

MARION COUNTY
BOARD OF EDUCATION
BUENA VISTA, GEORGIA

ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2014

(Including Independent Auditor's Reports)

MARION COUNTY BOARD OF EDUCATION

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FINANCIAL

DEPARTMENT OF AUDITS AND ACCOUNTS

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

March 27, 2015

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, 2014, 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 basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Marion County Board of Education, as of June 30, 2014, 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.

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 27, 2015, 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:as
2014ARL-11

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, 2014. 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 2014 are as follows:

- ✓ The School District's financial status remained stable during fiscal year 2014. In total, net position increased $305,798, which represents an increase from fiscal year 2013. This total increase was due to governmental activities since the School District has no business-type activities.

- ✓ General revenues accounted for $6.2 million or 41.3 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for $8.9 million or 58.7 percent of total revenues. Total revenues were $15.1 million.

- ✓ The School District had $14.8 million in expenses related to governmental activities; these expenses were offset by $8.9 million in program specific charges for services, grants or contributions. General revenues and taxes of $6.2 million also provided for these programs.

- ✓ Among major funds, the General Fund had $12.7 million in revenues and $13.5 million in expenditures. The General Fund's fund balance decreased from $3.5 million to $3.2 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 nonmajor 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 2014?" 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. Nonfinancial 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 2014, compared to fiscal year 2013.

Table 1
Net Position

	Governmental Activities	
	Fiscal Year 2014	Fiscal Year 2013
Assets		
Current and Other Assets	$ 7,394,713	$ 6,843,533
Capital Assets	32,947,583	32,710,310
Total Assets	40,342,296	39,553,843
Liabilities		
Long-Term Liabilities Outstanding	15,694,640	15,310,000
Other Liabilities	1,718,544	1,620,529
Total Liabilities	17,413,184	16,930,529
Net Position		
Net Investment in Capital Assets	17,252,943	17,400,310
Restricted	2,715,468	1,978,785
Unrestricted	2,960,701	3,244,219
Total Net Position	$ 22,929,112	$ 22,623,314

Table 2 shows the changes in net position for fiscal year 2014 compared to fiscal year 2013. The total net position increased $305,798, for fiscal year 2014, compared to a $645,623 decrease for fiscal year 2013.

Table 2
Change in Net Position

	Governmental Activities	
	Fiscal Year 2014	Fiscal Year 2013
Revenues		
Program Revenues:		
Charges for Services	$ 391,162	$ 305,301
Operating Grants and Contributions	7,919,287	7,814,743
Capital Grants and Contributions	551,711	1,731,243
Total Program Revenues	8,862,160	9,851,287
General Revenues:		
Taxes		
Property Taxes		
For Maintenance and Operations	3,556,126	3,223,420
For Debt Services	353,445	362,824
Sales Taxes	414,950	467,586
Other Taxes	60,960	51,519
Grants and Contributions not		
Restricted to Specific Programs	383,887	491,416
Investment Earnings	6,205	19,064
Miscellaneous	308,388	322,691
Total General Revenues	5,083,961	4,938,520
Total Revenues	13,946,121	14,789,807
Program Expenses:		
Instruction	7,399,687	7,066,900
Support Services		
Pupil Services	396,712	364,534
Improvement of Instructional Services	781,476	549,443
Educational Media Services	231,649	251,505
General Administration	518,239	2,009,388
School Administration	944,324	935,633
Business Administration	169,404	137,515
Maintenance and Operation of Plant	1,405,940	1,316,985
Student Transportation Services	991,768	907,074
Other Support Services	89,300	116,763
Operations of Non-Instructional Services		
Food Services	921,583	818,684
Enterprise Operations	117,973	148,561
Interest on Long-Term Debt	822,075	812,445
Total Expenses	14,790,130	15,435,430
Deficiency before Extraordinary Item	-844,009	-645,623
Extraordinary Item	1,149,807	
Increase (Decrease) in Net Position	305,798	-645,623
Net Position, Beginning of Year	22,623,314	23,268,937
Net Position, End of Year	$ 22,929,112	$ 22,623,314

