MARION COUNTY
BOARD OF EDUCATION

ANNUAL FINANCIAL REPORT
(Including Independent Auditor's Reports)

FOR THE FISCAL YEAR ENDED
JUNE 30, 2016

MARION COUNTY BOARD OF EDUCATION

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SECTION I

FINANCIAL

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DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

March 27, 2017

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 of the Marion County Board of Education (School District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the 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 School District, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the financial statements, in 2016, the School District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and 68,* and GASB Statement No. 79, *Certain External Investment Pools and Pool Participant*s. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Proportionate Share of the Net Pension Liability, Schedule of Contributions to Retirement Systems, Notes to the Required Supplementary Information and the Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actuals presented on pages i through viii and pages 35 through 38 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 School District's basic financial statements. The accompanying supplementary information, consisting of Schedules 5 through 7, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2

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U. S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* and is also not a required part of the basic financial statements.

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, 2017, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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

Respectfully submitted,



Greg S. Griffin
State Auditor

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MARION COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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, 2016. 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 2016 are as follows:

- ✓ The School District's financial status remained stable during fiscal year 2016. In total, net position increased $150,762, which represents an increase from fiscal year 2015. This total increase was due to governmental activities since the School District has no business-type activities. This increase was due to an increase in the property taxes collected. Ninety-eight percent of the taxes due were collected which accounted for $311,970.

- ✓ General revenues accounted for $5.2 million or 34.9 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for $9.7 million or 65.1 percent of total revenues. Total revenues were $14.9 million.

- ✓ The School District had $14.7 million in expenses related to governmental activities; these expenses were offset by $9.7 million in program specific charges for services, grants or contributions. General revenues and taxes of $5.2 million also provided for these programs.

- ✓ Among major funds, the General Fund had $13.8 million in revenues and other financing sources and $13.6 million in expenditures. The General Fund's fund balance increased from $2.6 million to $2.8 million.

Using the Basic Financial Statements

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

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

Reporting the School District as a Whole

Statement of Net Position and Statement of Activities

While these documents contain the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2016?" The Statement of Net Position and the Statement of Activities answer this question. These statements include *all assets and all liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, the government-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 government-wide financial statements because it cannot use these assets to finance its operations.

The School District as a Whole

The perspective of the Statement of Net Position is of the School District as a whole. Table 1 provides a summary of the School District's net position for fiscal year 2016, compared to fiscal year 2015.

Table 1
Net Position

	2016	2015
Current and other assets	**$ 6,681,806**	$ 6,396,755
Capital assets	**32,873,066**	33,343,205
Total assets	**39,554,872**	39,739,960
Deferred outflows of resources - pensions	**1,028,591**	974,955
Long-term liabilities outstanding	**25,824,288**	24,299,903
Other liabilities	**1,645,692**	1,724,024
Total liabilities	**27,469,980**	26,023,927
Deferred inflows of resources - pensions	**1,273,795**	3,002,062
Net position:		
Net investment in capital assets	**17,046,688**	17,654,545
Restricted	**2,444,483**	2,230,510
Unrestricted	**(7,651,483)**	(8,196,129)
Total net position	**$ 11,839,688**	$ 11,688,926

Table 2 shows the changes in net position for fiscal year 2016 compared to fiscal year 2015. The total net position increased $150,762, for fiscal year 2016, compared to a $290,676 decrease for fiscal year 2015. This increase was due to an increase of $311,970 in the property taxes collected during fiscal year 2016.

Table 2
Changes in Net Position

	2016	2015
Revenues		
Program revenues:		
Charges for services	**$ 235,049**	$ 344,379
Operating grants and contributions	**8,868,079**	8,443,210
Capital grants and contributions	**556,350**	795,194
General revenues:		
Property taxes		
For maintenance and operations	**3,395,264**	3,078,316
For debt service	**356,547**	361,525
Sales taxes	**380,072**	430,785
Other taxes	**45,777**	45,343
Grants and contributions not restricted to specific programs	**667,555**	425,273
Investment income	**20,373**	6,008
Miscellaneous	**300,424**	352,138
Total revenues	**14,825,490**	14,282,171
Expenses		
Instruction	**7,723,494**	7,586,849
Support services		
Pupil services	**324,145**	370,559
Improvement of instructional services	**693,437**	655,710
Educational media services	**237,538**	232,234
General administration	**419,003**	411,344
School administration	**953,242**	974,154
Business services	**173,159**	166,573
Maintenance and operations	**1,148,328**	1,231,093
Student transportation	**884,761**	894,762
Central support services	**49,915**	62,385
Other support services	**68,066**	67,625
Operations of noninstructional services		
School nutrition	**1,040,759**	971,336
Enterprise operations	**132,730**	126,124
Interest on long-term debt	**826,151**	822,099
Total expenses	**14,674,728**	14,572,847
Increase (decrease) in net position	**150,762**	(290,676)
Net position, beginning of year	**11,688,926**	11,979,602
Net position, end of year	**$ 11,839,688**	$ 11,688,926

Governmental Activities

Instruction comprises 52.6 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 2015 is also presented.

