

# MARION COUNTY
# BOARD OF EDUCATION
## BUENA VISTA, GEORGIA

ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2013
(Including Independent Auditor's Reports)

MARION COUNTY BOARD OF EDUCATION

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FINANCIAL

# DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 1-156
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**Greg S. Griffin**
STATE AUDITOR
(404) 656-2174


March 26, 2014

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

Ladies and Gentlemen:

## Report on the Financial Statements

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

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of

expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### *Opinions*

In our opinion, the financial statements referred to 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, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Emphasis of Matter*

As described in Note 2 to the financial statements, in 2013, the Marion County Board of Education adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinion is not modified with respect to this matter.

As discussed in Note 16 to the financial statements, in 2013, the Marion County Board of Education restated the prior period financial statements to properly recognize debt issuance costs resulting from the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

### *Other Matters*

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual, as presented on pages i through vii and page 29 respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management 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.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Marion County Board of Education's basic financial statements. The accompanying supplementary information, consisting of Schedules 2 through 5, is presented for the

purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and is not a required part of the basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

## Other Reporting Required by ***Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2014, 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* in considering Marion County Board of Education's internal control over financial reporting and compliance.

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

Respectfully submitted,



Greg S. Griffin
State Auditor

GSG:kt
2013ARL-11

**MARION COUNTY BOARD OF EDUCATION**
**MANAGEMENT'S DISCUSSION AND ANALYSIS**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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, 2013. 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 2013 are as follows:

- ✓ The School District's financial status remained stable during fiscal year 2013. In total, net position decreased $645,623, which represents a decrease from fiscal year 2012. This total decrease was due to governmental activities since the School District has no business-type activities.

- ✓ General revenues accounted for $4.9 million or 33 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for $9.9 million or 67 percent of total revenues. Total revenues were $14.8 million.

- ✓ The School District had $15.4 million in expenses related to governmental activities; these expenses were offset by $9.9 million in program specific charges for services, grants or contributions. General revenues and taxes of $4.9 million also provided for these programs.

- ✓ Among major funds, the General Fund had $12.3 million in revenues and $12.6 million in expenditures. The General Fund's fund balance increased from $2.9 million to $3.5 million.

## Using the Basic Financial Statements

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

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

***Reporting the School District as a Whole***

*Statement of Net Position* and *Statement of Activities*

While these documents contain the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2013?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include *all assets and all liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

***Reporting the School District's Most Significant Funds***

*Fund Financial Statements*

Fund financial statements provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, the 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 Position and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.

***Fiduciary Funds*** The School District is the trustee, or *fiduciary*, for assets that belong to others, such as school clubs and organizations within the school activity accounts. The School District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School District excludes these activities from the 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 Position is of the School District as a whole. Table 1 provides a summary of the School District's net position for fiscal year 2013, compared to fiscal year 2012.

**Table 1**
**Net Position**

| | **2013** | 2012 |
|---|---|---|
| Current and other assets | **$ 6,843,533** | $ 7,569,097 |
| Capital assets | **32,710,310** | 34,721,091 |
| Total assets | **39,553,843** | 42,290,188 |
| Long-term liabilities outstanding | **15,310,000** | 15,643,958 |
| Other liabilities | **1,620,529** | 3,054,959 |
| Total liabilities | **16,930,529** | 18,698,917 |
| Net position: | | |
| Net investment in capital assets | **17,400,310** | 19,077,133 |
| Restricted | **1,978,785** | 1,544,473 |
| Unrestricted | **3,244,219** | 2,969,665 |
| Total net position | **$ 22,623,314** | $ 23,591,271 |

Table 2 shows the changes in net position for fiscal year 2013 compared to fiscal year 2012. The total net position decreased $645,623, for fiscal year 2013, compared to a $4.2 million increase for fiscal year 2012 (before restatements).

**Table 2**
**Change in Net Position**

| | 2013 | 2012 |
|---|---|---|
| **Revenues** | | |
| Program revenues: | | |
| Charges for services | **$ 305,301** | $ 189,542 |
| Operating grants and contributions | **7,814,743** | 8,177,788 |
| Capital grants and contributions | **1,731,243** | 3,958,110 |
| General revenues: | | |
| Property taxes | | |
| For maintenance and operations | **3,223,420** | 3,115,974 |
| For debt service | **362,824** | 351,765 |
| Sales taxes | **467,586** | 531,300 |
| Other taxes | **51,519** | 43,699 |
| Grant and contributions not restricted to specific programs | **491,416** | 1,290,653 |
| Investment income | **19,064** | 259 |
| Miscellaneous | **322,691** | 336,642 |
| Total revenues | **14,789,807** | 17,995,732 |
| **Expenses** | | |
| Instruction | **7,066,900** | 6,391,054 |
| Support services | | |
| Pupil services | **364,534** | 328,170 |
| Improvement of instructional services | **549,443** | 474,651 |
| Educational media services | **251,505** | 263,401 |
| General administration | **2,009,388** | 637,598 |
| School administration | **935,633** | 841,333 |
| Business services | **137,515** | 105,042 |
| Maintenance and operations | **1,316,985** | 1,878,638 |
| Student transportation | **907,074** | 952,444 |
| Other support services | **116,763** | 195,216 |
| Operations of noninstructional services | | |
| School nutrition | **818,684** | 820,829 |
| Enterprise operations | **148,561** | 108,642 |
| Interest on long-term debt | **812,445** | 844,577 |
| Total expenses | **15,435,430** | 13,841,595 |
| Increase in net position | **(645,623)** | 4,154,137 |
| Net position, beginning of year | **23,268,937** | 19,437,134 |
| Net position, end of year | **$ 22,623,314** | $ 23,591,271 |

***Governmental Activities***

Instruction comprises 45.8 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 2012 is also presented.