Governmental Activities

Instruction comprises 50.0 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 2013 is also presented.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2013
Instruction	$ 7,399,687	$ 7,066,900	$ 2,019,225	$ 844,405
Support Services:				
Pupil Services	396,712	364,534	293,164	222,322
Improvement of Instructional Services	781,476	549,443	532,810	381,452
Educational Media Services	231,649	251,505	64,672	71,404
General Administration	518,239	2,009,388	135,780	1,558,534
School Administration	944,324	935,633	585,577	520,585
Business Administration	169,404	137,515	167,643	131,736
Maintenance and Operation of Plant	1,405,940	1,316,985	951,362	866,388
Student Transportation Services	991,768	907,074	542,196	429,586
Other Support Services	89,300	116,763	79,506	100,665
Operations of Non-Instructional Services:				
Food Services	921,583	818,684	90,478	11,531
Enterprise Operations	117,973	148,561	117,973	148,561
Interest on Short-Term and Long-Term Debt	822,075	812,445	347,584	296,974
Total Expenses	$ 14,790,130	$ 15,435,430	$ 5,927,970	$ 5,584,143

Although program revenues make up a majority of the revenues, the School District is still dependent upon tax revenues for governmental activities. Over 27 percent of instruction activities are supported through taxes and other general revenues; for all governmental activities general revenue support is 40.1 percent.

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 $14.3 million and expenditures and other financing uses of $15.1 million. There was an increase in fund balance of approximately $365 thousand in the District-Wide Capital Projects Fund and the fund balance of the General Fund had a decrease of approximately $375 thousand due to the completion of capital projects. We expected the decrease in General Fund due to our expenditures versus revenue. There was an increase in fund balance of approximately $430 thousand in the Debt Service Fund. This was because SPLOST III funds are being accumulated for sinking fund payments that begin in January 2015.

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 2014, 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 $11.51 million to $11.70 million while budgeted expenditures increased from $12.76 million to $12.79 million. Budgeted revenues increased due to receiving the 2012 tax reimbursement under the Forest Land Protection Act and receiving an increase in QBE at the midterm. Budgeted expenditures increased due to less teachers paid with federal funds; increase in energy prices; and Enterprise Operations (school activity accounts) were not budgeted.

The School District is compliant with the state's 65% rule for Minimum Direct Classroom Expenditures through its graduation rate. The State average is 72.5%. The School District average is 80.2%.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2014, the School District had $32.95 million invested in capital assets, all in governmental activities. Table 4 indicates balances at June 30, 2014. Capital asset comparisons to fiscal year 2013 are also included.

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities	
	Fiscal Year 2014	Fiscal Year 2013
Land	$ 581,159	$ 581,159
Construction In Progress	324,476	
Land Improvements	890,167	541,731
Building and Improvements	30,033,008	30,550,355
Equipment	1,118,773	1,037,065
Total	$ 32,947,583	$ 32,710,310

Debt

Long-Term Liabilities

At fiscal year ended June 30, 2014, the School District had $15.69 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

	Governmental Activities				
	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014	Due Within One Year
Bonds Payable	$ 15,310,000			$ 15,310,000	
Capital Leases	0	$ 395,820	$ -11,180	384,640	$ 5,476
	$ 15,310,000	$ 395,820	$ -11,180	$ 15,694,640	$ 5,476

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. We hope to hold this level for a few years as to not place a hardship on the property owners in Marion County.

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.

We used a portion of an insurance settlement to add 1,500 square feet to our elementary school cafeteria. The decision is not final yet regarding the restoration of the auditorium destroyed by fire at our old middle school. The auditorium is over 50 years old and was used on a limited basis.

Contacting the School District's Financial Management

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

MARION COUNTY BOARD OF EDUCATION

EXHIBIT "A"

MARION COUNTY BOARD OF EDUCATION

STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 4,112,375
Investments	1,542,650
Receivables, net of allowances:	
Taxes	729,136
Intergovernmental:	
State	755,093
Federal	242,896
Other	500
Inventory	12,063
Capital assets (nondepreciable)	905,635
Capital assets (net of accumulated depreciation)	32,041,948
Total assets	40,342,296
LIABILITIES	
Accounts payable	141,778
Salaries and benefits payable	1,215,740
Contracts payable	22,463
Accrued interest payable	338,563
Bonds payable due in more than one year	15,310,000
Capital leases due within one year	5,476
Capital leases due in more than one year	379,164
Total liabilities	17,413,184
NET POSITION	
Net investment in capital assets:	17,252,943
Restricted for:	
Continuation of federal programs	281,599
Capital projects	1,228,658
Debt service	1,205,211
Unrestricted	2,960,701
Total net position	$ 22,929,112