Table 3
Governmental Activities

	Total Cost of Services		**Net Cost of Services**	
	Fiscal Year 2016	Fiscal Year 2015	**Fiscal Year 2016**	Fiscal Year 2015
Instruction	**$ 7,723,494**	$ 7,586,849	**$ (1,584,499)**	$ (1,510,664)
Support services				
Pupil services	**324,145**	370,559	**(219,556)**	(257,895)
Improvement of instructional services	**693,437**	655,710	**(586,669)**	(521,322)
Educational media services	**237,538**	232,234	**(64,361)**	(63,275)
General administration	**419,003**	411,344	**(23,396)**	(18,280)
School administration	**953,242**	974,154	**(595,202)**	(620,206)
Business services	**173,159**	166,573	**(172,501)**	(165,749)
Maintenance and operations	**1,148,328**	1,231,093	**(690,307)**	(766,122)
Student transportation	**884,761**	894,762	**(438,061)**	(445,626)
Central support services	**49,915**	62,385	**(48,122)**	(60,516)
Other support services	**68,066**	67,625	**(61,881)**	(61,809)
School nutrition	**1,040,759**	971,336	**(50,944)**	(28,476)
Enterprise operations	**132,730**	126,124	**(132,730)**	(126,124)
Interest on long-term debt	**826,151**	822,099	**(347,021)**	(344,000)
Total expenses	**$ 14,674,728**	$ 14,572,847	**$ (5,015,250)**	$ (4,990,064)

Although program revenues make up a majority of the revenues, the School District is still dependent upon tax revenues for governmental activities. Over 20.5 percent of instruction activities are supported through taxes and other general revenues; for all governmental activities general revenue support is 34.2 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 $15.0 million and expenditures and other financing uses of $14.8 million. There was a decrease in fund balance of approximately $200 thousand in the Capital Projects Fund due to the completion of the Burkhalter project and other special projects using proceeds from an insurance settlement received in prior years. The fund balance of the General Fund had an increase of approximately $134 thousand due to revenues and expenditures of the school activity funds, which are not budgeted. There was an increase in fund balance of approximately $422 thousand in the Debt Service Fund. This was because SPLOST III funds are being accumulated for sinking fund payments due annually in January.

General Fund Budgeting Highlights

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

During the course of fiscal year 2016, 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 $12.85 million to $13.08 million while budgeted expenditures increased from $13.17 million to $13.36 million. Budgeted revenues increased due to the mid-term adjustment of the QBE allotment; increases in state grants, and the inclusion of state and federal grants for school nutrition, which were previously not budgeted. Budgeted expenditures increased due to adjustments to federal programs and amounts related to school activity funds.

The School District is compliant with the state’s 65% rule for Minimum Direct Classroom Expenditures through its graduation rate. The State’s graduation rate is 79.2%. The School District’s graduation rate is 92.6%.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2016, the School District had $32.87 million invested in capital assets, all in governmental activities. Table 4 indicates balances at June 30, 2016. Capital asset comparisons to fiscal year 2015 are also included.

Table 4
Capital Assets (Net of Depreciation*)*

	Fiscal Year 2016	Fiscal Year 2015
Land	**$ 581,159**	$ 581,159
Construction in progress	**4,305**	617,554
Land improvements	**1,021,936**	1,061,946
Buildings and improvements	**30,045,965**	29,928,340
Equipment	**1,219,701**	1,154,206
Total	**$ 32,873,066**	$ 33,343,205

Debt

Long-Term Liabilities

At fiscal year ended June 30, 2016, the School District had $25.82 million in long-term liabilities outstanding. Table 5 summarizes the School District's liabilities as compared to the prior fiscal year.

Table 5
Long-term Liabilities

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Due Within One Year
Governmental activities:					
Bonds payable	$ 15,310,000	$ -	$ -	$ 15,310,000	$ -
Capital leases	378,660	182,078	(44,360)	516,378	40,431
Net pension liability	8,611,243	2,298,234	(911,567)	9,997,910	-
Governmental activities Long-term liabilities	$ 24,299,903	$ 2,480,312	$ (955,927)	$ 25,824,288	$ 40,431

Current Issues

The Marion County Board of Education's current operating millage rate is 14.564 mills. The bond millage rate is 1.692 mills. Management and the Marion County Board of Education hope to hold this level for a few years so as not to place a hardship on the property owners in Marion County.

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

In June 2013, a fire destroyed approximately 17% of the former middle school facility on Burkhalter Avenue. A portion of the insurance settlement was used to add 1500 square feet to the elementary school cafeteria and to restore the auditorium and some classrooms at our Burkhalter Avenue Campus. These projects were ongoing during fiscal year 2016.

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

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MARION COUNTY BOARD OF EDUCATION

EXHIBIT "A"

STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 3,724,920
Investments	1,633,686
Receivables, net of allowances:	
Taxes	194,707
Intergovernmental:	
State	869,552
Federal	243,525
Inventory	15,416
Capital assets (nondepreciable)	585,464
Capital assets (net of accumulated depreciation)	32,287,602
Total assets	39,554,872
DEFERRED OUTFLOWS OF RESOURCES	
Related to pension plan	1,028,591
LIABILITIES	
Accounts payable	62,973
Salaries and benefits payable	1,239,175
Accrued interest payable	343,544
Bonds payable due in more than one year	15,310,000
Capital leases due within one year	40,431
Capital leases due in more than one year	475,947
Net pension liability, due in more than one year	9,997,910
Total liabilities	27,469,980
DEFERRED INFLOWS OF RESOURCES	
Related to pension plan	1,273,795
NET POSITION	
Net investment in capital assets	17,046,688
Restricted for:	
Continuation of federal programs	262,354
Capital projects	98,064
Debt service	2,084,065
Unrestricted (deficit)	(7,651,483)
Total net position	$ 11,839,688

The accompanying notes are integral part of these financial statements.

