,527
Remedial Education Program	38,936	-	3	3
Alternative Education Program	67,115	114,759	-	114,759
TOTAL DIRECT INSTRUCTIONAL PROGRAMS	5,066,954	5,127,701	114,324	5,242,025
Media Center Program	143,036	237,380	16,431	253,811
Staff and Professional Development	30,478	-	-	14,394
TOTAL QBE FORMULA FUNDS	$ 5,240,468	$ 5,365,081	$ 130,755	$ 5,510,230

(1) Comprised of State Funds plus Local Five Mill Share.

(2) Allotments do not include the impact of the state amended formula adjustment.

See notes to the basic financial statements.

SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS

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

May 13, 2013

Honorable Nathan Deal, Governor
Members of the General Assembly
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*

Ladies and Gentlemen:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Marion County Board of Education as of and for the year ended June 30, 2012, which collectively comprise Marion County Board of Education's basic financial statements and have issued our report thereon dated May 13, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Marion County Board of Education is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Marion County Board of Education's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Marion County Board of Education's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Marion County Board of Education's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we have reported to management of Marion County Board of Education in a separate letter dated May 13, 2013.

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

Respectfully submitted,



Greg S. Griffin
State Auditor

GSG:as
2012YB-10

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

May 13, 2013

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
Marion County Board of Education

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Ladies and Gentlemen:

Compliance

We have audited Marion County Board of Education's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2012. Marion County Board of Education's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of Marion County Board of Education's management. Our responsibility is to express an opinion on Marion County Board of Education's compliance based on our audit.

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

In our opinion, the Marion County Board of Education complied, in all material respects, with the 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, 2012.

Internal Control Over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

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

Respectfully submitted,



Greg S. Griffin
State Auditor

GSG:as
2012SA-10

SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

MARION COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV

FINDINGS AND QUESTIONED COSTS

MARION COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

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 — Unqualified

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 — Unqualified

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

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
10.553, 10.555	Child Nutrition Cluster
84.010	Title I, Part A Cluster

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

Auditee qualified as low-risk auditee? — No

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.