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

MARION COUNTY BOARD OF EDUCATION

EXHIBIT "B"

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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	$ 7,399,687	$ 224,980	$ 5,155,482	$ -	$ (2,019,225)
Support services:					
Pupil services	396,712	12,754	90,794	-	(293,164)
Improvement of instructional services	781,476	-	248,666	-	(532,810)
Educational media services	231,649	-	166,977	-	(64,672)
General administration	518,239	-	382,459		(135,780)
School administration	944,324	-	358,747	-	(585,577)
Business administration	169,404	-	1,761	-	(167,643)
Maintenance and operation of plant	1,405,940	42,938	411,640	-	(951,362)
Student transportation services	991,768	-	372,352	77,220	(542,196)
Central support services	20,219	-	886	-	(19,333)
Other support services	69,081	-	8,908	-	(60,173)
Enterprise operations	117,973	-	-	-	(117,973)
Food service operations	921,583	110,490	720,615	-	(90,478)
Interest on long-term debt	822,075	-	-	474,491	(347,584)
Total governmental activities	$ 14,790,130	$ 391,162	$ 7,919,287	$ 551,711	(5,927,970)
General revenues:					
Taxes:					
Property taxes, levied for maintenance and operations					3,556,126
Property taxes, levied for debt service					353,445
Sales taxes, for debt service					414,950
Intangible taxes					25,899
Transfer taxes					16,401
Railroad equipment tax					18,660
Grants and contributions not restricted to specific programs					383,887
Unrestricted investment earnings					6,205
Miscellaneous					308,388
Total general revenues before extraordinary item					5,083,961
Extraordinary item					1,149,807
Total general revenues and extraordinary item					6,233,768
Change in net position					305,798
Net position, beginning of year					22,623,314
Net position, end of year					$ 22,929,112

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

MARION COUNTY BOARD OF EDUCATION

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

ASSETS	General	District - Wide Capital Projects	Debt Service	Total Governmental Funds
Cash and cash equivalents	$ 2,186,153	$ 1,277,650	$ 648,572	$ 4,112,375
Investments	689,056	-	853,594	1,542,650
Receivables net of allowances:				
Taxes	678,419	-	50,717	729,136
Intergovernmental:				
State	755,093	-	-	755,093
Federal	242,896	-	-	242,896
Other	-	500	-	500
Inventory	12,063	-	-	12,063
Total assets	$ 4,563,680	$ 1,278,150	$ 1,552,883	$ 7,394,713
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 114,749	$ 27,029	$ -	$ 141,778
Salaries and benefits payable	1,215,740	-	-	1,215,740
Contracts payable	-	22,463	-	22,463
Total liabilities	1,330,489	49,492	-	1,379,981
DEFERRED INFLOWS				
Unavailable revenue - property taxes	50,723	-	5,876	56,599
	50,723	-	5,876	56,599
FUND BALANCES				
Nonspendable: inventory	12,063	-	-	12,063
Restricted:				
Federal programs	269,536	-	-	269,536
Capital projects	-	1,228,658	-	1,228,658
Debt service	-	-	1,547,007	1,547,007
Assigned:				
Student activities	109,094	-	-	109,094
Subsequent years' budget	596,100	-	-	596,100
Unassigned	2,195,675	-	-	2,195,675
Total fund balances	3,182,468	1,228,658	1,547,007	5,958,133
Total liabilities, deferred inflows, and fund balances	$ 4,563,680	$ 1,278,150	$ 1,552,883	

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	39,101,584	
	Less accumulated depreciation	(6,154,001)	32,947,583
Other long-term assets are not available to pay for current-period expenditures and are deferred in the funds.			
	Property taxes		56,599
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.			
	Bonds	(15,310,000)	
	Capital leases	(384,640)	
	Accrued interest	(338,563)	(16,033,203)
Net position of governmental activities			$ 22,929,112