MARION COUNTY BOARD OF EDUCATION

EXHIBIT "B"

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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	$ 7,723,494	$ 164,565	$ 5,974,430	$ -	$ (1,584,499)
Support services:					
Pupil services	324,145	612	103,977	-	(219,556)
Improvement of instructional services	693,437	-	106,768	-	(586,669)
Educational media services	237,538	-	173,177	-	(64,361)
General administration	419,003	-	395,607	-	(23,396)
School administration	953,242	-	358,040	-	(595,202)
Business administration	173,159	-	658	-	(172,501)
Maintenance and operation of plant	1,148,328	36,518	421,503	-	(690,307)
Student transportation services	884,761	-	369,480	77,220	(438,061)
Central support services	49,915	-	1,793	-	(48,122)
Other support services	68,066	-	6,185	-	(61,881)
Enterprise operations	132,730	-	-	-	(132,730)
Food services operations	1,040,759	33,354	956,461	-	(50,944)
Interest on long-term debt	826,151	-	-	479,130	(347,021)
Total governmental activities	$ 14,674,728	$ 235,049	$ 8,868,079	$ 556,350	(5,015,250)
General revenues:					
Taxes:					
Property taxes, levied for maintenance and operations					3,395,264
Property taxes, levied for debt service					356,547
Sales taxes, for debt service					380,072
Intangible taxes					25,409
Transfer taxes					7,152
Railroad equipment tax					13,216
Grants and contributions not restricted to specific programs					667,555
Unrestricted investment earnings					20,373
Miscellaneous					300,424
Total general revenues					5,166,012
Change in net position					150,762
Net position, beginning of year					11,688,926
Net position, end of year					$ 11,839,688

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

MARION COUNTY BOARD OF EDUCATION

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

ASSETS	General	Capital Projects	Debt Service	Total Governmental Funds
Cash and cash equivalents	$ 2,734,630	$ 98,775	$ 891,515	$ 3,724,920
Investments	133,351	-	1,500,335	1,633,686
Receivables net of allowances:				
Taxes	148,817	-	45,890	194,707
Intergovernmental:				
State	869,552	-	-	869,552
Federal	243,525	-	-	243,525
Inventory	15,416	-	-	15,416
Total assets	$ 4,145,291	$ 98,775	$ 2,437,740	$ 6,681,806
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 62,262	$ 711	$ -	$ 62,973
Salaries and benefits payable	1,239,175	-	-	1,239,175
Total liabilities	1,301,437	711	-	1,302,148
DEFERRED INFLOWS				
Unavailable revenue - property taxes	71,305	-	8,616	79,921
	71,305	-	8,616	79,921
FUND BALANCES				
Nonspendable: inventory	15,416	-	-	15,416
Restricted:				
Federal programs	246,938	-	-	246,938
Capital projects	-	98,064	-	98,064
Debt service	-	-	2,429,124	2,429,124
Assigned:				
Student activities	112,233	-	-	112,233
Subsequent years' budget	685,559	-	-	685,559
Unassigned	1,712,403	-	-	1,712,403
Total fund balances	2,772,549	98,064	2,429,124	5,299,737
Total liabilities, deferred inflows, and fund balances	$ 4,145,291	$ 98,775	$ 2,437,740	$ 6,681,806

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

MARION COUNTY BOARD OF EDUCATION

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2016

Total fund balances - governmental funds			$ 5,299,737
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	40,792,598	
	Less accumulated depreciation	(7,919,532)	32,873,066
Other long-term assets are not available to pay for current-period expenditures and are deferred in the funds.			
	Property taxes		79,921
Long-term liabilites are not due and payable in the current period and, therefore, are not reported in the funds.			
	Bonds	(15,310,000)	
	Capital leases	(516,378)	
	Net pension liability	(9,997,910)	
	Deferred outflows - pensions	1,028,591	
	Deferred inflows - pensions	(1,273,795)	
	Accrued interest	(343,544)	(26,413,036)
Net position of governmental activities			$ 11,839,688

MARION COUNTY BOARD OF EDUCATION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	General	Capital Projects	Debt Service	Total Governmental Funds
REVENUES				
Property taxes	$ 3,384,489	$ -	$ 355,032	$ 3,739,521
Sales taxes	29,171	-	383,461	412,632
Other taxes	13,216	-	-	13,216
State funds	7,760,475	-	-	7,760,475
Federal funds	1,870,447	-	479,130	2,349,577
Charges for services	235,049	-	-	235,049
Investment earnings	3,403	-	16,970	20,373
Miscellaneous	300,424	-	-	300,424
Total revenues	13,596,674	-	1,234,593	14,831,267
EXPENDITURES				
Current:				
Instruction	7,332,724	-	-	7,332,724
Support Services:				
Pupil services	336,634	-	-	336,634
Improvement of instructional services	711,815	-	-	711,815
Educational media services	246,826	-	-	246,826
General administration	432,492	-	-	432,492
School administration	958,512	-	-	958,512
Business administration	181,574	-	-	181,574
Maintenance and operation of plant	1,113,535	70,518	-	1,184,053
Student transportation services	1,029,852	-	-	1,029,852
Central support services	49,333	-	-	49,333
Other support services	68,066	-	-	68,066
Enterprise operations	132,730	-	-	132,730
Food services operations	997,936	-	-	997,936
Capital outlay	-	129,195	-	129,195
Debt service:				
Principal retirement	44,360	-	-	44,360
Interest and fees	8,619	-	812,551	821,170
Total expenditures	13,645,008	199,713	812,551	14,657,272
Excess (deficiency) of revenues over (under) expenditures	(48,334)	(199,713)	422,042	173,995
OTHER FINANCING SOURCES				
Capital lease	182,078	-	-	182,078
Total other financing sources	182,078	-	-	182,078
Net change in fund balances	133,744	(199,713)	422,042	356,073
FUND BALANCES, beginning of year	2,638,805	297,777	2,007,082	4,943,664
FUND BALANCES, end of year	$ 2,772,549	$ 98,064	$ 2,429,124	$ 5,299,737

