

**MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

**MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA**

TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2016

	<u>Reference</u>	<u>Page</u>
Principal Officials		i
 <u>FINANCIAL SECTION</u>		
Independent Auditor's Report		1
Management's Discussion and Analysis		3
Basic Financial Statements		
<i>Government-Wide Financial Statements</i>		
Statement of Net Position		12
Statement of Activities		13
<i>Fund Financial Statements</i>		
Balance Sheet - Governmental Funds		14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position		16
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds		18
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities		20
Statement of Fiduciary Net Position		21
Statement of Changes in Fiduciary Net Position		22
<i>Notes to the Financial Statements</i>		23
Required Supplementary Information		
<u>Budgetary Comparison Schedule - General Fund</u>		
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budgets and Actual		48
<u>Pension Plan Schedules:</u>		
Schedule of the School District's Proportionate Share of the Net Pension Liability - South Carolina Retirement System		49
Schedule of the School District's Contributions - South Carolina Retirement System		50
Supplementary Information		
<i>Combining and Individual Fund Schedules</i>		
<u>General Fund</u>		
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Final Budget and Actual	Schedule A-1	52

(Continued)

**MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA**

TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2016

<u>FINANCIAL SECTION (CONTINUED)</u>		
	<u>Reference</u>	<u>Page</u>
<i>Combining and Individual Fund Schedules (Continued)</i>		
<u>Special Revenue Fund</u>		
Schedule of Revenues, Expenditures, and Changes in Fund Balances	Schedule B-1	62
Supplemental Listing of LEA Subfund Codes and Titles	Schedule B-2	76
Summary Schedule for Other Designated Restricted State Grants	Schedule B-3	78
<u>Special Revenue Fund - Education Improvement Act</u>		
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - All Programs	Schedule B-4	79
Summary Schedule by Program	Schedule B-5	83
<u>Other Schedules</u>		
Detailed Schedule of Due to State Department of Education/ Federal Government	Schedule B-6	84
<u>Debt Service Fund</u>		
Schedule of Revenues, Expenditures, and Changes in Fund Balance	Schedule C-1	85
<u>Capital Projects Fund</u>		
Schedule of Revenues, Expenditures, and Changes in Fund Balance	Schedule D-1	86
<u>Special Revenue - Food Service Fund</u>		
Schedule of Revenues, Expenditures, and Changes in Fund Balance	Schedule E-1	87
<u>Fiduciary Fund - Pupil Activity Fund</u>		
Schedule of Receipts, Disbursements, and Changes in Due to Student Organizations	Schedule F-1	88
<i>Other Schedule</i>		
Location Reconciliation Schedule		89
<u>COMPLIANCE SECTION</u>		
Schedule of Expenditures of Federal Awards		92
Notes to the Schedule of Expenditures of Federal Awards		94
Independent Auditor's Report - Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		95
Independent Auditor's Report - Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance		97
Summary Schedule of Prior Audit Findings		99
Schedule of Findings and Questioned Costs		104

**MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA**

PRINCIPAL OFFICIALS

YEAR ENDED JUNE 30, 2016

Marion County Board of Education

Cynthia H. Legette, Board Chair

Levant Davis, Board Vice-Chair

Cynthia V. Brown

Ritta C. Hennecy

Charles White

Linda O. Neal

Ogleretta D. White

Superintendent

Dr. Kandace Bethea

Director of Finance

Russell Causey

(This page intentionally left blank.)



Greene Finney & Horton

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

Marion County Board of Education
Marion County School District
Marion, South Carolina

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 Marion County School District, South Carolina (the "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 includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Marion County School District, South Carolina, as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule for the General Fund, and the pension plan schedules as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

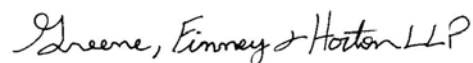
Supplementary Information

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 supplementary information and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, all of which can be located in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 supplementary information and the schedule of expenditures of federal awards are 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 November 18, 2016 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.



Greene, Finney & Horton, LLP
Mauldin, South Carolina
November 18, 2016

**MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2016

This discussion and analysis of Marion County School District's (the "School District") financial performance provides an overview 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 notes to the financial statements and the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2016 are as follows:

- On the government-wide basis, the assets and deferred outflows of resources of the School District were exceeded by its liabilities and deferred inflows of resources at the close of the most recent fiscal year by approximately \$6.6 million. Unrestricted net position was a deficit of approximately \$43.8 million. The deficit in net position is a result of pension accounting standards that were implemented in 2015 (net pension liability); the net pension liability at June 30, 2016 (including deferred outflows and inflows) was approximately \$51.0 million.
- As of the close of the current fiscal year, the School District's governmental funds reported combined ending fund balances of approximately \$10.4 million. 42% of the total amount, or approximately \$4.4 million, is available for spending at the government's discretion.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was approximately \$4.4 million, which is approximately 13% of total General Fund expenditures for fiscal year 2016.
- The School District's fund balance for the General Fund increased by approximately \$0.6 million.
- During the 2016 fiscal year, the School District's governmental fund revenues were approximately \$50.8 million compared to approximately \$47.5 million in the prior year, or an increase of approximately \$3.3 million.
- On the government-wide basis, the School District's total net position decreased by approximately \$0.3 million.
- The School District's net capital assets decreased by approximately \$0.6 million (2%) during the current fiscal year, primarily due to depreciation expense of approximately \$1.8 million, partially offset by current year additions of approximately \$1.2 million.
- The School District's total outstanding long-term obligations were approximately \$1.1 million at June 30, 2016, decreasing approximately \$0.7 million due to scheduled principal payments made during the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts — *Introductory Section*, *Financial Section* (which includes the financial statements, required supplementary information which includes this management's discussion and analysis section, the combining and individual fund financial schedules and the location reconciliation schedule) and the *Compliance Section*.

Government-Wide Financial Statements. The financial statements include two kinds of statements that present different views of the School District. The first two statements are *government-wide financial statements* that provide a broad overview of the School District's overall financial status, in a manner similar to a private-sector enterprise.

The *statement of net position* presents information on all of the School District's assets, liabilities, and deferred outflows/inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

The *statement of activities* presents information showing how the School District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, for some items, revenues and expenses are reported in this statement that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of the School District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2016

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-Wide Financial Statements (Continued)

The governmental activities of the School District include instruction, supporting services, community services and intergovernmental. The School District does not report any "business-type" activities.

The government-wide financial statements can be found as listed in the table of contents.

Fund Financial Statements. The remaining financial statements are *fund financial statements* that focus on *individual parts* of the School District, reporting the School District's operations in more *detail* than the government-wide statements.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. All of the funds of the School District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Since the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation schedule following each governmental fund financial statement.

The School District maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Special Revenue Fund, Special Revenue Fund-EIA, Special Revenue Fund-Food Service, Debt Service Fund, and Capital Projects Fund, all of which are considered to be major funds. The governmental fund financial statements can be found as listed in the table of contents.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the School District's own programs. The School District is the trustee, or fiduciary, for the pupil activities of the schools and accounts for these activities in an agency fund. The School District is also the trustee for certain scholarship funds and accounts for them in a private-purpose trust fund. The fiduciary fund financial statements can be found as listed in the table of contents.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found as listed in the table of contents. More detailed information regarding long-term debt and capital asset activity can also be found in the notes to the financial statements.

Supplementary Information. The combining and individual fund schedules and the location reconciliation schedule can be found as listed in the table of contents.

The School District adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for this fund to demonstrate compliance with the budget. This schedule can be found as listed in the table of contents.

**MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2016

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Major Features of Marion County School District's Government-Wide and Fund Financial Statements			
	Government-Wide Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire School District (except fiduciary funds)	The activities of the School District that are not proprietary or fiduciary	Instances in which the School District is the trustee or agent for someone else's resources, such as the Pupil Activity Fund and the Private-Purpose Trust Fund
Required Financial Statements	Statement of Net Position; Statement of Activities	Balance Sheet; Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Fiduciary Net Position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets, liabilities, and deferred outflows / inflows of resources, both financial and capital, and short-term and long-term	Only assets and deferred outflows of resources (if any) that are expected to be used and liabilities and deferred inflows of resources (if any) that come due during the year or soon, thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; the School District's funds do not currently contain capital assets, although they can
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

**MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2016

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the School District, assets and deferred outflows of resources were exceeded by its liabilities and deferred inflows of resources by approximately \$6.6 million at the close of the most recent fiscal year.

A summary of the School District's net position as of June 30, 2016 compared to June 30, 2015 is presented below:

	2016	2015
Assets		
Current and Other Assets	\$ 17,455,059	\$ 17,055,356
Capital Assets (Net)	34,751,607	35,324,630
Total Assets	<u>52,206,666</u>	<u>52,379,986</u>
Deferred Outflows of Resources		
Deferred Pension Charges	4,267,606	4,298,991
Total Deferred Outflows of Resources	<u>4,267,606</u>	<u>4,298,991</u>
Liabilities		
Other Liabilities	6,650,609	6,048,663
Net Pension Liability	53,028,816	50,866,006
Long Term Liabilities	1,145,000	1,765,000
Total Liabilities	<u>60,824,425</u>	<u>58,679,669</u>
Deferred Inflows of Resources		
Deferred Pension Credits	2,283,877	4,288,375
Total Deferred Inflows of Resources	<u>2,283,877</u>	<u>4,288,375</u>
Net Position		
Net Investment in Capital Assets	33,606,607	33,559,630
Restricted	3,570,293	3,941,124
Unrestricted	(43,810,930)	(43,789,821)
Total Net Position	<u>\$ (6,634,030)</u>	<u>\$ (6,289,067)</u>

Total net position of the School District's governmental activities decreased from a deficit of approximately \$6.3 million at June 30, 2015 to a deficit of approximately \$6.6 million at June 30, 2016 or a decrease of approximately \$0.3 million. The decrease of approximately \$0.2 million in total assets is due to depreciation expense of approximately \$1.8, partially offset by additions of approximately \$1.2 million and an increase in current and other assets of approximately \$0.4 million. Total liabilities increased by approximately \$2.1 million over the prior year primarily due to an increase in other liabilities of approximately \$0.6 million and an increase in the net pension liability of approximately \$2.2 million, partially offset by a decrease in outstanding indebtedness of approximately \$0.7 million due to current year principal payments.

Total net position decreased approximately \$0.3 million. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, was a deficit of \$43.8 million at June 30, 2016, due to the School District's net pension liability.

**MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2016

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The following table shows the changes in net position for fiscal year 2016 compared to 2015:

	Changes in Net Position	
	<u>2016</u>	<u>2015</u>
Revenues		
Program Revenues:		
Charges for Services	\$ 255,050	\$ 209,137
Operating Grants	35,525,127	32,463,700
General Revenues:		
Property Taxes	9,068,354	9,250,318
Other	5,918,167	5,649,872
Total Revenues	<u>50,766,698</u>	<u>47,573,027</u>
Program Activities		
Instruction	28,341,343	27,812,816
Support Services	22,415,127	21,577,057
Community Services	1,365	3,756
Intergovernmental	269,451	130,516
Interest and Other Charges	84,375	112,965
Total Expenses	<u>51,111,661</u>	<u>49,637,110</u>
Change in Net Position	(344,963)	(2,064,083)
Net Position, Beginning of Year	<u>(6,289,067)</u>	<u>(4,224,984)</u>
Net Position, End of Year	<u>\$ (6,634,030)</u>	<u>\$ (6,289,067)</u>

Overall, the School District's financial condition decreased in fiscal year 2016, as revenues were exceeded by program expenses by approximately \$0.3 million, compared to a decrease of approximately \$2.1 million in the prior year. Total revenues increased approximately \$3.2 million (7%) from 2015 to 2016 due mainly to an increase in state funding and federal grants (approximately \$2.6 million) and an increase in other local sources (approximately \$0.6 million). Program expenses increased approximately \$1.5 million from 2015 to 2016 (3%), primarily due to increases in instruction expense (approximately \$0.5 million) and support services expense (approximately \$0.8 million).

**MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2016

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

As noted earlier, the School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The analysis of governmental funds serves the purpose of looking at what resources came into the funds, how they were spent and what is available for future expenditures. Did the government generate enough revenue to pay for current obligations? What is available for spending at the end of the year?

For the year ended June 30, 2016, the School District's governmental funds reported a *combined* fund balance of approximately \$ 10.4 million as compared to approximately \$10.5 million for the prior year.

The General Fund is the chief operating fund of the School District. At the end of the current fiscal year, the unassigned fund balance of the General Fund was approximately \$4.4 million, increasing approximately \$0.6 million (17%) during the current fiscal year, as revenues and net transfers in of approximately \$35.3 million exceeded expenditures of approximately \$34.7 million.

The School District's special revenue funds (Special Revenue, EIA and Food Service) are used to account for revenues derived from the state of South Carolina and the federal government. The Special Revenue Fund-EIA does not have a fund balance as revenues should be expended, deferred, or returned to the grantor. The fund balance for the Special Revenue Fund-Food Service decreased by approximately \$271,000 (13%) due primarily to increased expenses for food as well as increased capital outlay for kitchen renovations.

The School District's Debt Service fund balance at the end of the current fiscal year was approximately \$1.8 million. The fund balance decreased by approximately \$58,000 as current year property tax revenues were exceeded by debt service expenditures. The School District's debt millage rate is 8 mills, which did not change from the prior year.

The School District's capital projects fund decreased by approximately \$0.6 million during the 2016 fiscal year to approximately \$1.9 million at June 30, 2016, due primarily to planned expenditures for the completion of various capital projects during the year ended June 30, 2016.

General Fund Budgetary Highlights

The School District's General Fund budget is prepared according to South Carolina law and is consistent with U.S. generally accepted accounting principles. The Board of Trustees adopted a balanced budget that reflected total revenue sources and annual appropriations of approximately \$35.2 million.

At the end of FY2016, the General Fund had a positive total budget vs. actual variance of \$0.6 million. This positive variance is due to actual revenues exceeding the budget by approximately \$0.2 million and actual expenditures being less than budgeted expenditures by approximately \$0.4 million.

**MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2016

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of FY2016, the School District had approximately \$34.8 million invested in capital assets, net of depreciation.

The net decrease in the School District's investment in capital assets was approximately \$0.6 million or 2%. The decrease was due to depreciation expense of approximately \$1.8 million, partially offset by current year additions of approximately \$1.2 million.

The additions were for a new roof at Easterling Primary, a new roof at Mullins High School, Palmetto Middle School gym HVAC replacement, fire alarm replacement at ACT, renovations at ACT for Adult Education, SEON bus camera systems, various kitchen equipment, and kitchen renovations at Marion High School, Mullins High School, Palmetto Middle School, North Mullins Primary School, Mullins Early Childhood Center, and Brittons Neck Elementary School. The majority of these projects were in Construction in Progress at June 30, 2015 and were completed during the year ended June 30, 2016.

The following table shows fiscal year end 2016 capital asset balances compared to 2015:

	Capital Assets (Net of Depreciation)	
	Governmental Activities	
	2016	2015
Capital Assets		
Land	\$ 2,168,458	\$ 2,168,458
Construction in Progress	-	1,364,318
Buildings, Improvements, and Construction in Progress	30,980,249	30,629,041
Furniture and Equipment	1,602,900	1,162,813
Capital Assets, Net	<u>\$ 34,751,607</u>	<u>\$ 35,324,630</u>

Additional information on the School District's capital assets can be found in Note III.F in the Notes to the Financial Statements.

Debt Administration

At the end of the current fiscal year, the School District had approximately \$1.1 million in outstanding indebtedness, compared to approximately \$1.8 million at June 30, 2015. The decrease of approximately \$0.7 million is due to scheduled principal payments made during the year. All required payments were made during the year.

The following table shows fiscal year end 2016 outstanding debt compared to 2015:

	Governmental Activities	
	2016	2015
Capital Lease	\$ 1,145,000	\$ 1,765,000
Total	<u>\$ 1,145,000</u>	<u>\$ 1,765,000</u>

**MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2016

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

Debt Administration (Continued)

The state limits the amount of general obligation debt that school districts can issue to 8 percent of the assessed value of all taxable property within the School District's corporate limits. The School District is authorized by state statute to exceed the legal debt margin of 8%, if citizens of the School District approve such additional debt through a district-wide referendum. None of the outstanding debt of approximately \$1.1 million is subject to this limit as of June 30, 2016.

Additional detailed information about the School District's long-term obligations is presented in Note III.G in the Notes to the Financial Statements.

ECONOMIC FACTORS

Marion County School District is the largest single employer in the county with over 880 employees. The government sector, of which the School District is a part, is the largest employment sector within the county.

Marion County continues to experience a stale economy which will affect tax revenues in the future. Although the tax base continues to rise slightly, the actual collections are not rising at the rate needed to compensate for the rise in expenses imposed by health insurance costs and retirement rates which are a large part of the employment expenses.

FY 2017 GENERAL FUND BUDGET

The Board of Trustees adopted a balanced General Fund budget for FY2017 that reflected total revenues and total appropriations of \$35.9 million. The FY2017 General Fund original budget represents a 2% increase from the FY2016 General Fund amended budget of \$35.2 million.

The FY2017 General Fund budget includes an EFA base student cost of \$2,350 per student. The EFA base student rate is then computed on the state's weight per EFA category and 135th day Average Daily Membership of the prior year in each category to arrive at the actual allocation.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide those interested 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 financial information, contact the Finance Department, at Marion County School District, 719 N. Main Street, Marion, SC 29571. In addition, the Annual Financial Report may be found on the School District's website at <http://www.marion.k12.sc.us>.