**Table 3**
**Governmental Activities**

| | Total Cost of Services | | Net Cost of Services | |
|---|---|---|---|---|
| | **Fiscal Year 2013** | Fiscal Year 2012 | **Fiscal Year 2013** | Fiscal Year 2012 |
| Instruction | $ **7,066,900** | $ 6,391,054 | $ **844,405** | $ (2,334,881) |
| Support Services: | | | | |
| Pupil Services | **364,534** | 328,170 | **222,322** | 198,637 |
| Improvement of Instructional Services | **549,443** | 474,651 | **381,452** | 378,864 |
| Educational Media Services | **251,505** | 263,401 | **71,404** | 95,448 |
| General Administration | **2,009,388** | 637,598 | **1,558,534** | 186,220 |
| School Administration | **935,633** | 841,333 | **520,585** | 438,864 |
| Business Services | **137,515** | 105,042 | **131,736** | 96,854 |
| Maintenance and Operations | **1,316,985** | 1,878,638 | **866,388** | 1,400,521 |
| Student Transportation | **907,074** | 952,444 | **429,586** | 459,537 |
| Other Support Services | **116,763** | 195,216 | **100,665** | 179,830 |
| Food Services | **818,684** | 820,829 | **11,531** | (21,487) |
| Enterprise Operations | **148,561** | 108,642 | **148,561** | 108,642 |
| Interest on Long-Term Debt | **812,445** | 844,577 | **296,974** | 329,106 |
| Total Expenses | $ **15,435,430** | $ 13,841,595 | $ **5,584,143** | $ 1,516,155 |

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 $16.2 million and expenditures and other financing uses of $15.3 million. There was an increase in fund balance of approximately $660 thousand in the District-Wide Capital Projects Fund and the fund balance of the General Fund had an increase of over $600,000 due to the receipt of State Capital Outlay funds which was reimbursement for the prior year's expenditures related to the construction of the new middle/high school. There was a decrease in fund balance of approximately $238,000 in the Debt Service Fund. This was because excess SPLOST III funds were transferred to our capital projects fund.

### *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 2013, 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 $11.55 million to $11.99 million while budgeted expenditures increased from $12.23 million to $12.71 million. Budgeted revenues increased due to a reimbursement from the Georgia Department of Education (State Capital Outlay funds) for a capital project; budgeted expenditures increased due to an anticipated transfer to our capital projects for the amount of this reimbursement.

## Capital Assets and Debt Administration

### *Capital Assets*

At the end of fiscal year 2013, the School District had $32.7 million invested in capital assets, all in governmental activities. Table 4 indicates balances at June 30, 2013. Capital asset comparisons to fiscal year 2012 are also included.

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

| | **Fiscal Year 2013** | Fiscal Year 2012 |
|---|---|---|
| Land | **$ 581,159** | $ 597,676 |
| Construction in progress | **-** | 25,302,366 |
| Land improvements | **541,731** | 337,903 |
| Buildings and improvements | **30,550,355** | 7,780,409 |
| Equipment | **1,037,065** | 702,737 |
| Total | **$ 32,710,310** | $ 34,721,091 |

***Debt***

**Long Term Liabilities**

At fiscal year ended June 30, 2013, the School District had $15.31 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, 2012 | Additions | Reductions | Balance June 30, 2013 | Due Within One Year |
|---|---|---|---|---|---|
| Governmental activities: | | | | | |
| Bonds payable | $ 15,640,000 | $ - | $ (330,000) | $ 15,310,000 | $ - |
| Premium | 3,958 | - | (3,958) | - | - |
| Governmental activities Long-term liabilities | $ 15,643,958 | $ - | $ (333,958) | $ 15,310,000 | $ - |

**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 2010B and 2010C bonds along with Federal subsidy payments. Our 2010A bonds have been retired. We executed a Master Repurchase Agreement with Deutsche Bank Securities, Inc. on our 2010B bonds on December 13, 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

# MARION COUNTY BOARD OF EDUCATION

EXHIBIT "A"

## STATEMENT OF NET POSITION

## JUNE 30, 2013

| | Governmental Activities |
|---|---|
| **ASSETS** | |
| Cash and cash equivalents | $ 2,891,874 |
| Investments | 1,460,899 |
| Receivables, net of allowances: | |
| Taxes | 194,513 |
| Intergovernmental: | |
| State | 1,823,705 |
| Federal | 254,742 |
| Other | 200,000 |
| Inventory | 17,800 |
| Capital assets (nondepreciable) | 581,159 |
| Capital assets (net of accumulated depreciation) | 32,129,151 |
| Total assets | 39,553,843 |
| **LIABILITIES** | |
| Accounts payable | 50,792 |
| Salaries and benefits payable | 1,231,174 |
| Accrued interest payable | 338,563 |
| Bonds payable due in more than one year | 15,310,000 |
| Total liabilities | 16,930,529 |
| **NET POSITION** | |
| Net investment in capital assets | 17,400,310 |
| Restricted for: | |
| Continuation of federal programs | 338,081 |
| Capital projects | 863,300 |
| Debt service | 777,404 |
| Unrestricted | 3,244,219 |
| Total net position | $ 22,623,314 |

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

EXHIBIT "B"