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

MARION COUNTY BOARD OF EDUCATION

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

Net change in fund balances - total governmental funds		$ 356,073
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The net effect of the amount by which depreciation exceeded capital outlay is to increase net position.		
Capital outlay	436,741	
Depreciation expense	(906,880)	(470,139)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes		12,291
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 - capital leases	44,360	
Capital lease proceeds	(182,078)	
Adjustments related to pensions	395,236	257,518
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in accrued interest		(4,981)
		$ 150,762

MARION COUNTY BOARD OF EDUCATION

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
JUNE 30, 2016

	Agency Fund
ASSETS	
Cash	$ 3,098
Investments	31,333
Total assets	$ 34,431
LIABILITIES	
Funds held for others	$ 34,431

Note 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

Reporting Entity

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

BASIS OF PRESENTATION

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

Government-wide Statements

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

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

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide Statements (Continued)

3. **Unrestricted net position** consists of resources not meeting the definition of the two preceding categories. Unrestricted net positon often has constraints on resources imposed by management which can be removed or modified.

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

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

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

Fund Financial Statements

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

The School District reports the following major governmental funds:

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

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

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements (Continued)

The School District reports the following fiduciary fund type:

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

Basis of Accounting

The basis of accounting determines when transactions are reported in the financial statements. The government-wide governmental activities and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the School District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, sales taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from sales taxes is recognized in the fiscal year in which the underlying transaction (sale) takes place. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

The State of Georgia reimburses the School System for teachers' salaries and operating costs through the Quality Basic Education (QBE) Formula Earnings program. State of Georgia law defines the formula driven grant that determines the cost of an academic school year and the State of Georgia's share in this cost. Generally, teachers are contracted for the school year (July 1 – June 30) and paid over a 12-month contract period, generally September 1 through August 31. In accordance with the requirements of the enabling legislation of the QBE program, the State of Georgia reimburses the School System over the same 12-month period in which teachers are paid, funding the academic school year expenditures. At June 30, the amount of teachers' salaries incurred but not paid until July and August of the subsequent year are accrued as the State of Georgia has only postponed the final payment of their share of the cost until the subsequent appropriations for cash management purposes. By June 30 of each year, the State of Georgia has a signed appropriation that includes this final amount, which represents the State of Georgia's intent to fund this final payment. Based on guidance in 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.

New Accounting Pronouncements

In fiscal year 2016, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The School District did not have any items that required a reassessment of value for reporting purposes as a result of adoption of this statement.

In fiscal year 2016, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and 68*. This statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans and pensions that are within their respective scopes. The adoption of this statement does not have a significant impact on the School District's financial statements.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements (Continued)

In fiscal year 2016, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 79, *Certain External Investment Pools and Pool Participants*. This statement addresses accounting and financial reporting for certain external investment pools and pool participants. If an external investment pool meets the criteria in this statement and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. The adoption of this statement does not have an impact on the School District's financial statements.

Cash and Cash Equivalents

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

Investments

Composition of Investments – The School District can invest its funds as permitted by O.C.G.A. §36-83-4. In selecting among options for investment or among institutional bids for deposits, the highest rate of return shall be the objective, given equivalent conditions of safety and liquidity.

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

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

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables

Receivables consist of amounts due from property and sales taxes, grant reimbursements due on Federal, state or other grants for expenditures made, but not reimbursed, and other receivables disclosed from information available. Receivables are recorded when either the asset or revenue recognition criteria has been met.

Receivables recorded on the basic financial statements do not include any amounts which would necessitate the need for an allowance for uncollectible receivables.

Inventories

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

Capital Assets

On the government-wide financial statements, capital assets are recorded at cost where historical records are available and at estimated historical cost based on appraisals or deflated current replacement cost where no historical records exist. Donated capital assets are recorded at acquisition value on the date donated. The cost of normal maintenance and repairs that do not add to the value of assets or materially extend the useful lives of the assets is not capitalized. The School District does not capitalize book collections or works of art.

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

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

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

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

Deferred Outflows/Inflows of Resources

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

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

Long-Term Liabilities and Bond Discounts/Premiums

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

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pensions

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

Fund Balance

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

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

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

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

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

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

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

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

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance (Continued)

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.

Use of Estimates

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

Property Taxes

The Marion County Board of Commissioners adopted the property tax levy for the 2015 tax digest year (calendar year) on October 1, 2015 (levy date) based on property values as of January 1, 2015. Taxes were due on December 20, 2015 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2015 tax digest are reported as revenue in the governmental funds for fiscal year 2016. 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, 2016, for maintenance and operations and debt service, amounted to $3,173,126 and $338,599, respectively.

Tax millage rates levied for the 2015 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	14.569	mills
School Bonds	1.693	mills
Total	16.262	mills

Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2016, for maintenance and operations and debt service, amounted to $211,363 and $16,433, respectively.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Sales Taxes

Education Special Purpose Local Option Sales Tax (ESPLOST), at the fund reporting level, during the year amounted to $380,072 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be reauthorized at least every five years.

Note 3: BUDGETARY DATA

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

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.