BASIC FINANCIAL STATEMENTS

**MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA**

STATEMENT OF NET POSITION

JUNE 30, 2016

	PRIMARY GOVERNMENT Governmental Activities
ASSETS	
Cash and Investments	\$ 11,104,507
Cash and Investments, Restricted	1,659,403
Property Taxes Receivable, Net	480,618
Accounts Receivable, Net	39,254
Due from Other Governments	4,040,508
Inventories and Prepaid Items	130,769
Capital Assets:	
Non-Depreciable	2,168,458
Depreciable, Net	32,583,149
TOTAL ASSETS	52,206,666
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Pension Charges	4,267,606
TOTAL DEFERRED OUTFLOWS OF RESOURCES	4,267,606
Accounts Payable	708,687
Accrued Salaries, Fringe & Benefits	5,052,783
Other Accruals	237,946
Accrued Interest Payable	7,156
Due to Other Governments	3,286
Unearned Revenue	640,751
Non-Current Liabilities:	
Net Pension Liability	53,028,816
Due Within One Year	1,145,000
TOTAL LIABILITIES	60,824,425
DEFERRED INFLOWS OF RESOURCES	
Deferred Pension Credits	2,283,877
TOTAL DEFERRED INFLOWS OF RESOURCES	2,283,877
NET POSITION	
Net Investment in Capital Assets	33,606,607
Restricted For:	
Debt Service	1,768,468
Food Service	1,801,825
Unrestricted	(43,810,930)
TOTAL NET POSITION	\$ (6,634,030)

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

**MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA**

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2016

FUNCTIONS/PROGRAMS		PROGRAM REVENUES			(EXPENSE) REVENUE AND CHANGE IN NET POSITION
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
PRIMARY GOVERNMENT:	Expenses				
Governmental Activities:					
Instruction	\$ 28,341,343	204,967	21,430,755	-	\$ (6,705,621)
Support Services	22,415,127	50,083	14,094,372	-	(8,270,672)
Community Services	1,365	-	-	-	(1,365)
Intergovernmental	269,451	-	-	-	(269,451)
Interest and Other Charges	84,375	-	-	-	(84,375)
Total Governmental Activities	<u>51,111,661</u>	<u>255,050</u>	<u>35,525,127</u>	<u>-</u>	<u>(15,331,484)</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 51,111,661</u>	<u>255,050</u>	<u>35,525,127</u>	<u>-</u>	<u>(15,331,484)</u>
GENERAL REVENUES:					
Property Taxes Levied for General Purposes					8,506,225
Property Taxes Levied for Debt Service					562,129
State Revenue in Lieu of Taxes					5,675,784
Investment Earnings					40,692
Miscellaneous					201,691
TOTAL GENERAL REVENUES					<u>14,986,521</u>
CHANGE IN NET POSITION					(344,963)
NET POSITION - Beginning of Year					<u>(6,289,067)</u>
NET POSITION - Ending of Year					<u>\$ (6,634,030)</u>

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

**MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA**

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2016

	GENERAL	SPECIAL REVENUE
ASSETS		
Cash and Investments	\$ 10,494,772	-
Cash and Investments, Restricted	-	2,619
Receivables, Net:		
Taxes	458,772	-
Accounts	7,525	31,729
Due From:		
County Treasurer	434,821	-
State and Federal Agencies	104,884	3,373,343
Other Funds	2,381,693	-
Other Governments	-	9,540
Prepaid Items	112	-
Inventories	71,517	-
TOTAL ASSETS	\$ 13,954,096	3,417,231
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES		
LIABILITIES:		
Accounts Payable	\$ 706,535	-
Accrued Salaries, Fringe & Benefits	5,052,783	-
Other Accruals	-	237,946
Due To:		
State Agencies	-	-
Other Funds	3,366,281	2,381,693
Unearned Revenue	-	326,554
TOTAL LIABILITIES	9,125,599	2,946,193
DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenue - Property Taxes	389,845	-
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	9,515,444	2,946,193
FUND BALANCES:		
Fund Balances		
Nonspendable:		
Prepaid Items	112	-
Inventories	71,517	-
Restricted for:		
Debt Service	-	-
Food Service	-	-
Assigned for:		
Special Revenue Programs	-	471,038
Capital Projects	-	-
Unassigned	4,367,023	-
TOTAL FUND BALANCES	4,438,652	471,038
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 13,954,096	3,417,231

The notes to the financial statements are an integral part of this statement
See accompanying independent auditor's report.

SPECIAL REVENUE - EIA	SPECIAL REVENUE - FOOD SERVICE	DEBT SERVICE	CAPITAL PROJECTS	TOTAL GOVERNMENTAL FUNDS
-	-	-	609,735	\$ 11,104,507
-	-	1,656,784	-	1,659,403
-	-	21,846	-	480,618
-	-	-	-	39,254
-	-	10,119	-	444,940
61,014	45,937	66	-	3,585,244
222,575	1,732,010	86,809	1,324,887	5,747,974
-	784	-	-	10,324
-	-	-	-	112
-	59,140	-	-	130,657
283,589	1,837,871	1,775,624	1,934,622	\$ 23,203,033
-	2,152	-	-	\$ 708,687
-	-	-	-	5,052,783
-	-	-	-	237,946
3,286	-	-	-	3,286
-	-	-	-	5,747,974
280,303	33,894	-	-	640,751
283,589	36,046	-	-	12,391,427
-	-	17,020	-	406,865
283,589	36,046	17,020	-	12,798,292
-	-	-	-	112
-	59,140	-	-	130,657
-	-	1,758,604	-	1,758,604
-	1,742,685	-	-	1,742,685
-	-	-	-	471,038
-	-	-	1,934,622	1,934,622
-	-	-	-	4,367,023
-	1,801,825	1,758,604	1,934,622	10,404,741
283,589	1,837,871	1,775,624	1,934,622	\$ 23,203,033

**MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA**

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

JUNE 30, 2016

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 10,404,741
Amounts reported for the governmental activities in the Statement of Net Position are different because:	
Property taxes and other revenues that will be collected in the future, but are not available soon enough to pay for the current year's expenditures are therefore unavailable in the funds.	406,865
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of these capital assets was \$76,280,277 and the accumulated depreciation was \$41,528,670.	34,751,607
Interest is recorded as an expenditure in the governmental funds when it is due and payable. Interest is recorded in the government-wide statements as it accrues regardless of when it is due and payable. This is the amount of interest that is accrued but unpaid at year end.	(7,156)
The School District's proportionate shares of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to its participation in the State pension plans are not recorded in the governmental funds but are recorded in the Statement of Net Position.	(51,045,087)
Long-term liabilities, including capital lease payable, are not due and payable in the current year and therefore are not reported as liabilities in the funds.	(1,145,000)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	<u>\$ (6,634,030)</u>

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

(This page intentionally left blank.)

**MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2016

	GENERAL	SPECIAL REVENUE
REVENUES		
Local Sources:		
Taxes	\$ 8,568,659	-
Investment Earnings	29,463	32
Other Local Sources	397,574	1,249,790
State Sources	25,146,554	1,816,218
Federal Sources	-	6,553,849
Intergovernmental Revenue	2,427	15,782
TOTAL REVENUE ALL SOURCES	34,144,677	9,635,671
EXPENDITURES		
Current:		
Instruction	19,216,564	6,008,216
Support Services	15,325,197	2,255,089
Community Services	-	1,365
Intergovernmental	35,733	233,718
Capital Outlay	117,749	885,691
Debt Service:		
Principal Retirement	-	-
Interest and Fiscal Charges	-	-
TOTAL EXPENDITURES	34,695,243	9,384,079
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(550,566)	251,592
OTHER FINANCING SOURCES (USES)		
Transfers In	1,193,403	-
Transfers Out	-	(123,451)
TOTAL OTHER FINANCING SOURCES (USES)	1,193,403	(123,451)
NET CHANGE IN FUND BALANCES	642,837	128,141
FUND BALANCE, Beginning of Year	3,795,815	342,897
FUND BALANCES, End of Year	\$ 4,438,652	471,038

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

SPECIAL REVENUE - EIA	SPECIAL REVENUE - FOOD SERVICE	DEBT SERVICE	CAPITAL PROJECTS	TOTAL GOVERNMENTAL FUNDS
-	-	568,983	-	\$ 9,137,642
-	11,197	-	-	40,692
-	53,359	-	-	1,700,723
3,105,084	252	81,027	-	30,149,135
-	3,212,340	-	-	9,766,189
-	23,398	-	-	41,607
3,105,084	3,300,546	650,010	-	50,835,988
1,943,653	-	-	-	27,168,433
262,450	2,931,333	-	23,834	20,797,903
-	-	-	-	1,365
-	-	-	-	269,451
25,442	443,332	-	555,202	2,027,416
-	-	620,000	-	620,000
-	-	88,250	-	88,250
2,231,545	3,374,665	708,250	579,036	50,972,818
873,539	(74,119)	(58,240)	(579,036)	(136,830)
-	-	-	-	1,193,403
(873,539)	(196,413)	-	-	(1,193,403)
(873,539)	(196,413)	-	-	-
-	(270,532)	(58,240)	(579,036)	(136,830)
-	2,072,357	1,816,844	2,513,658	10,541,571
-	1,801,825	1,758,604	1,934,622	\$ 10,404,741

**MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA**

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

YEAR ENDED JUNE 30, 2016

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$	(136,830)
---	-----------	------------------

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

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(69,288)
--	----------

Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the Statement of Activities.	620,000
--	---------

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds only when it is due and payable and thus requires the use of current financial resources. However, in the Statement of Activities interest expense is recognized as the interest accrues, regardless of when it is due and payable. This is the change in accrued interest for the year.	3,875
---	-------

Changes in the School District's proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources for the current year are not reported in the governmental funds but are reported in the Statement of Activities.	(189,697)
---	-----------

Governmental funds report capital asset additions as expenditures. However, in the Statement of Activities the cost of those assets that are considered capital asset additions is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital asset additions (\$1,255,514) was exceeded by depreciation expense (\$1,828,537) in the current year.	(573,023)
---	-----------

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	(344,963)
--	-----------	------------------

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

**MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA**

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2016

	PRIVATE-PURPOSE TRUST FUND	AGENCY FUND
ASSETS		
Cash and Investments	\$ 116,689	\$ -
Receivables	-	253,577
TOTAL ASSETS	116,689	253,577
LIABILITIES		
Accounts Payable	-	1,286
Due to Student Organizations	-	252,291
TOTAL LIABILITIES	-	\$ 253,577
NET POSITION		
Held in Trust for Scholarships		
Nonexpendable	54,101	
Expendable	62,588	
TOTAL NET POSITION	\$ 116,689	

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

**MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2016

	PRIVATE-PURPOSE TRUST FUND
ADDITIONS	
Interest Earnings	\$ 232
Contributions and Donations	2,845
TOTAL ADDITIONS	3,077
DEDUCTIONS	
Scholarships Awarded	4,400
TOTAL DEDUCTIONS	4,400
CHANGE IN NET POSITION	(1,323)
Net Postion, Beginning of Year	118,012
NET POSITION, END OF YEAR	\$ 116,689

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

**MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

Marion County School District, South Carolina (the "School District") was established by legislation (R168, H4632) to consolidate Marion School Districts One, Two and Seven into one single school district on January 18, 2012, and introduced in the South Carolina State Senate on March 1, 2012. The Governor of South Carolina signed the bill into law on April 23, 2012. The consolidation of the three previously separate districts into Marion County School District became effective July 1, 2012. The School District is controlled by the Marion County Board of Education (the "Board"), which has oversight responsibility over the public school educational activities in the School District. The School District receives funding from local, state and federal government sources and must comply with the related requirements of these funding source entities. The School District is governed by a seven member Board.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School District have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

A. Reporting Entity

The School District is controlled by a Board of Trustees (the "Board"), which has oversight responsibility over the public school education activities in the School District. The School District is not included in any other governmental "reporting entity" as defined in the GASB Sec. 2100.108 since Board members are elected by the public and have decision making authority, the power to designate management, the ability to significantly influence operations and the primary accountability for fiscal matters. For these reasons, the School District is recognized as a primary government in accordance with GAAP.

As required by GAAP, the financial statements must present the School District's financial information with any of its component units. The primary criterion for determining inclusion or exclusion of a legally separate entity (component unit) is financial accountability, which is presumed to exist if the School District both appoints a voting majority of the entity's governing body, and either 1) the School District is able to impose its will on the entity or, 2) there is a potential for the entity to provide specific financial benefits to, or impose specific financial burdens on the School District. If either or both of the foregoing conditions are not met, the entity could still be considered a component unit if it is fiscally dependent on the School District and there is a potential that the entity could either provide specific financial benefits to, or to impose specific financial burdens on the School District.

In order to be considered fiscally independent, an entity must have the authority to do all of the following: (a) determine its budget without the School District having the authority to approve or modify that budget; (b) levy taxes or set rates or charges without approval by the School District; and (c) issue bonded debt without approval by the School District. An entity has a financial benefit or burden relationship with the School District if, for example, any one of the following conditions exists: (a) the School District is legally entitled to or can otherwise access the entity's resources, (b) the School District is legally obligated or has otherwise assumed the obligation to finance the deficits or, or provide financial support to, the entity, or (c) the School District is obligated in some manner for the debt of the entity. Finally, an entity could be a component unit even if it met all the conditions described above if excluding it would cause the School District's financial statements to be misleading.

Blended component units, although legally separate entities, are in substance, part of the government's operations and data from these units are combined with data of the primary government in the fund financial statements. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the School District. Based on the above criteria, the School District does not have any blended or discretely presented component units.

MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting, and Basis of Presentation

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the School District (the "Primary Government") and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, would be reported separately from *business-type activities*, which rely, to a significant extent, on fees and charges for support. The School District does not report any business-type activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

The **government-wide financial statements** are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are Fiduciary Fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The government-wide financial statements are prepared using a different measurement focus from the manner in which governmental fund financial statements are prepared (see further detail below). Governmental fund financial statements therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government generally considers revenues to be available if they are collected within sixty days of the end of the current fiscal period (thirty days for property taxes). Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, federal and state grant programs and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Fund financial statements report detailed information about the School District. The focus of Governmental Fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Fiduciary Funds are reported by fund type.

When both restricted and unrestricted resources are available for use, it is the School District's practice to use restricted resources first, then unrestricted resources as they are needed.

MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

The accounts of the government are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. There are a minimum number of funds maintained to keep the accounts consistent with legal and managerial requirements. The following major funds and fund types are used by the School District.

Governmental Fund Types are those through which most governmental functions of the School District are financed. The School District's expendable financial resources and related assets and liabilities are accounted for through governmental funds. Governmental funds are accounted for using a current financial resources measurement focus and the modified accrual basis of accounting. The following are the School District's major governmental fund types:

The **General Fund, a major fund, and a budgeted fund** is the general operating fund of the School District and accounts for all revenues and expenditures of the School District except those required to be accounted for in other funds. All general tax revenues and other receipts that (a) are not allocated by law or contractual agreement to other funds or (b) that have not been restricted, committed, or assigned to other funds are accounted for in the General Fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources (that are expected to continue to comprise a substantial portion of the inflows of the fund) that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The School District has the following major Special Revenue Funds:

- i) **The Special Revenue Fund, a major fund** and an unbudgeted fund, is used to account for financial resources provided by federal, state and local projects and grants that are restricted, committed or assigned for special education programs.
- ii) **The Education Improvement Act ("EIA") Fund, a major fund** and an unbudgeted fund, is used to account for the revenues from the South Carolina Education Improvement Act of 1984 (which is legally required by the state to be accounted for as a specific revenue source) which are restricted for specific programs authorized or mandated by the EIA.
- iii) **The Food Service Fund, a major fund** and an unbudgeted fund, is used to account for the United States Department of Agriculture's ("USDA") approved school breakfast and lunch programs.

The **Debt Service Fund, a major fund** and an unbudgeted fund, is used to account for and report the accumulation of resources for, and payment of, all long-term debt principal, interest and related costs for the School District.

The **Capital Projects Fund, a major fund** and an unbudgeted fund, is used to account for financial resources to be used for site acquisitions, construction, equipment, and renovation of all major capital facilities for the School District.

Fiduciary Fund types use the economic resources measurement focus and the accrual basis of accounting; they are used to account for expendable assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds and include agency funds. Fiduciary Fund Types include the following funds:

MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

The *Agency Fund* accounts for the receipt and disbursement of monies to and from student activity organizations. These funds have no equity (assets are equal to liabilities) and do not include revenues and expenditures for general operation of the School District. This accounting reflects the agency relationship of the School District with the student activity organizations. Agency funds do not have a measurement focus.

The *Private-Purpose Trust Fund* is used to report donations received which must be expended according to the provisions of the donors. Donations are generally not expendable, while the related earnings are to be expended for scholarships to individuals. This fund is accounted for in essentially the same manner as proprietary funds.

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity

1. Cash and Investments

The School District considers all highly liquid investments as cash and investments for financial reporting purposes. The School District's investment policy is designed to operate within existing statutes (which are identical for all funds, fund types and component units within the State of South Carolina) that authorize the School District to invest in the following:

- (a) Obligations of the United States and its agencies, the principal and interest of which is fully guaranteed by the United States.
- (b) Obligations issued by the Federal Financing Bank, Federal Farm Credit Bank, the Bank of Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration, and the Farmers Home Administration, if, at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
- (c) (i) General obligations of the State of South Carolina or any of its political units; or (ii) revenue obligations of the State of South Carolina or its political units, if at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
- (d) Savings and Loan Associations to the extent that the same are insured by an agency of the federal government.
- (e) Certificates of deposit where the certificates are collaterally secured by securities of the type described in (a) and (b) above held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificates of deposit so secured, including interest; provided, however, such collateral shall not be required to the extent the same are insured by an agency of the federal government.
- (f) Repurchase agreements when collateralized by securities as set forth in this section.

**MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

1. Cash and Investments (Continued)

- (g) No load open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit, political subdivision, or county treasurer if the particular portfolio of the investment company or investment trust in which the investment is made (i) is limited to obligations described in items (a), (b), (c), and (f) of this subsection, and (ii) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, value its assets by the amortized cost method.

The School District's cash investment objectives are preservation of capital, liquidity and yield. The School District reports its cash and investments at fair value which is normally determined by quoted market prices. The School District currently or in the past year has used the following investments:

- Certificates of Deposit ("CD") are bond-type investments issued by a bank when a person or company deposits a certain amount of money for a determined amount of time. The maturity can be for more than one year, and interest is paid to the holder of the CD at an agreed upon rate. Money removed before maturity is subject to a penalty.
- South Carolina Local Government Investment Pool ("LGIP" or "Pool") investments are invested with the South Carolina State Treasurer's Office, which established the South Carolina Pool pursuant to Section 6-6-10 of the South Carolina Code. The Pool is an investment trust fund, in which public monies in excess of current needs, which are under the custody of any city treasurer or any governing body of a political subdivision of the State, may be deposited. In accordance with GASB Statement No. 31 "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", investments are carried at fair value determined annually based upon quoted market prices for identical or similar investments. The total fair value of the Pool is apportioned to the entities with funds invested on an equal basis for each share owned, which are acquired at a cost of \$1.00. Funds may be deposited by Pool participants at any time and may be withdrawn upon 24 hours' notice. Financial statements for the Pool may be obtained by writing the Office of State Treasurer, Local Government Investment Pool, P.O. Box 11778, Columbia, SC 29211-1960.

2. Interfund Receivables and Payables

Transactions between funds that are representative of reimbursement arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds."

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the statement of net position.

3. Inventories and Other Assets

Inventories

Inventories are accounted for using the consumption method (expensed when used). The School District also includes an amount for commodities received from the USDA, recorded at fair market value at the time of receipt, which have not been consumed as of year-end.

MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

3. *Inventories and Other Assets (Continued)*

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items using the consumption method. An asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

4. *Capital Assets*

Capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position but are not reported in the fund financial statements. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their estimated acquisition value (as estimated by the School District) at the date of donation. The School District maintains a capitalization threshold of \$5,000.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of capital assets is not capitalized for governmental activities as required by GAAP. The School District does not maintain ownership of any public domain ("infrastructure") general capital assets.