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, 2014

	General	District - Wide Capital Projects	Debt Service	Total Governmental Funds
REVENUES				
Property taxes	$ 3,529,012	$ -	$ 350,212	$ 3,879,224
Sales taxes	37,897	-	419,353	457,250
Other taxes	18,660	-	-	18,660
State funds	6,589,613	-	-	6,589,613
Federal funds	1,790,781	-	474,491	2,265,272
Charges for services	391,162	-	-	391,162
Investment earnings	6,131	8	66	6,205
Miscellaneous	308,388	-	-	308,388
Total revenues	12,671,644	8	1,244,122	13,915,774
EXPENDITURES				
Current:				
Instruction	6,853,879	-	-	6,853,879
Support Services:				
Pupil services	396,712	-	-	396,712
Improvement of instructional services	765,248	16,228	-	781,476
Educational media services	231,649	-	-	231,649
General administration	510,852	-	-	510,852
School administration	915,215	-	-	915,215
Business administration	169,404	-	-	169,404
Maintenance and operation of plant	1,145,929	495,105	-	1,641,034
Student transportation services	934,324	172,456	-	1,106,780
Central support services	43,320	-	-	43,320
Other support services	69,081	-	-	69,081
Enterprise operations	117,973	-	-	117,973
Food services operation	890,371	-	-	890,371
Capital outlay	395,820	100,668	-	496,488
Debt service:				
Principal retirement	11,180	-	-	11,180
Interest and fees	9,524	-	812,551	822,075
Total expenditures	13,460,481	784,457	812,551	15,057,489
Excess (deficiency) of revenues over (under) expenditures	(788,837)	(784,449)	431,571	(1,141,715)
OTHER FINANCING SOURCES				
Capital lease	395,820	-	-	395,820
Proceeds from sale of capital assets	18,906	-	-	18,906
Total other financing sources	414,726	-	-	414,726
Net change in fund balances, before extraordinary item	(374,111)	(784,449)	431,571	(726,989)
Extraordinary item	-	1,149,807	-	1,149,807
Net change in fund balances	(374,111)	365,358	431,571	422,818
FUND BALANCES, beginning of year	3,556,579	863,300	1,115,436	5,535,315
FUND BALANCES, end of year	$ 3,182,468	$ 1,228,658	$ 1,547,007	$ 5,958,133

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, 2014

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

Net change in fund balances - total governmental funds		$ 422,818
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The net effect of the amount by which capital outlay exceeded depreciation is to increase net position.		
Capital outlay	1,093,886	
Depreciation expense	(831,415)	262,471
Net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, donations, etc.) is to decrease net position.		(25,198)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes		30,347
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	-	
Principal payments - capital leases	11,180	
Capital lease proceeds	(395,820)	(384,640)
		$ 305,798

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

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MARION COUNTY BOARD OF EDUCATION

EXHIBIT "F"

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2014

	Agency Fund
ASSETS	
Cash	$ 2,808
Investments	31,456
Total assets	$ 34,264
LIABILITIES	
Funds held for others	$ 34,264

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 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.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the governmental funds to be available if they are collected within 60 days after year-end. Property taxes, sales taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

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 local government investment pool (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 2013 tax digest year (calendar year) on September 10, 2013 (levy date). Taxes were due on December 20, 2013 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2013 tax digest are reported as revenue in the governmental funds for fiscal year 2014. 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, 2014, for maintenance and operations and debt service, amounted to $3,362,358 and $341,877, respectively.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes (Continued)

Tax millage rates levied for the 2013 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

Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2014, for maintenance and operations and debt service, amount to $166,654 and $8,335, respectively.

Sales Taxes

Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to $414,950 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

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of resources that applies to a future period(s) and therefore 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, 2014.

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

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. 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 - This represents 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 represents 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, 2014, the bank balances were $5,143,522. 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, 2014 are as follows:

Custodial Credit Risk Category	Bank Balance
1	$ -
2	-
3	4,893,522
	$ 4,893,522

Categorization of Investments

At June 30, 2014, the School System had the following investments:

Investment	Maturities	Rating*	Fair Value
Certificate of deposit	May 14, 2015	N/A	$ 31,456
Certificate of deposit	February 1, 2015	N/A	131,103
Certificate of deposit	August 27, 2014	N/A	557,953
Fidelity Institutional Government (money market mutual fund)	52 day weighted average	AAAm	853,594
			$ 1,574,106