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

Note 4: DEPOSITS

Collateralization of Deposits – 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, 2016, The School District had deposits with a carrying value of $3,892,702 and a bank balances were $4,400,501, including $164,684 classified as certificates as deposit. The bank balances insured by Federal depository insurance were $475,375. 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, 2016, are as follows:

Custodial Credit Risk Category	Bank Balance
1	$ -
2	-
3	3,925,126
	$ 3,925,126

Categorization of Investments

At June 30, 2016, the School System had the following investments:

Investment	Maturities	Rating*	Fair Value
Certificate of deposit	May 14, 2017	N/A	$ 31,333
Certificate of deposit	February 1, 2017	N/A	133,351
Deutsche Bank repurchase	January 28, 2027	N/A	1,033,763
Fidelity Institutional Government (money market mutual fund)	42 day weighted average	AAAm	466,572
			$ 1,665,019

**Rating as per Standard & Poor's*

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

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

The School District has the following recurring fair value measurements as of June 30, 2016:

- Money market mutual funds of $466,572 which are valued using market observable information for identical or similar instruments in the market. (Level 2 inputs)
- Repurchase agreement of $1,033,763, which is valued using a matric pricing model.

Note 4: DEPOSITS (CONTINUED)

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, 2016, $1,500,335 of the School District's applicable investments were uninsured, and are held by either the counterparty or the counterparty's trust department or agent in the School District's name.

Credit Quality Risk – Credit quality risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments to those prescribed by Official Code of Georgia Annotated (OCGA) Section 36-83-4. The School District does not have a formal policy for managing credit quality risk.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The School District does not have a formal policy for managing concentration of credit risk. More than 5% of the School District's investments are in a Fidelity Institutional Government money market mutual fund, the Deutsche Bank repurchase and one Certificates of Deposit. The money market mutual fund represents 28% of the School District's total investments, the repurchase agreement represents 62% of the School District's total investments and the Certificate of Deposit maturing on February 1, 2017 represents 8% of the School District's total investments.

Note 5: NON-MONETARY TRANSACTIONS

The School District receives food commodities from the United States Department of Agriculture (USDA) for school breakfast and lunch programs. These commodities are recorded at their Federally assigned value. See Note 2 – Inventories.

Note 6: CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 581,159	$ -	$ -	$ -	$ 581,159
Construction in progress	617,554	106,779	-	(720,028)	4,305
Total	1,198,713	106,779	-	(720,028)	585,464
Capital assets, being depreciated:					
Buildings and improvements	34,260,299	-	-	720,028	34,980,327
Equipment	3,212,847	288,676	-	-	3,501,523
Land improvements	1,683,998	41,286	-	-	1,725,284
Total	39,157,144	329,962	-	720,028	40,207,134
Less accumulated depreciation for:					
Buildings and improvements	(4,331,959)	(602,403)	-	-	(4,934,362)
Equipment	(2,058,641)	(223,181)	-	-	(2,281,822)
Land improvements	(622,052)	(81,296)	-	-	(703,348)
Total	(7,012,652)	(906,880)	-	-	(7,919,532)
Total capital assets, being depreciated, net	32,144,492	(576,918)	-	720,028	32,287,602
Governmental activities capital assets, net	$ 33,343,205	$ (470,139)	$ -	$ -	$ 32,873,066

Current year depreciation expense by function is as follows:

Instruction		$ 663,840
Support Services		
General Administration	1,095	
School Administration	34,609	
Maintenance and Operations	17,312	
Student Transportation	134,010	
Central Support Services	4,320	191,346
Food Services		51,694
Total Depreciation Expense		$ 906,880

Note 7: LONG-TERM LIABILITIES

Changes in Long-Term Liabilities

The changes in long-term liabilities during the fiscal year ended June 30, 2016, for governmental activities were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Qualified School Construction Bonds	$ 7,595,000	$ -	$ -	$ 7,595,000	$ -
Build America Bonds	7,715,000	-	-	7,715,000	-
Capital Leases	378,660	182,078	(44,360)	516,378	40,431
Net Pension Liability	8,611,243	2,298,234	(911,567)	9,997,910	-
Total	$ 24,299,903	$ 2,480,312	$ (955,927)	$ 25,824,288	$ 40,431

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

When the stated interest rate on the QSCB and the BAB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the School District may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. To qualify for this subsidy the School District is required to periodically file appropriate documents with the Internal Revenue Service. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB or BAB. The interest subsidy received by the School District in fiscal year 2016 was $479,130, which funded all but $333,421 of interest expense due on the QSCB and BAB.

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

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

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

Note 7: LONG-TERM LIABILITIES (CONTINUED)

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

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

Fiscal Year Ended June 30	Principal	Interest
2017	$ -	$ 812,551
2018	-	812,551
2019	-	812,551
2020	-	812,551
2021	-	812,551
2022-2026	-	4,062,756
2027-2031	9,610,000	2,376,627
2032-2036	2,935,000	1,303,025
2037-2041	2,765,000	406,067
Total Principal and Interest	$ 15,310,000	$ 12,211,230

Capital Leases

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

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

	Governmental Activities
Land Improvements	$ 395,820
Equipment	182,078
Less: Accumulated Depreciation	(28,895)
	$ 549,003

During the current fiscal year, the School District entered into a lease agreement as lessee for financing the acquisition of buses at a cost of $182,078 with a down payment of $38,745. This lease 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 inception.