All reported capital assets except land and construction in progress are depreciated. Construction projects begin being depreciated once they are completed and placed in service, at which time the complete costs of the project are transferred to the appropriate capital asset category. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Capital Asset Category</u>	<u>Useful Life Range</u>
Buildings and Improvements	10–50 years
Machinery and Equipment	3–10 years

5. *Compensated Absences*

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16 "Accounting for Compensated Absences." Employees may accumulate sick leave up to a maximum of ninety days. However, if an employee leaves the School District other than by retirement, they are not paid for any unused days. Payments of unused sick leave for retirees have been inconsequential. All 12-month employees accrue vacation of ten days per year. However, unused leave is forfeited. Thus, no accrual is recorded for compensated absences.

MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

6. *Accrued Liabilities and Long-Term Obligations*

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, contractually required retirement contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due and payable.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Position. If significant, bond premiums are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Amortization of premiums is included in interest expense. Bond premiums are included with bonds payable and other long-term obligations. Issuance costs are expensed when incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

7. *Deferred Outflows / Inflows of Resources*

In addition to assets, the statement of net position (government-wide) and the balance sheet (governmental funds) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The School District currently has one type of deferred outflows of resources: (1) The School District reports *deferred pension charges* in its government-wide statement of net position in connection with its net pension liability for its participation in the South Carolina Retirement System. These *deferred pension charges* are either (a) recognized in the subsequent period as a reduction of the net pension liability (which includes pension contributions made after the measurement date) or (b) amortized in a systematic and rational method as pension expense in future periods in accordance with GAAP.

In addition to liabilities, the statement of net position (government-wide) and the balance sheet (governmental funds) will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The School District currently has two types of deferred inflows of resources: (1) The School District reports *unavailable revenue – property taxes* only in the governmental funds Balance Sheet; it is deferred and recognized as an inflow of resources (property tax revenues) in the period the amounts become available. (2) The School District also reports *deferred pension credits* in its Statement of Net Position in connection with its participation in the South Carolina Retirement System. These *deferred pension credits* are amortized in a systematic and rational method and recognized as a reduction of pension expense in future periods in accordance with GAAP.

MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

8. *Fund Balance*

In accordance with GASB Statement No. 54 "*Fund Balance Reporting and Governmental Fund Type Definitions*" ("GASB #54"), the School District classifies its governmental fund balances as follows:

Nonspendable – includes amounts that inherently cannot be spent either because it is not in spendable form (i.e. prepaids, inventories, etc.) or because of legal or contractual requirements (i.e. principal on an endowment, etc.).

Restricted – includes amounts that are constrained by specific purposes which are externally imposed by (a) other governments through laws and regulations, (b) grantors or contributions through agreements, (c) creditors through debt covenants or other contracts, or (d) imposed by law through constitutional provisions or enabling legislation.

Committed – includes amounts that are constrained for specific purposes that are internally imposed by the government through formal action made by the highest level of decision making authority (The Board) before the end of the reporting period. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. Committed amounts for the School District consist of amounts approved by a majority vote of the Board Members (a) in the annual budget or (b) in subsequent requests made throughout the year.

Assigned – includes amounts that are intended to be used for specific purposes that are neither considered restricted or committed and that such assignments are made before the report issuance date. The Board has formally granted the Superintendent the right to make assignments of fund balance for the School District.

Unassigned – includes amounts that do not qualify to be accounted for and reported in any of the other fund balance categories. This classification represents the amount of fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts of restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

The School District generally uses restricted amounts to be spent first when both restricted and unrestricted (committed, assigned, and unassigned) fund balance is available unless there are legal documents, contracts, or agreements that prohibit doing such. Additionally, the School District generally would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

9. *Net Position*

Net Position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in the Statement of Net Position. Net position is classified as net investment in capital assets; restricted; and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Outstanding debt which has not been spent is included in the same net position component as the unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments.

**MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

10. Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. In addition, they affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates and assumptions.

11. Pensions

In government-wide financial statements, pensions are required to be recognized and disclosed using the accrual basis of accounting, regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting. See Note IV.A and the required supplementary information immediately following the notes to the financial statements for more information. The School District recognizes a net pension liability for each qualified pension plan in which it participates, which represents the excess of the total pension liability over the fiduciary net position of the qualified pension plan, or the School District's proportionate share thereof in the case of a cost-sharing multiple-employer plan, measured as of the School District's fiscal year-end. Changes in the net pension liability during the period are recorded as pension expense, or as deferred outflows or inflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred outflows or inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred outflows or inflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

12. Fair Value

The fair value measurement and disclosure framework provides for a three-tier fair value hierarchy that gives highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the School District can access at the measurement date.

Level 2 – Inputs to the valuation methodology, other than quoted prices included in Level 1 that are observable for an asset or liability either directly or indirectly and include:

- Quoted prices for similar assets and liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted market prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology that are unobservable for an asset or liability and include:

- Fair value is often based on developed models in which there are few, if any, observable inputs.

**MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

12. Fair Value (Continued)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

The valuation methodologies described above may produce a fair value calculation that may not be indicative of future net realizable values or reflective of future fair values. The School District believes that the valuation methods used are appropriate and consistent with GAAP. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no significant changes from the prior year in the methodologies used to measure fair value.

13. Other Postemployment Benefits

Other Postemployment Benefits ("OPEB") cost for retiree healthcare and similar, non-pension retiree benefits, is required to be measured and disclosed using the accrual basis of accounting (see Note IV.B), regardless of the amount recognized as OPEB expense on the modified accrual basis of accounting. Annual OPEB cost is equal to the annual required contributions to the OPEB Plan, calculated in accordance with GAAP.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Budgetary Practices – The General Fund budget is presented as required supplementary information. The budget is presented on the modified accrual basis of accounting, which is consistent with GAAP.

The budget is prepared by function and object as dictated by the State of South Carolina adopted Program Oriented Budgeting and Accounting System and for management control purposes. The School District's policies do not allow funds to be transferred between functions without Board approval. The legal level of control is at the function level. All annual appropriations lapse at fiscal year end. During the year, the Board revised the budget by \$6,200.

The following procedures are followed in establishing the budgetary data reflected in the budgetary comparison schedule:

- (1) In the spring the School District begins its budget process for the next succeeding fiscal year. The School District's leadership team reviews all requests and allocation requirements and related revenue.
- (2) The Finance Director then presents a proposed budget to the Board of Trustees which reviews it in a series of workshops and makes any additions or deletions it deems necessary.
- (3) Prior to July 1, the budget is legally enacted through passage of a resolution by the Board.

MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES

A. Deposits and Investments

Deposits

Custodial Credit Risk for Deposits: Custodial credit risk for deposits is the risk that, in the event of a bank failure, the School District's deposits might not be recovered. The School District does not have a deposit policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina. As of June 30, 2016, approximately \$1,404,000 of the School District's total bank balances of approximately \$8,790,000 (with a carrying value of approximately \$8,356,000) were exposed to custodial credit risk as the deposits were not insured or collateralized by the financial institution.

Investments

As of June 30, 2016, the School District had the following investments and maturities:

Investment Type	Fair Value Level (1)	Credit Rating *	Fair Value	Matures in Less than One Year
SC Local Government Investment Pool	N/A	Unrated	\$ 4,524,189	\$ 4,524,189
Total			<u>\$ 4,524,189</u>	<u>\$ 4,524,189</u>

(1) See Note I.C.11 for details of the District's fair value hierarchy.

* Credit Ratings are from Standard & Poors, Moody's Services, and Fitch Ratings, respectively.

N/A - Not Applicable

Interest Rate Risk: The School District does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates.

Custodial Credit Risk for Investments: Custodial credit risk for investments is the risk that, in the event of a bank failure, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District does not have an investment policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina. As of June 30, 2016, none of the School District's investments were exposed to custodial credit risk.

Credit Risk for Investments: Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The School District does not have an investment policy for credit risk but follows the investment policy statutes of the State of South Carolina.

Concentration of Credit Risk for Investments: The School District places no limit on the amount the School District may invest in any one issuer. Investments issued by or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools and other pooled investments are exempt from concentration of credit risk disclosures.

B. Property Taxes and Other Receivables

Real and personal property taxes (excluding vehicles) are levied on October 1 for the assessed valuations of property located in Marion County as of the preceding January 1, and are due and payable at that time. All unpaid taxes levied October 1 become delinquent January 15 of the following year, and property taxes attach as an enforceable lien if not paid by March 16 of the following year.

**MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

B. Property Taxes and Other Receivables (Continued)

Penalties are added to taxes depending on the date paid as follows:

January 16 through February 1	3% of Tax
February 2 through March 16	10% of Tax
March 17 and Thereafter	15 % of Tax Plus Collection Costs

Motor vehicle taxes are levied on the first day of the month in which the motor vehicle license expires and is due by the end of the month. Property taxes are billed and collected by the County. Property tax revenue is recognized when collected by the County Treasurer's Office. Real property taxes collected by the County within 30 days after fiscal year end are also recognized as revenue for the year.

For the year ended June 30, 2016, the operating and debt service millage rates were 168 mills and 8 mills, respectively, based on an assessed value of approximately \$76.4 million for the School District.

On the government-wide and fund financial statements, taxes receivable are approximately \$481,000 (net of an allowance for uncollectible property taxes of approximately \$600,000) at June 30, 2016. Allowances for uncollectible balances were not necessary for the other receivable accounts.

Delinquent property taxes of approximately \$73,000 have been recognized as revenue at June 30, 2016, because they were collected within thirty days after year end and are considered measurable and available.

C. Deferred Inflows of Resources for Governmental Funds and Unearned Revenues

Governmental funds report deferred inflows of resources and unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Also, both the government-wide financial statements and governmental funds do not recognize revenue in connection with resources that have been received but not yet earned. At June 30, 2016, the various components of deferred inflows of resources for governmental funds and unearned revenues for both the government-wide financial statements and governmental funds were as follows:

Deferred Inflows:

Delinquent Property Taxes Receivable (General Fund)	\$ 389,845
Delinquent Property Taxes Receivable (Debt Service Fund)	17,020
Total Deferred Inflows for Governmental Funds	<u>\$ 406,865</u>

Unearned Revenues:

Revenue Collected, but Unearned - Special Revenue Fund	\$ 326,554
Revenue Collected, but Unearned - EIA Fund	280,303
Revenue Collected, but Unearned - Food Service Fund	33,894
Total Unearned Revenues for both Government-wide Financial Statements and Governmental Funds	<u>\$ 640,751</u>

**MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

D. Interfund Receivables and Payables

Interfund receivables and payables at June 30, 2016 (all of which are expected to be repaid within one year), are summarized as follows:

<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>
<u>Governmental Funds:</u>		
General Fund	\$ 2,381,693	\$ 3,366,281
Special Revenue Fund	-	2,381,693
Special Revenue - EIA Fund	222,575	-
Special Revenue - Food Service Fund	1,732,010	-
Debt Service Fund	86,809	-
Capital Projects Fund	1,324,887	-
Total	<u>\$ 5,747,974</u>	<u>\$ 5,747,974</u>

All cash activities are recorded in the General Fund, and as a result, receivable and payables exist at year end that are either due to or due from the General Fund in the other funds. The payable from the Special Revenue Fund to the General Fund is for payments not received from the State Department of Education until after the fiscal year.

E. Transfers In and (Out)

Transfers from (to) other funds for the year ended June 30, 2016 consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Governmental Funds:</u>		
General Fund	\$ 1,193,403	\$ -
Special Revenue Fund	-	123,451
Special Revenue - EIA Fund	-	873,539
Special Revenue - Food Service	-	196,413
Totals	<u>\$ 1,193,403</u>	<u>\$ 1,193,403</u>

The funds transferred from the Special Revenue Funds to the General Fund were to cover indirect costs and state-mandated EIA teacher salary supplements and related benefits.

**MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

F. Capital Assets

Capital asset activity for the School District for the year ended June 30, 2016, was as follows:

	Beginning Balance	Increases	Transfers	Ending Balance
Governmental Activities:				
Capital Assets, Non-Depreciable:				
Land	\$ 2,168,458	-	-	\$ 2,168,458
Construction in Progress	1,364,318	883,237	(2,247,555)	-
Total Capital Assets, Non-Depreciable	<u>3,532,776</u>	<u>883,237</u>	<u>(2,247,555)</u>	<u>2,168,458</u>
Capital Assets, Depreciable:				
Buildings and Improvements	59,301,365	263,633	1,495,190	61,060,188
Machinery and Equipment	12,190,622	108,644	752,365	13,051,631
Total Capital Assets, Depreciable	<u>71,491,987</u>	<u>372,277</u>	<u>2,247,555</u>	<u>74,111,819</u>
Less: Accumulated Depreciation for:				
Buildings and Improvements	28,571,893	1,508,046	-	30,079,939
Machinery and Equipment	11,128,240	320,491	-	11,448,731
Total Accumulated Depreciation	<u>39,700,133</u>	<u>1,828,537</u>	<u>-</u>	<u>41,528,670</u>
Total Capital Assets, Depreciable, Net	<u>31,791,854</u>	<u>(1,456,260)</u>	<u>-</u>	<u>32,583,149</u>
Governmental Activities Capital Assets, Net	<u>\$ 35,324,630</u>	<u>(573,023)</u>	<u>-</u>	<u>\$ 34,751,607</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
Instruction	\$ 1,036,995
Support Services	791,542
Total Depreciation Expense - Governmental Activities	<u>\$ 1,828,537</u>

G. Long-Term Obligations

In May 2002, the School District executed a Ground Lease Agreement with BB&T for BB&T to lease the real property and all improvements at Creek Bridge High School, with the School District receiving \$6,500,000 to fund the improvements at the school, with a termination date of May 2032. The School District and BB&T simultaneously executed a Lease Agreement, with BB&T leasing the property back to the School District and requiring the School District to make scheduled annual payments to BB&T with interest at 5%. The last scheduled payment is due in May 2017. If these required payments are not made, then the property and all improvements are to be delivered back to BB&T. When all required payments have been made, the Ground Lease Agreement will terminate and the School District will own the property. These obligations are reported as a capital lease. The book value of these improvements recorded under the capital lease, net of related accumulated amortization of approximately \$2,245,000, was approximately \$4,761,000 as of June 30, 2016. Amortization has been included with depreciation expense.

**MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

G. Long-Term Obligations (Continued)

The obligations of the School District under this Lease Agreement do not constitute a pledge of the full faith, credit, or taxing power of the School District within the meaning of any constitutional or statutory provisions.

The following is a summary of changes in the School District's long-term obligations for the year ended June 30, 2016:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Capital Lease	\$ 1,765,000	-	(620,000)	1,145,000	\$ 1,145,000
Total Governmental Activities	<u>\$ 1,765,000</u>	<u>-</u>	<u>(620,000)</u>	<u>1,145,000</u>	<u>\$ 1,145,000</u>

The Debt Service Fund has primarily been used to service all long-term obligations.

The governmental activities annual debt service requirements to maturity for its outstanding debt are as follows:

Year Ending June 30	Principal	Interest	Total
2017	\$ 1,145,000	57,250	\$ 1,202,250
Total	<u>\$ 1,145,000</u>	<u>57,250</u>	<u>\$ 1,202,250</u>

The School District has authority to issue general obligation bonds each calendar year, subject to a constitutional debt limit equal to 8% of the assessed value of all taxable property in the School District. The debt limitation does not apply to certain certificates of participation, debt approved through a district-wide referendum, and original or refunding debt for obligations issued on or before November 30, 1982. The School District's constitutional debt limit at June 30, 2016 was approximately \$6,112,000, all of which was available.

IV. OTHER INFORMATION

A. Retirement Plans

The School District participates in the State of South Carolina's retirement plan, which is administered by the South Carolina Public Employee Benefit Authority ("PEBA"), which was created on July 1, 2012 and administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors ("PEBA Board"), appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the Budget and Control Board (State Fiscal Accountability Authority effective July 1, 2015), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the South Carolina Retirement Systems ("Systems") and serves as a co-trustee of the Systems in conducting that review.

**MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

A. Retirement Plans (Continued)

The PEBA issues a Comprehensive Annual Financial Report ("CAFR") containing financial statements and required supplementary information for the System's Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on the PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960. The PEBA is considered a division of the primary government of the State of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

Plan Description

The South Carolina Retirement System ("SCRS"), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public school Districts, and political subdivisions.

The State Optional Retirement Program ("ORP") is a defined contribution plan that is offered as an alternative to certain newly hired state, public school, and higher education employees. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers.

Plan Membership

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under the system is presented below.

- SCRS - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012 is a Class Three member.
- State ORP - As an alternative to membership in SCRS, newly hired state, public school, and higher education employees and individuals newly elected to the S.C. General Assembly beginning with the November 2012 general election have the option to participate in the State Optional Retirement Program (State ORP), which is a defined contribution plan. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the investment providers. For this reason, State ORP programs are not considered part of the retirement systems for financial statement purposes. Employee and Employer contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employers to the member's account with investment providers for the employee contribution (8.16%) and a portion of the employer contribution (5%). A direct remittance is also required to SCRS for the remaining portion of the employer contribution (5.91%) and an incidental death benefit contribution (0.15%), if applicable, which is retained by SCRS.

Plan Benefits

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation. A brief summary of benefit terms for the system is presented below.

MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

A. Retirement Plans (Continued)

Plan Benefits (Continued)

- SCRS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

Plan Contributions

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. Upon recommendation by the actuary in the annual actuarial valuation, the PEBA Board may adopt and present to the Budget and Control Board for approval an increase in the SCRS employer and employee contribution rates, but any such increase may not result in a differential between the employee and total employer contribution rate that exceeds 2.9 percent of earnable compensation for the SCRS. An increase in the contribution rates adopted by the PEBA Board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the PEBA Board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plans, the PEBA Board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period; and, this increase is not limited to one-half of one percent per year.

As noted earlier, both employees and the School District are required to contribute to the Plan at rates established and as amended by the PEBA. The School District's contributions are actuarially determined but are communicated to and paid by the School District as a percentage of the employees' annual eligible compensation as follows for the past three years:

**MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

A. Retirement Plans (Continued)

Plan Contributions (Continued)

	SCRS and State ORP Rates		
	2014	2015	2016
Employer Contribution Rate: [^]			
Retirement	10.45%	10.75%	10.91%
Incidental Death Benefit	0.15%	0.15%	0.15%
Accidental Death Contributions	0.00%	0.00%	0.00%
	<u>10.60%</u>	<u>10.90%</u>	<u>11.06%</u>
Employee Contribution Rate	<u>7.50%</u>	<u>8.00%</u>	<u>8.16%</u>

[^] Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws.

* Of the rate for the State ORP Plan, 5% of the earnable compensation must be remitted by the employer directly to the ORP vendor to be allocated to the member's account with the remainder of the employer contribution remitted to the SCRS.

The required contributions and percentages of amounts contributed by the School District to the Plan for the past three years were as follows:

Year Ended June 30,	SCRS Contributions		State ORP Contributions	
	Required	% Contributed	Required	% Contributed
2016	\$ 2,941,570	100%	\$ 28,947	100%
2015	2,838,710	100%	18,952	100%
2014	\$ 2,833,233	100%	\$ 10,861	100%

Eligible payrolls of the School District covered under the Plan for the past three years were as follows:

Year Ended June 30,	SCRS Payroll	State ORP Payroll	Total Payroll
2016	\$ 26,372,936	473,245	\$ 26,846,181
2015	26,043,212	321,215	26,364,427
2014	\$ 26,728,613	193,951	\$ 26,922,564

MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

A. Retirement Plans (Continued)

Actuarial Assumptions and Methods

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Actuarial assumptions and methods used during the annual valuation process are subject to periodic revision, typically with an experience study, as actual results over an extended period of time are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. The last experience study was performed on data through June 30, 2010, and the next experience study, performed on data through June 30, 2015, is currently underway.