# MARION COUNTY BOARD OF EDUCATION
## STATEMENT OF ACTIVITIES
## FOR THE FISCAL YEAR ENDED JUNE 30, 2013

| Functions/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions | Net (Expense) Revenue and Changes in Net Position: Governmental Activities |
|---|---|---|---|---|---|
| Governmental activities: | | | | | |
| Instruction | $ 7,066,900 | $ 152,366 | $ 4,930,577 | $ 1,139,552 | $ (844,405) |
| Support services: | | | | | |
| Pupil services | 364,534 | 15,354 | 126,858 | - | (222,322) |
| Improvement of instructional services | 549,443 | - | 167,991 | - | (381,452) |
| Educational media services | 251,505 | - | 180,101 | - | (71,404) |
| General administration | 2,009,388 | - | 450,854 | | (1,558,534) |
| School administration | 935,633 | - | 415,048 | - | (520,585) |
| Business administration | 137,515 | - | 5,779 | - | (131,736) |
| Maintenance and operation of plant | 1,316,985 | 29,266 | 421,331 | - | (866,388) |
| Student transportation services | 907,074 | - | 401,268 | 76,220 | (429,586) |
| Central support services | 49,939 | - | 9,440 | - | (40,499) |
| Other support services | 66,824 | - | 6,658 | - | (60,166) |
| Enterprise operations | 148,561 | - | - | - | (148,561) |
| Food service operations | 818,684 | 108,315 | 698,838 | - | (11,531) |
| Interest on long-term debt | 812,445 | - | - | 515,471 | (296,974) |
| Total governmental activities | 15,435,430 | 305,301 | 7,814,743 | 1,731,243 | (5,584,143) |

| | |
|---|---|
| General revenues: | |
| Taxes: | |
| Property taxes, levied for maintenance and operations | 3,223,420 |
| Property taxes, levied for debt service | 362,824 |
| Sales taxes, for debt service | 467,586 |
| Intangible taxes | 30,405 |
| Transfer taxes | 9,221 |
| Railroad equipment tax | 11,893 |
| Grants and contributions not restricted to specific programs | 491,416 |
| Unrestricted investment earnings | 19,064 |
| Miscellaneous | 322,691 |
| Total general revenues | 4,938,520 |
| Change in net position | (645,623) |
| Net position, beginning of year, as restated | 23,268,937 |
| Net position, end of year | $ 22,623,314 |

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

EXHIBIT "C"

# MARION COUNTY BOARD OF EDUCATION
## BALANCE SHEET
## GOVERNMENTAL FUNDS
## JUNE 30, 2013

| ASSETS | General | District - Wide Capital Projects | Debt Service | Total Governmental Funds |
|---|---|---|---|---|
| Cash and cash equivalents | $ 2,226,948 | $ 35,695 | $ 629,231 | $ 2,891,874 |
| Investments | 682,981 | 336,749 | 441,169 | 1,460,899 |
| Receivables net of allowances: | | | | |
| Taxes | 146,834 | - | 47,679 | 194,513 |
| Intergovernmental: | | | | |
| State | 743,225 | 1,080,480 | - | 1,823,705 |
| Federal | 254,742 | - | - | 254,742 |
| Other | - | 200,000 | - | 200,000 |
| Due from other funds | 789,624 | - | - | 789,624 |
| Inventory | 17,800 | - | - | 17,800 |
| Total assets | $ 4,862,154 | $ 1,652,924 | $ 1,118,079 | $ 7,633,157 |
| **LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES** | | | | |
| **LIABILITIES** | | | | |
| Accounts payable | $ 50,792 | $ - | $ - | $ 50,792 |
| Salaries and benefits payable | 1,231,174 | - | - | 1,231,174 |
| Due to other funds | - | 789,624 | - | 789,624 |
| Total liabilities | 1,281,966 | 789,624 | - | 2,071,590 |
| **DEFERRED INFLOWS** | | | | |
| Unavailable revenue | | | | |
| Property taxes | 23,609 | - | 2,643 | 26,252 |
| | 23,609 | - | 2,643 | 26,252 |
| **FUND BALANCES** | | | | |
| Nonspendable: inventory | 17,800 | - | - | 17,800 |
| Restricted: | | | | |
| Federal programs | 320,281 | - | - | 320,281 |
| Capital projects | - | 863,300 | - | 863,300 |
| Debt service | - | - | 1,115,436 | 1,115,436 |
| Assigned: | | | | |
| Student activities | 118,815 | - | - | 118,815 |
| Subsequent years' budget | 1,391,935 | - | - | 1,391,935 |
| Unassigned | 1,707,748 | - | - | 1,707,748 |
| Total fund balances | 3,556,579 | 863,300 | 1,115,436 | 5,535,315 |
| Total liabilities, deferred inflows, and fund balances | $ 4,862,154 | $ 1,652,924 | $ 1,118,079 | |

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

| | | | |
|---|---|---|---|
| Capital assets used in governmental activities are not financial resources and are not reported in the funds. | | | |
| | Cost | 38,267,238 | |
| | Less accumulated depreciation | (5,556,928) | 32,710,310 |
| Other long-term assets are not available to pay for current-period expenditures and are deferred in the funds. | | | |
| | Property taxes | | 26,252 |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. | | | |
| | Bonds | (15,310,000) | |
| | Accrued interest | (338,563) | (15,648,563) |
| Net position of governmental activities | | | $ 22,623,314 |