Note 7: LONG-TERM LIABILITIES (CONTINUED)

Capital Leases (Continued)

Capital leases currently outstanding are as follows:

Purpose	Interest Rates	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Water Tower	2.50%	July 8, 2013	March 1, 2053	$ 395,820	$ 373,045
Buses	3.20%	August 10, 2015	August 10, 2019	182,078	143,333
				$ 577,898	$ 516,378

The following is a schedule of capital lease payments:

Fiscal Year Ended June 30	Capital Leases Principal	Capital Leases Interest
2017	$ 40,431	$ 13,841
2018	41,684	12,590
2019	42,974	11,299
2020	44,305	9,968
2021	6,932	8,596
2022-2026	37,383	40,257
2027-2031	42,354	35,286
2032-2036	47,988	29,652
2037-2041	54,370	23,270
2042-2046	61,601	16,039
2047-2051	69,794	7,846
2052-2053	26,562	613
Total Principal and Interest	$ 516,378	$ 209,257

Note 8: RISK MANAGEMENT

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

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

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

Note 8: RISK MANAGEMENT (CONTINUED)

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

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

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

Note 9: OPERATING LEASES

The School District leases copiers and a postage meter under the provisions of one or more long-term lease agreements classified as operating leases for accounting purposes. Rental expenditures under the terms of the operating leases(s) totaled $32,390 for governmental activities for the year ended June 30, 2016. The following future minimum lease payments were required under operating leases at June 30, 2016:

Fiscal Year Ended June 30	Governmental Activities
2017	$ 33,974
2018	23,538
2019	23,538
2020	9,504
2021	1,584
	$ 92,138

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

Note 9: OPERATING LEASES (CONTINUED)

Lease terms vary and extend through June 30, 2023. Rental revenues under these operating leases during the year ended June 30, 2016 were $35,368. Minimum future rentals to be received under operating leases are as follows:

Fiscal Year Ended June 30	Payments
2017	$ 34,968
2018	34,968
2019	34,968
2020	34,968
2021	34,968
2022-2023	58,280
	$ 233,120

Note 10: SIGNIFICANT CONTINGENT LIABILITIES

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

Note 11: 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 post-employment healthcare plan that covers eligible former employees of public school systems, libraries and regional educational service agencies. The School OPEB Fund provides health insurance benefits to eligible former employees and their qualified beneficiaries through the State Employees Health 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). Additional information about the School OPEB Fund is disclosed in the State of Georgia *Comprehensive Annual Financial Report*. This report can be obtained from the Georgia Department of Audits and Account at www.audits.ga.gov/SGD/CAFR.html.

Note 11: OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Georgia Retiree Health Benefit Fund (Continued)

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

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

The combined active and retiree contribution rates established by the Board for employers participating in the School OPEB Fund were as follows for the fiscal year ended June 30, 2016:

For certificated teachers, librarians and regional educational service agencies:

Period	Contribution
July 1, 2015- June 30, 2016	$945 per member per month

For non-certificated school personnel:

Period	Contribution
July 1, 2015 - December 31, 2015	$596.20 per member per month
January 1, 2016 - June 30, 2016	$746.20 per member per month

No additional contribution was required by the Board for fiscal year 2016 nor contributed to the School OPEB Fund to prefund retiree benefits. Such additional contribution amounts are determined annually by the Board in accordance with the School plan for other post-employment benefits and are subject to appropriation.

Note 11: OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Georgia Retiree Health Benefit Fund (Continued)

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
2016	100%	$ 1,488,817
2015	100%	1,393,975
2014	100%	1,419,026

Note 12: RETIREMENT PLANS

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

Teachers Retirement System of Georgia (TRS)

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

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

Contributions. Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6% of their annual pay during fiscal year 2016. The School District's contractually required contribution rate for the year ended June 30, 2016 was 14.27% of annual School District payroll. The current year contribution was $982,292.

Note 12: RETIREMENT PLANS (CONTINUED)

Public School Employees' Retirement System (PSERS)

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

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

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

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

Individuals who became members prior to July 1, 2012 contribute $4 per month for nine months each fiscal year. Individuals who became members on or after July 1, 2012 contribute $10 per month for nine months each fiscal year. The State of Georgia, although not the employer of PSERS members, is required by statute to make employer contributions actuarially determined and approved and certified by the PSERS Board of Trustees. The current year fiscal year contribution was $24,479.

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

At June 30, 2016, the School District reported a liability of $9,997,910 for its proportionate share of the net pension liability for TRS.

The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2014. An expected total pension liability as of June 30, 2015 was determined using standard roll-forward techniques. The School District's proportion of the net pension liability was based on contributions to TRS during the fiscal year ended June 30, 2015.

Note 12: RETIREMENT PLANS (CONTINUED)

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

At June 30, 2015, the School District's TRS proportion was 0.065672%, which was a decrease of 0.002489% from its proportion measured as of June 30, 2014.

At June 30, 2016, the School District did not have a PSERS liability for a proportionate share of the Net Pension Liability because of a Special Funding Situation with the State of Georgia, which is responsible for the Net Pension Liability of the plan. The amount of the State's proportionate share of the Net Pension Liability associated with the School District is $107,498.

The PSERS net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2014. An expected total pension liability as of June 30, 2015 was determined using standard roll-forward techniques. The State's proportion of the net pension liability associated with the School District was based on actuarially determined contributions paid by the State during the fiscal year ended June 30, 2015.

For the year ended June 30, 2015, the School District recognized pension expense of $583,584 for TRS, $6,411 for PSERS and revenue of $6,411 for PSERS. The revenue is support provided by the State of Georgia.