The June 30, 2015 total pension liability, net pension liability, and sensitivity information were determined by the PEBA's consulting actuary, Gabriel, Roeder, Smith and Company ("GRS") and are based on the July 1, 2014 actuarial valuations as adopted by the PEBA Board and Budget and Control Board which utilized membership data as of July 1, 2014. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ended June 30, 2015 using generally accepted actuarial principles. Information included in the following schedules is based on the certification provided by GRS.

The following table provides a summary of the actuarial assumptions and methods used in the July 1, 2014, valuations for the SCRS.

	SCRS
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return*	7.50%
Projected Salary Increases*	3.5% to 12.5% (varies by service)
Benefit Adjustments	Lesser of 1% or \$500 annually

* Includes inflation at 2.75%.

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000. Assumptions used in the July 1, 2014 valuations for the SCRS are as follows:

Former Job Class	Males	Females
Educators	RP-2000 Males (with White Collar adjustment) multiplied by 110%	RP-2000 Females (with White Collar adjustment) multiplied by 95%
General Employees and Members of the General Assembly	RP-2000 Males multiplied by 100%	RP-2000 Females multiplied by 90%
Public Safety and Firefighters	RP-2000 Males (with Blue Collar adjustment) multiplied by 115%	RP-2000 Females (with Blue Collar adjustment) multiplied by 115%

**MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

A. Retirement Plans (Continued)

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments, as used in the July 1, 2014 actuarial valuations, was based upon the 30 year capital market outlook at the end of the fourth quarter 2013, as developed by the

Retirement Systems Investment Commission ("RSIC") in collaboration with its investment consultant, Aon Hewitt. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. Long-term assumptions for other asset classes are based on historical results, current market characteristics and professional judgment.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted by the RSIC for fiscal year 2015. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and by adding expected inflation and is summarized in the table below. For actuarial purposes, the 7.50 percent assumed annual investment rate of return set in statute and used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component.

Asset Class	Target Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Short Term	5.0%		
Cash	2.0%	1.90%	0.04%
Short Duration	3.0%	2.00%	0.06%
Domestic Fixed Income	13.0%		
Core Fixed Income	7.0%	2.70%	0.19%
Mixed Credit	6.0%	3.80%	0.23%
Global Fixed Income	9.0%		
Global Fixed Income	3.0%	2.80%	0.08%
Emerging Markets Debt	6.0%	5.10%	0.31%
Global Public Equity	31.0%	7.10%	2.20%
Global Tactical Asset Allocation	10.0%	4.90%	0.49%
Alternatives	32.0%		
Hedge Funds (Low Beta)	8.0%	4.30%	0.34%
Private Debt	7.0%	9.90%	0.69%
Private Equity	9.0%	9.90%	0.89%
Real Estate (Broad Market)	5.0%	6.00%	0.30%
Commodities	3.0%	5.90%	0.18%
Total Expected Real Return	100.0%		6.00%
Inflation for Actuarial Purposes			2.75%
Total Expected Nominal Return			8.75%

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

The net pension liability ("NPL") is calculated for the system and represents the system's total pension liability determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of June 30, 2015 measurement date, for the SCRS are presented in the following table:

**MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

A. Retirement Plans (Continued)

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

<u>System</u>	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Employers' Net Pension Liability (Asset)</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
SCRS	\$ 44,097,310,230	25,131,828,101	\$ 18,965,482,129	57.0%

The total pension liability is calculated by the System's actuary, and the plan's fiduciary net position is reported in the System's financial statements. The net pension liability is disclosed in accordance with the requirements of GASB No. 67 in the Systems' notes to the financial statements and required supplementary information. Liability calculations performed by the System's actuary for the purpose of satisfying the requirements of GASB Nos. 67 and 68 are not applicable for other purposes, such as determining the plans' funding requirements.

At June 30, 2016, the School District reported a liability of approximately \$53,029,000 for its proportionate share of the net pension liability for the SCRS ("Plan"). The net pension liability was measured as of June 30, 2015, and the total pension liability for the Plan used to calculate the net pension liability was determined based on the most recent actuarial valuation report as of July 1, 2014 that was projected forward to the measurement date. The School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contributions to the Plan relative to the projected contributions of all participating South Carolina state and local governmental employers, actuarially determined. At the June 30, 2015 measurement date, the School District's SCRS proportion was 0.279607 percent, which was a decrease of 0.015839 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the School District recognized pension expense of approximately \$3,160,000 for the SCRS. At June 30, 2016, the School District reported deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
SCRS		
Differences Between Expected and Actual Experience	\$ 942,141	\$ 94,832
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	354,948	-
Changes in Proportionate Share and Differences Between Employer Contributions and Proportionate Share of Total Plan Employer Contributions	-	2,189,045
District's Contributions Subsequent to the Measurement Date	2,970,517	-
Total SCRS	<u>\$ 4,267,606</u>	<u>\$ 2,283,877</u>

**MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

A. Retirement Plans (Continued)

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

Approximately \$2,971,000 that was reported as deferred outflows of resources related to the School District's contributions subsequent to the measurement date to the SCRS, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to the SCRS will increase (decrease) pension expense as follows:

Year Ended June 30,	SCRS
2017	\$ (464,833)
2018	(464,833)
2019	(788,443)
2020	731,321
Total	<u>\$ (986,788)</u>

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that the funding policy specified in the South Carolina State Code of Laws will remain unchanged in future years. Based on those assumptions, the System'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.

The following table presents the sensitivity of the School District's proportionate share of the net pension liability of the Plan to changes in the discount rate, calculated using the discount rate of 7.50 percent, as well as what it would be if it were calculated using a discount rate that is 1.00 percent lower (6.50 percent) or 1.00 percent higher (8.50 percent) than the current rate:

System	1.00% Decrease (6.50%)	Current Discount Rate (7.50%)	1.00% Increase (8.50%)
The District's proportionate share of the net pension liability of the SCRS	\$ 66,854,184	53,028,816	\$ 41,441,399

Plan Fiduciary Net Position

Detailed information regarding the fiduciary net position of the Plan administered by the PEBA is available in the separately issued CAFR containing financial statements and required supplementary information for the SCRS. The CAFR is publicly available through the Retirement Benefits' link on the PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960.

**MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

A. Retirement Plans (Continued)

Payable to Plan

The School District reported a payable of approximately \$1,249,000 to the PEBA as of June 30, 2016, representing required employer and employee contributions for the months of May and June 2016 for the SCRS. This amount is included in Accrued Salaries and Benefits on the financial statements and was paid in July 2016.

B. Other Postemployment Benefits

In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State of South Carolina ("State") provides health, dental, and long-term disability benefits ("OPEB Plan") to retired State and school district employees and their covered dependents. The OPEB plans have been determined to be cost-sharing multiple-employer defined benefit plans and are administered by the Employee Insurance Program ("EIP"), a part of the State of South Carolina.

Generally, retirees are eligible for the health and dental benefits if they have established 10 years of retirement service credit. For new hires on or after May 2, 2008, retirees are eligible for benefits if they have established 25 years of service for 100% employer funding and 15 – 24 years of service for 50% employer funding. Benefits become effective when the former employee retires under a state retirement system (i.e., SCRS). Basic long-term disability benefits are provided to active state, school district and participating local government employees approved for disability. Complete financial statements for the OPEB plans may be obtained by writing to the PEBA Retirement Benefits and Insurance Benefits, 202 Arbor Lake Drive, Suite 360, Columbia, SC 29223.

The Code of Laws of the State, as amended, requires these post-employment healthcare and long-term disability benefits be funded through annual appropriation by the General Assembly for active employees to the EIP and participating retirees to the State of South Carolina except for the portion funded through the pension surcharge (retiree surcharge) who are not funded by State General Fund appropriations. Employers participating in the healthcare plan are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget. The EIP sets the employer contribution rate based on a pay-as-you-go basis. The School District has no liability beyond the payment of monthly contributions.

The required employer contribution surcharge percentages were 5.33%, 5.00%, and 4.92%, for the years ended June 30, 2016, 2015, and 2014, respectively. The actual required employer contribution surcharge amounts were approximately \$1,431,000, \$1,318,000, and \$1,324,000 for the years ended June 30, 2016, 2015, and 2014, respectively. The actual contribution rates and amounts were 100% of the required employer contribution surcharge percentages and amounts for the OPEB Plan for all years presented.

C. Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. Because of the high cost of insurance purchased from commercial insurers, the School District has chosen to participate with other school districts in South Carolina in the South Carolina School Boards Insurance Trust/Workers' Compensation Pool ("SCSBIT/WCP"), as well as in its Property and Casualty Pool ("SCSBIT/PCP"). These public entity risk pools operate as a common risk management and insurance program for member school districts.

**MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

C. Risk Management (Continued)

The School District pays annual premiums to the public entity risk pools for its workers' compensation and property liability insurance coverage based upon the total payroll of the School District for each plan year. The agreement for formation of the public entity risk pools provides that SCSBIT/WCP and SCSBIT/PCP will be self-sustaining through member premiums and any deficiencies can be charged back to the member school districts in the event that a fund deficit arises. As of the latest available audited financial statements at June 30, 2015, the SCSBIT/WCP had net position of approximately \$44,675,000 and the SCSBIT/PCP had net position of approximately \$21,327,000. There were no reductions in insurance coverage as compared to the previous year. There were no insurance settlements that exceeded insurance coverage in any of the past three years.

D. Commitments and Contingencies

The School District participates in a number of state and federally assisted grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The amount of program expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the School District expects such amounts, if any, would not have a material adverse effect on the financial condition of the School District.

Various claims and lawsuits are pending against the School District. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the School District's management and legal counsel that resolution of these matters will not have a material adverse effect on the financial condition of the School District.

REQUIRED SUPPLEMENTARY INFORMATION

**MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA**

REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGETS AND ACTUAL

YEAR ENDED JUNE 30, 2016

	BUDGETED AMOUNTS		ACTUAL (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET- POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Local Sources:				
Taxes	\$ 8,887,098	8,887,098	8,568,659	\$ (318,439)
Investment Earnings	18,000	18,000	29,463	11,463
Other Local Sources	186,750	192,950	397,574	204,624
Intergovernmental	-	-	2,427	2,427
State Sources	24,834,162	24,834,162	25,146,554	312,392
TOTAL REVENUE ALL SOURCES	33,926,010	33,932,210	34,144,677	212,467
EXPENDITURES				
Current:				
Instruction	20,050,095	20,050,095	19,216,564	833,531
Support Services	15,033,309	15,039,509	15,325,197	(285,688)
Intergovernmental	12,000	12,000	35,733	(23,733)
Capital Outlay	51,022	51,022	117,749	(66,727)
TOTAL EXPENDITURES	35,146,426	35,152,626	34,695,243	457,383
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,220,416)	(1,220,416)	(550,566)	669,850
OTHER FINANCING SOURCES (USES)				
Transfers In	1,220,416	1,220,416	1,193,403	(27,013)
TOTAL OTHER FINANCING SOURCES (USES)	1,220,416	1,220,416	1,193,403	(27,013)
NET CHANGE IN FUND BALANCE	-	-	642,837	642,837
FUND BALANCE, Beginning of Year	3,795,815	3,795,815	3,795,815	-
FUND BALANCE, End of Year	\$ 3,795,815	3,795,815	4,438,652	\$ 642,837

Note to the Required Supplementary Information:

The budget is presented on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

**MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA**

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SOUTH CAROLINA RETIREMENT SYSTEM**

LAST THREE FISCAL YEARS

	Year Ended June 30,		
	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.279607%	0.295446%	0.295446%
School District's Proportionate Share of the Net Pension Liability	\$ 53,028,816	50,866,006	\$ 52,992,473
School District's Covered-Employee Payroll	\$ 26,364,427	26,922,564	\$ 26,684,469
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	201.14%	188.93%	198.59%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	56.99%	59.92%	56.39%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of June 30th of the preceding year.

The School District implemented GASB #68/71 during the year ended June 30, 2015. Information before 2014 is not available.

**MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA**

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE SCHOOL DISTRICT'S CONTRIBUTIONS
SOUTH CAROLINA RETIREMENT SYSTEM**

LAST THREE FISCAL YEARS

	Year Ended June 30,		
	2016	2015	2014
Contractually Required Contribution	\$ 2,970,517	2,857,662	\$ 2,844,094
Contributions in Relation to the Contractually Required Contribution	2,970,517	2,857,662	2,844,094
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
School District's Covered-Employee Payroll	\$ 26,846,181	26,364,427	\$ 26,922,564
Contributions as a Percentage of Covered-Employee Payroll	11.06%	10.84%	10.56%

Notes to Schedule:

The School District implemented GASB #68/71 during the year ended June 30, 2015. Information before 2014 is not available.

SUPPLEMENTARY INFORMATION

**MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA**

Schedule A-1

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
FINAL BUDGET AND ACTUAL**

YEAR ENDED JUNE 30, 2016

	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES			
1000 Revenue from Local Sources:			
1100 Taxes:			
1110 Ad Valorem Taxes-Including Delinquent (Independent)	\$ 8,717,985	8,410,568	\$ (307,417)
1200 Revenue from Local Governmental Units Other than LEAs:			
1280 Revenue in Lieu of Taxes (Independent and Dependent)	169,113	158,091	(11,022)
1300 Tuition:			
1310 From Patrons for Regular Day School	137,950	202,123	64,173
1500 Earnings on Investments:			
1510 Interest on Investments	18,000	29,463	11,463
1700 Pupil Activities:			
1790 Other Pupil Activity Income	-	40,083	40,083
1900 Other Revenue from Local Sources:			
1910 Rentals	50,000	45,276	(4,724)
1950 Refund of Prior Year's Expenditures	-	69,134	69,134
1990 Miscellaneous Local Revenue:			
1993 Receipt of Insurance Proceeds	-	13,060	13,060
1999 Revenue from Other Local Sources	5,000	27,898	22,898
Total Revenue from Local Sources	<u>9,098,048</u>	<u>8,995,696</u>	<u>(102,352)</u>
2000 Intergovernmental Revenue:			
2100 Payments from Other Governmental Units	-	2,427	2,427
Total Intergovernmental Revenue	<u>-</u>	<u>2,427</u>	<u>2,427</u>
3000 Revenue from State Sources:			
3100 Restricted State Funding:			
3130 Special Programs:			
3131 Handicapped Transportation	-	666	666
3160 School Bus Driver's Salary (Includes Hazardous Condition Transportation)	273,858	387,626	113,768
3162 Transportation Workers' Compensation	32,307	32,301	(6)
3180 Fringe Benefits Employer Contributions (No Carryover Provision)	5,227,550	5,984,424	756,874
3181 Retiree Insurance (No Carryover Provision)	1,153,961	1,010,117	(143,844)
3300 Education Finance Act:			
3310 Full-Time Programs:			
3311 Kindergarten	687,740	689,879	2,139
3312 Primary	1,974,376	2,015,268	40,892
3313 Elementary	2,492,743	2,576,426	83,683
3314 High School	1,397,816	1,029,047	(368,769)
3315 Trainable Mentally Handicapped	110,008	73,102	(36,906)
3316 Speech Handicapped (Part-Time Program)	706,412	655,426	(50,986)
3317 Homebound	\$ 11,460	7,000	\$ (4,460)

(Continued)

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
FINAL BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2016

	FINAL BUDGET	ACTUAL	VARIANCE
3320 Part-Time Programs:			
3321 Emotionally Handicapped	\$ 31,664	38,588	\$ 6,924
3322 Educable Mentally Handicapped	122,038	106,039	(15,999)
3323 Learning Disabilities	1,317,614	1,190,940	(126,674)
3324 Hearing Handicapped	17,288	18,708	1,420
3325 Visually Handicapped	33,522	37,542	4,020
3326 Orthopedically Handicapped	7,336	14,000	6,664
3327 Vocational	966,804	1,364,045	397,241
3330 Other EFA Programs:			
3331 Autism	232,114	230,592	(1,522)
3332 High Achieving	89,721	69,359	(20,362)
3334 Limited English Proficiency	39,503	34,863	(4,640)
3351 Academic Assistance	385,994	290,460	(95,534)
3352 Pupils in Poverty	1,737,394	1,653,243	(84,151)
3800 State Revenue in Lieu of Taxes:			
3810 Reimbursement for Local Residential Property Tax Relief (Tier 1)	1,366,370	1,866,170	499,800
3820 Homestead Exemption (Tier 2)	622,817	748,244	125,427
3825 Reimbursement for Property Tax Relief (Tier 3)	2,496,668	2,627,460	130,792
3827 \$2.5 Million Bonus	143,315	-	(143,315)
3830 Merchant's Inventory Tax	904,800	145,998	(758,802)
3840 Manufacturers Depreciation Reimbursement	195,311	69,350	(125,961)
3890 Other State Property Tax Revenues (Includes MC Vehicle Tax)	-	137,535	137,535
3900 Other State Revenue:			
3991 ADEPT (Assisting, Developing, and Evaluating Professional			
3999 Revenue from Other State Sources	55,658	42,136	(13,522)
Total Revenue from State Sources	24,834,162	25,146,554	312,392
TOTAL REVENUE ALL SOURCES	33,932,210	34,144,677	212,467

EXPENDITURES

100 Instruction:

110 General Instruction:

111 Kindergarten Programs:

100 Salaries	1,246,430	671,124	575,306
200 Employee Benefits	349,893	271,284	78,609
300 Purchased Services	40,140	40,724	(584)
400 Supplies and Materials	21,349	13,023	8,326
600 Other Objects	250	258	(8)

112 Primary Programs:

100 Salaries	1,931,339	1,979,363	(48,024)
200 Employee Benefits	717,747	857,441	(139,694)
300 Purchased Services	84,960	81,647	3,313
400 Supplies and Materials	45,918	42,429	3,489
600 Other Objects	\$ 2,850	2,761	\$ 89

(Continued)

**MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA**

Schedule A-1

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
FINAL BUDGET AND ACTUAL**

YEAR ENDED JUNE 30, 2016

	FINAL BUDGET	ACTUAL	VARIANCE
113 Elementary Programs:			
100 Salaries	\$ 3,917,853	3,678,104	\$ 239,749
200 Employee Benefits	1,460,450	1,495,235	(34,785)
300 Purchased Services	147,690	193,390	(45,700)
400 Supplies and Materials	69,657	48,739	20,918
600 Other Objects	4,000	3,536	464
114 High School Programs:			
100 Salaries	3,689,921	3,598,969	90,952
200 Employee Benefits	1,357,460	1,429,771	(72,311)
300 Purchased Services	105,203	161,927	(56,724)
400 Supplies and Materials	87,471	55,898	31,573
600 Other Objects	3,500	1,595	1,905
115 Career and Technology Education Program:			
100 Salaries	873,902	833,133	40,769
200 Employee Benefits	335,066	341,939	(6,873)
300 Purchased Services - Other Than Tuition	49,300	52,688	(3,388)
400 Supplies and Materials	38,972	38,411	561
600 Other Objects	2,500	1,334	1,166
117 Driver Education Program:			
100 Salaries	47,766	47,766	-
200 Employee Benefits	16,130	15,481	649
300 Purchased Services	1,350	1,351	(1)
400 Supplies and Materials	3,225	1,708	1,517
120 Exceptional Programs:			
121 Educable Mentally-Handicapped:			
100 Salaries	286,415	339,556	(53,141)
200 Employee Benefits	146,319	155,715	(9,396)
300 Purchased Services	131,818	15,107	116,711
400 Supplies and Materials	6,911	3,164	3,747
122 Trainable Mentally Handicapped:			
100 Salaries	303,192	307,109	(3,917)
200 Employee Benefits	123,933	109,455	14,478
300 Purchased Services	2,500	4,987	(2,487)
400 Supplies and Materials	1,537	630	907
123 Orthopedically Handicapped:			
100 Salaries	6,214	9,840	(3,626)
200 Employee Benefits	2,076	4,294	(2,218)
400 Supplies and Materials	1,100	708	392
124 Visually Handicapped:			
100 Salaries	3,918	4,095	(177)
200 Employee Benefits	1,488	1,549	(61)
125 Hearing Handicapped:			
400 Supplies and Materials	1,300	-	1,300
126 Speech Handicapped:			
100 Salaries	150,774	37,389	113,385
200 Employee Benefits	68,515	19,888	48,627
400 Supplies and Materials	\$ 4,837	1,486	\$ 3,351

(Continued)

**MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA**

Schedule A-1

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
FINAL BUDGET AND ACTUAL**

YEAR ENDED JUNE 30, 2016

	FINAL BUDGET	ACTUAL	VARIANCE
127 Learning Disabilities:			
100 Salaries	\$ 887,194	916,779	\$ (29,585)
200 Employee Benefits	352,659	348,203	4,456
300 Purchased Services	6,620	9,660	(3,040)
400 Supplies and Materials	4,611	2,173	2,438
128 Emotionally Handicapped:			
100 Salaries	8,953	8,953	-
200 Employee Benefits	2,948	2,964	(16)
400 Supplies and Materials	900	358	542
130 Pre-School Programs:			
137 Pre-School Handicapped-Self-Contained (3 & 4-Yr. Olds):			
100 Salaries	103,674	105,996	(2,322)
200 Employee Benefits	57,052	57,691	(639)
300 Purchased Services	2,000	1,688	312
139 Early Childhood Programs:			
400 Supplies and Materials	2,596	2,440	156
140 Special Programs:			
141 Gifted and Talented - Academic:			
100 Salaries	113,170	118,553	(5,383)
200 Employee Benefits	45,328	40,063	5,265
300 Purchased Services	825	375	450
400 Supplies and Materials	400	335	65
143 Advanced Placement:			
100 Salaries	18,804	18,804	-
200 Employee Benefits	6,117	6,148	(31)
400 Supplies and Materials	1,392	-	1,392
145 Homebound:			
100 Salaries	26,000	45,394	(19,394)
200 Employee Benefits	-	10,866	(10,866)
300 Purchased Services	10,270	7,267	3,003
400 Supplies and Materials	200	-	200
147 CDEPP:			
100 Salaries	46,475	139,831	(93,356)
200 Employee Benefits	19,798	53,859	(34,061)
300 Purchased Services	32,430	15,012	17,418
400 Supplies and Materials	12,500	5,738	6,762
148 Gifted and Talented - Artistic:			
100 Salaries	7,780	7,780	-
200 Employee Benefits	3,698	3,702	(4)
149 Other Special Programs:			
100 Salaries	-	4,142	(4,142)
200 Employee Benefits	-	88	(88)
160 Other Exceptional Programs:			
161 Autism:			
100 Salaries	152,869	149,449	3,420
200 Employee Benefits	69,392	82,176	(12,784)
300 Purchased Services	7,250	3,141	4,109
400 Supplies and Materials	\$ 2,090	434	\$ 1,656

(Continued)

MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA

Schedule A-1

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
FINAL BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2016

	FINAL BUDGET	ACTUAL	VARIANCE
170 Summer School Programs:			
172 Elementary Summer School:			
300 Purchased Services	\$ 500	-	\$ 500
400 Supplies and Materials	5,551	-	5,551
175 Instructional Programs Beyond Regular School Day:			
100 Salaries	-	31,750	(31,750)
200 Employee Benefits	-	7,574	(7,574)
300 Purchased Services	3,050	3,848	(798)
180 Adult/Continuing Educational Programs:			
181 Adult Basic Education Programs:			
200 Employee Benefits	-	165	(165)
300 Purchased Services	600	343	257
400 Supplies and Materials	2,500	1,700	800
500 Capital Outlay	1,000	-	1,000
182 Adult Secondary Education Programs:			
300 Purchased Services	750	608	142
400 Supplies and Materials	3,120	1,948	1,172
500 Capital Outlay	1,555	-	1,555
188 Parenting/Family Literacy:			
100 Salaries	-	900	(900)
200 Employee Benefits	-	222	(222)
300 Purchased Services	500	-	500
400 Supplies and Materials	3,800	-	3,800
190 Instructional Pupil Activity:			
100 Salaries	48,982	16,787	32,195
200 Employee Benefits	79,608	4,656	74,952
Total Instruction	20,052,650	19,216,564	836,086
200 Support Services:			
210 Pupil Services:			
211 Attendance and Social Work Services:			
100 Salaries	201,897	194,937	6,960
200 Employee Benefits	82,958	77,058	5,900
300 Purchased Services	10,800	12,251	(1,451)
212 Guidance Services:			
100 Salaries	692,396	670,867	21,529
200 Employee Benefits	254,809	260,766	(5,957)
300 Purchased Services	7,700	2,587	5,113
400 Supplies and Materials	7,130	4,828	2,302
600 Other Objects	400	325	75
213 Health Services:			
100 Salaries	288,017	265,254	22,763
200 Employee Benefits	126,420	117,095	9,325
300 Purchased Services	38,325	23,572	14,753
400 Supplies and Materials	11,360	8,808	2,552
214 Psychological Services:			
100 Salaries	-	31,656	(31,656)
200 Employee Benefits	\$ -	25,909	\$ (25,909)

(Continued)

**MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA**

Schedule A-1

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
FINAL BUDGET AND ACTUAL**

YEAR ENDED JUNE 30, 2016

	FINAL BUDGET	ACTUAL	VARIANCE
215 Exceptional Program Services:			
100 Salaries	\$ -	59,305	\$ (59,305)
200 Employee Benefits	-	19,069	(19,069)
216 Vocational Placement Services:			
100 Salaries	52,467	38,362	14,105
200 Employee Benefits	23,410	15,554	7,856
300 Purchased Services	2,000	1,360	640
400 Supplies and Materials	1,500	1,524	(24)
220 Instructional Staff Services:			
221 Improvement of Instruction-Curriculum Development:			
100 Salaries	242,473	246,827	(4,354)
200 Employee Benefits	90,642	92,568	(1,926)
300 Purchased Services	14,500	3,032	11,468
400 Supplies and Materials	13,647	1,732	11,915
600 Other Objects	1,100	470	630
222 Library and Media Services:			
100 Salaries	491,624	498,550	(6,926)
200 Employee Benefits	176,768	191,829	(15,061)
300 Purchased Services	35,976	19,253	16,723
400 Supplies and Materials	51,543	32,565	18,978
223 Supervision of Special Programs:			
100 Salaries	31,416	48,551	(17,135)
200 Employee Benefits	16,260	21,994	(5,734)
300 Purchased Services	21,985	18,819	3,166
400 Supplies and Materials	4,800	3,162	1,638
500 Capital Outlay	1,000	-	1,000
600 Other Objects	1,555	527	1,028
224 Improvement of Instruction-Inservice and Staff Training:			
300 Purchased Services	17,450	4,518	12,932
400 Supplies and Materials	7,975	1,851	6,124
600 Other Objects	700	3,215	(2,515)
230 General Administrative Services:			
231 Board of Education:			
100 Salaries	69,706	79,467	(9,761)
200 Employee Benefits	78,526	21,575	56,951
300 Purchased Services	167,900	119,722	48,178
318 Audit Services	45,500	51,500	(6,000)
400 Supplies and Materials	17,400	13,739	3,661
600 Other Objects	16,750	13,371	3,379
232 Office of Superintendent:			
100 Salaries	335,199	377,295	(42,096)
200 Employee Benefits	106,681	109,958	(3,277)
300 Purchased Services	35,543	16,091	19,452
400 Supplies and Materials	19,900	21,439	(1,539)
500 Capital Outlay	-	2,100	(2,100)
600 Other Objects	\$ 7,100	3,943	\$ 3,157

(Continued)

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
FINAL BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2016

	FINAL BUDGET	ACTUAL	VARIANCE
233 School Administration:			
100 Salaries	\$ 1,930,601	1,973,795	\$ (43,194)
200 Employee Benefits	726,620	741,654	(15,034)
300 Purchased Services	66,624	65,625	999
400 Supplies and Materials	84,505	48,720	35,785
500 Capital Outlay	-	7,248	(7,248)
600 Other Objects	6,720	4,256	2,464
250 Finance and Operations Services:			
251 Student Transportation (Federal/District Mandated):			
100 Salaries	-	53,705	(53,705)
200 Employee Benefits	-	17,349	(17,349)
252 Fiscal Services:			
100 Salaries	514,746	271,486	243,260
200 Employee Benefits	112,167	110,154	2,013
300 Purchased Services	99,800	80,473	19,327
400 Supplies and Materials	30,800	17,286	13,514
500 Capital Outlay	5,000	5,000	-
600 Other Objects	11,620	3,462	8,158
253 Facilities Acquisition and Construction:			
300 Purchased Services	6,300	-	6,300
254 Operation and Maintenance of Plant:			
100 Salaries	965,161	975,831	(10,670)
200 Employee Benefits	496,748	463,956	32,792
300 Purchased Services	1,284,412	1,213,732	70,680
321 Public Utilities (Excludes Gas, Oil, Elec. & Other Heating Fuels)	113,049	94,992	18,057
400 Supplies and Materials	323,433	549,506	(226,073)
470 Energy (Includes Gas, Oil, Elec. & Other Heating Fuels)	1,297,475	1,230,024	67,451
500 Capital Outlay	35,000	21,339	13,661
600 Other Objects	800	-	800
255 Student Transportation (State Mandated):			
100 Salaries	774,204	952,976	(178,772)
200 Employee Benefits	38,210	392,107	(353,897)
300 Purchased Services	100,226	23,640	76,586
400 Supplies and Materials	23,031	5,053	17,978
600 Other Objects	1,490	3,145	(1,655)
256 Food Service:			
200 Employee Benefits	13,424	368,750	(355,326)
257 Internal Services:			
300 Purchased Services	24,971	15,033	9,938
400 Supplies and Materials	1,620	-	1,620
500 Capital Outlay	7,467	7,467	-
600 Other Objects	600	-	600
258 Security:			
100 Salaries	-	6,541	(6,541)
200 Employee Benefits	-	1,626	(1,626)
300 Purchased Services	354,012	274,208	79,804
400 Supplies and Materials	6,700	7,520	(820)
600 Other Objects	\$ -	500	\$ (500)

(Continued)

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
FINAL BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2016

	FINAL BUDGET	ACTUAL	VARIANCE
260 Central Support Services:			
263 Information Services:			
100 Salaries	\$ 34,228	34,228	\$ -
200 Employee Benefits	10,618	10,657	(39)
300 Purchased Services	9,855	7,394	2,461
400 Supplies and Materials	5,000	1,362	3,638
500 Capital Outlay	-	1,500	(1,500)
600 Other Objects	-	30	(30)
264 Staff Services:			
100 Salaries	226,491	221,591	4,900
200 Employee Benefits	68,894	72,460	(3,566)
300 Purchased Services	63,100	43,564	19,536
400 Supplies and Materials	7,800	7,998	(198)
500 Capital Outlay	-	3,800	(3,800)
600 Other Objects	4,025	1,297	2,728
266 Technology and Data Processing Services:			
100 Salaries	309,587	294,246	15,341
200 Employee Benefits	109,266	109,487	(221)
300 Purchased Services	94,740	66,636	28,104
400 Supplies and Materials	84,450	18,397	66,053
500 Capital Outlay	-	69,295	(69,295)
600 Other Objects	400	351	49
270 Support Services Pupil Activity:			
271 Pupil Services Activities:			
100 Salaries (Optional)	259,557	366,410	(106,853)
200 Employee Benefits (Optional)	239,456	96,417	143,039
300 Purchased Services (Optional)	58,865	62,778	(3,913)
400 Supplies and Materials (Optional)	50,500	46,972	3,528
600 Other Objects (Optional)	-	320	(320)
660 Pupil Activity	70,400	46,847	23,553
Total Support Services	15,087,976	15,442,946	(354,970)
400 Other Charges:			
410 Intergovernmental Expenditures:			
411 Payments to the SDE			
720 Transits	10,000	-	10,000
412 Payments to Other Governmental Units			
720 Transits	2,000	35,733	(33,733)
Total Intergovernmental Expenditures	12,000	35,733	(23,733)
TOTAL EXPENDITURES	\$ 35,152,626	34,695,243	\$ 457,383

(Continued)

MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA

Schedule A-1

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
FINAL BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2016

	FINAL BUDGET	ACTUAL	VARIANCE
OTHER FINANCING SOURCES (USES)			
Interfund Transfers, From (To) Other Funds:			
5230 Transfer from Special Revenue EIA Fund	\$ 955,945	873,539	\$ (82,406)
5280 Transfer from Other Funds Indirect Costs	264,471	319,864	55,393
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,220,416</u>	<u>1,193,403</u>	<u>(27,013)</u>
EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES	-	642,837	642,837
FUND BALANCE, Beginning of Year	<u>3,795,815</u>	<u>3,795,815</u>	-
FUND BALANCES, End of Year	<u>\$ 3,795,815</u>	<u>4,438,652</u>	<u>\$ 642,837</u>

(This page intentionally left blank.)

**MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA**

SPECIAL REVENUE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2016

	Title I (BA Projects) (201 / 202)	IDEA (CA Projects) (203 / 204)
REVENUES		
1000 Revenue from Local Sources:		
1500 Earnings on Investments:		
1510 Interest on Investments	\$ -	-
1900 Other Revenue from Local Sources:		
1920 Contributions and Donations Private Sources	-	-
1930 Medicaid	-	-
1999 Revenue from Other Local Sources	-	-
Total Revenue from Local Sources	-	-
2000 Intergovernmental Revenue:		
2100 Payments from Other Governmental Units	-	-
Total Intergovernmental Revenue	-	-
3000 Revenue from State Sources:		
3100 Restricted State Funding:		
3110 Occupational Education:		
3118 EEDA Career Specialist	-	-
3120 General Education:		
3127 Student Health and Fitness - PE Teachers	-	-
3130 Special Programs:		
3134 CDEP Expansion	-	-
3135 Reading Coaches	-	-
3136 Student Health and Fitness - Nurses	-	-
3155 DSS SNAP and E&T Program	-	-
3177 Summer Reading Camp	-	-
3190 Miscellaneous Restricted State Grants:		
3193 Education License Plates	-	-
3194 Digital Instructional Materials	-	-
3198 Technology Professional Development	-	-
3199 Other Restricted State Grants	-	-
3600 Education Lottery Act Revenue:		
3607 6-8 Enhancement (Carryover Provision)	-	-
3610 K-5 Enhancement (Carryover Provision)	-	-
3630 K-12 Technology Initiative	-	-
3900 Other State Revenue:		
3999 Revenue from Other State Sources	-	-
Total Revenue from State Sources	\$ -	-

Preschool Handicapped (CG Projects) (205 / 206)	CATE (VA Projects) (207)	Adult Education (EA Projects) (243)	Other Designated Restricted State Grants (900s)	Other Special Revenue Programs (200s/800s/900s)	Totals
-	-	-	-	32	\$ 32
-	-	-	-	201,813	201,813
-	-	-	-	985,569	985,569
-	-	-	-	62,408	62,408
-	-	-	-	1,249,822	1,249,822
-	-	-	-	15,782	15,782
-	-	-	-	15,782	15,782
-	-	-	175,968	-	175,968
-	-	-	34,871	-	34,871
-	-	-	204,573	-	204,573
-	-	-	183,671	-	183,671
-	-	-	147,639	-	147,639
-	-	-	31,235	-	31,235
-	-	-	89,991	-	89,991
-	-	-	2,859	-	2,859
-	-	-	231	-	231
-	-	-	24,483	-	24,483
-	-	-	-	2,000	2,000
-	-	-	6,677	-	6,677
-	-	-	217,043	-	217,043
-	-	-	598,132	-	598,132
-	-	-	-	96,845	96,845
-	-	-	1,717,373	98,845	\$ 1,816,218

(Continued)

**MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA**

SPECIAL REVENUE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2016

	Title I (BA Projects) (201 / 202)	IDEA (CA Projects) (203 / 204)
4000 Revenue from Federal Sources:		
4200 Occupational Education:		
4210 Perkins Aid, Title I	\$ -	-
4300 Elementary and Secondary Education Act of 1965 (ESEA):		
4310 Title I, Basic State Grant Programs (Carryover Provision)	3,592,578	-
4341 Language Instruction for Limited English Proficient and Immigrant Students, Title III (Carryover Provision)	-	-
4351 Improving Teacher Quality (Carryover Provision)	-	-
4400 Adult Education:		
4410 Basic Adult Education	-	-
4490 Other Adult Education	-	-
4500 Programs for Children with Disabilities:		
4510 Individuals with Disabilities Education Act (IDEA) (Carryover Provision)	-	1,493,242
4520 Preschool Grants (IDEA) (Carryover Provision)	-	-
4900 Other Federal Sources:		
4924 21st Century Community Learning Center Program (Title IV)	-	-
4999 Revenue from Other Federal Sources	-	-
Total Revenue from Federal Sources	<u>3,592,578</u>	<u>1,493,242</u>
TOTAL REVENUE ALL SOURCES	<u>3,592,578</u>	<u>1,493,242</u>

EXPENDITURES

100 Instruction:		
110 General Instruction:		
111 Kindergarten Program:		
100 Salaries	102,895	-
200 Employee Benefits	40,746	-
300 Purchased Services	1,193	-
112 Primary Programs:		
100 Salaries	407,049	-
200 Employee Benefits	157,645	-
300 Purchased Services	97,544	-
400 Supplies and Materials	262,130	-
113 Elementary Programs:		
100 Salaries	314,590	-
200 Employee Benefits	130,554	-
300 Purchased Services	175,265	-
400 Supplies and Materials	\$ 103,042	-