**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, 2013

| | General | District - Wide Capital Projects | Debt Service | Total Governmental Funds |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Property taxes | $ 3,228,165 | $ - | $ 363,355 | $ 3,591,520 |
| Sales taxes | 35,502 | - | 471,710 | 507,212 |
| Other taxes | 11,893 | - | - | 11,893 |
| State funds | 6,668,947 | 1,061,552 | - | 7,730,499 |
| Federal funds | 1,791,432 | - | 515,471 | 2,306,903 |
| Charges for services | 305,301 | - | - | 305,301 |
| Investment earnings | 55 | 18,941 | 68 | 19,064 |
| Miscellaneous | 279,771 | 42,920 | - | 322,691 |
| Total revenues | 12,321,066 | 1,123,413 | 1,350,604 | 14,795,083 |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| Instruction | 6,861,651 | 27,717 | - | 6,889,368 |
| Support Services: | | | | |
| Pupil services | 364,534 | - | - | 364,534 |
| Improvement of instructional services | 544,943 | 4,500 | - | 549,443 |
| Educational media services | 251,505 | - | - | 251,505 |
| General administration | 543,031 | 2,028 | - | 545,059 |
| School administration | 936,716 | - | - | 936,716 |
| Business administration | 135,515 | 2,000 | - | 137,515 |
| Maintenance and operation of plant | 1,046,218 | 269,961 | - | 1,316,179 |
| Student transportation services | 883,061 | - | - | 883,061 |
| Central support services | 56,126 | - | - | 56,126 |
| Other support services | 66,824 | - | - | 66,824 |
| Enterprise operations | 148,561 | - | - | 148,561 |
| Food services operation | 793,385 | - | - | 793,385 |
| Capital outlay | - | 4,508 | - | 4,508 |
| Debt service: | | | | |
| Principal retirement | - | - | 330,000 | 330,000 |
| Interest and fees | - | - | 819,153 | 819,153 |
| Total expenditures | 12,632,070 | 310,714 | 1,149,153 | 14,091,937 |
| Excess (deficiency) of revenues over (under) expenditures | (311,004) | 812,699 | 201,451 | 703,146 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Proceeds from sale of capital assets | 130,580 | - | - | 130,580 |
| Transfers in | 789,624 | 439,105 | | 1,228,729 |
| Transfers out | - | (789,624) | (439,105) | (1,228,729) |
| Total other financing sources (uses) | 920,204 | (350,519) | (439,105) | 130,580 |
| Net change in fund balances, before extraordinary items | 609,200 | 462,180 | (237,654) | 833,726 |
| Extraordinary Items | - | 200,000 | - | 200,000 |
| Net change in fund balances | 609,200 | 662,180 | (237,654) | 1,033,726 |
| **FUND BALANCES, beginning of year** | 2,947,379 | 201,120 | 1,353,090 | 4,501,589 |
| **FUND BALANCES, end of year** | $ 3,556,579 | $ 863,300 | $ 1,115,436 | $ 5,535,315 |

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

# MARION COUNTY BOARD OF EDUCATION

EXHIBIT "E"

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

## FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

| | | |
|---|---|---|
| Net change in fund balances - total governmental funds | | $ 1,033,726 |
| 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 depreciation exceeded capital outlay is to decrease net position. | | |
| Capital outlay | 372,001 | |
| Depreciation expense | (572,451) | (200,450) |
| Net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, donations, etc.) is to decrease net position. | | (1,810,331) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| Property taxes | | (5,276) |
| 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 position. This amount is the net effect of these differences in the treatment of long-term debt and related items. | | |
| Principal payments - bonds | 330,000 | |
| Bond premium amortization expense | 3,958 | 333,958 |
| 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 | | 2,750 |
| | | $ (645,623) |

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

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EXHIBIT "F"

# MARION COUNTY BOARD OF EDUCATION
## STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
## FIDUCIARY FUND
## JUNE 30, 2013

| | Agency Fund |
|---|---|
| **ASSETS** | |
| Cash | $ 7,649 |
| Investments | 31,268 |
| Total assets | $ 38,917 |
| **LIABILITIES** | |
| Funds held for others | $ 38,917 |

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

The Statement of 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

## Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Basis of Accounting (Continued)

on general long-term debt, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

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

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 2012 tax digest year (calendar year) on September 11, 2012 (levy date). Taxes were due on December 20, 2012 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2012 tax digest are reported as revenue in the governmental funds for fiscal year 2013. 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, 2013, for maintenance and operations and debt service, amounted to $3,228,165 and $363,355, respectively.

## Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Property Taxes (Continued)

Tax millage rates levied for the 2012 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 |
| Total | 16.236 | mills |

### Sales Taxes

Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to $467,586 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.

### Deferred Outflows / Inflows of Resources

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

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense / expenditure) until then. The School District did not have any items that qualified for reporting in this category for the year ended June 30, 2013.

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

## Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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 are deferred and amortized over the life of the bonds using the straight-line method.

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 Position.

### Net Position

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

**Net Investment in Capital Assets** - 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 Position** - 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.

**Unrestricted Net Position** - Unrestricted net position 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).

## Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Fund Balance (Continued)

**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.

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

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

## Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Use of Estimates

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

## 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

**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, 2013, the bank balances were $3,777,112. The amounts exposed to custodial credit risk are classified into three categories as follows:

Category 1 – Uncollateralized,
Category 2 – Cash collateralized with securities held by the pledging financial institution, or
Category 3 – Cash collateralized with securities held by the pledging financial institution's trust Department or agent, but not in the School District's name.

## Note 4: DEPOSITS (CONTINUED)

### Categorization of Deposits (Continued)

The School District's deposits by custodial credit risk category at June 30, 2013 are as follows:

| Custodial Credit Risk Category | Bank Balance |
|---|---|
| 1 | $ - |
| 2 | - |
| 3 | 3,527,112 |
| | $ 3,527,112 |

### Categorization of Investments

At June 30, 2013, the School System had the following investments:

| Investment | Maturities | Rating* | Fair Value |
|---|---|---|---|
| Certificate of deposit | May 14, 2014 | N/A | $ 31,268 |
| Certificate of deposit | February 1, 2014 | N/A | 130,580 |
| Certificate of deposit | February 27, 2014 | N/A | 552,400 |
| Federated Treasury (money market mutual fund) | 52 day weighted average | AAAm | 777,919 |
| | | | $ 1,492,167 |

**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, 2013, $777,919 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.