At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	TRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 87,937
Net difference between projected and actual earnings on pension plan investments	-	843,334
Changes in proportion and differences between School District contributions and proportianate share of contributions	46,299	342,524
School District contributions subsequent to the measurement date	982,292	-
Total	$ 1,028,591	$ 1,273,795

Note 12: RETIREMENT PLANS (CONTINUED)

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

School District contributions subsequent to the measurement date of June 30, 2015 of $982,282 for TRS are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended June 30	TRS
2016	$ (480,484)
2017	(480,484)
2018	(480,485)
2019	234,456
2020	(20,499)

Actuarial Assumptions: The total pension liability as of June 30, 2015 was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Teachers Retirement System

Inflation	3.00%
Salary increases	3.75 – 7.00%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females set back two years for males and set back three years for females.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2004 – June 30, 2009.

Public School Employees Retirement System

Inflation	3.0%
Salary increase	N/A
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Note 12: RETIREMENT PLANS (CONTINUED)

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

Mortality rates were based on the RP-2000 Combined Mortality Table set forward one year for males for the period after service retirement, for dependent beneficiaries, and for deaths in active service, and the RP-2000 Disabled Mortality Table set back two years for males and set forward one year for females for the period after disability retirement.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2004 – June 30, 2009.

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

Asset class	Target allocation	Long-term expected real rate of return*
Fixed income	30.00%	3.00%
Domestic large stocks	39.70	6.50
Domestic mid stocks	3.70	10.00
Domestic small stocks	1.60	13.00
International developed market stocks	18.90	6.50
International emerging market stocks	6.10	11.00
Total	100.00%	

* Rates shown are net of the 3.00% assumed rate of inflation

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

Note 12: RETIREMENT PLANS (CONTINUED)

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liablity	$ 17,180,652	$ 9,997,910	$ 4,077,621

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

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MARION COUNTY BOARD OF EDUCATION

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS RETIREMENT SYSTEM OF GEORGIA
FOR THE FISCAL YEAR ENDED JUNE 30

	2015	**2016**
School District's proportion of the net pension liability	0.068161%	**0.065672%**
School District's proportionate share of the net pension liability	$ 8,611,243	**$ 9,997,910**
School District's covered-employee payroll	$ 6,953,819	**$ 6,958,471**
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	123.83%	**143.68%**
Plan fiduciary net position as a percentage of the total pension liability	84.03%	**81.44%**

Note: The measurement period for the year ended June 30, 2016 is June 30, 2015. The schedule above is intended to show information for the last ten fiscal years. Additional years will be displayed as they become available. The Schedule includes all significant plans and funds administered by Marion County Board of Education.

MARION COUNTY BOARD OF EDUCATION

SCHEDULE OF CONTRIBUTIONS
TEACHERS RETIREMENT SYSTEM OF GEORGIA
FOR THE FISCAL YEAR ENDED JUNE 30

	2015	**2016**
Contractually required contribution	$ 915,039	**$ 982,292**
Contributions in relation to the contractually required contribution	$ 915,039	**$ 982,292**
Contribution deficiency (excess)	$ -	**$ -**
School District's covered-employee payroll	$ 6,958,471	**$ 6,883,616**
Contributions as a percentage of covered-employee payroll	13.15%	**14.27%**

Note: The schedule above is intended to show information for the last ten fiscal years. Additional years will be displayed as they become available.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
TEACHERS RETIREMENT SYSTEM OF GEORGIA
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Changes of assumptions:

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

Method and assumptions used in calculations of actuarially determined contributions:

The actuarially determined contribution rates in the schedule of contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the contractually required contributions for the year ended June 30, 2016 reported in that schedule:

Valuation date	June 30, 2013
Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	30 years
Asset valuation method	Five-year smoothed market
Inflation rate	3.00%
Salary increases	3.75 – 7.00%, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

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, 2016

	Budget			Variance With
	Original (1)	Final (1)	Actual	Final Budget
REVENUES				
Property taxes	$ 3,325,514	$ 3,325,514	$ 3,384,489	$ 58,975
Sales taxes	13,000	13,000	29,171	16,171
Other taxes	-	-	13,216	13,216
State funds	7,567,976	7,646,307	7,760,475	114,168
Federal funds	1,795,351	1,952,214	1,870,447	(81,767)
Charges for services	133,342	133,342	235,049	101,707
Investment earnings	6,100	6,100	3,403	(2,697)
Miscellaneous	3,762	3,762	300,424	296,662
Total revenues	12,845,045	13,080,239	13,596,674	516,435
EXPENDITURES				
Current:				
Instruction	6,845,363	6,991,813	7,332,724	(340,911)
Support services:				
Pupil services	353,562	352,098	336,634	15,464
Improvement of instructional services	647,225	679,163	711,815	(32,652)
Educational media services	251,637	251,637	246,826	4,811
General administration	464,972	465,837	432,492	33,345
School administration	992,261	999,053	958,512	40,541
Business administration	186,804	186,804	181,574	5,230
Maintenance and operation of plant	1,227,568	1,227,568	1,113,535	114,033
Student transportation services	987,334	986,882	1,029,852	(42,970)
Central support services	69,951	74,201	49,333	24,868
Other support services	65,625	67,432	68,066	(634)
Enterprise operations	-	-	132,730	(132,730)
Food services operations	1,081,919	1,081,919	997,936	83,983
Debt service:				
Principal retirement	-	-	44,360	(44,360)
Interest and fiscal charges	-	-	8,619	(8,619)
Total expenditures	13,174,221	13,364,407	13,645,008	(280,601)
Deficiency of revenues under expenditures	(329,176)	(284,168)	(48,334)	235,834
OTHER FINANCING SOURCES (USES)				
Capital lease	-	-	182,078	182,078
Transfers in	3,000	3,000	-	(3,000)
Transfers out	(3,000)	(3,000)	-	3,000
Total other financing sources (uses)	-	-	182,078	182,078
Net change in fund balances	(329,176)	(284,168)	133,744	417,912
FUND BALANCE, beginning of year	2,638,805	2,638,805	2,638,805	-
FUND BALANCE, end of year	$ 2,309,629	$ 2,354,637	$ 2,772,549	$ 417,912

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 ($410,820) or expenditures ($429,824) 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.