**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, 2014, $853,594 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 Fidelity Institutional Government money market mutual fund and two Certificates of Deposit. The money market mutual fund represents 54% of the School District's total investments and the Certificates of Deposit maturing on February 1, 2015 and August 27, 2014 represent 8% and 35% 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	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 581,159	$ -	$ -	$ 581,159
Construction in progress	-	324,476	-	324,476
Total	581,159	324,476	-	905,635
Capital assets, being depreciated:				
Buildings and improvements	33,731,025	54,025	-	33,785,050
Equipment	2,922,395	307,625	(259,540)	2,970,480
Land improvements	1,032,659	407,760	-	1,440,419
Total	37,686,079	769,410	(259,540)	38,195,949
Less accumulated depreciation for:				
Buildings and improvements	(3,180,670)	(571,372)	-	(3,752,042)
Equipment	(1,885,330)	(200,719)	234,342	(1,851,707)
Land improvements	(490,928)	(59,324)	-	(550,252)
Total	(5,556,928)	(831,415)	234,342	(6,154,001)
Total capital assets, being depreciated, net	32,129,151	(62,005)	(25,198)	32,041,948
Governmental activities capital assets, net	$ 32,710,310	$ 262,471	$ (25,198)	$ 32,947,583

Note 6: CAPITAL ASSETS (CONTINUED)

Capital assets being acquired under capital leases as of June 30, 2014 are as follows:

Land Improvements	$ 395,820
Less: Accumulated Depreciation	(3,958)
	$ 391,862

Current year depreciation expense by function is as follows:

Instruction		$ 627,368
Support Services		
General Administration	1,095	
School Administration	34,109	
Maintenance and Operations	14,064	
Student Transportation	120,448	
Central Support Services	3,119	172,835
Food Services		31,212
Total Depreciation Expense		$ 831,415

Note 7: 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 8: 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, 2014, for governmental funds amounted to $10,436. Future minimum lease payments for these leases are as follows:

Fiscal Year Ended June 30	Governmental Activities
2015	$ 10,436
2016	10,436
2017	10,436
	$ 31,308

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, 2014 were $39,768. Minimum future rentals to be received under operating leases are as follows:

Fiscal Year Ended June 30	Payments
2015	$ 39,768
2016	35,368
2017	34,968
2018	34,968
2019	34,968
2020-2023	128,216
	$ 308,256

Note 9: 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.

Note 9: LONG–TERM DEBT (CONTINUED)

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

Capital Leases

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 signed an intergovernmental agreement with the County 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. This lease agreement qualifies as a capital lease for accounting purposes, and therefore, has been recorded at the present value of the future minimum lease payments as of the date of its inception.

Changes in Long-Term Debt

The changes in long-term debt during the fiscal year ended June 30, 2014, were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
General Obligation Bonds	$ 15,310,000	$ -	$ -	$ 15,310,000	$ -
Capital Leases	-	395,820	(11,180)	384,640	5,476
Total	$ 15,310,000	$ 395,820	$ (11,180)	$ 15,694,640	$ 5,476

Note 9: LONG–TERM DEBT (CONTINUED)

Scheduled Maturities of Long-Term Debt

At June 30, 2014, payments due by fiscal year which includes principal and interest for these items are as follows:

Fiscal Year Ended June 30	Capital Leases		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2015	$ 5,476	$ 8,758	$ -	$ 812,551
2016	6,119	9,409	-	812,551
2017	6,273	9,255	-	812,551
2018	6,432	9,096	-	812,551
2019	6,595	8,933	-	812,551
2020-2024	35,561	42,079	-	4,062,756
2025-2029	40,291	37,349	8,570,000	3,270,855
2030-2034	45,650	31,990	2,735,000	1,608,592
2035-2039	51,721	25,919	3,275,000	789,268
2040-2044	58,600	19,040	730,000	42,106
2045-2049	66,394	11,246	-	-
2050-2053	55,528	2,701	-	-
Total Principal and Interest	$ 384,640	$ 215,775	$ 15,310,000	$ 13,836,332

Note 10: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of $485,552 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 $464,100

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 $21,452

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 11: SIGNIFICANT CONTINGENT LIABILITIES

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

Note 12: SIGNIFICANT COMMITMENTS

The following is an analysis of significant outstanding construction or renovation contracts executed by the School District as of June 30, 2014.

Project	Unearned Executed Contracts
Old Marion County Middle School Fire Damage Repair and Renovations	$ 13,974
Additions to L.K. Moss Elementary School Cafeteria	427,201
	$ 441,175

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.