## Note 4: DEPOSITS (CONTINUED)

**Concentration of Credit Risk –** Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The School District does not have a formal policy for managing concentration of credit risk. More than 5% of the School District's investments are in a Federated Treasury money market fund and two Certificates of Deposit. The money market represents 52% of the School District's total investments and the Certificates of Deposits maturing on February 1, 2014 and February 27, 2014 represent 9% and 37% of the School District's total investments, respectively.

## 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:

| | Beginning Balance | Increases | Decreases | Transfers | Ending Balance |
|---|---|---|---|---|---|
| Governmental activities: | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | $ 597,676 | $ - | $ (16,517) | $ | $ 581,159 |
| Construction in progress | 25,302,366 | 158,408 | - | (25,460,774) | - |
| Total | 25,900,042 | 158,408 | (16,517) | (25,460,774) | 581,159 |
| Capital assets, being depreciated: | | | | | |
| Buildings and improvements | 12,494,589 | 78,000 | (3,597,385) | 24,755,821 | 33,731,025 |
| Equipment | 2,442,629 | 135,593 | (23,589) | 367,762 | 2,922,395 |
| Land improvements | 1,457,576 | - | (762,108) | 337,191 | 1,032,659 |
| Total | 16,394,794 | 213,593 | (4,383,082) | 25,460,774 | 37,686,079 |
| Less accumulated depreciation for: | | | | | |
| Buildings and improvements | (4,714,180) | (361,841) | 1,895,351 | | (3,180,670) |
| Equipment | (1,739,892) | (166,881) | 21,443 | | (1,885,330) |
| Land improvements | (1,119,673) | (43,729) | 672,474 | | (490,928) |
| Total | (7,573,745) | (572,451) | 2,589,268 | - | (5,556,928) |
| Total capital assets, being depreciated, net | 8,821,049 | (358,858) | (1,793,814) | 25,460,774 | 32,129,151 |
| Governmental activities capital assets, net | $ 34,721,091 | $ (200,450) | $ (1,810,331) | $ - | $ 32,710,310 |

## Note 6: CAPITAL ASSETS (CONTINUED)

Current year depreciation expense by function is as follows:

| | | |
|---|---|---|
| Instruction | | $ 403,713 |
| Support Services | | |
| General Administration | 1,095 | |
| School Administration | 16,805 | |
| Maintenance and Operations | 12,529 | |
| Student Transportation | 110,157 | |
| Central Support Services | 2,853 | 143,439 |
| Food Services | | 25,299 |
| Total Depreciation Expense | | $ 572,451 |

## Note 7: INTERFUND ASSETS, LIABILITIES, AND TRANSFERS

Due to and due from other funds are recorded for interfund receivables and payables which arise from interfund transactions. Interfund balances at June 30, 2013 consisted of the following:

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

Interfund transfers for the year ended June 30, 2013 consisted of the following:

| | Transfers From | |
|---|---|---|
| Transfers To | District-wide Capital Projects Fund | Debt Service Fund |
| General Fund | $ 789,624 | $ - |
| District-wide Capital Projects Fund | - | 439,105 |
| | $ 789,624 | $ 439,105 |

Interfund receivables, payables, and transfers were used to transfer monies from the District-wide Capital Projects Fund to the General Fund as well as to transfer excess SPLOST monies not needed for debt service to the District-wide Capital Projects Fund to fund capital outlay projects.

## 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, 2013, for governmental funds amounted to $5,140. At June 30, 2013, these leases were paid in full, and as such, there are no future minimum lease payments.

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

Lease terms vary and extend through June 30, 2023. Rental revenues under these operating leases during the year ended June 30, 2013 were $16,145. Minimum future rentals to be received under operating leases are as follows:

| Fiscal Year Ended June 30 | Payments |
|---|---|
| 2014 | $ 35,368 |
| 2015 | 34,968 |
| 2016 | 34,968 |
| 2017 | 34,968 |
| 2018 | 34,968 |
| 2019-2023 | 163,184 |
| | $ 338,424 |

## 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.

General obligation bonds currently outstanding are as follows:

| Purpose | Interest Rates | Amount |
|---|---|---|
| General Government - Series 2010B | 5.05% | $ 7,595,000 |
| General Government - Series 2010C | 5.168% - 5.768% | 7,715,000 |
| | | $ 15,310,000 |

### Changes in Long-Term Debt

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

| | Beginning Balance | Increases | Decreases | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| General Obligation Bonds | $ 15,640,000 | $ - | $ (330,000) | $ 15,310,000 | $ - |
| Amortization of Premium | 3,958 | - | (3,958) | - | - |
| Total | $ 15,643,958 | $ - | $ (333,958) | $ 15,310,000 | $ - |

## Note 10: LONG–TERM DEBT (CONTINUED)

### Scheduled Maturities of Long-Term Debt

At June 30, 2013, payments due by fiscal year which includes principal and interest for these items are as follows:

| Fiscal Year Ended June 30 | General Obligation Bonds | |
|---|---|---|
| | Principal | Interest |
| 2014 | $ - | $ 812,551 |
| 2015 | - | 812,551 |
| 2016 | - | 812,551 |
| 2017 | - | 812,551 |
| 2018 | - | 812,551 |
| 2019-2023 | - | 4,062,756 |
| 2024-2028 | 8,075,000 | 3,679,209 |
| 2029-2033 | 2,645,000 | 1,751,026 |
| 2034-2038 | 3,155,000 | 968,261 |
| 2039-2040 | 1,435,000 | 124,877 |
| Total Principal and Interest | $ 15,310,000 | $ 14,648,884 |

## Note 11: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of $611,697 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 Non-Certified Personnel
In the amount of $588,708

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 $22,989

Funds paid to the Georgia Department of Community Health by the Georgia Department of Education on behalf of the School District are reported as part of the Quality Basic Education revenue allotments on Schedule 3 – Schedule of State Revenue.