MARION COUNTY BOARD OF EDUCATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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	16165GA324N1099	$ - (1)
National School Lunch Program	10.555	16165GA324N1099	970,956 (2)
Total Child Nutrition Cluster			970,956
State Administrative Expenses	10.560	16165GA904N2533	1,956
Total U.S. Department of Agriculture			972,912
Education, U. S. Department of			
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Grants to States	84.027	H027A150073	273,536
Preschool Grants	84.173	H173A150081	6,432
Total Special Education Cluster			279,968
Other Programs			
Pass-Through From Georgia Department of Education			
Improving Teacher Quality State Grants	84.367	S367A150001	73,293
Migrant Education - State Grant Program	84.011	S011A150011	11,530
Rural Education	84.358	S358B150010	25,666
Title I Grants to Local Educational Agencies	84.010	S010A150010	525,125
Career and Technical Education - Basic Grants to States	84.048	V048A150010	20,184
Pass-Through From Southwest Georgia Regional Educational Services Agency			
Title III - Limited English Proficient	84.365	S365A150010	1,783
			657,581
Total U. S. Department of Education			937,549
Total Expenditures of Federal Awards			$ 1,910,461

N/A = Not Available

Notes to the Schedule of Expenditures of Federal Awards

(1) Expenditures for the funds earned on the School Breakfast Program ($292,129) 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 $30,644.

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

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Marion County Board of Education (the "Board") under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

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

MARION COUNTY BOARD OF EDUCATION

SCHEDULE OF STATE REVENUE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Agency/Funding	Governmental Fund Type General Fund
Grants	
Bright from the Start:	
Georgia Department of Early Care and Learning	
Pre-Kindergarten Program	$ 256,399
Education, Georgia Department of	
Quality Basic Education	
Direct Instructional Cost	
Kindergarten Program	494,477
Kindergarten Program - Early Intervention Program	32,818
Primary Grades (1-3) Program	1,145,980
Primary Grades - Early Intervention (1-3) Program	57,958
Upper Elementary Grades (4-5) Program	511,824
Upper Elementary Grades - Early Intervention (4-5) Program	30,202
Middle School (6-8) Program	777,794
High School General Education (9-12) Program	876,950
Vocational Laboratory (9-12) Program	250,361
Students with Disabilities	907,424
Program for Intellectually Gifted Students - Category VI	124,460
Remedial Education Program	51,047
Alternative Education Program	62,641
Media Center Program	151,213
20 Days Additional Instruction	47,894
Staff and Professional Development	25,660
Principal, Staff and Professional Development	525
Indirect Cost	
Central Administration	328,746
School Administration	306,489
Facility Maintenance and Operations	365,608
Categorical Grants	
Pupil Transportation	
Pupil Transportation	357,425
State Bonds	77,220
Sparsity	42,957
Nursing Services	45,000
Vocational Supervisors	6,792
Education Equalization Funding Grant	667,555
Food Services	22,350
Vocational Education	37,379
Amended Formula Adjustment	(348,494)
Preschool Handicapped	7,213
Math and Science Supplements	14,129
Total Grants from Georgia Department of Education	7,479,597
Office of the State Treasurer	
Public School Employees Retirement	24,479
	$ 7,760,475

MARION COUNTY BOARD OF EDUCATION

SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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
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	-	185,924	185,924	December 2017
	$ 3,400,000	$ 3,400,000	$ -	$ 185,924	$ 185,924	

(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 Capital Projects Fund included $199,713 not related to the Special Purpose Local Option Sales Tax.

(5) $812,551 Interest paid on bonds in FY2016; $479,130 from Federal Subsidy; $333,421 from property taxes.

(6) Sales Tax is being accumulated to make Sinking Fund Payments which started in January 2015. $511,279 was paid in January 2015 and $505,578 was paid in January 2016.

See Notes to the Basic Financial Statements.

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SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS

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DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

March 27, 2017

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

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

INDEPENDENT AUDITOR'S REPORT

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 activitieseach major fund, and the aggregate remaining fund information of Marion County Board of Education (School District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 27, 2017.

Internal Control Over Financial Reporting

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

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

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

Purpose of this Report

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

Respectfully submitted,



Greg S. Griffin
State Auditor

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DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

March 27, 2017

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

REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT

Ladies and Gentlemen:

Report on Compliance for Each Major Federal Program

We have audited Marion County Board of Education's (School District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016. The School District's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

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

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

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

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

Respectfully submitted,



Greg S. Griffin
State Auditor

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SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

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MARION COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported

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SECTION IV

FINDINGS AND QUESTIONED COSTS

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MARION COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

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

Noncompliance material to financial statements noted: — No

Federal Awards

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

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

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

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
10.553, 10.555	Child Nutrition Cluster
84.027, 84.173	Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs: $750,000.00

Auditee qualified as low-risk auditee? — Yes

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.