NOTE 13: OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Georgia Retiree Health Benefit Fund (Continued)

The Board of Community Health sets all member premiums by resolution and in accordance with the law and applicable revenue and expense projections. Any subsidy policy adopted by the Board may be changed at any time by Board resolution and does not constitute a contract or promise of any amount of subsidy.

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

The combined active and retiree contribution rates established by the Board for employers participating in the School OPEB Fund were as follows for the fiscal year ended June 30, 2014:

For certificated teachers, librarians and regional educational service agencies:

Period	Contribution
July 1, 2013- June 30, 2014	$945 per member per month

For non-certificated school personnel:

Period	Contribution
July 1, 2013 - June 30, 2014	$596.20 per member per month

No additional contribution was required by the Board for fiscal year 2014 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
2014	100%	$ 1,419,026
2013	100%	1,219,609
2012	100%	1,225,268

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.

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, 2014, were 6.00% of annual salary. Employer contributions required for fiscal year 2014 were 12.28% of annual salary as required by the June 30, 2011, actuarial valuation.

Note 14: RETIREMENT PLAN (CONTINUED)

Teachers Retirement System of Georgia (TRS) (Continued)

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

Fiscal Year	Percentage Contributed	Required Contribution
2013	100%	$ 855,348
2012	100%	795,803
2011	100%	710,760

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 10: On-behalf payments for information on the contributions made by the State of Georgia on behalf of the School District's employees.

Note 15: NEW ACCOUNTING PRONOUNCEMENT

In fiscal year 2015, the School District will adopt Governmental Account Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. The provisions of this Statement establish accounting and financial reporting standards for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts. Implementation of this statement will require the School District to record a liability for its proportionate share of the Net Pension Liability of pension plans in which it is a member. Actuarial estimates are currently being made to determine the School District's liability, the effects of which are believed to be material.

Note 16: EXTRAORDINARY ITEM

In June 2013, a fire destroyed approximately 17% of the former middle school facility. Insurance proceeds of $1,149,807 are recorded as an extraordinary item in the District-wide Capital Projects Fund.

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SCHEDULE "1"

MARION COUNTY BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Property taxes	$ 3,209,884	$ 3,209,884	$ 3,529,012	$ 319,128
Sales taxes	24,000	24,000	37,897	13,897
Other taxes	-	-	18,660	18,660
State funds	6,331,905	6,347,924	6,589,613	241,689
Federal funds	1,740,869	1,884,375	1,790,781	(93,594)
Charges for services	197,354	197,354	391,162	193,808
Investment earnings	200	200	6,131	5,931
Miscellaneous	6,062	6,062	308,388	302,326
Total revenues	11,510,274	11,669,799	12,671,644	1,001,845
EXPENDITURES				
Current:				
Instruction	6,824,640	6,636,523	6,853,879	(217,356)
Support services:				
Pupil services	367,614	411,336	396,712	14,624
Improvement of instructional services	566,515	740,200	765,248	(25,048)
Educational media services	237,862	237,862	231,649	6,213
General administration	605,177	602,086	510,852	91,234
School administration	921,562	921,562	915,215	6,347
Business administration	165,713	165,713	169,404	(3,691)
Maintenance and operation of plant	1,068,440	1,068,440	1,145,929	(77,489)
Student transportation services	969,519	969,519	934,324	35,195
Central support services	59,027	59,027	43,320	15,707
Other support services	66,909	71,231	69,081	2,150
Enterprise operations	-	-	117,973	(117,973)
Food services operations	903,730	903,730	890,371	13,359
Capital outlay	-	-	395,820	(395,820)
Debt service:				
Principal retirement	-	-	11,180	(11,180)
Interest and fiscal charges	-	-	9,524	(9,524)
Total expenditures	12,756,708	12,787,229	13,460,481	(673,252)
Excess (deficiency) of revenues over (under) expenditures	(1,246,434)	(1,117,430)	(788,837)	328,593
OTHER FINANCING SOURCES (USES)				
Capital lease	-	-	395,820	395,820
Proceeds from sale of capital assets	-	-	18,906	18,906
Transfers in	2,600	2,600	-	(2,600)
Transfers out	(2,600)	(2,600)	-	2,600
Total other financing sources (uses)	-	-	414,726	414,726
Net change in fund balances	(1,246,434)	(1,117,430)	(374,111)	743,319
FUND BALANCE, beginning of year	3,556,579	3,556,579	3,556,579	-
FUND BALANCE, end of year	$ 2,310,145	$ 2,439,149	$ 3,182,468	$ 743,319

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 ($477,173) or expenditures ($486,894) of the various school activity accounts.