## Note 12: 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 13: 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.

*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.

## Note 13: OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

### Georgia Retiree Health Benefit Fund (Continued)

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

For certificated teachers, librarians and regional educational service agencies:

| Period | Contribution |
|---|---|
| July 2012- February 2013 | $912.34 per member per month |
| March 2013- June 2013 | $937.34 per member per month |

For non-certificated school personnel:

| Period | Contribution |
|---|---|
| July 2012 - June 2013 | $446.20 per member per month |

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

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

| Fiscal Year | Percentage Contributed | Required Contribution |
|---|---|---|
| 2013 | 100% | $ 1,219,609 |
| 2012 | 100% | 1,225,268 |
| 2011 | 100% | 1,142,098 |

## Note 14: 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.

## Note 14: RETIREMENT PLAN (CONTINUED)

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

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.

*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, 2013, were 6.00% of annual salary. Employer contributions required for fiscal year 2013 were 11.41% of annual salary as required by the June 30, 2010, actuarial valuation. The employer contribution rate will increase to 12.28% effective July 1, 2013.

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

| Fiscal Year | Percentage Contributed | Required Contribution |
|---|---|---|
| 2013 | 100% | $ 795,803 |
| 2012 | 100% | 710,760 |
| 2011 | 100% | 703,063 |

## Note 14: RETIREMENT PLAN (CONTINUED)

### 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 15: SUBSEQUENT EVENTS

On July 8, 2013, Marion County ("the County") and the Board of Education entered into an agreement to connect the new Middle High School to the County's existing water system. In order to provide sufficient water pressure and volume to the Middle High School, the County has constructed and installed a new elevated water tank to be incorporated into the County's water system. The new water tank was funded by a loan of $783,980. The Board of Education is in agreement to pay half of the loan payments with an interest rate of 2.5% resulting in a payment of principal and interest of $1,294 per month for 480 months.

## Note 16: PRIOR PERIOD ADJUSTMENT

In conjunction with the implementation of Governmental Accounting Standards Board (GASB) Statement No. 65, Items Previously Reported as Assets and Liabilities, the School District is required to change its accounting treatment of debt issuance costs. The new standard requires that debt issuance costs be recognized as an expense in the period incurred rather than capitalized and recognized as an expense (amortized) in a systematic and rational manner over the duration of the related debt as was the required treatment in prior reporting periods.

Therefore, in conjunction with the implementation of Statement No. 65, the following restatements were required to the beginning net position of the Governmental Activities to properly recognize debt issuance costs as expenses in the periods in which they were incurred:

| | |
|---|---|
| Net Position, Governmental Activities, previously reported | $ 23,591,271 |
| Recognition of issuance costs incurred in prior periods | (322,334) |
| Net Position, Governmental Activities, as restated | $ 23,268,937 |

## Note 17: EXTRAORDINARY ITEM

In June 2013, a fire destroyed approximately 17% of the former middle school facility. Insurance proceeds of $200,000 are recorded as an extraordinary item in the District-wide Capital Projects Fund.

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# 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, 2013

| | Budget | | | Variance With |
|---|---|---|---|---|
| | Original | Final | Actual | Final Budget |
| **REVENUES** | | | | |
| Property taxes | $ 3,150,088 | $ 3,150,088 | $ 3,228,165 | $ 78,077 |
| Sales taxes | 24,000 | 24,000 | 35,502 | 11,502 |
| Other taxes | - | - | 11,893 | 11,893 |
| State funds | 6,355,184 | 6,667,944 | 6,668,947 | 1,003 |
| Federal funds | 1,785,646 | 1,914,928 | 1,791,432 | (123,496) |
| Charges for services | 217,789 | 217,789 | 305,301 | 87,512 |
| Investment earnings | 370 | 370 | 55 | (315) |
| Miscellaneous | 23,349 | 23,349 | 279,771 | 256,422 |
| Total revenues | 11,556,426 | 11,998,468 | 12,321,066 | 322,598 |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| Instruction | 6,478,266 | 6,830,587 | 6,861,651 | (31,064) |
| Support services: | | | | |
| Pupil services | 372,189 | 383,194 | 364,534 | 18,660 |
| Improvement of instructional services | 532,872 | 578,442 | 544,943 | 33,499 |
| Educational media services | 272,292 | 272,517 | 251,505 | 21,012 |
| General administration | 637,466 | 638,887 | 543,031 | 95,856 |
| School administration | 892,506 | 892,644 | 936,716 | (44,072) |
| Business administration | 135,490 | 135,490 | 135,515 | (25) |
| Maintenance and operation of plant | 976,028 | 976,573 | 1,046,218 | (69,645) |
| Student transportation services | 843,729 | 913,344 | 883,061 | 30,283 |
| Central support services | 117,758 | 117,758 | 56,126 | 61,632 |
| Other support services | 65,409 | 66,530 | 66,824 | (294) |
| Enterprise operations | - | - | 148,561 | (148,561) |
| Food services operations | 906,483 | 906,483 | 793,385 | 113,098 |
| Total expenditures | 12,230,488 | 12,712,449 | 12,632,070 | 80,379 |
| Excess (deficiency) of revenues over (under) expenditures | (674,062) | (713,981) | (311,004) | 402,977 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Proceeds from sale of capital assets | - | - | 130,580 | 130,580 |
| Transfers in | 2,135 | 2,135 | 789,624 | 787,489 |
| Transfers out | (2,135) | (2,135) | - | 2,135 |
| Total other financing sources (uses) | - | - | 920,204 | 920,204 |
| Net change in fund balances | (674,062) | (713,981) | 609,200 | 1,323,181 |
| **FUND BALANCE, beginning of year** | 2,947,379 | 2,947,379 | 2,947,379 | - |
| **FUND BALANCE, end of year** | $ 2,273,317 | $ 2,233,398 | $ 3,556,579 | $ 1,323,181 |