Preschool Handicapped (CG Projects) (205 / 206)	CATE (VA Projects) (207)	Adult Education (EA Projects) (243)	Other Designated Restricted State Grants (900s)	Other Special Revenue Programs (200s/800s/900s)	Totals
-	124,483	-	-	-	\$ 124,483
-	-	-	-	96,000	3,688,578
-	-	-	-	6,127	6,127
-	-	-	-	494,685	494,685
-	-	56,136	-	-	56,136
-	-	-	-	158,302	158,302
-	-	-	-	9,029	1,502,271
38,543	-	-	-	-	38,543
-	-	-	-	13,343	13,343
-	-	-	-	471,381	471,381
38,543	124,483	56,136	-	1,248,867	6,553,849
38,543	124,483	56,136	1,717,373	2,613,316	9,635,671
-	-	-	97,555	165,298	365,748
-	-	-	39,845	60,659	141,250
-	-	-	-	2,163	3,356
-	-	-	17,946	178,221	603,216
-	-	-	6,645	88,339	252,629
-	-	-	-	2,124	99,668
-	-	-	5,523	1,519	269,172
-	-	-	196,982	226,111	737,683
-	-	-	66,334	89,190	286,078
-	-	-	3,377	7,890	186,532
-	-	-	8,288	72,743	\$ 184,073

(Continued)

**MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA**

SPECIAL REVENUE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2016

	Title I (BA Projects) (201 / 202)	IDEA (CA Projects) (203 / 204)
114 High School Programs:		
100 Salaries	\$ 234,208	-
200 Employee Benefits	104,963	-
300 Purchased Services	91,541	-
400 Supplies and Materials	88,034	-
600 Other Objects	-	-
115 Career and Technology Education Program:		
300 Purchased Services - Other Than Tuition	-	-
400 Supplies and Materials	-	-
500 Capital Outlay	-	-
600 Other Objects	-	-
120 Exceptional Programs:		
121 Educable Mentally Handicapped:		
100 Salaries	-	2,937
200 Employee Benefits	-	1,227
300 Purchased Services	-	1,182
400 Supplies and Materials	-	2,847
122 Trainable Mentally Handicapped:		
300 Purchased Services	-	5,917
400 Supplies and Materials	-	1,933
123 Orthopedically Handicapped:		
400 Supplies and Materials	-	4,229
124 Visually Handicapped:		
300 Purchased Services	-	161,083
400 Supplies and Materials	-	6,918
125 Hearing Handicapped:		
300 Purchased Services	-	87,824
400 Supplies and Materials	-	1,622
126 Speech Handicapped:		
100 Salaries	-	153,711
200 Employee Benefits	-	53,230
300 Purchased Services	-	2,825
400 Supplies and Materials	-	1,785
127 Learning Disabilities:		
100 Salaries	-	163,147
200 Employee Benefits	-	55,063
300 Purchased Services	-	64,727
400 Supplies and Materials	-	6,239
128 Emotionally Handicapped:		
100 Salaries	-	1,821
200 Employee Benefits	\$ -	871

Schedule B-1

Preschool Handicapped (CG Projects) (205 / 206)	CATE (VA Projects) (207)	Adult Education (EA Projects) (243)	Other Designated Restricted State Grants (900s)	Other Special Revenue Programs (200s/800s/900s)	Totals
-	-	-	-	259,129	\$ 493,337
-	-	-	-	107,469	212,432
-	-	-	-	-	91,541
-	-	-	2,859	15,165	106,058
-	-	-	-	144	144
-	30,511	-	-	-	30,511
-	66,437	-	-	199	66,636
-	16,825	-	-	-	16,825
-	1,515	-	-	156,356	157,871
-	-	-	-	-	2,937
-	-	-	-	-	1,227
-	-	-	-	-	1,182
-	-	-	-	-	2,847
-	-	-	-	4,266	10,183
-	-	-	-	-	1,933
-	-	-	-	-	4,229
-	-	-	-	-	161,083
-	-	-	-	-	6,918
-	-	-	-	-	87,824
-	-	-	-	-	1,622
-	-	-	-	3,017	156,728
-	-	-	-	735	53,965
-	-	-	-	207,529	210,354
-	-	-	-	-	1,785
-	-	-	-	-	163,147
-	-	-	-	-	55,063
-	-	-	-	-	64,727
-	-	-	-	-	6,239
-	-	-	-	-	1,821
-	-	-	-	-	\$ 871

(Continued)

**MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA**

SPECIAL REVENUE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2016

	Title I (BA Projects) (201 / 202)	IDEA (CA Projects) (203 / 204)
130 Pre-School Programs:		
137 Pre-School Handicapped Self-Contained (3 & 4-Yr. Olds):		
100 Salaries	\$ -	3,212
200 Employee Benefits	-	5,976
300 Purchased Services	-	162
400 Supplies and Materials	-	765
140 Special Programs:		
145 Homebound:		
300 Purchased Services	-	111
147 CDEPP:		
100 Salaries	-	-
200 Employee Benefits	-	-
149 Other Special Programs:		
100 Salaries	-	7,863
200 Employee Benefits	-	1,778
300 Purchased Services	-	197
400 Supplies and Materials	-	820
160 Other Exceptional Programs:		
161 Autism:		
100 Salaries	-	18,687
200 Employee Benefits	-	5,059
300 Purchased Services	-	117,446
400 Supplies and Materials	-	2,101
170 Summer School Programs:		
171 Primary Summer School:		
100 Salaries	-	-
200 Employee Benefits	-	-
400 Supplies and Materials	-	-
172 Elementary Summer School:		
100 Salaries	-	-
200 Employee Benefits	-	-
400 Supplies and Materials	-	-
175 Instructional Programs Beyond Regular School Day:		
200 Employee Benefits	-	252
300 Purchased Services	-	33
180 Adult/Continuing Educational Programs:		
181 Adult Basic Education Programs:		
100 Salaries	-	-
200 Employee Benefits	\$ -	-

Preschool Handicapped (CG Projects) (205 / 206)	CATE (VA Projects) (207)	Adult Education (EA Projects) (243)	Other Designated Restricted State Grants (900s)	Other Special Revenue Programs (200s/800s/900s)	Totals
35,000	-	-	-	-	\$ 38,212
3,543	-	-	-	-	9,519
-	-	-	-	-	162
-	-	-	-	-	765
-	-	-	-	-	111
-	-	-	150,037	-	150,037
-	-	-	54,536	-	54,536
-	-	-	-	-	7,863
-	-	-	-	-	1,778
-	-	-	-	-	197
-	-	-	-	-	820
-	-	-	-	4,232	22,919
-	-	-	-	1,046	6,105
-	-	-	-	-	117,446
-	-	-	-	864	2,965
-	-	-	39,663	-	39,663
-	-	-	9,783	-	9,783
-	-	-	35,068	-	35,068
-	-	-	-	20,231	20,231
-	-	-	-	4,920	4,920
-	-	-	-	212	212
-	-	-	-	-	252
-	-	-	-	-	33
-	-	19,574	10,172	-	29,746
-	-	4,844	2,528	-	\$ 7,372

(Continued)

**MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA**

SPECIAL REVENUE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2016

	Title I (BA Projects) (201 / 202)	IDEA (CA Projects) (203 / 204)
182 Adult Secondary Education Programs:		
100 Salaries	\$ -	-
200 Employee Benefits	-	-
300 Purchased Services	-	-
400 Supplies and Materials	-	-
600 Other Objects	-	-
188 Parenting/Family Literacy:		
100 Salaries	59,577	-
200 Employee Benefits	30,026	-
300 Purchased Services	1,290	-
400 Supplies and Materials	8,671	-
Total Instruction	<u>2,410,963</u>	<u>945,600</u>
200 Support Services:		
210 Pupil Services:		
212 Guidance Services:		
100 Salaries	18,803	-
200 Employee Benefits	6,728	-
300 Purchased Services	-	-
400 Supplies and Materials	-	-
213 Health Services:		
100 Salaries	-	-
200 Employee Benefits	-	-
214 Psychological Services:		
100 Salaries	-	103,000
200 Employee Benefits	-	30,500
300 Purchased Services	-	41,198
400 Supplies and Materials	-	10,862
600 Other Objects	-	750
215 Exceptional Program Services:		
300 Purchased Services	-	123,566
216 Vocational Placement Services:		
300 Purchased Services	-	16,900
217 Career Specialists Services:		
100 Salaries	-	-
200 Employee Benefits	-	-
220 Instructional Staff Services:		
221 Improvement of Instruction - Curriculum Development:		
100 Salaries	488,564	-
200 Employee Benefits	176,933	-
300 Purchased Services	23,360	-
400 Supplies and Materials	\$ 34,720	-

Preschool Handicapped (CG Projects) (205 / 206)	CATE (VA Projects) (207)	Adult Education (EA Projects) (243)	Other Designated Restricted State Grants (900s)	Other Special Revenue Programs (200s/800s/900s)	Totals
-	-	25,213	14,545	3,654	\$ 43,412
-	-	6,265	3,614	908	10,787
-	-	-	-	602	602
-	-	-	376	7,946	8,322
-	-	-	-	194	194
-	-	-	-	-	59,577
-	-	-	-	-	30,026
-	-	-	-	-	1,290
-	-	-	-	-	8,671
38,543	115,288	55,896	765,676	1,693,075	6,025,041
-	-	-	-	-	18,803
-	-	-	-	-	6,728
-	-	-	-	4,766	4,766
-	-	-	-	1,871	1,871
-	-	-	106,239	12,894	119,133
-	-	-	41,400	3,280	44,680
-	-	-	-	-	103,000
-	-	-	-	-	30,500
-	-	-	-	-	41,198
-	-	-	-	-	10,862
-	-	-	-	-	750
-	-	-	-	-	123,566
-	-	-	-	-	16,900
-	-	-	123,039	-	123,039
-	-	-	52,929	-	52,929
-	-	-	-	12,750	501,314
-	-	-	-	3,121	180,054
-	-	-	-	-	23,360
-	-	-	-	-	\$ 34,720

(Continued)

**MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA**

SPECIAL REVENUE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2016

	Title I (BA Projects) (201 / 202)	IDEA (CA Projects) (203 / 204)
222 Library and Media:		
100 Salaries	\$ 27,653	-
200 Employee Benefits	8,701	-
400 Supplies and Materials	2,942	-
223 Supervision of Special Programs:		
100 Salaries	89,436	142,232
200 Employee Benefits	34,885	38,124
300 Purchased Services	4,304	11,447
400 Supplies and Materials	3,153	5,324
600 Other Objects	-	230
224 Improvement of Instruction - Inservice and Staff Training:		
100 Salaries	-	-
200 Employee Benefits	-	-
300 Purchased Services	133,659	2,614
400 Supplies and Materials	7,725	2,849
600 Other Objects	9,079	-
250 Finance and Operations Services:		
251 Student Transportation (Federal/District Mandated):		
100 Salaries	1,090	-
200 Employee Benefits	181	-
300 Purchased Services	3,739	-
253 Facilities Acquisition and Construction:		
300 Purchased Services	-	-
500 Capital Outlay:		
540 Equipment	-	-
255 Student Transportation (State Mandated):		
100 Salaries	-	-
258 Security:		
400 Supplies and Materials	-	-
260 Central Support Services:		
264 Staff Services:		
300 Purchased Services	-	-
266 Technology and Data Processing Services:		
500 Capital Outlay	-	-
270 Support Services - Pupil Activity:		
271 Pupil Services Activities:		
100 Salaries (Optional)	-	-
200 Employee Benefits (Optional)	-	-
300 Purchased Services (Optional)	-	-
400 Supplies and Materials (Optional)	-	-
600 Other Objects (Optional)	-	300
Total Support Services	\$ 1,075,655	529,896

Preschool Handicapped (CG Projects) (205 / 206)	CATE (VA Projects) (207)	Adult Education (EA Projects) (243)	Other Designated Restricted State Grants (900s)	Other Special Revenue Programs (200s/800s/900s)	Totals
-	-	-	-	-	\$ 27,653
-	-	-	-	-	8,701
-	-	-	-	20,884	23,826
-	-	-	-	28,254	259,922
-	-	-	-	15,290	88,299
-	-	240	-	74,541	90,532
-	-	-	-	4,645	13,122
-	-	-	-	2,010	2,240
-	-	-	1,048	-	1,048
-	-	-	252	-	252
-	7,943	-	22,026	57,853	224,095
-	-	-	1,156	1,684	13,414
-	-	-	-	-	9,079
-	-	-	4,391	6,724	12,205
-	-	-	1,085	1,618	2,884
-	-	-	-	4,052	7,791
-	-	-	-	8,164	8,164
-	-	-	-	270,734	270,734
-	-	-	-	3,687	3,687
-	-	-	-	10,759	10,759
-	-	-	-	3,564	3,564
-	-	-	598,132	-	598,132
-	-	-	-	570	570
-	-	-	-	129	129
-	1,252	-	-	1,652	2,904
-	-	-	-	1,536	1,536
-	-	-	-	240	540
-	9,195	240	951,697	557,272	\$ 3,123,955

(Continued)

**MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA**

SPECIAL REVENUE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2016

	Title I (BA Projects) (201 / 202)	IDEA (CA Projects) (203 / 204)
300 Community Services:		
360 Welfare Services:		
400 Supplies and Materials	\$ 1,365	-
Total Community Services	1,365	-
410 Intergovernmental Expenditures:		
411 Payments to SDE		
720 Transits	-	-
Total Intergovernmental Expenditures	-	-
TOTAL EXPENDITURES	3,487,983	1,475,496
OTHER FINANCING SOURCES (USES)		
Interfund Transfers, From (To) Other Funds:		
431-791 Special Revenue Fund Indirect Costs (Use Only for Transfer of Indirect Costs to General Fund)	(104,595)	(17,746)
TOTAL OTHER FINANCING SOURCES (USES)	(104,595)	(17,746)
EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES	-	-
FUND BALANCE, Beginning of Year	-	-
FUND BALANCES, End of Year	\$ -	-

Preschool Handicapped (CG Projects) (205 / 206)	CATE (VA Projects) (207)	Adult Education (EA Projects) (243)	Other Designated Restricted State Grants (900s)	Other Special Revenue Programs (200s/800s/900s)	Totals
-	-	-	-	-	\$ 1,365
-	-	-	-	-	1,365
-	-	-	-	233,718	233,718
-	-	-	-	233,718	233,718
38,543	124,483	56,136	1,717,373	2,484,065	9,384,079
-	-	-	-	(1,110)	(123,451)
-	-	-	-	(1,110)	(123,451)
-	-	-	-	128,141	128,141
-	-	-	-	342,897	342,897
-	-	-	-	471,038	\$ 471,038

SPECIAL REVENUE FUND

SUPPLEMENTAL LISTING OF LEA SUBFUND CODES AND TITLES

YEAR ENDED JUNE 30, 2016

OTHER DESIGNATED
RESTRICTED STATE GRANTS

914	Digital Instructional Materials
918	Technology Professional Development
919	Education License Plates
924	CDEP Expansion
926	Summer Reading Camps
928	EEDA Career Specialists
935	Reading Coaches
936	Student Health and Fitness - Nurses
937	Student Health and Fitness - PE Teachers
955	DSS SNAP and E&T Program
960	K-5 Enhancement (Carryover Provision)
963	K-12 Technology Initiative
965	Digital Instructional Materials
967	6-8 Enhancement (Carryover Provision)

OTHER SPECIAL REVENUE
PROGRAMS

212	Extended School Year - IDEA
224	21st Century Grant
237	Title I School Improvement
251	Rural and Low Income Schools
264	Title III
267	Improving Teacher Quality
296	JROTC - Army
297	JROTC - Marine Corps
810	Patriot Point Field Trips
813	Exxon Grants
814	Beneteau Corporation Grant
816	Donation
817	SC Teen Pregnancy Prevention Grant
819	Ad Ed Computer Based Testing CTR
820	Pell Grant
821	SC GEAR UP Grant
823	LCEF - Lowes Toolbox Grant
824	Monsanto Grant
828	SCDHEC Recycling Grant - MuHS
829	HEAP Program
830	PMD
832	Special Needs Transportation
838	State of SC - Grant Adult Ed Project
839	McLeod Health Grant
840	Teacher Tuition
845	Read / Math K-8 / McGill Donations

(Continued)

**MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA**

Schedule B-2

SPECIAL REVENUE FUND

SUPPLEMENTAL LISTING OF LEA SUBFUND CODES AND TITLES

YEAR ENDED JUNE 30, 2016

**OTHER SPECIAL REVENUE
PROGRAMS**

846	Reading is Fundamental / Duke Energy
848	Robotics Grant
849	Health Grant
852	NET LEAD Grant
854	SCDEW / PDGOC-GED Grant / Adult Ed
856	Other Adult Education
862	Jobs for America's Graduates
867	SCSBIT Risk Control
879	E-Rate
890	Knights of Columbus
968	Medicaid
970	RBHS Medicaid

SPECIAL REVENUE FUND

SUMMARY SCHEDULE FOR OTHER DESIGNATED RESTRICTED STATE GRANTS

YEAR ENDED JUNE 30, 2016

SUBFUND	REVENUE CODE	PROGRAMS	REVENUES	EXPENDITURES	SPECIAL REVENUE		
					INTERFUND TRANSFERS IN (OUT)	OTHER FUND TRANSFERS IN (OUT)	UNEARNED
914	3194	Digital Instructional Materials	\$ 231	231	-	-	\$ -
918	3198	Technology Professional Development	24,483	24,483	-	-	-
919	3193	Education License Plates	2,859	2,859	-	-	1,151
924	3134	CDEP Expansion	204,573	204,573	-	-	30,000
926	3177	Summer Reading Camps	89,991	89,991	-	-	11,549
928	3118	EEDA Career Specialists	175,968	175,968	-	-	58,913
935	3135	Reading Coaches	183,671	183,671	-	-	19,504
936	3136	Student Health and Fitness - Nurses	147,639	147,639	-	-	-
937	3127	Student Health and Fitness - PE Teachers	34,871	34,871	-	-	2,485
955	3155	DSS SNAP and E&T Program	31,235	31,235	-	-	-
960	3610	K-5 Enhancement (Carryover Provision)	217,043	217,043	-	-	-
963	3630	K-12 Technology Initiative	598,132	598,132	-	-	25,757
967	3607	6-8 Enhancement (Carryover Provision)	6,677	6,677	-	-	-
Totals			\$ 1,717,373	1,717,373	-	-	\$ 149,359

MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA

Schedule B-4

EDUCATION IMPROVEMENT ACT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
ALL PROGRAMS