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

See Notes to the Basic Financial Statements.

MARION COUNTY BOARD OF EDUCATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Funding Agency Program/Grant		CFDA Number	Pass-Through Entity ID Number	Expenditures In Period	
Agriculture, U. S. Department of					
Child Nutrition Cluster					
Pass-Through From Georgia Department of Education					
Food Services					
School Breakfast Program	*	10.553	N/A	$ (1)	
National School Lunch Program	*	10.555	N/A	865,732	(2)
Total U.S. Department of Agriculture				865,732	
Education, U. S. Department of					
Special Education Cluster					
Pass-Through From Georgia Department of Education					
Special Education					
Grants to States		84.027	N/A	252,972	
Preschool Grants		84.173	N/A	6,014	
Total Special Education Cluster				258,986	
Other Programs					
Pass-Through From Georgia Department of Education					
Improving Teacher Quality State Grants		84.367	N/A	97,565	
Migrant Education - State Grant Program		84.011	N/A	27,231	
Rural Education		84.358	N/A	23,906	
Title I Grants to Local Educational Agencies	*	84.010	N/A	660,052	
Career and Technical Education - Basic Grants to States		84.048	N/A	26,473	
Pass-Through From Southwest Georgia Regional Educational Services Agency					
Title III - Limited English Proficient		84.365	N/A	591	
				835,818	
Total Expenditures of Federal Awards				$ 1,960,536	

N/A = Not Available

Notes to the Schedule of Expenditures of Federal Awards

(1) Expenditures for the funds earned on the School Breakfast Program ($208,387) 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 $22,440.

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

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

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

See Notes to the Basic Financial Statements.

MARION COUNTY BOARD OF EDUCATION

SCHEDULE OF STATE REVENUE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Agency/Funding	GOVERNMENTAL FUND TYPE General Fund
Grants	
Bright from the Start:	
Georgia Department of Early Care and Learning	
Pre-Kindergarten Program	$ 245,796
Education, Georgia Department of	
Quality Basic Education [1]	
Direct Instructional Cost	
Kindergarten Program	475,975
Kindergarten Program - Early Intervention Program	70,005
Primary Grades (1-3) Program	957,340
Primary Grades - Early Intervention (1-3) Program	125,861
Upper Elementary Grades (4-5) Program	342,164
Upper Elementary Grades - Early Intervention (4-5) Program	70,422
Middle School (6-8) Program	1,022,258
High School General Education (9-12) Program	799,691
Vocational Laboratory (9-12) Program	212,977
Students with Disabilities	736,191
Program for Intellectually Gifted Students - Category VI	124,408
Remedial Education Program	69,237
Alternative Education Program	67,113
Media Center Program	142,665
20 Days Additional Instruction	46,179
Staff and Professional Development	26,410
Principal, Staff and Professional Development	572
Indirect Cost	
Central Administration	323,535
School Administration	300,559
Facility Maintenance and Operations	338,776
Categorical Grants	
Pupil Transportation	
Pupil Transportation	356,349
State Bonds	77,220
Nursing Services	24,181
Vocational Supervisors	6,683
Education Equalization Funding Grant	383,887
Food Services	21,145
Vocational Education	38,128
Amended Formula Adjustment	(840,889)
Other State Programs	
Math and Science Supplements	3,323
Total Grants from Georgia Department of Education	6,322,365
Office of the State Treasurer	
Public School Employees Retirement	21,452
	$ 6,589,613

(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 $464,100 are included as part of the Quality Basic Education revenue allotments.

See Notes to the Basic Financial Statements.