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

(1) Original and Final Budget amounts do not include budgeted revenues ($373,333) or expenditures ($371,040) 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 "2"

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

## FOR THE FISCAL YEAR ENDED JUNE 30, 2013

| Funding Agency<br>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 | 773,177 | (2) |
| Total Child Nutrition Cluster | | | | 773,177 | |
| Health and Human Services, U. S. Department of | | | | | |
| CCDF Cluster | | | | | |
| Pass-Through From Georgia Department of Early Care and Learning | | | | | |
| Child Care and Development Block Grant | | 93.575 | N/A | 1,500 | |
| Total CCDF Cluster | | | | 1,500 | |
| Education, U. S. Department of | | | | | |
| Special Education Cluster | | | | | |
| Pass-Through From Georgia Department of Education | | | | | |
| Special Education | | | | | |
| Grants to States | | 84.027 | N/A | 279,714 | |
| Preschool Grants | | 84.173 | N/A | 6,487 | |
| Total Special Education Cluster | | | | 286,201 | |
| Title I, Part A Cluster | | | | | |
| Pass-Through From Georgia Department of Education | | | | | |
| Title I grants to Local Education Agencies | * | 84.010 | N/A | 645,190 | |
| Total Title I, Part A Cluster | | | | 645,190 | |
| Other Programs | | | | | |
| Pass-Through From Georgia Department of Education | | | | | |
| Education Jobs Fund | | 84.410 | N/A | 512 | |
| Improving Teacher Quality State Grants | | 84.367 | N/A | 98,084 | |
| Migrant Education - State Grant Program | | 84.011 | N/A | 26,723 | |
| Rural Education | | 84.358 | N/A | 27,779 | |
| Career and Technical Education - Basic Grants to States | | 84.048 | N/A | 26,656 | |
| Pass-Through From Southwest Georgia Regional Educational Services Agency | | | | | |
| Title III - Limited English Proficient | | 84.365 | N/A | 157 | |
| | | | | 179,911 | |
| Total U. S. Department of Education | | | | 1,111,302 | |
| Total Expenditures of Federal Award | | | | $ 1,885,979 | |

N/A = Not Available

# MARION COUNTY BOARD OF EDUCATION
## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
## FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**Notes to the Schedule of Expenditures of Federal Awards**

(1) Expenditures for the funds earned on the School Breakfast Program ($227,533) 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 $35,045.

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.

# MARION COUNTY BOARD OF EDUCATION

## SCHEDULE OF STATE REVENUE

## FOR THE FISCAL YEAR ENDED JUNE 30, 2013

| 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 | $ 234,622 | $ - | $ 234,622 |
| Education, Georgia Department of | | | |
| Quality Basic Education (1) | | | |
| Direct Instructional Cost | | | |
| Kindergarten Program | 440,154 | - | 440,154 |
| Kindergarten Program - Early Intervention Program | 121,202 | - | 121,202 |
| Primary Grades (1-3) Program | 800,438 | - | 800,438 |
| Primary Grades - Early Intervention (1-3) Program | 187,014 | - | 187,014 |
| Upper Elementary Grades (4-5) Program | 394,380 | - | 394,380 |
| Upper Elementary Grades - Early Intervention (4-5) Program | 145,550 | - | 145,550 |
| Middle School (6-8) Program | 956,053 | - | 956,053 |
| High School General Education (9-12) Program | 773,243 | - | 773,243 |
| Vocational Laboratory (9-12) Program | 199,413 | - | 199,413 |
| Students with Disabilities | 705,098 | - | 705,098 |
| Program for Intellectually Gifted Students - Category VI | 125,847 | - | 125,847 |
| Remedial Education Program | 44,274 | - | 44,274 |
| Alternative Education Program | 73,666 | - | 73,666 |
| Media Center Program | 139,967 | - | 139,967 |
| 20 Days Additional Instruction | 44,858 | - | 44,858 |
| Staff and Professional Development | 25,640 | - | 25,640 |
| Indirect Cost | | | |
| Central Administration | 346,317 | - | 346,317 |
| School Administration | 300,152 | - | 300,152 |
| Facility Maintenance and Operations | 326,506 | - | 326,506 |
| Categorical Grants | | | |
| Pupil Transportation | | | |
| Pupil Transportation | 353,008 | - | 353,008 |
| State Bonds | 76,220 | - | 76,220 |
| Nursing Services | 45,000 | - | 45,000 |
| Mid-term Adjustment Hold-Harmless | 115,981 | - | 115,981 |
| Vocational Supervisors | 7,031 | - | 7,031 |
| Education Equalization Funding Grant | 491,416 | - | 491,416 |
| Food Services | 20,208 | - | 20,208 |
| Vocational Education | 116,556 | - | 116,556 |
| Amended Formula Adjustment | (975,492) | - | (975,492) |
| Preschool Handicapped Program | 8,334 | - | 8,334 |
| Certified Work Ready Community Grant | 3,302 | - | 3,302 |
| Total Grants from Georgia Department of Education | 6,411,336 | - | 6,411,336 |
| Georgia State Financing and Investment Commission | | | |
| Reimbursement on Construction Projects | - | 1,061,552 | 1,061,552 |
| Office of Treasury and Fiscal Service | | | |
| Public School Employees Retirement | 22,989 | - | 22,989 |
| | $ 6,668,947 | $ 1,061,552 | $ 7,730,499 |

(1) Payments to the Georgia Department of Community Health by the Georgia Department of Education on behalf of the School District in the amount of $588,708 are included as part of the Quality Basic Education revenue allotments.