YEAR ENDED JUNE 30, 2016

	ACTUAL
REVENUES	
3000 Revenue from State Sources:	
3500 Education Improvement Act:	
3502 ADEPT	\$ 8,608
3504 Level Data Implementation	6,925
3505 Technology Support	22,315
3509 Arts in Education	8,745
3511 Professional Development	40,614
3512 Technology Professional Development	26,148
3518 Formative Assessment	24,235
3525 Career and Technology Education Equipment	82,308
3526 Refurbishment of K-8 Science Kits	21,045
3532 National Board Certification (NBC) Salary Supplement (No Carryover Provision)	49,431
3538 Students at Risk of School Failure	710,401
3541 CDEPP (Child Development Education Pilot Program)	613,719
3550 Teacher Salary Increase (No Carryover Provision)	759,613
3555 School Employer Contributions (No Carryover Provision)	113,926
3556 Adult Education	117,730
3558 Reading	21,334
3577 Teacher Supplies (No Carryover Provision)	89,500
3578 High Schools That Work/Making Middle Grades Work	23,778
3592 Work-Based Learning	21,052
3594 EEDA At Risk Supplemental Programs	116,269
3595 EEDA - Supplies and Materials - Career Awareness	13,430
3597 Aid to Districts	213,958
Total Revenue from State Sources	3,105,084
TOTAL REVENUE ALL SOURCES	3,105,084
EXPENDITURES	
100 Instruction:	
110 General Instruction:	
111 Kindergarten Programs:	
100 Salaries	14,961
200 Employee Benefits	12,076
400 Supplies and Materials	4,975
112 Primary Programs:	
100 Salaries	145,036
200 Employee Benefits	42,123
400 Supplies and Materials	17,969
113 Elementary Programs:	
100 Salaries	326,883
200 Employee Benefits	125,975
300 Purchased Services	10,306
400 Supplies and Materials	49,381
600 Other Objects	\$ 400

(Continued)

**MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA**

Schedule B-4

EDUCATION IMPROVEMENT ACT

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
ALL PROGRAMS**

YEAR ENDED JUNE 30, 2016

	<u>ACTUAL</u>
114 High School Programs:	
100 Salaries	\$ 212,327
200 Employee Benefits	55,274
300 Purchased Services	39,789
400 Supplies and Materials	35,339
600 Other Objects	600
115 Career and Technology Education Program:	
100 Salaries	7,500
200 Employee Benefits	1,845
300 Purchased Services - Other Than Tuition	1,883
400 Supplies and Materials	60,491
500 Capital Outlay	25,442
600 Other Objects	200
117 Driver Education Program:	
400 Supplies and Materials	250
120 Exceptional Programs:	
121 Educable Mentally Handicapped:	
400 Supplies and Materials	2,000
122 Trainable Mentally Handicapped:	
100 Salaries	55,197
200 Employee Benefits	6,221
400 Supplies and Materials	1,500
126 Speech Handicapped:	
400 Supplies and Materials	1,250
127 Learning Disabilities:	
100 Salaries	17,187
200 Employee Benefits	4,251
400 Supplies and Materials	5,750
130 Pre-School Programs:	
137 Preschool Handicapped Self Contained (3 & 4 Yr. Olds):	
400 Supplies and Materials	750
140 Special Programs:	
141 Gifted and Talented - Academic:	
400 Supplies and Materials	250
147 CDEPP:	
100 Salaries	420,417
200 Employee Benefits	193,302
400 Supplies and Materials	3,000
170 Summer School Programs:	
173 High School Summer School:	
100 Salaries	8,122
200 Employee Benefits	\$ 1,994

(Continued)

**MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA**

Schedule B-4

EDUCATION IMPROVEMENT ACT

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
ALL PROGRAMS**

YEAR ENDED JUNE 30, 2016

	ACTUAL
175 Instructional Programs Beyond Regular School Day:	
100 Salaries	\$ 8,167
200 Employee Benefits	2,011
180 Adult/Continuing Educational Programs:	
181 Adult Basic Education Programs:	
100 Salaries	9,419
200 Employee Benefits	2,360
182 Adult Secondary Education Programs:	
100 Salaries	6,355
200 Employee Benefits	1,575
300 Purchased Services	1,550
Total Instruction	<u>1,943,653</u>
200 Support Services:	
210 Pupil Services:	
212 Guidance Services:	
300 Purchased Services	11,998
400 Supplies and Materials	4,892
600 Other Objects	40
216 Vocational Placement Services:	
100 Salaries	14,105
200 Employee Benefits	6,947
220 Instructional Staff Services:	
221 Improvement of Instruction-Curriculum Development:	
400 Supplies and Materials	1,024
222 Library and Media:	
400 Supplies and Materials	2,250
223 Supervision of Special Programs:	
100 Salaries	69,894
200 Employee Benefits	26,253
300 Purchased Services	324
224 Improvement of Instruction - In-service and Staff Training:	
100 Salaries	6,500
200 Employee Benefits	1,608
300 Purchased Services	94,619
400 Supplies and Materials	13,813
600 Other Objects	239
250 Finance and Operations Services:	
251 Student Transportation (Federal/District Mandated):	
100 Salaries	728
200 Employee Benefits	175
300 Purchased Services	\$ 1,000

(Continued)

MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA

Schedule B-4

EDUCATION IMPROVEMENT ACT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
ALL PROGRAMS

YEAR ENDED JUNE 30, 2016

	<u>ACTUAL</u>
260 Central Support Services:	
266 Technology and Data Processing Services:	
300 Purchased Services	\$ 29,241
270 Support Services - Pupil Activity:	
271 Pupil Services Activities:	
100 Salaries	765
200 Employee Benefits	360
300 Purchased Services	1,117
Total Support Services	<u>287,892</u>
TOTAL EXPENDITURES	<u>2,231,545</u>
OTHER FINANCING SOURCES (USES)	
Interfund Transfers, From (To) Other Funds:	
420-710 Transfer to General Fund (Exclude Indirect Costs)	(873,539)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(873,539)</u>
EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES	-
FUND BALANCES, Beginning of Year	<u>-</u>
FUND BALANCES, End of Year	<u>\$ -</u>

MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA

Schedule B-5

EDUCATION IMPROVEMENT ACT

SUMMARY SCHEDULE BY PROGRAM

YEAR ENDED JUNE 30, 2016

Program	Revenues	Expenditures	EIA Interfund Transfers In/(Out)	Other Fund Transfers In/(Out)	EIA Fund Unearned Revenue
3500 Education Improvement Act:					
3502 ADEPT	\$ 8,608	8,608	-	-	\$ 6,779
3504 Level Data Implementation	6,925	6,925	-	-	2,926
3505 Technology Support	22,315	22,315	-	-	-
3509 Arts in Education	8,745	8,745	-	-	-
3511 Professional Development	40,614	40,614	-	-	7,369
3512 Technology Professional Development	26,148	26,148	-	-	-
3518 Formative Assessment	24,235	24,235	-	-	25,956
3525 Career and Technology Education Equipment	82,308	82,308	-	-	4,453
3526 Refurbishment of K-8 Science Kits	21,045	21,045	-	-	4,827
3527 Special CATE Equipment	-	-	-	-	147,000
3532 National Board Salary Supplement (No Carryover Provision)	49,431	49,431	-	-	-
3533 Teacher of the Year Award	-	-	-	-	1,077
3535 Reading Coaches	-	-	-	-	8,000
3538 Students at Risk of School Failure	710,401	710,401	-	-	-
3541 CDEPP (Child Development Education Pilot Program)	613,719	613,719	-	-	-
3550 Teacher Salary Increase (No Carryover Provision)	759,613	-	-	(759,613)	-
3555 School Employer Contributions (No Carryover Provision)	113,926	-	-	(113,926)	-
3556 Adult Education	117,730	117,730	-	-	37,858
3558 Reading	21,334	21,334	-	-	20,197
3577 Teacher Supplies (No Carryover Provision)	89,500	89,500	-	-	-
3578 High Schools That Work / Making Middle Grades Work	23,778	23,778	-	-	13,861
3592 Work-Based Learning	21,052	21,052	-	-	-
3594 EEDA At Risk Supplemental Programs	116,269	116,269	-	-	-
3595 EEDA - Supplies and Materials - Career Awareness	13,430	13,430	-	-	-
3597 Aid to Districts	213,958	213,958	-	-	-
Totals	\$ 3,105,084	2,231,545	-	(873,539)	\$ 280,303

DETAILED SCHEDULE OF DUE TO STATE DEPARTMENT OF EDUCATION/FEDERAL GOVERNMENT

YEAR ENDED JUNE 30, 2016

Program	Project/Grant Number	Revenue & Subfund Code	Description	Amount Due to State Department of Education or Federal Government	Status of Amount Due to Grantors
National Board Salary Supplement	EIA	3532 / 332	Unexpended funds	\$ 3,285.56	Will be repaid subsequent to year-end

MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA

Schedule C-1

DEBT SERVICE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2016

	ACTUAL
REVENUES	
1000 Revenue from Local Sources:	
1100 Taxes:	
1110 Ad Valorem Taxes - Including Delinquent (Fiscally Independent LEA)	\$ 557,377
1200 Revenue from Local Governmental Units Other than LEAs:	
1280 Revenue in Lieu of Taxes (Dependent and Independent)	11,606
Total Revenue from Local Sources	<u>568,983</u>
3000 Revenue from State Sources:	
3800 State Revenue in Lieu of Taxes:	
3820 Homestead Exemption	44,627
3830 Merchant's Inventory Tax	20,736
3840 Manufacturers Depreciation Reimbursement	3,302
3890 Other State Property Tax Revenues (Includes Motor Carrier Vehicle Tax)	12,362
Total Revenue from State Sources	<u>81,027</u>
TOTAL REVENUE ALL SOURCES	<u>650,010</u>
EXPENDITURES	
500 Debt Service:	
610 Redemption of Principal	620,000
620 Interest	88,250
Total Debt Service	<u>708,250</u>
TOTAL EXPENDITURES	<u>708,250</u>
EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES	(58,240)
FUND BALANCE, Beginning of Year	<u>1,816,844</u>
FUND BALANCE, End of Year	<u>\$ 1,758,604</u>

MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA

Schedule D-1

CAPITAL PROJECTS FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2016

	ACTUAL
REVENUES	
TOTAL REVENUE ALL SOURCES	\$ -
EXPENDITURES	
250 Finance and Operations Services:	
253 Facilities Acquisition & Construction:	
300 Purchased Services	23,834
500 Capital Outlay:	
520 Construction Services	118,712
540 Equipment	346,377
254 Operations and Maintenance of Plant:	
500 Capital Outlay	12,135
255 Student Transportation:	
500 Capital Outlay	77,978
Total Support Services	579,036
TOTAL EXPENDITURES	579,036
EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES	(579,036)
FUND BALANCE, Beginning of Year	2,513,658
FUND BALANCE, End of Year	\$ 1,934,622

MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA

Schedule E-1

SPECIAL REVENUE - FOOD SERVICE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2016

	<u>ACTUAL</u>
REVENUES	
1000 Revenue from Local Sources:	
1500 Earnings on Investments:	
1510 Interest on Investments	\$ 11,197
1600 Food Service:	
1630 Special Sales to Pupils	9,941
1640 Lunch Sales to Adults	37,568
1650 Breakfast Sales to Adults	566
1660 Special Sales to Adults	2,007
1900 Other Revenue from Local Sources:	
1950 Refund of Prior Year's Expenditures (Include Only if Expenditure Occurred Last Year and the Refund This Year)	3,161
1999 Revenue from Other Local Sources	116
Total Revenue from Local Sources	<u>64,556</u>
2000 Intergovernmental Revenue:	
2100 Payments from Other Governmental Units	23,398
Total Intergovernmental Revenue	<u>23,398</u>
3000 Revenue from State Sources:	
3100 Restricted State Funding:	
3140 School Lunch:	
3142 Program Aid	252
Total Revenue from State Sources	<u>252</u>
4000 Revenue from Federal Sources:	
4800 USDA Reimbursement:	
4810 School Lunch and After School Snacks Program	2,118,850
4830 School Breakfast Program	806,857
4860 Fresh Fruit and Vegetable Program (FFVP) (Carryover Provision)	78,583
4900 Other Federal Sources:	
4991 USDA Commodities (Food Distribution Program) (Carryover Provision)	208,050
Total Revenue from Federal Sources	<u>3,212,340</u>
TOTAL REVENUE ALL SOURCES	<u>3,300,546</u>
EXPENSES	
256 Food Service:	
100 Salaries	896,758
200 Employee Benefits	110,401
300 Purchased Services (Exclude Gas, Oil, Electricity and Other Heating Fuels)	224,267
400 Supplies and Materials (Include Gas, Oil, Electricity and Other Heating Fuels)	1,695,148
500 Capital Outlay	443,332
600 Other Objects	4,759
Total Food Service Expenses	<u>3,374,665</u>
TOTAL EXPENSES	<u>3,374,665</u>
OTHER FINANCING SOURCES (USES)	
Interfund Transfers, From (To) Other Funds:	
432-791 Food Service Fund Indirect Costs	(196,413)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(196,413)</u>
EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(270,532)</u>
FUND NET ASSETS, Beginning of Year	<u>2,072,357</u>
FUND NET ASSETS, End of Year	<u>\$ 1,801,825</u>

MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA

Schedule F-1

PUPIL ACTIVITY FUND

SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN DUE TO STUDENT ORGANIZATIONS

YEAR ENDED JUNE 30, 2016

	ACTUAL
RECEIPTS	
1000 Receipts from Local Sources:	
1700 Pupil Activities:	
1710 Admissions	\$ 157,795
1740 Student Fees	1,597
1790 Other	515,553
1900 Other Revenue from Local Sources	
1920 Contributions & Donations Private Sources	31
Total Receipts from Local Sources	674,976
TOTAL RECEIPTS ALL SOURCES	674,976
DISBURSEMENTS	
270 Support Services Pupil Activity:	
271 Pupil Service Activities:	
272 Enterprise Activities:	
100 Salaries (Optional)	12,496
200 Employee Benefits (Optional)	3,002
660 Pupil Activity	604,659
Total Pupil Activity Expenditures	620,157
TOTAL DISBURSEMENTS	620,157
EXCESS/DEFICIENCY OF RECEIPTS OVER DISBURSEMENTS	54,819
DUE TO STUDENT ORGANIZATIONS, Beginning of Year	197,472
DUE TO STUDENT ORGANIZATIONS, End of Year	\$ 252,291

**MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA**

LOCATION RECONCILIATION SCHEDULE

YEAR ENDED JUNE 30, 2016

Location ID	Location Description	Education Level	Cost Type	Total Expenditures
000	DISTRICT WIDE	NON-SCHOOLS	CENTRAL	\$ 1,164,497
001	SPRING BRANCH PROPERTY	NON-SCHOOLS	CENTRAL	6,499
002	MARION HIGH SCHOOL	HIGH SCHOOL	SCHOOL	5,711,326
003	EASTERLING ELEMENTARY SCHOOL	ELEMENTARY	SCHOOL	5,434,725
004	MARION INTERMEDIATE SCHOOL	ELEMENTARY	SCHOOL	4,210,917
007	JOHNAKIN MIDDLE SCHOOL	MIDDLE SCHOOL	SCHOOL	4,235,481
008	MULLINS HIGH SCHOOL	HIGH SCHOOL	SCHOOL	4,754,279
009	PALMETTO MIDDLE SCHOOL	MIDDLE SCHOOL	SCHOOL	3,185,566
010	McCORMICK ELEMENTARY SCHOOL	ELEMENTARY	SCHOOL	2,659,362
012	FOX FIELD	NON-SCHOOLS	CENTRAL	24,099
013	NORTH MULLINS PRIMARY SCHOOL	ELEMENTARY	SCHOOL	2,700,875
014	MULLINS EARLY CHILDHOOD CENTER	ELEMENTARY	SCHOOL	946,465
022	ACTIVITY BUS	NON-SCHOOLS	CENTRAL	65,681
023	BRITTONS NECK ELEMENTARY SCHOOL	ELEMENTARY	SCHOOL	2,831,656
024	CREEK BRIDGE HIGH SCHOOL	HIGH SCHOOL	SCHOOL	3,468,621
030	ADULT EDUCATION	OTHER SCHOOL	SCHOOL	723,852
031	SUCCESS ACADEMY/PALMETTO ED CTR	ALTERNATIVE SCHL	SCHOOL	1,024,161
032	ATHLETIC COMPLEX - MARION	HIGH SCHOOL	CENTRAL	25,281
907	COMMUNITY CENTER - CENTENARY	NON-SCHOOLS	CENTRAL	8,121
908	SAFFOLD BUILDING	NON-SCHOOLS	CENTRAL	6,175
910	MARION COUNTY SCHS-DISTRICT OFC	NON-SCHOOLS	CENTRAL	4,947,090
913	MARION COUNTY SCHS-ANNEX OFC	NON-SCHOOLS	CENTRAL	922,825
922	SUPERINTENDENT'S HOUSE-CENTENARY	NON-SCHOOLS	CENTRAL	1,533
925	MAINTENANCE DEPARTMENT	NON-SCHOOLS	CENTRAL	477,657
926	STORAGE	NON-SCHOOLS	CENTRAL	1,168
927	OLD RED BRICK SCHOOL	NON-SCHOOLS	CENTRAL	3,414
928	OLD RAINS CENTENARY ELEMENTARY	NON-SCHOOLS	CENTRAL	31,959
929	RAINS DO-HOUSE	NON-SCHOOLS	CENTRAL	2,288
933	SOUTHSIDE	NON-SCHOOLS	CENTRAL	12,550
940	BUS DRIVER	NON-SCHOOLS	CENTRAL	92,357
995	ACADEMY FOR CAREERS/TECHNOLOGY	HIGH SCHOOL	SCHOOL	1,912,495
				<u><u>\$ 51,592,975</u></u>

The above expenditures are reconciled to the School District's financial statements as follows:

Fund	Amount
General Fund	\$ 34,695,243
Special Revenue Fund	9,384,079
Special Revenue - EIA Fund	2,231,545
Special Revenue - Food Service Fund	3,374,665
Debt Service Fund	708,250
Capital Projects Fund	579,036
Pupil Activity Fund	620,157
	<u><u>\$ 51,592,975</u></u>

(This page intentionally left blank.)