MARION COUNTY BOARD OF EDUCATION

SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Project	Original Estimated Cost (1)	Current Estimated Costs (2)	Expended In Current Year (3) (4)	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	$ 363,091	$ 180,661	$ 182,430	$ 363,091	Complete
Renovating, extending, repairing and equipping athletic facilities, including baseball field lights, baseball and softball dugouts and tennis concessions	78,000	4,105	-	4,105	4,105	Complete
Acquiring and installing system-wide instructional and administrative, technology safety and security equipment	75,000	15,396	-	15,396	15,396	Complete
Renovating, extending, repairing and equipping the bus shop	25,000	95,821	63,800	32,021	95,821	Complete
Acquisition of school buses, transportation equipment and maintenance equipment	150,000	128,788	92,296	36,492	128,788	Complete
Acquisition of fine arts, vocational, instructional and athletic equipment	100,000	7,709	-	7,709	7,709	Complete
Improving school facilities, purchasing school buses, school equipment, and acquiring safety and security equipment	750,000	750,000	-	-	-	December 2017
Making system-wide technology improvements, including, but not limited to, the acquisition and installation of instruction technology, security, and information systems hardware and associated software and accessories, and infrastructure at all schools and selected other facilities	400,000	400,000	-	-	-	December 2017
To retire a portion of the principal and interest on the school district's previously incurred general obligation Series 2010B and 2010C Bonds coming due in the years 2013 through 2018	2,250,000	2,250,000	-	-	-	December 2017
	$ 3,978,000	$ 4,014,910	$ 336,757	$ 278,153	$ 614,910	

(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) Expenditures in the District-wide Capital Projects Fund included $447,700 not related to the Special Purpose Local Option Sales Tax.

(5) $812,551 Interest paid on bonds in FY2014; $474,491 from Federal Subsidy; $338,060 from property taxes.

(6) Sales Tax is being accumulated to make Sinking Fund Payments that start in January 2015.

See notes to the basic financial statements.

SCHEDULE "5"

MARION COUNTY BOARD OF EDUCATION
SCHEDULE OF QUALITY BASIC EDUCATION PROGRAMS (QBE)
ALLOTMENTS AND EXPENDITURES BY PROGRAM
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Description	Allotments From Georgia Department of Education (1) (2) (3)	Eligible QBE Program Costs		
		Salaries	Operations	Total
Direct Instructional Funds:				
Kindergarten Program	$ 549,634	$ 471,942	$ 3,048	$ 474,990
Kindergarten Program - Early Intervention Program	90,842	79,542	-	79,542
Primary Grades (1-3) Program	1,095,218	989,513	18,223	1,007,736
Primary Grades - Early Intervention (1-3) Program	155,522	145,832	-	145,832
Upper Elementary Grades (4-5) Program	410,283	534,572	7,935	542,507
Upper Elementary Grades-Early Intervention (4-5) Program	96,969	80,357	-	80,357
Middle School (6-8) Program	1,182,481	945,568	9,328	954,896
High School General Education (9-12) Program	930,776	869,281	46,162	915,443
Vocational Laboratory (9-12) Program	249,107	363,195	12,980	376,175
Students with Disabilities	857,291	-	-	-
Category I	-	52,407	-	52,407
Category II	-	172,429	-	172,429
Category III	-	275,911	637	276,548
Category IV	-	41,508	-	41,508
Gifted Student - Category VI	147,110	24,244	1,371	25,615
Remedial Education Program	76,757	32,012	-	32,012
Alternative Education Program	79,460	55,432	-	55,432
TOTAL DIRECT INSTRUCTIONAL PROGRAMS	5,921,450	5,133,745	99,684	5,233,429
Media Center Program	166,440	209,561	13,346	222,907
Staff and Professional Development	30,851	1,400	9,421	10,821
TOTAL QBE FORMULA FUNDS	$ 6,118,741	$ 5,344,706	$ 122,451	$ 5,467,157

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

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

(3) Allotments do not include the State Health payments made by GDOE to the Department of Community Health for the certified employees.

See notes to the basic financial statements.

SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS

DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

March 27, 2015

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, 2014, 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 27, 2015.

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 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 27, 2015.

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:as
2014YB-10

DEPARTMENT OF AUDITS AND ACCOUNTS

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Greg S. Griffin
STATE AUDITOR
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March 27, 2015

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, 2014. 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, 2014.

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:as
2014SA-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, 2014

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, 2014

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-143, Section 510(a)? — No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
10.553, 10.555	Child Nutrition Cluster
84.010	Title I Grants to Local Educational Agencies

Dollar threshold used to distinguish between Type A and Type B programs: $300,000.00

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.