See Notes to the Basic financial Statements

SCHEDULE "4"

**MARION COUNTY BOARD OF EDUCATION**
**SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS - 2008 ISSUE**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

| 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 | $ 84,080 | $ 98,350 | $ - | June 30, 2014 |
| Renovating, extending, repairing and equipping athletic facilities, including baseball field lights, baseball and softball dugouts and tennis concessions | 78,000 | 78,000 | 795 | 3,310 | - | June 30, 2014 |
| Acquiring and installing system wide instructional and administrative, technology, safety and security equipment | 75,000 | 75,000 | - | 15,396 | - | June 30, 2014 |
| Renovating, extending, repairing and equipping the bus shop | 25,000 | 25,000 | 32,021 | - | - | June 30, 2014 |
| Acquisition of school buses, transportation equipment and maintenance equipment | 150,000 | 150,000 | - | 36,492 | - | June 30, 2014 |
| Acquisition of fine arts, vocational, instructional and athletic equipment | 100,000 | 100,000 | - | 7,709 | - | June 30, 2014 |
| Acquiring any necessary property therefore, both real and personal | 25,000 | - | - | - | - | Complete |
| Retiring the Marion County School District General Obligation Refunding Bonds, Series 1998 (Refunded by the Series 2010A Bonds) | 1,100,000 | 1,334,028 | 330,000 | 1,004,028 | 1,334,028 | Complete |
| | $ 1,703,000 | $ 1,912,028 | $ 446,896 | $ 1,165,285 | $ 1,334,028 | |

(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 | $ 38,794 |
| Current year | 6,600 |
| Total | $ 45,394 |

(5) Amounts above include $330,000 in principal payments on the 2010A Bonds paid in the Debt Service Fund.

(6) Expenditures in the District-wide Capital Projects Fund included $193,818 not related to the Special Purpose Local Option Sales Tax.

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SCHEDULE "5"

# 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, 2013

| Description | Allotments From Georgia Department of Education (1) & (2) | Eligible QBE Program Costs | | |
|---|---|---|---|---|
| | | Salaries | Operations | Total |
| **Direct Instructional Funds:** | | | | |
| Kindergarten Program | $ 502,014 | $ 400,019 | $ 6,422 | $ 406,441 |
| Kindergarten Program - Early Intervention Program | 144,232 | 85,062 | - | 85,062 |
| Primary Grades (1-3) Program | 936,079 | 847,425 | 21,837 | 869,262 |
| Primary Grades - Early Intervention (1-3) Program | 204,559 | 146,627 | - | 146,627 |
| Upper Elementary Grades (4-5) Program | 467,378 | 577,511 | 4,918 | 582,430 |
| Upper Elementary Grades-Early Intervention (4-5) Program | 184,329 | 82,800 | - | 82,800 |
| Middle Grades (6-8) Program | 1,091,107 | 955,731 | 11,594 | 967,324 |
| High School General Education (9-12) Program | 892,464 | 982,692 | 46,746 | 1,029,438 |
| Vocational Laboratory (9-12) Program | 246,411 | 349,628 | 15,415 | 365,043 |
| Students with Disabilities | 826,544 | - | - | - |
| Category I | - | 37,369 | - | 37,369 |
| Category II | - | 176,501 | - | 176,501 |
| Category III | - | 318,308 | 1,231 | 319,539 |
| Category IV | - | 34,518 | - | 34,518 |
| Gifted Student - Category VI | 155,586 | 23,433 | 1,494 | 24,927 |
| Remedial Education Program | 50,554 | 30,842 | - | 30,842 |
| Alternative Education Program | 84,486 | 53,520 | - | 53,520 |
| **TOTAL DIRECT INSTRUCTIONAL PROGRAMS** | 5,785,743 | 5,101,985 | 109,656 | 5,211,641 |
| Media Center Program | 162,314 | 222,350 | 19,530 | 241,880 |
| Staff and Professional Development | 29,580 | 1,750 | 7,229 | 8,979 |
| **TOTAL QBE FORMULA FUNDS** | $ 5,977,637 | $ 5,326,085 | $ 136,415 | $ 5,462,500 |

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

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

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


March 26, 2014

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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Marion County Board of Education as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Marion County Board of Education's basic financial statements and have issued our report thereon dated March 26, 2014.

## Internal Control Over Financial Reporting

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

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

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

## Compliance and Other Matters

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

We noted certain matters that we have reported to management of Marion County Board of Education in a separate letter dated March 26, 2014.

## Purpose of this Report

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

Respectfully submitted,



Greg S. Griffin
State Auditor

GSG:kt
2013YB-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


March 26, 2014

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 FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Ladies and Gentlemen:

## Report on Compliance for Each Major Federal Program

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, 2013. 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.

### *Management's Responsibility*

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

### *Auditor's Responsibility*

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

### *Opinion on Each Major Federal Program*

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

### Report on Internal Control over Compliance

Management of Marion County Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Marion County Board of Education's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Respectfully submitted,



Greg S. Griffin
State Auditor

GSG:kt
2013SA-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, 2013

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, 2013

## I SUMMARY OF AUDITOR'S RESULTS

### Financial Statements

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

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

Noncompliance material to financial statements noted: — No

### Federal Awards

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

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

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

Identification of major programs:

| CFDA Number(s) | 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.