COMPLIANCE SECTION

MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2016

LEA Subfund Code	Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass Through Grantor's Number	Federal Expenditures
US DEPARTMENT OF AGRICULTURE				
Pass-through State Department of Education:				
600	National School Breakfast Program	10.553	N/A	\$ 806,857
600	National School Lunch Program	10.555	N/A	2,118,850
600	National School Lunch Program - Non-Cash Assistance	10.555	N/A	208,050
Total 10.553 & 10.555 Cluster				<u>3,133,757</u>
600	Fresh Fruit and Vegetable Program	10.582	N/A	78,583
TOTAL US DEPARTMENT OF AGRICULTURE				<u>3,212,340</u>
US DEPARTMENT OF LABOR				
Pass-through SC Department of Employment and Workforce:				
862	Jobs for America's Graduates	17.259	15JAG104/129	103,982
TOTAL US DEPARTMENT OF LABOR				<u>103,982</u>
US DEPARTMENT OF EDUCATION				
Pass-through State Department of Education:				
201	Title I Grants to LEA's	84.010	15/16 Title I	3,490,869
202	Title I Mini Grant	84.010	16 Title I Mini Grant	101,709
237	School Improvement	84.010	15 Title I Support	96,000
Total 84.010				<u>3,688,578</u>
Individuals with Disabilities Education Act:				
203	IDEA	84.027	16 IDEA	1,493,242
205	Handicapped Preschool Grants	84.173	16 IDEA Preschool	38,543
212	Extended School Year	84.173	16 IDEA ESY	9,029
Total 84.027 & 84.173 Cluster				<u>1,540,814</u>
207	Occupational Education - WBL Activities	84.048	16 Occupational Ed	124,483
243	Adult Education	84.002	16 Adult Education	56,136
224	21st Century Community Learning Centers Grants, Title IV	84.287	15 21st Century	13,343
264	Language Instruction - Title III	84.365	16 Title III	6,127
267	Improving Teacher Quality - Title II	84.367	15 Title II - ITQ	494,685
820	PELL	84.063	N/A	158,503
Total Pass-through State Department of Education:				<u>6,082,669</u>
Pass-through the SC Commission on Higher Education:				
821	SC GEAR UP	84.334S	P3345110019	193,514
Total Pass-through the SC Commission on Higher Education:				<u>193,514</u>
TOTAL US DEPARTMENT OF EDUCATION				<u>\$ 6,276,183</u>

(Continued)

MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2016

LEA Subfund Code	Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass Through Grantor's Number	Federal Expenditures
US DEPARTMENT OF DEFENSE				
	Direct Program:			
296	JROTC - Army	12.000	N/A	\$ 64,404
297	JROTC - Marine Corps	12.000	N/A	75,410
		Total 12.000		139,814
	TOTAL US DEPARTMENT OF DEFENSE			139,814
US DEPARTMENT OF HEALTH AND HUMAN SERVICES				
	Pass-through SC Campaign to Prevent Teen Pregnancy:			
817	Keep It Real South Carolina Reducing Teen Pregnancy	93.297	T5 TP1AH000026-03-00	33,870
	TOTAL US DEPARTMENT OF HEALTH AND HUMAN SERVICES			33,870
	TOTAL FEDERAL ASSISTANCE EXPENDED			\$ 9,766,189

Note: There were no expenditures to subrecipients for the year ended June 30, 2016.

**MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2016

A – General

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) presents the activity of all federal award programs of Marion County School District, South Carolina (the “School District”) for the year ended June 30, 2016. All federal awards received directly from the federal agencies, as well as those passed through other government agencies, are included on the Schedule.

B – Basis of Accounting

The accompanying Schedule is presented using the modified accrual basis of accounting, which is described in the notes to the School District’s financial statements.

C – Relationship to Financial Statements

Federal award expenditures are reported in the School District’s financial statements as expenditures in the Special Revenue Fund and in the Special Revenue – Food Service Fund.

D – Relationship to Federal Financial Reports

Amounts reported in the accompanying Schedule agree with the amounts reported in the related federal financial reports except for timing differences relating to expenditures made subsequent to the filing of the federal financial reports.

E – Indirect Cost Rate

The School District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.



**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

Marion County Board of Education
Marion County School District
Marion, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Marion County School District, South Carolina (the "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 November 18, 2016.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 a 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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as 2016-001 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as 2016-002 to be a significant deficiency.

Compliance and Other Matters

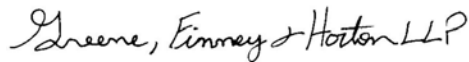
As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2016-003.

School District's Response to the Findings

The School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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



Greene, Finney & Horton, LLP
Mauldin, South Carolina
November 18, 2016



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

INDEPENDENT AUDITOR'S REPORT

Marion County Board of Education
Marion County School District
Marion, South Carolina

Report on Compliance for Each Major Federal Program

We have audited Marion County School District, South Carolina's (the "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 the School District's 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.

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.

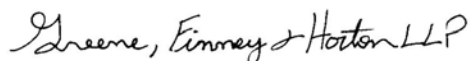
Report on Internal Control Over Compliance

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.



Greene, Finney & Horton, LLP
Mauldin, South Carolina
November 18, 2016

**MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2016

2015-001: WEAKNESSES IN INTERNAL CONTROLS

Condition: During our audit of the School District we noted the following issues in which the District's internal controls should be improved:

- Bank reconciliations: When we arrived to perform interim procedures in July 2015, the bank reconciliations were eight months behind. We also noted that the bank reconciliations did not include the date that the preparer or reviewer performed their procedures, and a few reconciliations were not signed off by the Finance Director, so there is no evidence that they were reviewed.
- Journal entries: There was no evidence that they were reviewed/approved prior to being posted to the general ledger.
- Cash received at the School District Office: not all deposits and supporting documentation were reviewed before they were posted to the general ledger. We also noted one deposit that was tested that was not deposited on the same day that it was collected.
- Payroll: The semi-monthly payroll reports were not being reviewed prior to being finalized for disbursing. We also noted that the payroll clerk has the ability to make changes to employees' pay rates, and there is not an audit trail or process in place to ensure that only authorized changes are being made.
- Credit card statements: The School District's procedure is to attach charge slips or other appropriate supporting documentation behind the monthly credit card statement. However, there is no signature/date of appropriate Finance staff to provide evidence that the monthly statements were reviewed/approved before they were paid.
- Several balance sheet accounts were not reconciled or reviewed prior to our arrival for the audit.

Criteria: The School District should have appropriate internal controls in place to ensure that only authorized transactions are occurring and that these transactions are correctly recorded. A properly functioning review and monitoring process is a very important part of these controls. In addition, the assets of the School District should be adequately safeguarded.

Context, Cause and Effect: As a result of a lack of understanding of and inappropriate emphasis on the importance of having appropriate internal controls, the School District had multiple significant adjustments to its trial balance during the audit that should have been detected and corrected by the School District personnel.

Status: The School District had not adequately corrected all of the weaknesses in internal controls noted above in the year ended June 30, 2016. See Finding 2016-001.

**MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2016

2015-002: PRIOR PERIOD ADJUSTMENTS

Condition: During our audit of the School District we noted three errors that materially impacted the financial statements as of June 30, 2014:

- The School District had failed to recognize approximately \$445,000 of revenue related to its Medicaid and E-Rate programs.
- The School District had approximately \$626,000 incorrectly recorded in special revenue funds that should have been recorded in the General Fund.
- The School District had failed to record approximately \$431,000 of outstanding property taxes and related unavailable property taxes. This error had no impact on the governmental funds' financial statements, but it resulted in an understatement of net position on the government-wide financial statements collected after year end on their government wide financial statements.

These errors were corrected in the current year financial statements as prior period adjustments.

Criteria: Transactions should be recorded accurately and in the proper period to ensure that the amounts reported in the financial statements are materially correct.

Context, Cause and Effect: A lack of understanding related to revenue recognition and what qualifies as a special revenue fund as required by Governmental Accounting Standards Board Statement No. 54.

Status: These prior period adjustments were made for the year ended June 30, 2015. No prior period adjustments were necessary for the year ended June 30, 2016.

2015-003: BUDGETING

Condition: During our audit of the School District, we noted significant budget-to-actual variances for revenues for the General Fund. Actual revenues were approximately \$839,000 under budget, primarily for property taxes of approximately \$467,000 and revenues from the state of approximately \$344,000.

Criteria: The School District needs to budget revenues more accurately so that management and those charged with governance will better be able to understand what funds will be available when determining what the School District can afford to expend.

Context, Cause and Effect: Poor budgeting contributed to the School District's loss in the General Fund in the year ended June 30, 2015.

Status: The School District has made the necessary changes in calculating and analyzing revenue and expense projections and budgets.

**MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2016

**Federal Agency: U.S. Department of Agriculture
Pass-Through Agency: South Carolina Department of Education
National School Breakfast and Lunch Cluster: CFDA #'s 10.553 and 10.555
Pass-Through Grantor's Award Numbers and Years: Not applicable**

2015-004: PROCUREMENT, SUSPENSION AND DISBARMENT

Questioned Costs

\$ - 0 -

Condition: The School District did not have policies and procedures in place to determine that vendors used for this program were not suspended or disbarred. The School District did not verify that the entities with whom they purchased goods or services related to this program had not been suspended or disbarred.

Criteria: As required by 2 CFR section 180.300, the School District is to verify that entities with whom they are purchasing goods or services have not been suspended or disbarred.

Context, Cause, and Effect: In performing our compliance testing, we did not note any vendors used by the School District for this program that had been suspended or disbarred; thus, no questioned costs were reported. However, since the School District did not perform this verification prior to entering into transactions, they could be subject to claims or future funding could be limited or suspended by the funding agency for failure to comply with the requirements. The School District was not aware that they were required to verify that the vendors used for federal programs were not suspended or disbarred.

Status: The School District has implemented procedures for reviewing vendors used by the School District to ensure that they are not suspended or disbarred.

**Federal Agency: U.S. Department of Agriculture
Pass-Through Agency: South Carolina Department of Education
National School Breakfast and Lunch Cluster: CFDA #'s 10.553 and 10.555
Pass-Through Grantor's Award Numbers and Years: Not applicable**

2015-005: REPORTING

Questioned Costs

\$ - 0 -

Condition: The Food Services Director keys in the meals served for lunch and breakfast from the monthly totals received from each school into the State's claims system. The claims are not reviewed and signed off on by any one at the School District before they are submitted to the State.

Criteria: The School District should have adequate controls established to prevent, or correct and detect errors.

Context, Cause, and Effect: In performing our compliance testing, we did not note any discrepancies in the sample we selected to test. However, the School District should have a process in place to ensure that they are not over-claiming for meals served.

Status: The School District has changed its procedures as the monthly claims are now being reviewed and approved by the Director of Operations before being sent to the South Carolina Department of Education

**MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2016

**Federal Agency: U.S. Department of Education
Pass-Through Agency: South Carolina Department of Education
TITLE I Cluster: CFDA #'s 84.010
Pass-Through Grantor's Award Numbers and Years: 15-BA080, 15BM097**

2015-006: ALLOWABLE COSTS (INDIRECT COSTS)

Questioned Costs

\$ - 0 -

Condition: In calculating indirect costs for this program, the School District used the prior year rate. In addition, there was no review or approval of the amount that was charged before it was posted to the general ledger or claimed as a reimbursable expenditure.

Criteria: The School District should use the correct indirect cost rate when calculating the amount to be charged to this program. In addition, this transaction should be reviewed and approved by appropriate School District personnel before being claimed and posted to the general ledger.

Context, Cause, and Effect: This issue occurred due to an inappropriate review / monitoring function. In performing our compliance testing, we recalculated the indirect cost using the current year's rate and determined that the School District did not overcharge this program. In fact, the School District undercharged this program by approximately \$5,000.

Status: The School District has placed additional reviews to monitor calculations of rates provided by the state and is now using the correct indirect cost rate.

**Federal Agency: U.S. Department of Education
Pass-Through Agency: South Carolina Department of Education
IDEA Cluster: CFDA #'s 84.027 and 84.173
Pass-Through Grantor's Award Numbers and Years: 14-CA-080, 15-CA-080, 15-CG-080**

2015-007: ALLOWABLE COSTS (TIME AND EFFORT CERTIFICATIONS AND PERSONNEL ACTIVITY REPORTS)

Questioned Costs

\$ - 0 -

Condition: Policies and procedures were not developed for time and effort certification statements or for Personnel Activity Reports ("PARs"). In addition, these certification statements and PARs were not completed timely for the current year's audit.

Criteria: As part of the process to ensure that personnel are actually performing duties for this program, the School District is to have appropriate policies and procedures in place for time and effort certification statements and PARs.

Context, Cause, and Effect: Due to oversight, this area was not given the attention it should have received. Subsequent to June 30, 2015, the School District has a new management team in place for this program. They were able to obtain certification statements, PARs or other supporting documentation for all employees that were charged to this program for the year under audit.

Status: Policies and procedures have been put into place for time and effort reporting certification statements and for personnel activity reports ("PARs"). Both are now being completed in a timely manner.

**MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2016

Federal Agency: U.S. Department of Education
Pass-Through Agency: South Carolina Department of Education
IDEA Cluster: CFDA #'s 84.027 and 84.173
Pass-Through Grantor's Award Numbers and Years: 14-CA-080, 15-CA-080, 15-CG-080

2015-008: ALLOWABLE COSTS (NON-PAYROLL DISBURSEMENTS)

Questioned Costs

\$ - 0 -

Condition: Certain expenditures for this program had not been approved by the IDEA Director and / or the Finance Director until after they had been submitted for reimbursement and the claim amount had been received by the School District.

Criteria: All expenditures for this program should be reviewed and approved by appropriate School District personnel prior to being claimed for reimbursement

Context, Cause, and Effect: Due to oversight, this area was not given the attention it should have received. In performing our compliance testing, we noted one non-payroll disbursement that had not been approved by the IDEA Director until after the transaction had been submitted for reimbursement and the claim amount had been received. We also noted numerous journal entries that had not been approved by the IDEA Director and / or the Finance Director until after the claims had been submitted for reimbursement and the claim amounts had been received. All of these transactions appeared to be adequately supported and properly charged to this program, so no questioned costs were reported.

Status: The IDEA Director is now reviewing all amounts recorded and claimed for IDEA funds.

Federal Agency: U.S. Department of Education
Pass-Through Agency: South Carolina Department of Education
IDEA Cluster: CFDA #'s 84.027 and 84.173
Pass-Through Grantor's Award Numbers and Years: 14-CA-080, 15-CA-080, 15-CG-080

2015-009: PROCUREMENT, SUSPENSION AND DISBARMENT

Questioned Costs

\$ - 0 -

Condition: The School District did not have policies and procedures in place to determine that vendors used for this program were not suspended or disbarred. The School District did not verify that the entities with whom they purchased goods or services related to this program had not been suspended or disbarred.

Criteria: As required by 2 CFR section 180.300, the School District is to verify that entities with whom they are purchasing goods or services have not been suspended or disbarred.

Context, Cause, and Effect: In performing our compliance testing, we did not note any vendors used by the School District for this program that had been suspended or disbarred; thus, no questioned costs were reported. However, since the School District did not perform this verification prior to entering into transactions, they could be subject to claims or future funding could be limited or suspended by the funding agency for failure to comply with the requirements. The School District was not aware that they were required to verify that the vendors used for federal programs were not suspended or disbarred.

Status: The School District has implemented procedures for reviewing vendors used by the School District to ensure that they are not suspended or disbarred.

**MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2016

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<u> X </u> Yes	<u> </u> No
Significant deficiency(s) identified that are not considered to be material weaknesses?	<u> X </u> Yes	<u> </u> None Reported
Noncompliance material to financial statements noted?	<u> X </u> Yes	<u> </u> No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
Significant deficiency(s) identified that are not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None Reported

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

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516 (Uniform Guidance)?	<u> </u> Yes	<u> X </u> No
---	-----------------------	---------------------

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I
84.027 and 84.173	IDEA Cluster including Preschool Handicapped

Dollar threshold used to distinguish between type A and type B programs:	<u> \$ 750,000 </u>
--	---------------------------

Auditee qualified as low-risk auditee?	<u> </u> Yes	<u> X </u> No
--	-----------------------	---------------------

**MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2016

Section II – Current Year Financial Statement Findings

2016-001: WEAKNESSES IN INTERNAL CONTROLS

Repeat Finding from the Prior Year? Yes

Condition: During our audit of the School District we noted the following issues in which the School District's internal controls should be improved:

- Bank reconciliations: When we arrived to perform year end procedures in late October 2016, the bank reconciliations for June 30, 2016 had just been completed.
- Several balance sheet accounts and several revenues / expenditures accounts had not been reconciled or reviewed prior to our arrival for the audit.
- While reviewing the School District's reports to the South Carolina Retirement System ("SCRS") for the fourth quarter of fiscal 2016, we discovered that the salaries reported for the month of May 2016 were too high, resulting in an overpayment to the SCRS of approximately \$113,000. The School District was able to correct this and the overpayment was effectively refunded, as the School District was able to reduce required payments for the month of June 2016.

Criteria: The School District should have appropriate internal controls in place to ensure that all transactions are being made and recorded accurately and on a timely basis. A properly functioning review and monitoring process is a very important control for bank reconciliations, balance sheet account reconciliations and reports to third parties.

Context, Cause and Effect: As a result of a change in finance personnel, combined with not properly emphasizing the importance of having appropriate internal controls, there were several significant adjustments made to correct the trial balance during the audit. These adjustments should have been detected and corrected by the School District personnel prior to the audit.

Recommendation: We recommend that the School District develop and implement appropriate internal controls for the items noted above. The School District's Finance Department should be performing various monitoring and reviewing functions on a daily, weekly, monthly, and/or quarterly basis as necessary to ensure that effective controls are in place and are working as designed.

Response: The School District concurs and we will continue to review duties and monitor the review process. We will assign personnel specific duties with due dates that will be monitored and reviewed. We will develop a review checklist that will list the items that are to be reviewed, the frequency of review and the person responsible. This checklist will be monitored to make sure we are doing our reviews as required. We are implementing these procedures as we get them defined in the 2017 fiscal year.

**MARION COUNTY SCHOOL DISTRICT
MARION, SOUTH CAROLINA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2016

Section II – Current Year Financial Statement Findings (Continued)

2016-002: FAILURE TO INVENTORY OR TRACK CAPITAL ASSETS

Repeat Finding from the Prior Year? No

Condition:	During our audit we noted that the School District is not taking a regular or systematic inventory of its capital assets to ensure that the amounts recorded and reported are still owned or maintained by the School District, and is not using software to maintain capital asset records.
Criteria:	An inventory of capital assets should be done at least annually to ensure and verify that the amounts recorded are still owned or maintained by the School District.
Context, Cause and Effect:	School District finance staff has not taken the time to perform an inventory of capital assets, and the amounts recorded and reported may not accurately reflect the actual assets owned or maintained.
Recommendation:	We recommend that the School District implement policies and procedures that require an annual inventory of capital assets. The School District is presently maintaining its capital asset records using excel spreadsheets. We recommend for the School District finance staff utilize the capital asset module in its Smart Fusion software in order to better automate this area and to better ensure the accuracy of reported amounts.
Response:	The School District concurs and we will implement policies and procedures pertaining to the management and the inventory process of our capital assets. We will have these procedures and processes defined by January 2017. We will begin building our computerized file through the CSI software at this time as well. We will work closely with the operation department to achieve this task. We will plan an inventory before the FY 16-17 year end.

2016-003: NONCOMPLIANCE WITH LAWS AND REGULATIONS

Repeat Finding from the Prior Year? No

Condition:	The School District's bank balances were not insured and under collateralized by approximately \$1,404,000 at June 30, 2016.
Criteria:	State law requires all monies deposited by a governmental entity at a financial institution be collateralized for any amount in excess of FDIC insurance.
Context, Cause and Effect:	Management was unaware that the bank deposits were under collateralized.
Recommendation:	We recommend that the School District coordinate with the bank in order to maintain sufficient collateral on its deposits at all times.
Response:	The School District will contact the bank and ensure that all balances will be sufficiently collateralized going forward. We will monitor the bank accounts more often during the month and before month end. We will also utilize our LGIP account more often.

Section III - Federal Awards Findings and Questioned Costs

None